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STATEMENT OF ACCOUNTS COMMITTEE

(MEETING TO BE HELD – IN PART – JOINTLY WITH THAT OF THE AUDIT COMMITTEE)

Date: Wednesday, 27 November 2019
Time: 6.00pm
Location: Shimkent Room - Daneshill House, Danestrete
Contact: Ian Gourlay 01438-242703

Members: Councillors: Mrs J Lloyd (Chair), P Bibby CC, R Broom, J Hollywell, J Mead, S Mead, G Snell and J Thomas.

AGENDA

PART 1

1. APPOINTMENT OF PERSON TO PRESIDE

To appoint a person to preside over the element of the meeting which will be held jointly with the Audit Committee.

2. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

3. 2018/19 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

The Committee is requested to receive a presentation from the Assistant Director (Finance & Estates) on the External Auditor's Annual Report for consideration and approval and the audited 2018/19 Financial Report including the Statement of Accounts (SOA).

Following the presentation, Members will be invited to ask questions of clarification.

At this juncture the Statement of Accounts Committee will adjourn to allow the Audit Committee to consider the report and to agree to any recommendations.

At the rise of the Audit Committee the Statement of Accounts Committee will reconvene and Members will receive details of any recommendations from the Audit Committee on this matter.

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4. URGENT PART I BUSINESS

To consider any Part I business accepted by the Chair as urgent.

5. EXCLUSION OF PRESS AND PUBLIC

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

6. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

Agenda Published 19 November 2019

Part I – Release to Press

Stevenage BOROUGH COUNCIL

Meeting: **Audit Committee/Statement of Accounts Committee**

Portfolio Area: Resources

Date: **27 November 2019**

2018/19 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

Author – Anita Thomas / Neil Harris Ext No. 2430
Contributors – Anita Thomas / Robert Garnett
Lead Officer - Clare Fletcher Ext No. 2933
Contact Officer – Anita Thomas Ext No. 2430

1 PURPOSE

1.1 To present the External Auditor – Ernst & Young LLP's Annual Report for consideration and approval and the audited 2018/19 Financial Report including the Statement of Accounts (SOA).

2 RECOMMENDATIONS

2.1 That the Annual Report to those charged with Governance for 2018/19 be approved (Appendix 1).

2.2 That the Council's Letter of Representation be approved (Appendix 2 to follow).

2.3 That the Financial Report including the Statement of Accounts 2018/19 be approved (Appendix 3).

2.4 That the Annual Governance Statement is approved (Appendix 4).

3 BACKGROUND

3.1 This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's report will be produced by the Council's External Auditors, Ernst & Young (Appendix 1).

3.2 The 2018/19 fourth quarter outturn position for the General Fund and the Housing Revenue Account was presented to the Executive on 10 July 2019. Following the external audit there have been no changes to the yearend financial position for either fund.

3.3 **Changes affecting the 2018/19 Statement of Accounts**

3.3.1 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.

3.3.2 In 2018/19, there were two **new accounting standards** applicable to the 2018/19 Statement of accounts:

IFRS 9 - Financial Instruments and,

IFRS 15 - Revenue from Contracts standards

IFRS 9 covers the classification of the authority's investments and the treatment of any arising impairment losses. The type of investments held by the Council were unaffected by this new standard. Officers reviewed the income streams from revenue contracts which may have fallen within the scope of IFRS 15 and concluded that the amounts were not material. This view has been accepted by the auditors.

3.3.3 On 7th November 2018 the Council set up a limited liability partnership – Queensway Properties (Stevenage) LLP. The Council holds a 99.9% of the partnership and as such Group accounts have been included in this year's Statement of Accounts. Members were offered training on Group Accounts prior to this committee to aid their understanding of any issues raised by the external auditor.

3.3.4 The **Annual Governance Statement** is no longer included within the Financial Report. This is now shown as a separate document and is included at Appendix 4 to this report. This Committee is required to approve the SOA and the Annual Governance Statement.

3.3.5 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix 2 to follow on completion of the audit).

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

4.1 Statement of Accounts

4.1.1 At the time of writing this report the audit of the 2018/19 Statement of Accounts had yet to be completed. As such the latest "in audit" version of the accounts, the 2018/19 Financial Report including the Statement of Accounts is Appendix 3 to this report. Any subsequent audit changes will be notified at the meeting on 27 November 2019.

4.1.2 One misstatement regarding the valuation of the swimming pool has not been amended. The asset has been valued at £4.6M and discounted (down to £3.66M) to reflect that the swimming pool is managed by a third party and the Council does not have direct control of the asset. This is consistent with the valuation treatment in prior years and consistent with other assets of this type. As such, officers believe that the valuation should not be adjusted and that the approach taken by its external valuer is reasonable. Ernst Young consider that this provides a lower valuation than would be expected.

4.2 **Balance Sheet**

4.2.1 The Council's Balance Sheet as at the 31 March 2019 showed total reserves of £535.8 Million, a decrease of £26.9Million over the Balance Sheet as at 31 March 2018. The decrease in the Council's net worth can be assessed by reviewing the Useable and Non Useable Reserves.

4.2.2 **Useable Reserves**

4.2.3 Useable reserves are cash reserves that are available for the Council to spend on revenue and/or capital. As at the 31 March 2019 the Council's useable reserves decreased by £1Million to £57.8Million.

4.2.4 Table 1 below details the movement in useable reserves.

TABLE 1:	**Balance at 31 March 2018**	**Increase/ (Decrease) in year**	**Balance at 31 March 2019**
Revenue Reserves:			
General Fund Balance	£5,465,117	(£671,056)	£4,794,061
Earmarked General Fund Reserves	£2,849,582	£1,055,560	£3,905,142
Housing Revenue Account	£24,114,664	(£2,812,605)	£21,302,059
Total Revenue Reserves	**£32,429,363**	**(£2,428,101)**	**£30,001,262**
Capital Reserves:			
Major repairs reserve	£9,264,380	£1,655,413	£10,919,793
Capital Receipts Reserve	£15,422,325	(£232,584)	£15,189,741
Government Capital Grants Unapplied	£1,730,482	(£58,723)	£1,671,759
Total Capital Reserves	**£26,417,187**	**£1,364,106**	**£27,781,293**
TOTAL REVENUE AND CAPITAL RESERVES	**£58,846,550**	**(£1,063,995)**	**£57,782,555**

4.2.5 All usable cash resources have been allocated, so unless earmarked reserves are no longer needed in the future, there are **currently no cash resources available** for new projects. In addition the capital strategy requires external borrowing and currently £401k of General Fund capital schemes are on hold pending matching capital receipts.

4.2.6 **Unusable Reserves**

4.2.7 Non useable or unusable reserves are non-cash reserves and include (but not exhaustively) the value of:

- Gains and losses from changes to the value of the Council's assets shown in the **Revaluation Reserve**.

- Timing differences between the purchase and use/or consumption of non-current assets (formerly known as fixed assets) shown in the **Capital Adjustment Account**.

- The calculated liability owed by the council at the Balance Sheet date for staff pensions shown in the **Pension Reserve**.

- The amount of money that would have to be paid to staff if all holiday entitlement due, but not taken was paid at the Balance Sheet date shown in the **Accumulated Absences Account**.

- The **Collection Fund Adjustment Account** which holds the timing difference between the recognition of Council Tax and Non Domestic Rates (NDR) income in the Income and Expenditure Statement as it falls due from council tax payers and business rate payers, compared with the statutory arrangement for paying across amounts to the General Fund from the Collection Fund (Council Tax and NDR), to match those calculated and approved at budget setting for that financial year.

4.2.8 The Council's unusable reserves decreased by £25.8Million to £478.1Million as at 31 March 2019 due to downward revaluation losses on Housing stock and an increase in the pension liability. Movements in the unusable reserve do not affect the Council tax payer or HRA tenant.

4.3 **External Auditor's Conclusions**

4.3.1 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.

4.3.2 At the time the time of writing the report, no objections were received by electors to the 2018/19 accounts.

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

5 **IMPLICATIONS**

5.1 Financial Implications

The updated Accounts for 2018/19 are financial in nature. As this document is finance related, the financial implications are contained therein.

5.2 Legal Implications

5.2.1 The requirement under the Accounts and Audit Regulations England (2015) is for the Council to publish draft accounts by 31 May following the year end and the Council's 2018/19 draft accounts were published on 31 May 2019. The external audit of the draft accounts has been delayed by our external auditors, Ernst Young (EY) LLP due to EYs resourcing pressures. 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 were subsequently rescheduled from July to the 27 November 2019.

BACKGROUND PAPERS

4th Quarter General Fund and HRA report 10 July 2019 Executive

4th Quarter Capital monitoring report 10 July 2019 Executive

APPENDICES

Appendix 1 – Annual Report to those charged with Governance (draft)

Appendix 2 - Letter of Representation (TO FOLLOW)

Appendix 3 – In Audit Statement of Accounts 2018/19 (Final Post audit to follow)

Appendix 4 – Annual Governance Statement

Appendix 5 – Glossary of Audit Phrases

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Stevenage Borough Council

Audit results report

Year ended 31 March 2019

27th November 2019

EY

Building a better working world

Private and Confidential

18 November 2019

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our audit conclusion in relation to the audit of Stevenage Borough Council for 2018/19.

We have substantially completed our audit of Stevenage Borough Council for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the 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 Audit Committee meeting on 27 November 2019

Yours faithfully

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This 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 (updated April 2018)’ issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. 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 Steve Varley, 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.

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan tabled at the 23 January 2019 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

<u>Changes in Scope</u>

The Council has assessed it's interest in Queensway Properties LLP as being material to Stevenage Borough Council group, consequently group financial statements have been prepared for the 2018/19 financial year. This is the first year which the Council has prepared group financial statements. As a result of this the scope of the audit has increased to include the appropriate audit procedures on the group financial statements for the year end 31 March 2019.

As Queensway Properties LLP is yet to appoint external auditors for its own single entity financial statements, we were not able to place reliance on the work of a component auditor. This has further increased the scope of Stevenage Borough Council group audit because we have had to conduct sufficient and appropriate audit procedures to gain assurance over the consolidated Queensway Properties LLP financial information for the 2018/19 year.

<u>Changes in Risks</u>

We have identified two additional significant audit risks in related to the group financial statements. These include:

- Preparation of group accounts – As the authority is preparing group accounts for the first time there is a risk that the accounting consolidation adjustments required are not complete or are not accurate.
- Significant judgements for Queensway LLP – Judgements have been taken in relation to the valuation of the Queensway property and also the leasing arrangements of the Queensway asset. There is a risk that the judgements taken may result in a material misstatement.

Section two of this report sets out our response and conclusions to all of significant risks identified.

<u>Changes in materiality</u>

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.2m, but that we would update this at year end. Our materiality has slightly increased to £2.23m. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements has also increased slightly from £108k to £112k.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Authority's financial statements. 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 summarise our consideration of these matters 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;
- 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

Status of the audit

Our audit of Stevenage Borough Council financial statements for the year ended 31 March 2019 is substantially complete. As at the date of this report the following areas of the audit were still to be concluded on:

- Value for Money Conclusion; resolution of final queries related to the due diligence processes and consideration of comparable rental incomes conducted by the authority. (See section below)
- Property, Plant and Equipment; including asset valuations and depreciation.
- Group accounts; including Queensway asset valuation, lease accounting arrangements and review of Group disclosure notes.
- Long term creditors; receipt of confirmation of the balance with Hertfordshire LEP as of 31 March 2019.
- Reserves and other related disclosures.

Additionally, to finalise the audit the following need to be completed.

- Completion of quality control and review procedures, including final Engagement Lead review and clearances.
- Review and agreement of the final version of the financial statements, including revised Annual Governance Statement.
- Completion of subsequent events review
- Receipt of signed management letter of representation
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We expect to issue the audit certificate at the same time as the audit opinion.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified two significant risks surrounding the Authority's arrangements in place to secure economy, efficiency and effectiveness on its use of resources. These risks included:

- Decision Making Processes: Future Town, Future Council regeneration projects, in particular focusing on the Queensway redevelopment scheme and the establishment of Queensway Properties Limited Liability Partnership (LLP)
- Sustainable resources: The financial resilience of the authority's Medium Term Financial Strategy.

After performing the procedures as outlined in our Audit Plan, including the utilisation of specialists from EY's Transactions Advisory Service to review Queensway feasibility study conducted by the Authority's specialist Cushman & Wakefield, we expect to have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources. The main areas we are concluding is obtaining further corroborative evidence of the extent of due diligence undertaken by the Council on Aviva and REEF, and also corroboration of assumed market value rental income.

Executive Summary

Audit differences

Section 4 of this report sets out the detail of audit differences arising from the course of the audit.

Audit differences in relation to the valuation of Queensway asset and Queensway lease accounting treatment in the Group financial statements have been identified, however as at the date of this report the final adjustment figures have yet to be finalised.

We have yet to finalise procedures on PPE valuations, however, we have identified a judgemental audit difference of £583k in relation to the valuation of the swimming pool in Stevenage town centre. Management have not adjusted for this audit difference in the financial statements.

We have substantially completed the audit; however until the audit is fully concluded it is possible that further audit differences may arise.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed 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 financial statement.

Other reporting issues

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

Independence

We have no independence issues to report and include in Section 09 our independence update.

02 Areas of Audit Focus

Significant risk

Risk of management override

(Fraud Risk)

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 and Ireland) 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 judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias.

What did we do?

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered of the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessed accounting estimates for evidence of management bias, and
- Evaluated the business rationale for significant unusual transactions.

In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk relating to adjustments made between the accounting and to the capitalisation of revenue expenditure as set out on the next slide.

What are our conclusions?

We have concluded on our testing of journal entry testing and have not identified any material weaknesses in controls or evidence of material 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.

Fraud Risk

Significant risk

Capitalisation of Revenue Expenditure

(Fraud Risk)

What is the risk?

The Local Authority Accounting Code of Practice and IAS16 requires the Council to capitalise expenditure where future economic benefit or service potential will flow to the council.

The Council has a significantly expanded it's capital programme, including ambitious redevelopment plans for the town centre. Total capital additions for 2018/19 were £29.9m. As such there is an increased risk that costs which do not met the accounting standard criteria for recognition as capital expenditure may be capitalised.

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What judgements are we focused on?

Capital expenditure, whether the expenditure meets the definition as capital.

What did we do?

- Inquired with management to gain an understanding of the controls put in place to address this risk.
- Tested samples of capital expenditure to verify that revenue costs had not been inappropriately capitalised. These samples included:
  - Property, Plant and Equipment (including capital additions made to the Housing Revenue Account),
  - Investment Properties,
  - And, revenue expenditure funded by capital under statute (REFCUS).

What are our conclusions?

We have completed procedures in relation to this risk and we have concluded that capital expenditure incurred was appropriately capitalised.

We not identified any misstatements or issues.

Fraud Risk

Significant risk

Preparation of group accounts

(Significant Risk)

What is the risk?

New Significant Risk for the audit

The 2018/19 financial year is the first time that the Council has prepared group financial statements. As such there is a significantly increased risk that the accounting consolidation adjustments required to prepare group financial statements are not complete or are not accurate.

What judgements are we focused on?

Group financial statements including disclosure notes, including the consolidation schedule for Stevenage Borough Council and Queensway LLP.

What did we do?

- Enquired with management as to the processes and controls in place for how intra-group transactions and balances are identified.
- Tested the consolidation schedule to review whether the adjustments made are consistent with our knowledge gained throughout the audit of the Stevenage Borough Council and Queensway LLP.
- Tested the consolidation schedule to review whether the adjustments made are compliant with the applicable accounting standards, including IFRS 10 Consolidated Financial Statements.

What are our conclusions?

We are yet to finalise and conclude procedures for this significant risk. This is due to a revision of the group financial statements due to the Queensway asset valuation and Queensway leasing accounting treatment. (See significant risk on next page).

However, based on procedures performed up to the date of this report we have no significant findings to report.

Significant Risk

Significant risk

Significant judgements for Queensway LLP

(New Significant Risk)

What is the risk?

Queensway LLP was established as a separate entity by Stevenage Borough Council during the 2018/19 financial year, and it has been consolidated into the authority's group financial statements.

This is the first time that Queensway LLP's financial information has been reported on. Consequently, there is a risk that key judgements adopted by management with respect to financial reporting of Queensway LLP may result in a material misstatement in the group financial statements.

What judgements are we focused on?

- Queensway asset valuation
- Queensway lease accounting treatment.

What did we do?

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Engaged our EY Valuations specialists to review the Queensway asset valuation as determined by the authority's valuer. This review verify the reasonableness of the valuation methodology applied and key assumptions used.
- Engaged our EY Financial Accounting Advisory specialists to review the accounting treatment adopted in relation to the Queensway lease arrangements. This includes consideration of the head-lease between Aviva and Stevenage Borough Council and the sub-lease between Stevenage Borough Council and Queensway LLP.

What are our conclusions?

We are yet to finalise and conclude procedures for this significant risk. This is because the asset valuation has been revised multiple times.

The initial valuation prepared by the authority's valuer (£1.9m) was not correct because the valuation erroneously included lease payments. Management identified that this was not correct so instead used a valuation at cost (£9.2m) within the draft financial statements.

After an initial discussion between our EY Valuation specialists and management the authority asked their valuer to revise the valuation. (Revised valuation £13.9m). Subsequently the EY Valuation specialist performed a detailed review of the revised valuation.

We are waiting for the updated revised valuation from the authority's valuer before we can conclude on the valuation of the Queensway asset.

The lease accounting treatment reflected in the financial statements has been updated based on the outcomes of the review conducted by EY Financial Accounting Advisory. There are minor ongoing queries still to be resolved.

Significant Risk

Other Areas of Audit Focus

Valuation of Property, Plant and Equipment and Investment Properties

What is the risk?

Property, plant and equipment (PPE), including Council Dwellings, represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and/or depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE and Investment Property balance.

As the Council's asset base is significant, and the outputs from valuers are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted.

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

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

The Council obtained a full update of the valuation undertaken in 2016/17 by Wilks Head Eve LLP. In response, we completed the following procedures:

- 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. This was done by our in house specialists reviewing responses to enquiries they made of the valuer. We also followed up any issues arising by checking the position against a sample of assets reviewed in detail by our EY Real Estate specialists in 2016/17;
- We checked that the Council had communicated to the valuer changes in assets;
- We reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base was not materially misstated;
- We considered changes to useful economic lives as a result of the most recent valuation in our depreciation testing; and
- We tested that the accounting entries had been correctly processed in the financial statements.

What are our conclusions?

As at the date of this report our work on the valuation of land and buildings and investment properties is in progress.

We have identified an audit difference in relation to the valuation of the swimming pool in Stevenage town centre. The Council's valuer has reduced the valuation of this asset to reflect the fact that whilst the pool is the Council's asset it is managed by a third party until 2023 which means that the Council does not directly receive income from the asset. The EY specialist considers that given the asset is not held as an investment property but rather for operational/utility purposes that this consideration is not relevant.

For the 2018/19 audit we have reported an audit difference of £583k that was not adjusted for in the financial statements. We have included this difference in our errors schedule in section 4.

Other Areas of Audit Focus

Pension Liability Valuation

What is the risk?

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

The Council's current pension fund deficit is a highly material and involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant changes in assumptions made by the actuary; and
- the assessments of the actuary undertaken by PWC and the EY actuarial team.

What did we do?

- Liaised with the auditors of the Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Stevenage Borough and completed our programme of work;
- Assessed the work of the Pension Fund actuary Hymans Robertson including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by NAO for all Local Government sector auditors, and considering any relevant reviews 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.

What are our conclusions?

We have received assurances from the auditors of Hertfordshire Pension Fund to support our audit of the pensions information disclosed in the financial statements of the Authority.

The Council has adjusted its accounts for the revised IAS19 report to support their pensions disclosure. This revised report reflected the impact of the actuary's initial estimate on the return of pension investment assets, the McCloud judgement and the Guaranteed Minimum Pension (GMP) requirements.

In total the pensions liability has increased by £1.4m. This has been adjusted for by management in the financial statements.

The accounting entries prepared and disclosures made by the Council are compliant with accounting standard IAS 19.

Other Areas of audit focus

New accounting standards

What is the area of focus?

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19. These standards are:

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts

There is a risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

What did we do?

- Reviewed the Authority's impact assessments for the new accounting standards.
- For IFRS 15, the review included consideration of each the Authority's income streams for whether the new accounting standard was applicable.
- For IFRS 9, the review included consideration of the classification of the Authority's investments, and consideration of changes in approach to calculating impairment losses.

What are our conclusion?

IFRS 15 - The Authority determined that income streams relevant to this accounting standard were not material. We have accepted this assertion.

IFRS 9 – The Authority's investments were appropriately classified under the new accounting standard and impairment losses have been appropriately calculated.

03 Audit Report

Draft audit report

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 for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Stevenage Borough Council and Group Movement in Reserves Statement,
- Stevenage Borough Council and Group Comprehensive Income and Expenditure Statement,
- Stevenage Borough Council and Group Balance Sheet,
- Stevenage Borough Council and Group Cash Flow Statement,
- and the related notes 1 to 31,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 6,
- Collection Fund and the related notes 1 to 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 2018/19.

In our opinion the financial statements:
give a true and fair view of the financial position of Stevenage Borough Council and Group as at 31 March 2019 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 2018/19.

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 below. We are independent of the Stevenage Borough Council and 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 (C&AG) 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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion on the financial statements

Other information

The other information comprises the information included in the Financial Report including Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Stevenage Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 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; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Assistant Director (Finance and Estates) (Chief Finance Officer) Responsibilities set out on page 31, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority'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 Authority either intends to cease operations, or have 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.

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.

Our opinion on the financial statements

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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, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Stevenage Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.

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, the 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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 Stevenage Borough Council and the Stevenage Borough Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date

The maintenance and integrity of the Stevenage Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 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.

Summary of adjusted differences

Audit differences in relation to the valuation of Queensway asset and Queensway lease accounting treatment in the Group financial statements have been identified, however as at the date of this report the final adjustment figures have yet to be finalised and agreed with management.

In addition, we identified some minor disclosure amendments which management have accepted. We do not consider them to merit reporting to the Committee.

We have substantially completed the audit, however until the audit is fully concluded it is possible that further audit differences may arise.

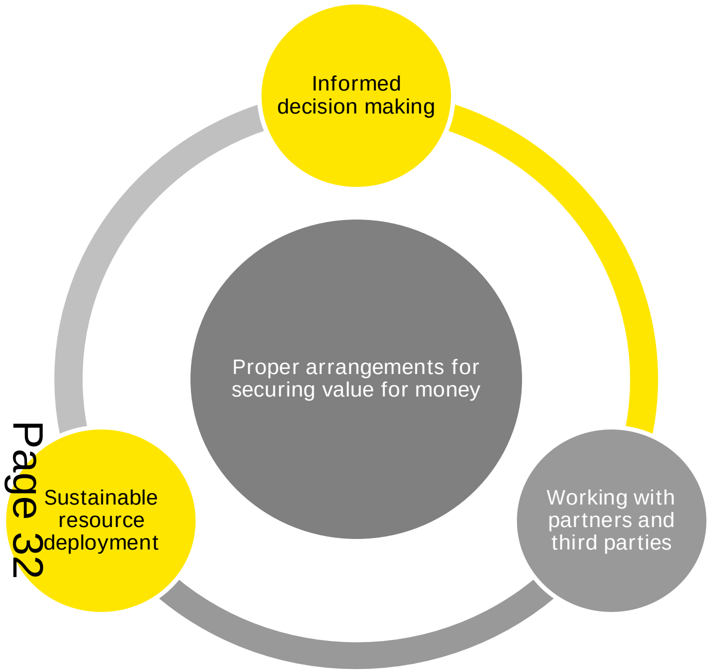
Summary of unadjusted differences

We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by this committee, and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2019 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase				Reserves
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Revaluation Reserve
Errors						
Judgemental differences:						
• Stevenage swimming pool valuation			583			-583

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified two significant risks around Stevenage Borough Council’s Value for Money arrangements for 2018/19. The tables below present our findings in response to the risks in our Audit Planning Report.

As at the date of this report we are waiting for final pieces of evidence and support before we can conclude on the value for money arrangements. However, anticipate that there will be no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Future Town, Future Council: Decision Making Processes The Council has an ambitious programme for the regeneration of Stevenage. There are major developments planned for Queensway. The Council established a limited liability partnership, Queensway Properties LLP, as an vehicle to regenerate Queensway. The council has also entered in a long term (37 years) lease agreement with Aviva UK as part of the Queensway deal. The authority is also working in close partnership with REEF to deliver the scheme. We needed to be assured that suitable arrangements have been put in place for the scheme.	▪ Take informed decisions and; ▪ Work with partners and other third parties.	We are waiting on the final pieces of evidence before we can conclude on this risk, particularly the evidence to support the Council's due diligence assessment of Aviva and REEF. However, as at the time of this report our review has confirmed that the Council has followed proper processes and has taken informed decisions in relation to the Queensway redevelopment deal. This included the Council seeking commercial advise on the feasibility of the scheme. Although the Queensway development is a mixed use scheme and has diversification, given the inherent risks and volatility faced by the retail sector as a whole we engaged EY Transactions Advisory Service specialists to review the robustness of the commercial advice received by the Council. We have concluded that the deal was structured to minimise risk to Stevenage Borough Council, however the initial viability of the scheme is highly dependent on the performance of REEF as developer and asset manager. Through REEF, the Council is currently negotiating lease terms with prospective tenants to occupy Queensway units. The Council is committed to lease repayments over the 37 year term of the lease agreed with Aviva UK. If the rental income from tenants of Queensway is not sufficient to cover the head lease payment to Aviva UK then the Council will be financially exposed. Therefore, it is critical that the Council achieve sufficient rental income from Queensway units. We have also obtained assurance that the Council sought and reflected on other advice appropriate for a scheme of this size. This included appropriate legal (state aid) and tax advise. We have considered the governance arrangements in place for how REEF report to Queensway LLP. We have concluded that there are adequate arrangements in place for Queensway LLP to monitor the performance of REEF.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Financial Resilience of Medium Term Financial Strategy The Queensway development (referred to on the previous page) may have implications for the Council's medium term financial strategy. While the Council has balances above the minimum determined by the Chief Finance Officer its balances are at a lower level than some other Hertfordshire districts. We need to be assured that the Council is deploying its resources in a sustainable manner.	▪ Deploy resources in a sustainable manner;	We have reviewed the Council's budget setting process, encompassing the Council's Medium Term Financial Strategy, to assess the robustness of any significant assumptions used. We have concluded that the Council's medium term strategy is sufficiently robust given the Council's risk assessed minimum general fund balance of £2.7m. The Council's Medium Term Financial Strategy is not dependent on drawing profits out Queensway LLP (except monies required to meet the head lease payments to Aviva UK as reported on the previous page). The provides assurance that authority has planned to deploy its resources in a sustainable manner; projected balances are risk adjusted and does not rely on uncertain income streams, unplanned use of reserves or unrealistic savings targets. We have noted that Council £15m investment property strategy that was approved in 2017/18 was expected to generate a target of £0.2m additional income per annum. However, due to the lack of available investment property opportunities within the area it is unlikely that this target will not be achieved in the near future. This is an effective budget pressure for the Council. As of 31 March 2019 the Council had a Regeneration Asset reserve of £1.3m cover such fluctuations in rental streams. The Chief Financial Officer has flagged the delivery of this saving and income generation option as a risk area on the risk register.

06 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 2018/19 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.

We are yet to conclude on procedures for the other information published with the 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

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We expect to submit the Whole of the Government Accounts return upon conclusion of the audit. We have no matters to report in this area.

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 Authority 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 Authority, 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.

Other reporting issues

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 Stevenage Borough Council, and Group, financial reporting processes. 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.

No significant findings in relation to the above matters were identified as part of the audit.

However, we did note that the financial reporting processes in relation to fixed assets (e.g. Property, Plant and Equipment) are very manual and time intensive for the Council's officers. The Council has a fixed asset register that is maintained with the financial reporting details of the Council's individual assets. However, the financial reporting processes appeared to be constrained by the limitations of the Council's fixed asset register, in particular the usefulness of the reports that could be obtained from the register. The Property, Plant and Equipment disclosures within the financial statements are driven by the output reports from the asset register. We recommend that the Council reviews and investigate ways in which it can streamline and improve financial reporting processes for fixed assets.

07 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 financial statements of which you are not aware.

08 Data Analytics

General Ledger and Payroll Data Analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

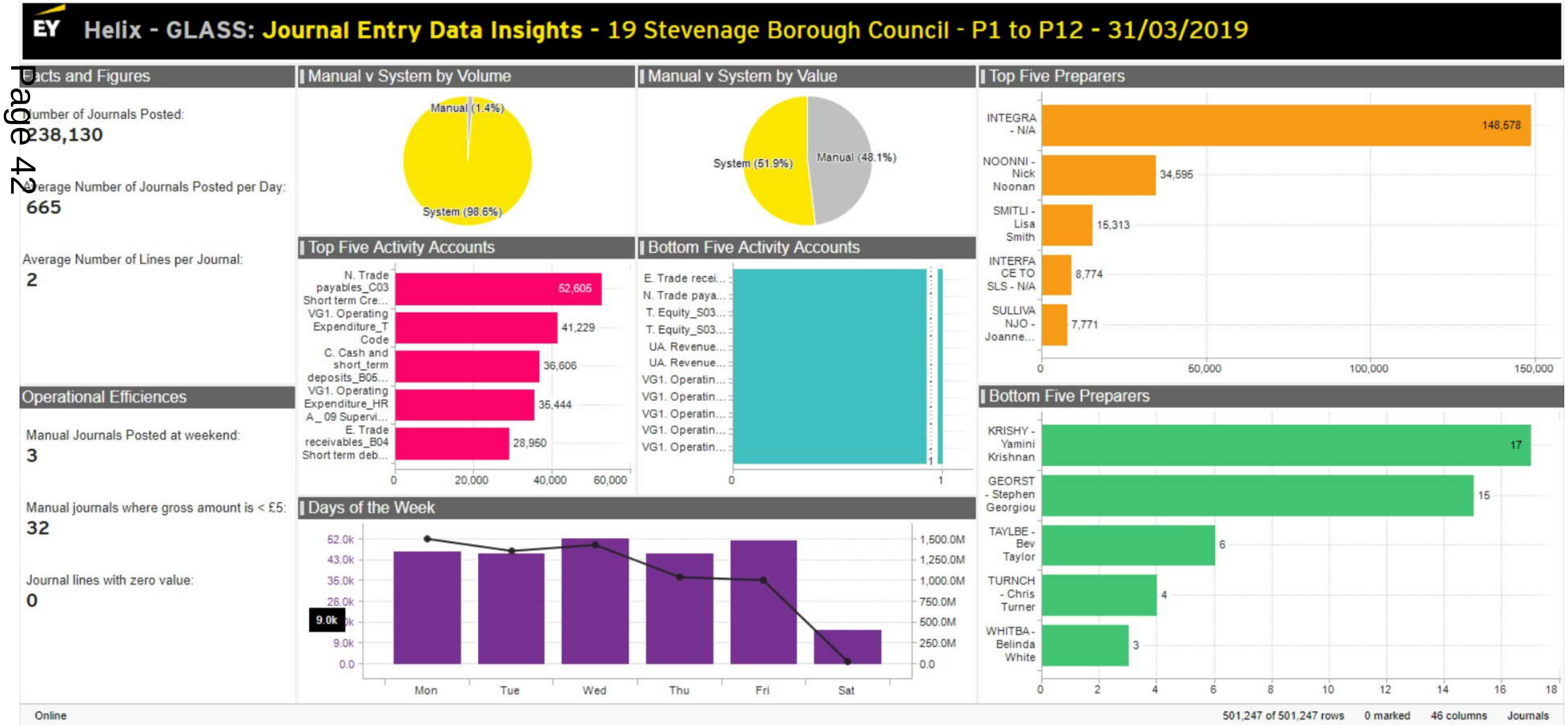
Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

The analysis of the journal data provides some useful insights which assists the audit team to focus our journals testing, for example, the large majority of journals are systems rather than manual which is indicative of an effective journals process with less reliance on manual journals; there are few manual journals posted at the weekend; and that the types and preparers of journals are in line with our expectations.



09 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 23 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. 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 the 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 Audit Committee on the 27 November 2019

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 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to Certification of Housing Benefits. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

The fee for 2018/19 reflects the year 1 of the new 5 year contract awarded by PSAA.

	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£
Total Audit Fee – Code work	74,283 ~	49,283	65,259*
Certification of Housing Benefit Claim (PSAA)	n/a	n/a	16,145**
Certification of Housing Benefit	7,600***	n/a	n/a
Total fees	£81,883	£49,283	£81,404

All fees exclude VAT

• The fee includes £1,255 additional fee for additional work undertaken on the value for money conclusion in 2017/18.

** The fee for 2017/18 under the PSAA contract includes £5,234 for three extended samples over and above the two budgeted for in the scale fee for that year.

*** We have been appointed to be the reporting accountant for the Housing Benefit Claim. The base fee for the certification of the housing benefit return is £7,600. Each extended sample attracts a fee of £2,400, for information there were five extended samples in 2017/18.

~ The planned fee for 2018/19 will attract a scale fee variation in relation to the additional scope and risk profiles that are not reflected in the base PSAA scale fee. For the 2018/19 audit this included:

- Value for money conclusion; EY Transactions Advisory Service involvement to assist in reviewing the arrangements for the Queensway regeneration scheme
- Queensway LLP, EY Valuations involvement to review the valuation of Queensway property asset.
- Queensway LLP, EY Financial Accounting Advisory Service involvement to review the lease accounting treatment adopted.
- Group financial statements, additional scope of the Group audit and additional requirements therein of the audit team.

The estimated scale fee variation for the 2018/19 audit is £25,000. This scale fee variation has yet to be agreed with the Council's Chief Finance Officer, and is also subject to agreement by the PSAA.

10 Appendices

Audit approach balance sheet

Our audit approach of the balance sheet is a fully substantive approach for all balance sheet categories. This is unchanged from the prior year.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix B

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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report January 2019
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report November 2019

Appendix B

		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: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report November 2019
Misstatements	• Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit results report November 2019
Subsequent events	• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report November 2019
Fraud	• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit results report November 2019

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority	Audit results report November 2019
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report, January 2019 and Audit results report November 2019
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report November 2019

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report, July 2019
Consideration of laws and regulations	• 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 • 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	Audit results report, July 2019
Written representations	• Written representations we are requesting from management and/or those charged with governance	Audit results report, July 2019
Material inconsistencies or misstatements	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report, July 2019
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit results report, July 2019
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report, March 2019 and Audit results report, July 2019

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ED None

ey.com

2018/19
Financial Report including Statement of Accounts and Group Accounts

In Audit

Stevenage
BOROUGH COUNCIL

The 2018/19 Pre Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of Stevenage Borough Council by the Chief Financial Officer on 31 May 2019.

The final version of the Statement of Accounts includes amendments following consideration by Ernst Young and was approved under delegation by the Chair of Audit Committee and Resources Portfolio Holder on 27th November 2019.

Chair Audit Committee	Chair Statement of Accounts Committee & Resources Portfolio Holder
27Th November 2019	27Th November 2019

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.

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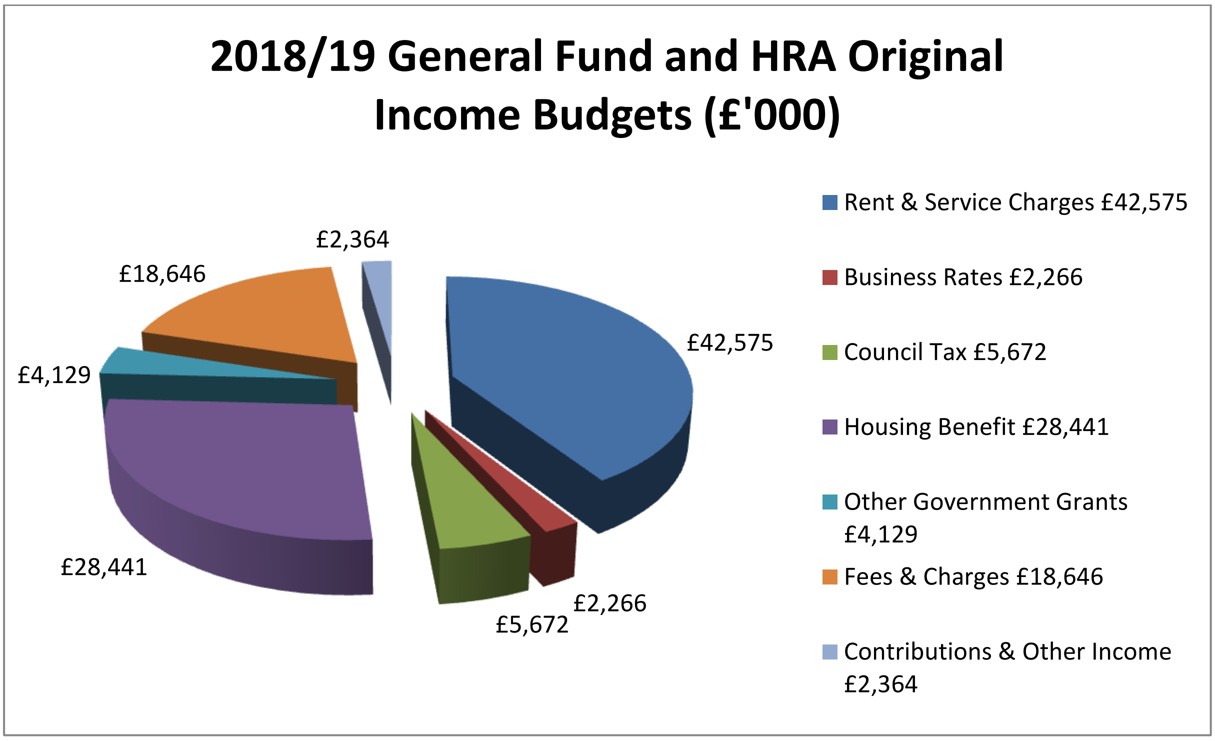
Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2018/19. As a co-operative council we aim to work alongside residents and partners to improve the lives of all those 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 timely publication of our accounts is a key part of our commitment to this transparency.

Stevenage Borough Council provides some 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:

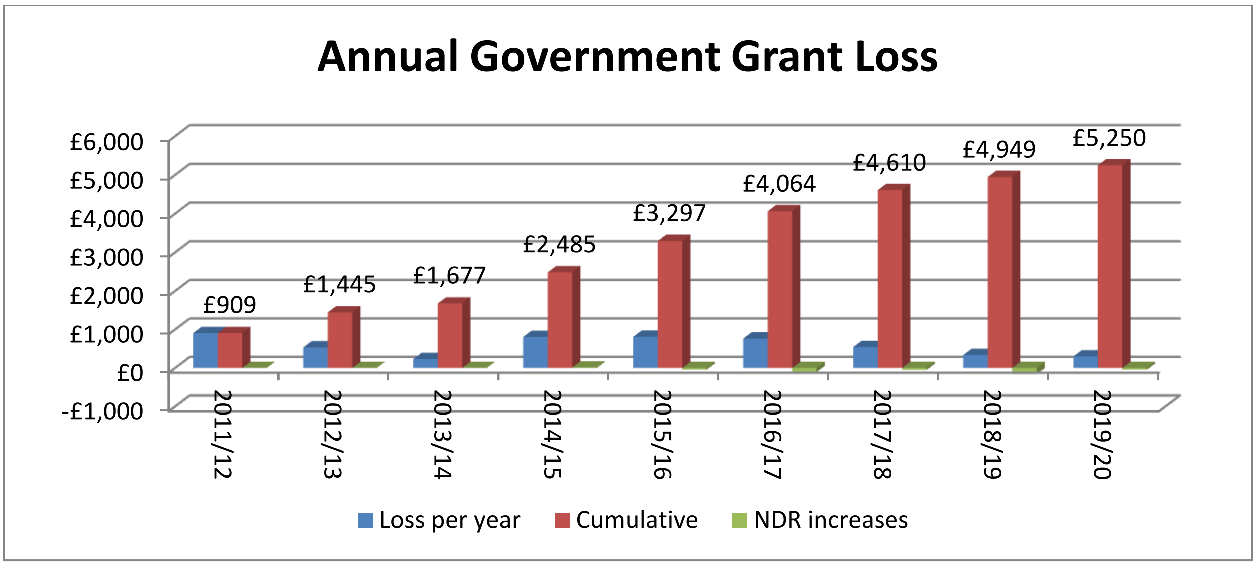
- Shared Revenues and Benefits service (hosted by East Hertfordshire Council)
- Shared ICT service with East Hertfordshire District Council (EHC) hosted by Stevenage Borough Council.
- Shared Internal Audit Service (SIAS) and Shared Anti-Fraud Service (SAFS) with other Hertfordshire Councils hosted by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

The Council directly employs circa 650 employees across our many services and how we fund those services is shown below.

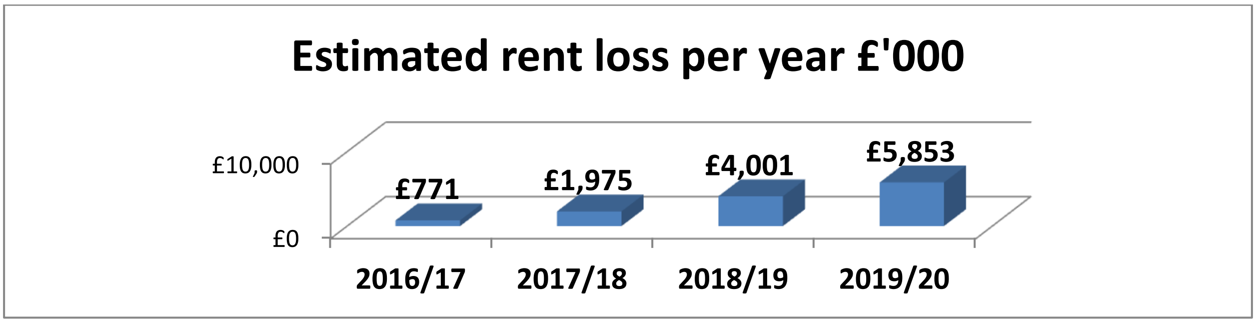


Foreword by Chief Executive

Local government has faced significant funding cuts during the period of national austerity (2011/12 - 2019/20), 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 £5Million of government grant removed between 2011/12-2019/20. But we also have had to fund an estimated £5.2Million of inflation increases and pressures in addition to the cuts, without the ability to fund the widening gap from council tax, this is because increases have been limited by legislation at below 2% up to 2017/18 and thereafter limited to increase below 3%, without triggering a local referendum vote.



Our funding and income to provide our services has also been impacted by changes in government policy and no more so than government legislation on council house rents. The government's Welfare Reform and Work Act made changes to the rent we can charge for our council homes which has resulted an estimated reduction in income of £225Million over 30 years, with an estimated loss of income from 2016/17 to 2019/20 of £5.9Million by 2019/20. Rental income is used fund the management of our council homes, fund improvements and to build new homes.

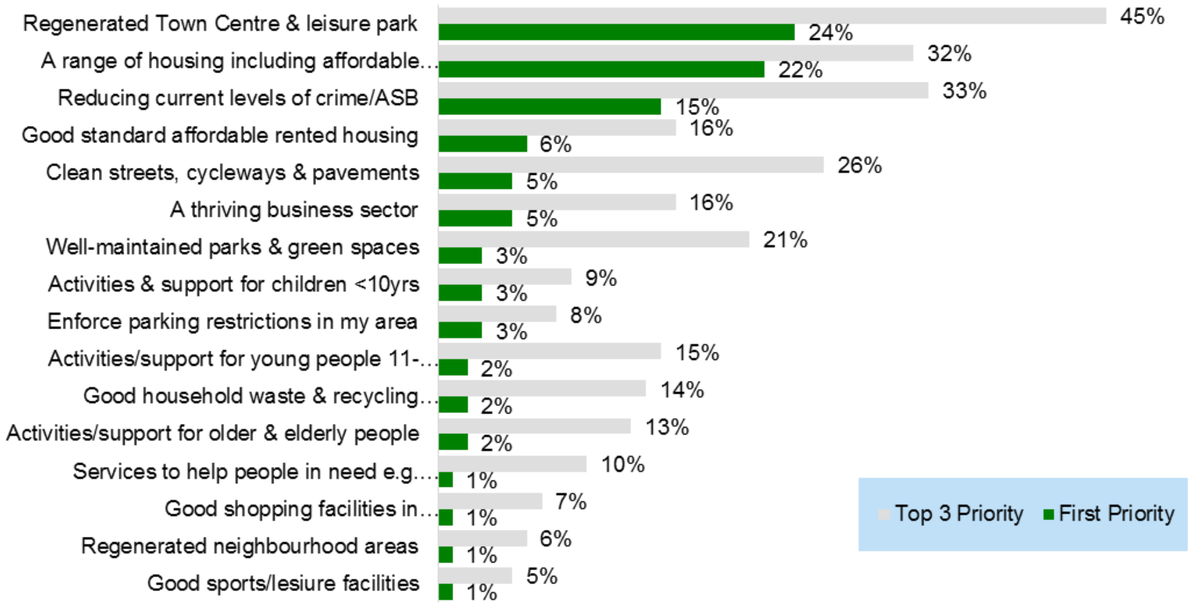


Foreword by Chief Executive

We continue to face tough economic choices but we are all working hard in Stevenage to continue to deliver effective services despite the financial challenges we face. We all have fewer resources and must find creative ways to ensure that front line service quality for those who need us is not compromised.

The impact of grant reductions and legislation changes has meant that we have needed a plan to fund our services and at the same time ensure that our scarce funding resources are directed to our top priorities.

When we asked our residents what their top priorities were *4 they said their top priorities were regenerating the town centre and affordable housing, these match the council's top FTFC priorities.



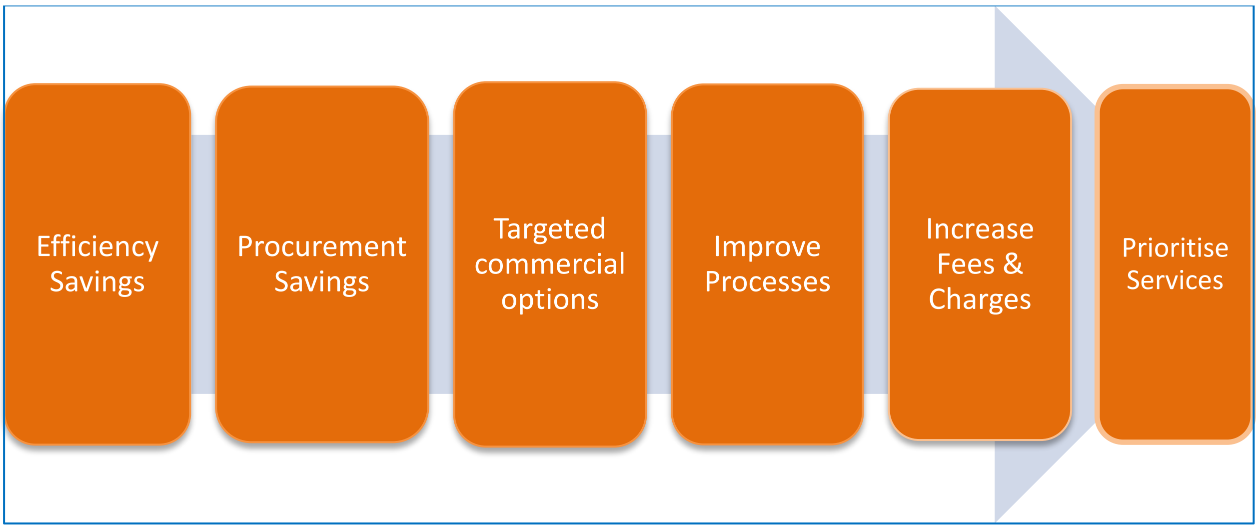
We are an ambitious council and in addition to our 120 services we have set out our top or key priorities which are encompassed within the 'Future Town Future Council' (FTFC) work programme. There are six themes, which includes the Council's and our residents' top priority[1]; regeneration of the town centre. Other priorities include Housing Development and Excellent Council Homes for Life and Financial Security. Members approved the programme at the March 2016 Executive.

[1] Residents Survey 2017

Foreword by Chief Executive

But how we do we deliver all this with the financial challenges we face? The Council's Financial Strategies (MTFS)*1, 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. The Council's priority 'Financial Security' helps us to deliver this through, efficiencies, procurement, 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 'Future Town Future Council' ambitions for Regeneration, Housing delivery and Co-operative Neighbourhood Management in Stevenage.

Financial Security



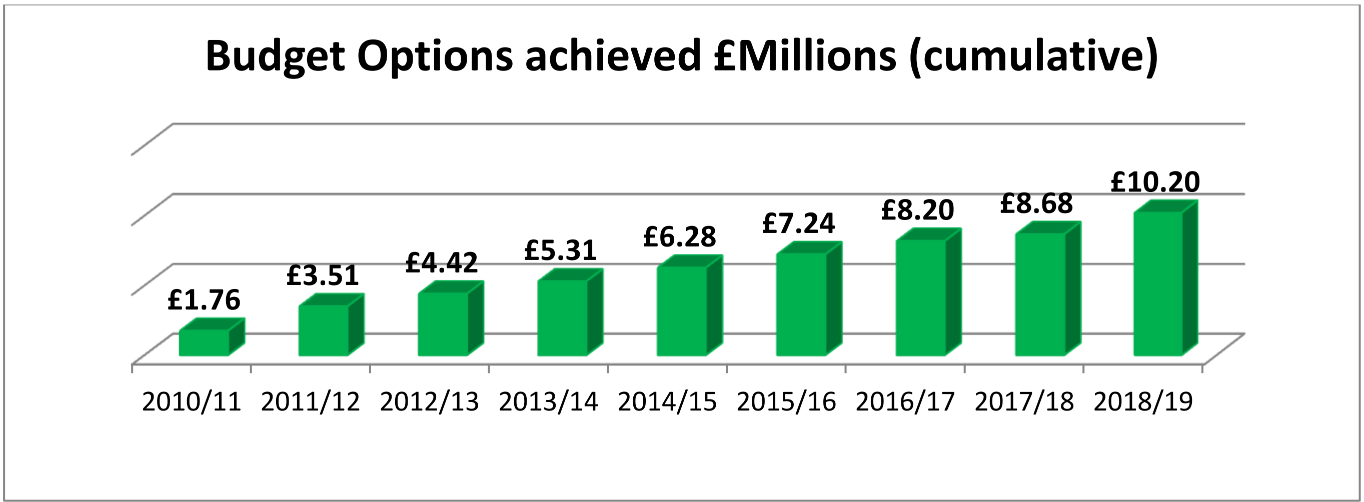
Foreword by Chief Executive

The six 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 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'

The delivery of FTFC priorities against a backdrop of funding cuts will necessitate that growth should only be to approved which meet the outcomes of the FTFC priorities. The Council has had to adjust the timeline of this MTFS principle in light of projected funding losses and inflationary impacts, from 2021/22 to 2022/23. However the General Fund budget report to the 2019 February Council currently projects a return to balances by the revised date of 2022/23.

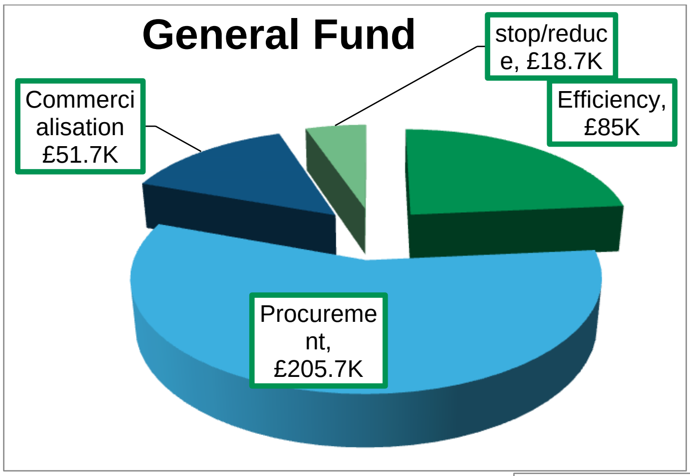
Resources spent on services that are not considered a priority need to re-directed, which is the sixth strand of the 'Financial Security' work programme. In addition a minimum three year view of savings options is taken to avoid us having to make unplanned budget cuts which impact on priority services.

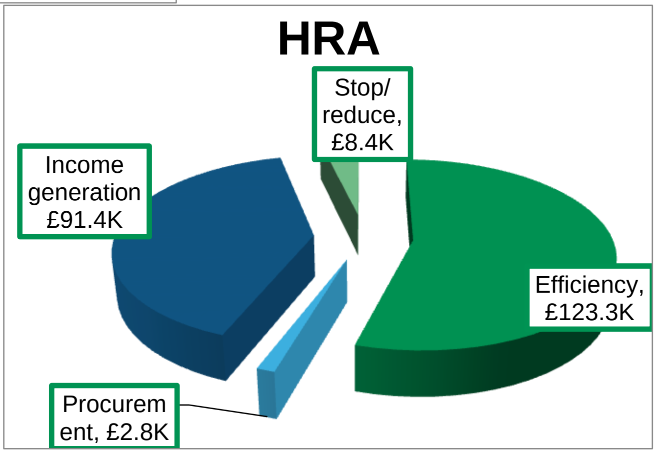
In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring 'Financial Security' targets to be set and implemented. But we do have a track record in achieving savings and during the period 2010/11-2018/19 Members have approved a total £10.2Million net cost reductions for General Fund services.



Foreword by Chief Executive

For the 2018/19 financial year, Members approved total General Fund Financial Security options of £342,400, together with prior year savings relating to a phased reduction in community centre grant funding of £18,710, giving a total of £361,110. Members also approved options totalling £225,960 for Housing Revenue Account (HRA), giving an overall total of £587,070 for 2018/19.





Looking to the future, the total 'Financial Security' target for both the General Fund and HRA for 2020/21-2022/23 is estimated to be £2.98Million, (including fees and charges increases), our plans have identified options totalling £1.12Million, leaving £1.86Million to be delivered as part of the Financial Security priority, (£1.22Million General Fund, £640K, HRA).

In addition to the Financial Security options identified, Members have also approved the first major 'targeted commercialisation' option in 2017. This was £15Million investment in commercial property predominately in Stevenage to promote economic investment for the town and give an estimated net £200,000 contribution to the General Fund for 2018/19 onwards. To date one property has been acquired which is estimated to give a £44,000 contribution to the General Fund and other opportunities are currently being explored. The projection for 2019/20 is to achieve a £200,000 total contribution for the General Fund.

Foreword by Chief Executive

The Council's March 2019 Executive also approved the business plan to set up of a Wholly Owned housing company (WOC) to provide a supply of market rent properties. The creation of the WOC allows Stevenage Borough Council to influence the private rented market in order to provide an alternative to what the market is currently offering in terms of quality and assurance of tenure. The business plan anticipates that the WOC will be able to make a contribution to the General Fund after the third year of trading.

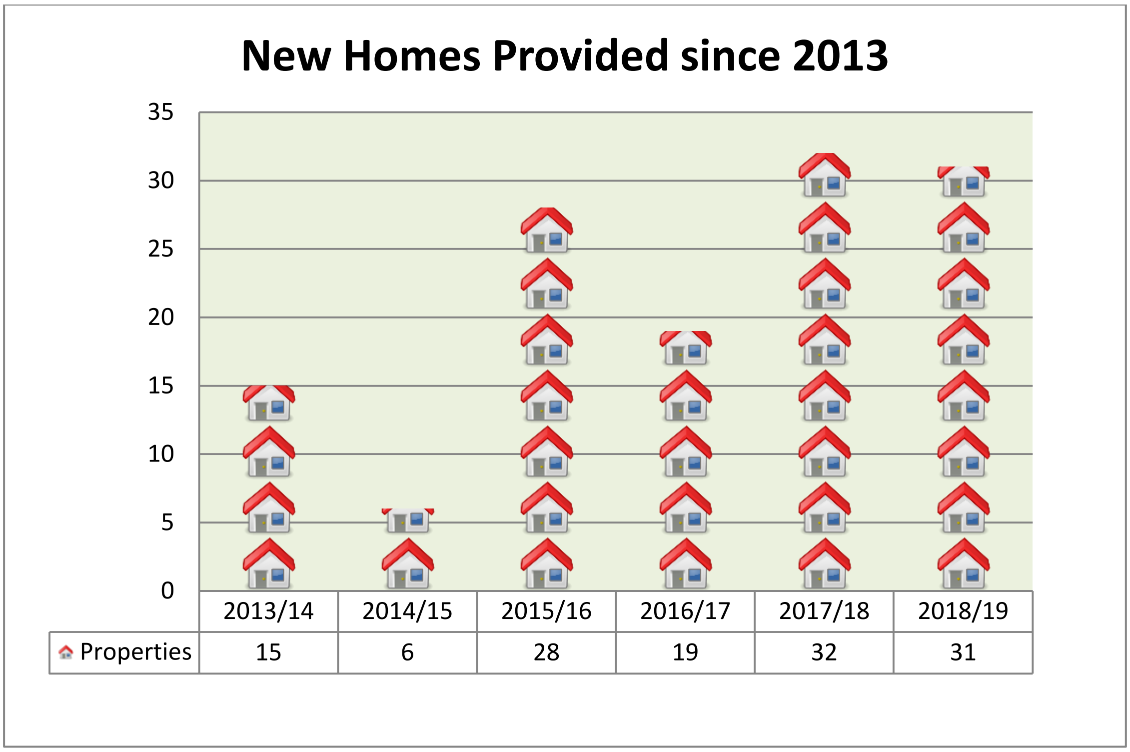
The Council's top priority "Town Centre regeneration" has been progressing during 2018/19 and culminated in March 2019 with the Council and Mace signing the development agreement which will see Mace, the international development and construction company behind some of the world's landmark developments, undertake the first phase of Stevenage town centre regeneration, called SG1. This ambitious scheme will bring £350million of private investment into our town centre and will see the area covering our offices here 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.

We're hopeful that, following the planning process, construction work will start in Autumn 2019), taking several years to complete. Of course, this is just the start, but since 2017 we have had a programme of improving our public realm in the town centre, making it a better place to visit and shop.

The Council has recognised the importance in ensuring the town centre offer remains vibrant and in addition to the regeneration plan outlined above, has entered into a finance lease with a developer. This will see a significant part of the Town's main shopping thoroughfare Queensway North to be redeveloped, incorporating existing and new retail and leisure offers. This work has already started. The Council has set up a partnership - Queensway Properties (Stevenage) LLP to deliver this scheme (more information can be in the group accounts section of this document).

Foreword by Chief Executive

Providing housing for our residents is also one of our top priorities. We plan to deliver a further 71 properties in 2019/20 let at affordable and social rent levels. In addition we will start our ambitious redevelopment at Kenilworth which will see an estimated 236 new homes.



We are a Co-operative Council and as such we take decisions with our residents and another of our top priorities is the Co-operative Neighbourhood programme. This includes neighbourhood garages, play refurbishments, improvements to public realm and landscaping as well as employing our four neighbourhood wardens to work with residents in the town to improve our neighbourhoods. In 2018/19 we allocated £450,000 from New Homes Bonus funding to help fund this programme with a further £450,000 in 2019/20. This funding is in addition to the capital funding we have already approved.

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 Management Team (SMT), 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.

Foreword by Chief Executive

We ensure that we deliver the services and priorities our Members have approved by reporting quarterly using some key measures 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 senior leadership team 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. At the time the Statement of Accounts was published the 4th quarter results had not been published (July 2019 Executive). 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.

Our focus, as always, is on delivering the most efficient services which offer the best value for money for Council Tax and rent payers across the borough. However, we need to acknowledge that we cannot make the level of savings we require without making some difficult decisions about how we spend our money and the services we continue to provide our 'Future Town Future Council' priorities.

Our Business Unit Reviews which were started in 2017/18 aim to enhance our workforce capacity and skills to meet the increasing and changing demand for services over the next five years. This will strengthen our organisation, so that we deliver the changes we need to make, meet our challenges and realise our ambitions as a Council and as a Town.

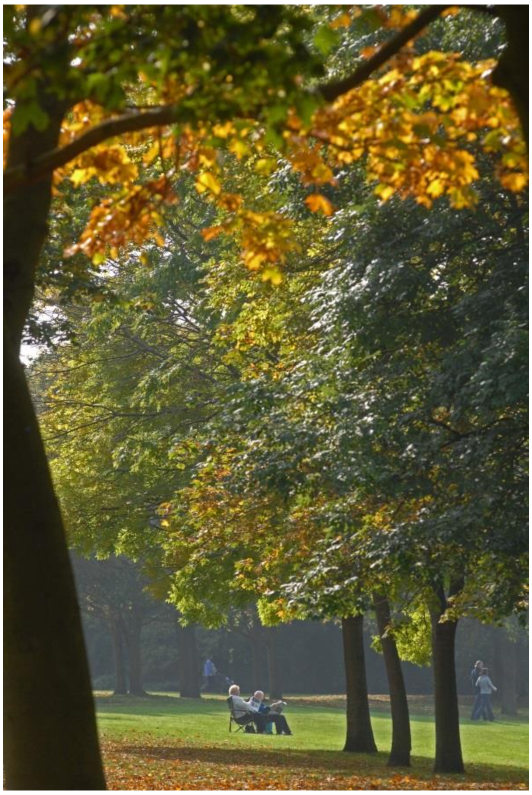
We have attempted to prepare these accounts in a style to enable readers to understand and interpret the various financial statements. I aim to give electors, local residents, Council Members, partners, and other interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts of Stevenage Borough Council for the year ended 31 March 2019 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the 2018/19 Code of Practice on Local Authority Accounting.

This is my last year as Chief Executive at Stevenage Borough Council and I believe the plan set out in this foreword and as approved by our Members will deliver generational change in Stevenage delivering a revitalised town centre, new social housing and an inclusive way of working with our residents to deliver our joint aims for the town.

Scott Crudgington
Chief Executive

About Stevenage Borough Council



Background

Stevenage was designated Britain's first new town in 1946.

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

General Statistics

2017/18		2018/19
	Area and Population	
2,596	Area (hectares)	2,596
87,080	Population	87,700
33.54	Population per Hectare	33.78
	Council Tax	
29,017	Number of Chargeable Dwellings	29,433
	Council Tax per Property in Band D	
£198.52	- Stevenage Borough Council	£204.46
£1,245.83	- Hertfordshire County Council	£1,320.46
£152.00	- Hertfordshire Police Authority	£164.00
£1,596.35	**Total Council Tax**	£1,688.92

**published by the Office of National Statistics sub national population*

About Stevenage Borough Council

General information

Geography

Stevenage is strategically located within Hertfordshire 30 miles north of London.

Having a major station on the East Coast Main Line, Stevenage offers superb connectivity with it only taking **19 minutes** to Kings Cross and less than 40 minutes to Cambridge. Thameslink services giving **direct connections** to **Farringdon, London Bridge** and **Gatwick** have begun operating in May 2018.

Stevenage is also situated on the A1 (M) allows 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. Our major employers include:

- GlaxoSmithKline
- Airbus Defence & Space
- MBDA
- Stevenage Bioscience Catalyst
- Fujitsu

Living

Stevenage offers a fantastic balance of life with a strong mix of urban and rural life. There is a great 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.

About Stevenage Borough Council

General information

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 having just announced Mace as our development partner for the first phase, called SG1, construction is another step closer. SG1 will see over 1,000 new homes, shops, public spaces and a new community hub delivered.

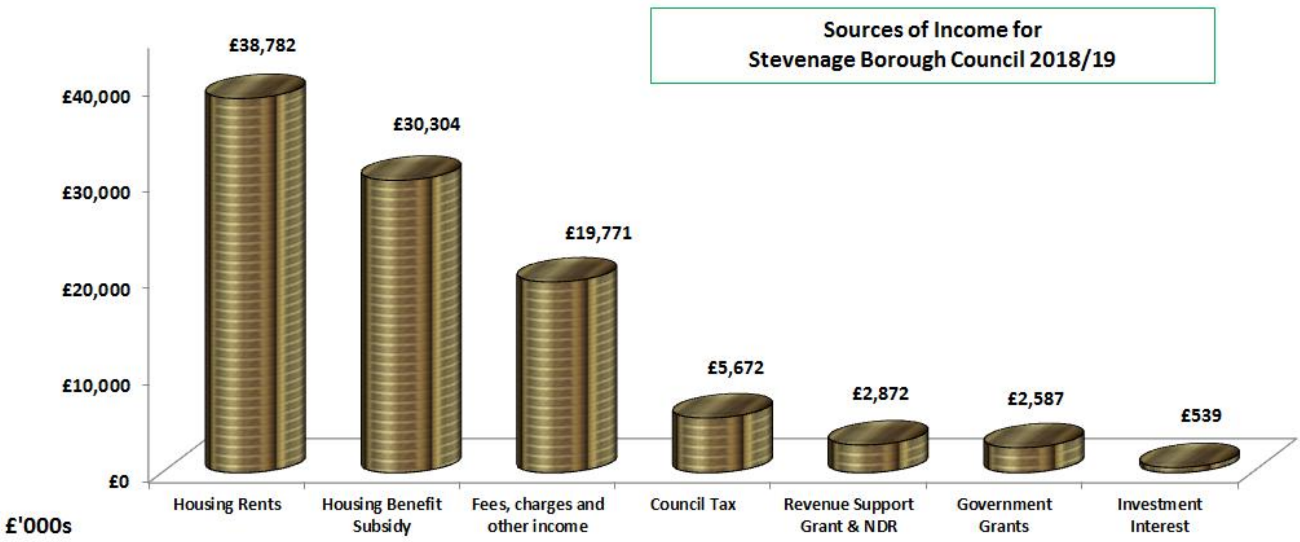
The Council has also entered into a partnership to redevelop part of Queensway in the town centre. The redevelopment will include mixed retail use, housing and leisure facilities, helping to regenerate this area of the town centre

Queensway: artist's impression

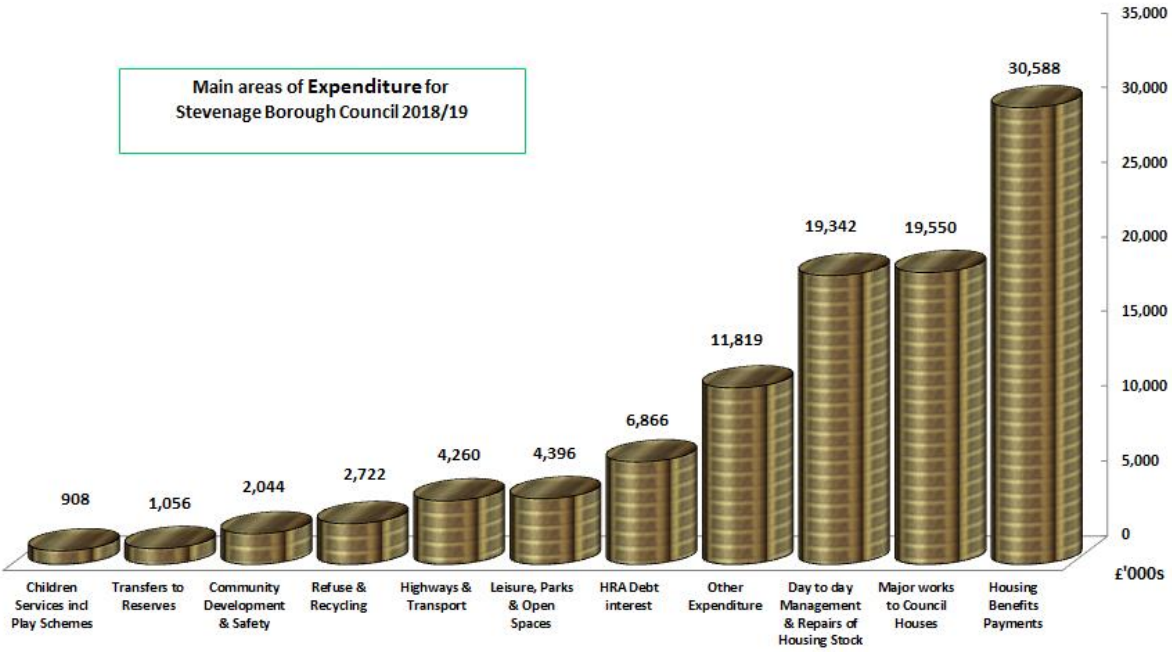
About Stevenage Borough Council

Where our money comes from and how we spend it.

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.



About Stevenage Borough Council



Narrative Statement

The Narrative Summary 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 2019

(full statement on page 37)

Comprehensive Income & Expenditure Statement for the year ended 31 March 2019

2017/18 £'000		2018/19 £'000
3,314	**Cost of Services**	**9,248**
(1,350)	Other Operating Expenditure	(2,155)
6,636	Financing & Investment Income & Expenditure	5,882
(12,990)	Taxation & Non-Specific Grant Income	(12,958)
(4,390)	**Deficit on Provision of Services**	**17**
(32,565)	Other Comprehensive Income & Expenditure	26,862
(36,955)	**Total Comprehensive Income & Expenditure**	**26,879**

** the large variance in cost of services from 2017/18 to 2018/19 has arisen due to asset revaluation changes charged to cost of services. These costs are then reversed out in Movement in Reserves Statement in accordance with statutory provisions and CIPFA guidance to negate any impact on the council tax payer.*

Balance Sheet

(full statement on page 43)

Balance Sheet

31 March 2018 £'000		31 March 2019 £'000
	Assets:	
784,069	Long Term Assets	787,548
62,215	Current Assets	56,229
(26,652)	Current Liabilities	(23,835)
(256,890)	Long Term Liabilities	(284,077)
562,742	**Net Assets**	**535,865**
	Fund Balances & Reserves:	
58,846	Usable Reserves	57,783
503,896	Unusable Reserves	478,082
562,742	**Total Fund Balances & Reserves**	**535,865**

Narrative Statement

Revenue Budget and Outturn

The original General Fund net budget of £9,107,740 was agreed at Full Council on 28 February 2018. Subsequently, Members have approved various budget amendments to take into account service pressures and budget options arising in year resulting in a revised budget of £9,982,610 approved on 14 March 2019 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2018/19 £'000	Working Budget 2018/19 £'000	Actual 2018/19 £'000	Variance to Working Budget £'000
Directorate:				
Community Services	4,697	4,816	5,392	576
Housing Services	2,110	1,687	2,237	550
Environmental Services	7,196	7,709	8,883	1,174
Local Community Budgets	101	101	101	0
Resources*	(5,230)	(5,076)	(7,467)	(2,391)
Resources - Support	234	746	117	(629)
Total Net General Fund Expenditure	**9,108**	**9,983**	**9,263**	**(720)**
Income:				
Council Tax	(5,532)	(5,532)	(5,532)	(0)
Transfers to/from collection fund	(170)	(170)	(170)	0
Revenue Support Grant (RSG)	(351)	(351)	(351)	0
Retained business rates	(2,539)	(2,539)	(2,539)	0
NDR Pooling Levy**	303	303	0	(303)
Total Income from taxation and RSG	**(8,289)**	**(8,289)**	**(8,592)**	**(303)**
Net underspend/transfer to balances	**819**	**1,694**	**671**	**(1,023)**
General Fund Balance Brought Forward	(4,883)	(5,465)	(5,465)	
Balance Carried forward	**(4,064)**	**(3,771)**	**(4,794)**	

**The majority of Resources - Support costs are recharged out to the service area in accordance with CIPFA Reporting Code of Practice*

*** Actual pooling levy is included in resources in Net General Fund Expenditure*

The 2018/19 actual net spend on the General Fund was £718,222 lower than the working budget. Included within this underspend is £545,040[2] relating to projects which have slipped into 2019/20 and for which carry forward of budget has been requested. The large variance in Environmental Services is due to revaluation losses on Car Parks that are reversed out within Resources in accordance with statutory provisions and CIPFA guidance.

[2] Final carry forward budget will be confirmed and approved at the July 2019 Executive

Narrative Statement

Budget – Housing Revenue Account (HRA)

The original HRA budget of £2,756,630 (deficit) was agreed at Council on 30 January 2018. Subsequently, Members have approved various budget amendments to take into account service pressures and budget options arising in the year resulting in a revised budget of £3,094,890 surplus approved on 14 March 2019 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2018/19	Working Budget 2018/19	Actual 2018/19	Variance to Working Budget
	£'000	£'000	£'000	£'000
Expenditure:				
Supervision & Management	9,589	10,168	10,917	749
Repairs & Maintenance	6,324	6,803	6,823	20
Other expenditure	5,575	1,483	2,872	1,389
Total Expenditure	**21,488**	**18,454**	**20,612**	**2,158**
Income:				
Dwelling Rents	(39,588)	(38,789)	(38,782)	7
Other income	(5,296)	(4,202)	(4,265)	(63)
Total Income	**(44,884)**	**(42,991)**	**(43,047)**	**(56)**
Other charges to the HRA				
Depreciation	11,792	11,792	12,780	988
Interest	6,960	6,867	6,920	53
Other	7,401	8,973	5,548	(3,425)
Total Other charges to the HRA	**26,153**	**27,632**	**25,248**	**(2,384)**
(Surplus) / Deficit for the year	**2,757**	**3,095**	**2,813**	**(282)**
Balance brought forward	(22,552)	(24,115)	(24,115)	0
Balance Carried forward	**(19,795)**	**(21,020)**	**(21,302)**	**(282)**

The 2018/19 actual HRA net deficit was £282,284 lower than the working budgeted deficit. Included within this underspend is £46,942[3] relating to projects which have slipped into 2019/20 and for which carry forward of budget has been requested subject to Executive approval in July 2019. Included within the actual costs is a revaluation loss of £2,509,484 that is reversed out within the HRA accounts in accordance with statutory provisions and CIPFA guidance.

[3] Final carry forward budget will be confirmed and approved at the July 2019 Executive

Narrative Statement

Budget – Housing Revenue Account (HRA)

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. At the time of the Self Financing settlement the HRA took loans totalling £196,911,000 (an amount determined by and payable to The Secretary of State). HRA reserves over and above minimum balances (£21,302,059 at 31 March 2019) are required to repay those loans taken out as part of the Self Financing agreement and balance the needs of the service.

During the financial year 2018/19, 32 council homes were sold under the Right to Buy scheme and 31 new homes were provided. Of these, the Council's new build schemes delivered 14 homes at the Twin Foxes, and a further 17 homes were acquired through open market purchases. The council's closing stock of council homes at 31 March 2018 was 7,965 properties.

New build scheme at Burwell Court

Stevenage BOROUGH COUNCIL

Narrative Statement

Material Assets Acquired or Liabilities Incurred during 2018/19.

During 2018/19 the Council acquired a long term lease for properties in the town centre 85-103 Queensway and 24-26 The Forum. The council has subsequently sub let these properties to Queensway Properties (Stevenage) LLP. The purpose of this purchase was to secure investment funding and the regeneration of the town centre.

Economic Significant Provisions, Contingencies and Write offs

There were no significant movements in provisions or write offs in 2018/19.

Council Reserves

The Council operates two main funds or accounts; a 'General Fund' for services such as refuse, grass cutting etc. and a 'Housing Revenue Account' which manages the Council's housing stock. Each fund has its own revenue reserves– General Fund revenue balances can not be used for HRA expenditure and vice versa. Capital reserves have been allocated to either General Fund or HRA while some capital reserves are fund specific, for example the Major Repairs Reserve can only be used for HRA capital expenditure. The capital receipts reserves and Capital grants unapplied reserve and statutory reserves for which they can only be used for specific purposes.

As at the 31 March 2019 the General Fund had total reserves of £15,428,171 and the HRA had total reserves of £42,354,384 (HRA reserves include £10million that can only be used on new social housing with significant restrictions and if not spent within three years must be returned to the Government). Although the balances may appear relatively high the Medium Term Financial Strategy (for the General Fund) and Business Plan (for the HRA) have identified the need to draw down a significant proportion of these balances in the future. HRA balances are required to fund future loan repayments due over the 30 years of the Business Plan. In addition these balances include specific reserves that can only be used for capital expenditure.

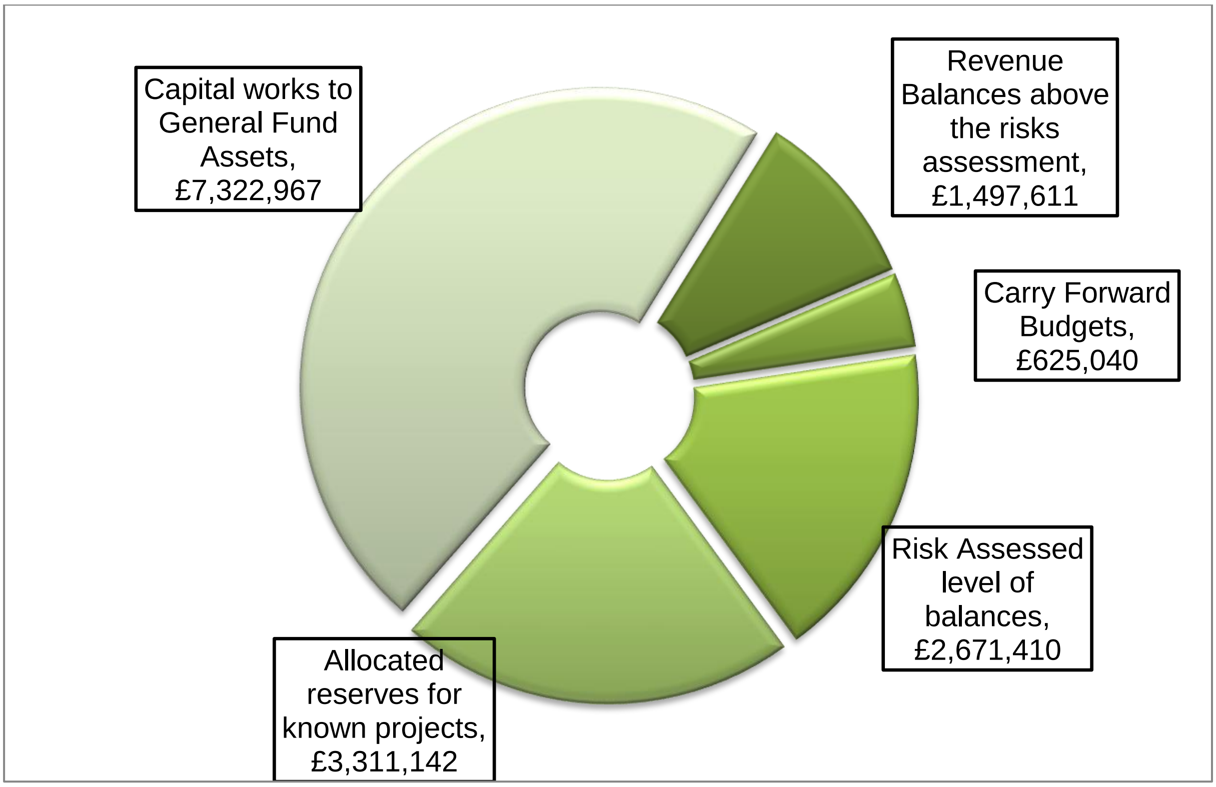
General Fund Reserves

The Reserves which can be used for "one-off" funding of day to day General Fund services total £15,428,000, this includes £625,040 identified for carry forward spend from 2018/19 to 2019/20 and £3.1Million ring fenced to regeneration projects. The General Fund also has reserves it can use to fund major works to assets such as buildings and equipment, which cannot be spent on running services. As at 31 March 2019 the General Fund had capital resources of £7,323,000.

Narrative Statement

General Fund Reserves (contd)

The General Fund Reserves are summarised below:



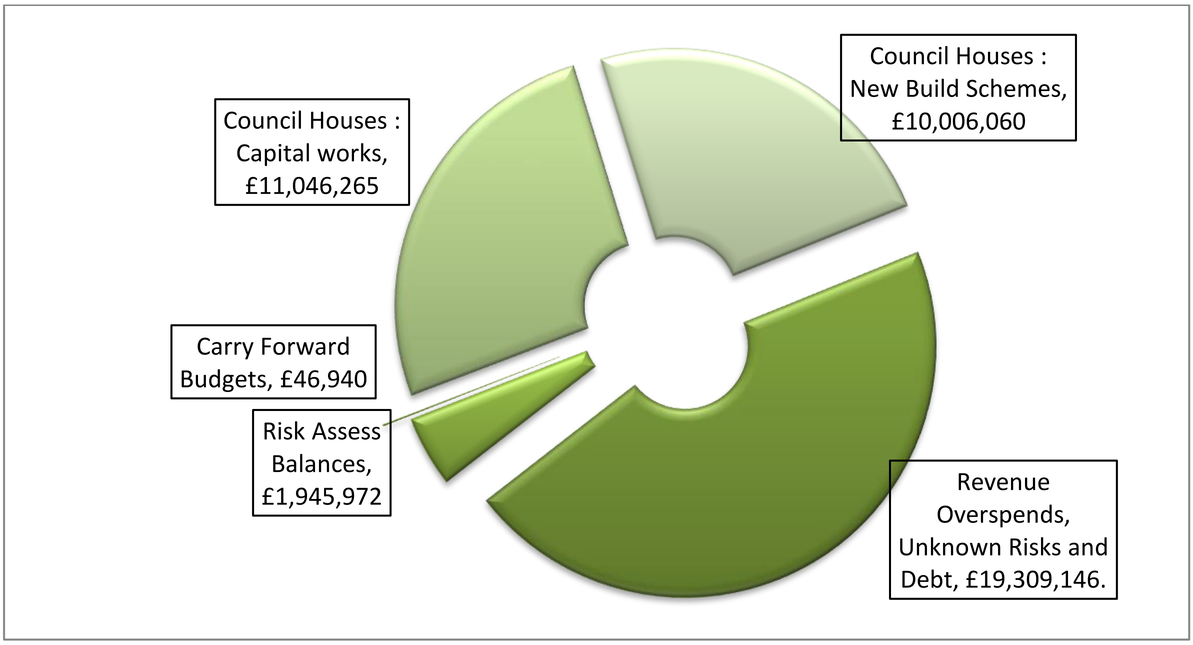
As part of the budget setting process the Council undertakes a risk assessment to determine the level of balances required in each year. The risk assessment identified General Fund balances of £2,671,410 are required for 2019/20, (at the 31 March 2018, £2,760,570). In setting a minimum balance it ensures 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's Medium Term Financial Strategy includes a managed use of General Fund balances to allow for the impact of the reduction in central government funding, but still meeting the Council's Financial Security principle objective of an ongoing balanced budget by 2022/23 ensuring in year inflationary pressures are matched by increases in income or reductions in expenditure.

Local Government finances are going through considerable change and the assessment of balances must not only deal with unplanned spend but also future Government initiatives, including the fair funding review and the localisation of Business Rates which places greater risk and reward on the Council in regard to NDR collection rates and yield.

Narrative Statement

Housing Revenue Account 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 £42,354,000 and these are summarised below:



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 £1,946,000 are required for 2019/20. In addition balances will be needed to repay the HRA loans (as at 31 March 2019, the HRA had loans of £203Million) 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 2019 were £21,302,059 and higher than the risk assessment of balances for 2018/19, however the HRA is subject to significant financial risks including;

- Legislative changes have increased the levels of RTB sales over 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.

Narrative Statement

Housing Revenue Account Reserves (contd)

The HRA also has reserves it can use to fund capital works to Council houses. As with all capital cash balances this money cannot be spent on revenue services; of the £21,052,325 available £10,060,060 must be used for the provision of new housing (funding up to a maximum of 30% of the build costs, the remainder being funded by other HRA capital resources), or repaid to the Government if not spent within three years. These receipts are generated from right to buy sales of which the government takes a proportion which was £863,248 in 2018/19.

Borrowing and Capital

As at the 31 March 2019 the Council had external borrowing of £205.483 million (£208.621million at 31 March 2018). The majority of this debt relates to the Housing Revenue Account (HRA) payment to the government as a result of the introduction of 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 2018/19 the Council spent £30,423,335 on capital projects, of which £22,365,948 was spent on our housing stock and other housing related assets and a further £8,057,387 on General Fund assets.

The Council funded £6,417,904 of its capital programme from the sale of assets, (land and council house sales), which equates to 21%, (57% 2017/18) of the total funding. The biggest source of funding (50%) of the HRA capital programme in 2018/19 was the Major Repairs Reserve. This is funded from the depreciation charge made from the HRA (£12,779,598 for 2018/19) to the Major Repairs reserve to finance future capital investment.

In December 2018 the Council took a 37 year head lease for 85-100 Queensway and 24-26 The Forum from Avvia. Due to the nature of the lease it is classified as a finance lease and increases the Council's borrowing requirement. The Council then sublet the property to Queensway Properties (Stevenage) generating a deferred capital receipt. Further information on this transaction can be found in the Group Accounts section of this Statement.

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 2019 the pension liability increased by £8,642,000 to £58,694,000 (£4,956,000, decrease in 2017/18).

Narrative Statement

Significant changes in accounting policy in 2018/19

There have been no significant changes in accounting policies in 2018/19. The reader should note that policies specific to a Note to the Core Statement are shown at the start of the note that they relate to (in a green text box).

Significant changes in estimation techniques in 2018/19

There have been no significant changes to estimation techniques this year.

Other significant events during the financial year 2018/19

In February 2018 the Council announced the appointment of Mace as the developer for the first phase of town centre regeneration. Mace (https://www.macegroup.com/projects) the international development and Construction Company - behind some of the world's landmark developments – will be undertaking the first phase of regeneration, called SG1. The Council and Mace signed the development agreement in March 2019,

In October the Council entered into a partnership agreement and formed Queensway Properties (Stevenage) Limited to deliver regeneration in a large part of Stevenage town centre. The scheme will improve retail units, and provide housing and leisure facilities in the town centre. More information is available in the Group Accounts section of this document.

Further Information

Further information about the accounts is available from: Assistant Director (Finance and Estates), Stevenage Borough Council, Daneshill House, Danestrete, Stevenage, SG1 1HN

Email: 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 Assistant Director (Finance and Estates) (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 Assistant Director (Finance and Estates) (Chief Financial Officer) Responsibilities

The Assistant 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 2019.

In preparation of this statement of accounts, the Assistant Director (Finance and Estates) (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 Assistant Director (Finance and Estates) (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 2019 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2019.

Clare Fletcher
Assistant Director (Finance and Estates) (Chief Financial Officer) 27th November 2019

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Statement of Accounts 2018/19

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.

2017/18

	Net Expenditure chargeable to the General Fund Balances £'000	Net Expenditure chargeable to the HRA Balances £'000	Adjustment for capital purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	5,481		0	99	1	100	5,581
Housing Services	3,856		213	31	3	247	4,103
Environmental Services	7,584		(19)	652	(28)	605	8,189
Local Community Budgets	101		0	0	0	0	101
Resources	(7,326)		3,834	81	1,200	5,115	(2,211)
Resources - Support	216		(86)	538	(31)	421	637
Housing Revenue Account		(4,365)	(57)	573	(9,237)	(8,721)	(13,086)
Net Cost of Services	**9,912**	**(4,365)**	**3,885**	**1,974**	**(8,092)**	**(2,233)**	**3,314**
Other Operational Expenditure	0		(1,350)			(1,350)	(1,350)
Financing & Investment Income and Expenditure	0		3	1,398	5,235	6,636	6,636
Taxation and other non-specific grant income and expenditure	(8,950)				(4,040)	(4,040)	(12,990)
Deficit/(surplus) on Provision of Services	962	(4,365)				**(987)**	**(4,390)**
Opening General Fund balance	**(6,427)**						
Opening HRA balance		**(19,750)**					
Less/plus (surplus) or deficit on General Fund	962						
Less/plus (surplus) or deficit on Housing Revenue Account		(4,365)					
Closing General Fund Balance	**(5,465)**						
Closing HRA Fund Balance		**(24,115)**					
Closing General Fund and HRA Balances		**(29,580)**					

Additional Disclosure to aide the Reader reconicle this note to the Movement in Reserves Statement (MiRS)

General Fund Adjustment (as per MiRS and Note 7)	(2,768)
Housing Revenue Account Adjustment (as per MiRS and Note 7)	3,455
Transfers to/ from Earmarked Reserves	300
	987

Stevenage BOROUGH COUNCIL

Expenditure and Funding Analysis

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.

	2018/19						
	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	5,392		24	94	(11)	107	5,499
Housing Services	2,237		307	29	(6)	330	2,567
Environmental Services	8,882		40	624	(19)	645	9,527
Local Community Budgets	101		0	0	0	0	101
Resources	(7,467)		8,533	(393)	1,320	9,460	1,993
Resources - Support	118		66	514	(15)	565	683
Housing Revenue Account		2,813	(6,035)	174	(8,074)	(13,935)	(11,122)
Net Cost of Services	**9,263**	**2,813**	**2,935**	**1,042**	**(6,805)**	**(2,828)**	**9,248**
Other Operational Expenditure	0		(2,155)			(2,155)	(2,155)
Financing & Investment Income and Expenditure	0		0	1,331	4,551	5,882	5,882
Taxation and other non-specific grant income and expenditure	(8,592)				(4,366)	(4,366)	(12,958)
Deficit/(surplus) on Provision of Services	671	2,813				(3,467)	**17**
Opening General Fund balance	**(5,465)**						
Opening HRA balance		**(24,115)**					
Less/plus (surplus) or deficit on General Fund	671						
Less/plus (surplus) or deficit on Housing Revenue Account		2,813					
Closing General Fund Balance	**(4,794)**						
Closing HRA Fund Balance		**(21,302)**					
Closing General Fund and HRA Balances		**(26,096)**					

Additional Disclosure to aid the Reader reconicle this note to the Movement in Reserves Statement (MiRS)

General Fund Adjustment (as per MiRS and Note 7)	(7,631)
Housing Revenue Account Adjustment (as per MiRS and Note 7)	10,043
Transfers to/ from Earmarked Reserves	1,055
	3,467

Stevenage BOROUGH COUNCIL

Comprehensive Income & Expenditure Statement for the year ended 31 March 2019

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.

* the large variance in cost of services from 2017/18 to 2018/19 has arisen due to revaluation changes charged to cost of services. These costs are then reversed out in Movement in Reserves Statement in accordance with statutory provisions and CIPFA guidance to negate any impact on the council tax payer.

Comprehensive Income and Expenditure Statement

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000		Note	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
5,856	(275)	5,581	Community Services		5,824	(325)	5,499
38,006	(33,903)	4,103	Housing Services		34,864	(32,297)	2,567
16,752	(8,563)	8,189	Environmental Services		16,849	(7,322)	9,527
101	0	101	Local Community Budgets		101	0	101
3,642	(5,853)	(2,211)	Resources		7,870	(5,877)	1,993
2,589	(1,952)	637	Resources - Support		2,523	(1,840)	683
30,034	(43,120)	(13,086)	Housing Revenue Account		31,903	(43,025)	(11,122)
96,980	**(93,666)**	**3,314**	**Cost of Services**		**99,934**	**(90,686)**	**9,248**
		(1,350)	Other Operational Expenditure	10			(2,155)
		6,636	Financing & Investment Income and Expenditure	10			5,882
		(16,756)	Taxation & Non-Specific Grant Income: Retained Business rates	11			(17,428)
		14,409	Taxation & Non-Specific Grant Income: NNDR expenditure (tarriff to DCLG)	11			14,842
		(10,643)	Taxation & Non-Specific Grant Income: Other	11			(10,372)
		(4,390)	**Deficit/(surplus) on Provision of Services**				**17**
		(24,318)	Deficit/(Surplus) on revaluation of Property, Plant and Equipment assets	9.1		21,899	
		(8,247)	Actuarial (gains)/losses on pension assets/liabilities	26		4,963	
		(32,565)	**Other Comprehensive Income and Expenditure**				**26,862**
		(36,955)	**Total Comprehensive Income and Expenditure**				**26,879**

Stevenage BOROUGH COUNCIL

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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)

Movement in Reserves Statement

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 carried forward		**(6,427)**	**(2,550)**	**(19,750)**	**(4,507)**	**(25,518)**	**(143)**	**(58,895)**
Movement in reserves during 2017/18								
Total Comprehensive Expenditure and Income		**3,430**		**(7,820)**		**0**	**0**	**(4,390)**
Adjustments between accounting basis & funding basis under regulations	**7**	(2,768)		3,455	(4,757)	10,095	(1,586)	**4,439**
Net Increase/Decrease before Transfers to Earmarked Reserves		**662**	**0**	**(4,365)**	**(4,757)**	**10,095**	**(1,586)**	**49**
Transfers to/from Earmarked Reserves	**8**	300	(300)	0	0	0	0	0
(Increase)/Decrease in Year		962	(300)	(4,365)	(4,757)	10,095	(1,586)	**49**
Balance at 31 March 2018 carried forward		**(5,465)**	**(2,850)**	**(24,115)**	**(9,264)**	**(15,423)**	**(1,729)**	**(58,846)**
Movement in reserves during 2018/19								
Total Comprehensive Expenditure and Income		**7,247**		**(7,230)**				**17**
Adjustments between accounting basis & funding basis under regulations	**7**	(7,631)		10,043	(1,655)	232	58	**1,047**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(384)**	**0**	**2,813**	**(1,655)**	**232**	**58**	**1,064**
Transfers to/from Earmarked Reserves	**8**	1,055	(1,055)					**0**
(Increase)/Decrease in Year		**671**	**(1,055)**	**2,813**	**(1,655)**	**232**	**58**	**1,064**
Balance at 31 March 2019 carried forward		**(4,794)**	**(3,905)**	**(21,302)**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,782)**

Movement in Reserves Statement

	Note	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000
Balance at 31 March 2017 carried forward		**(58,895)**	**(466,893)**	**(525,788)**
Movement in reserves during 2017/18				
Surplus or (deficit) on provision of services		**(4,390)**	**(32,565)**	**(36,955)**
Adjustments between accounting basis & funding basis under regulations	**7**	4,439	(4,439)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**49**	**(37,004)**	**(36,955)**
Transfers to/from Earmarked Reserves	**8**	0	0	**0**
(Increase)/Decrease in Year		**49**	**(37,004)**	**(36,955)**
Balance at 31 March 2018 carried forward		**(58,846)**	**(503,897)**	**(562,743)**
Movement in reserves during 2018/19				
Surplus or (deficit) on provision of services		**17**	**26,862**	**26,879**
Adjustments between accounting basis & funding basis under regulations	**7**	**1,047**	(1,047)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**1,064**	**25,815**	**26,879**
Transfers to/from Earmarked Reserves	**8**	**0**	0	**0**
(Increase)/Decrease in Year		**1,064**	**25,815**	**26,879**
Balance at 31 March 2019 carried forward		**(57,782)**	**(478,082)**	**(535,864)**

Movement in Reserves Statement

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”.

Additional notes to aid the reader regarding the Balance Sheet

Within the **Council dwellings** valuation of £618,676,000 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 2019/20. This would equate to an estimated balance sheet valuation of £2,718,000.

Balance Sheet

31 March 2018			31 March 2019		
£'000		Note	£'000	£'000	£'000
633,712	- Council Dwellings	13	618,676		
96,962	- Other Land & Buildings	13	94,816		
5,289	- Vehicles, Plant & Equipment	13	6,688		
12,229	- Other	13	13,835		
748,192	Total Property, Plant & Equipment			**734,015**	
637	Heritage Assets	12		598	
24,212	Investment property	14		24,988	
740	Intangible Assets	15		781	
10,017	Long Term Investment	18		10,010	
271	Long Term Debtors	18		17,156	
784,069	**Total Long Term Assets**				**787,548**
45,647	Short Term Investments	18		43,034	
1,700	Assets Held for Sale	21		0	
139	Inventories			142	
7,029	Short Term Debtors	19		10,969	
7,700	Cash and Cash Equivalents	18		2,084	
62,215	**Current Assets**				**56,229**
(3,138)	Short Term Borrowing	18		(263)	
(19,225)	Short Term Creditors	20		(18,932)	
(4,289)	Provisions	22		(4,640)	
(26,652)	**Current Liabilities**				**(23,835)**
(762)	Long term creditors	20		(19,495)	
(205,483)	Long term borrowing	18		(205,220)	
(50,052)	Pension Liability	26		(58,694)	
(593)	Grants Receipts in Adv - Capital	11		(668)	
(256,890)	**Long Term Liabilities**				**(284,077)**
562,742	**Net Assets**				**535,865**
5,465	General Fund Balance			4,794	
24,115	HRA Balance			21,302	
2,849	Earmarked Reserves	8		3,905	
26,417	Other Usable Reserves			27,782	
58,846	**Total Usable Reserves**				**57,783**
503,896	Unusable Reserves	9			478,082
562,742	**Total Reserves**				**535,865**

These financial statements are authorised by Clare Fletcher – Assistant Director (Finance and Estates) (Chief Financial Officer) on 27th November 2019.

CD Fletcher

Clare Fletcher

Stevenage BOROUGH COUNCIL

Cash Flow Statement for the year ended 31 March 2019

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.

2017/18 £'000		Note	2018/19 £'000	2018/19 £'000
(4,390)	Net (surplus) or deficit on the provision of services			17
(23,572)	Adjustments to net surplus or deficit on the provision of services for non cash movements	30		(39,551)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
5,556	Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement		18,412	
2,354	Capital Grants received or applied to meet financing		3,153	
0	Other payments in respect of property		0	
				21,565
(20,052)	**Net Cash flows from Operating Activities**	31		(17,969)
	Investing Activities:			
24,821	Purchase of property, plant & equipment, investment property & intangible assets		43,172	
38,500	Purchase of short term & long term investments		25,500	
0	Other payments for investing activities		0	
(8,132)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		(6,389)	
(27,600)	Proceeds from short-term & long-term investments		(28,200)	
(2,622)	Other receipts from investing activities		(3,402)	
24,967	**Net cash flows from investing activities**			30,681
	Financing Activities:			
(1,756)	Cash receipts of short & long term borrowing		(11,364)	
2,763	Other receipts from financing activities		0	
(271)	Repayments of short and long term borrowing		3,004	
0	Other payments for financing activities		1,264	
736	**Net cash flows from financing activities**			(7,096)
5,651	**Net (increase) or decrease in cash and cash equivalents**			**5,616**
(13,351)	Cash & Cash Equivalents at the beginning of the reporting period			(7,700)
(7,700)	**Cash & Cash Equivalents at the end of the reporting period**	**18**		**(2,084)**

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 2018/19 financial year and its position as at the year end of 31 March 2019. 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 2018/19 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 deminimus limit of £1,000 has been established for all accruals (2018/19)*

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 Local Authority Mortgage Scheme *This scheme closed in 2017/18 and funds were returned to the Council. The Council has an earmarked reserve set aside to help meet the cost of any future defaults in the mortgage scheme – there have been no defaults since the scheme started up to the publication date of this document.*

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 are leases to recognise most of leases on the balance sheet as “right of use” assets with corresponding lease liabilities CIFPA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

Notes to the Core Financial Statements

2. Accounting Standards issued but have not yet been adopted (contd)

- IAS 40 Investment Property: Provides further explanation regarding reclassification to Investment property. This will have no impact on the Council.

- IFRS9 Financial Instruments; Prepayment features with negative compensation amends IFRS9 (first introduced in this year's accounts) to make clear amortised costs should be used where prepayments are substantially lower than the unpaid principal and interest. This does not impact the Council as no such loans exist.

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 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 financial security work stream of the Future Town Future Council priorities.
- 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.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

- From 1st April 2015 the Hertfordshire CCTV Partnership Ltd started trading. The new company for the year ended 31st March 2019 produced a profit after tax of £21,000. The SBC share of the profit is £7,800 with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts Council and Hertsmere Borough Council). Due to the small size of the new company group accounts have not been completed.
- 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. Final accounts for Hertfordshire Building Control have yet to be published for 2018/19, however it is not expected that SBC's share of the profit/loss will be material.
- 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. Based on the number of successful applications made last year it is estimated that 35 properties could be sold. This would equate to an estimated balance sheet valuation of £2,718,000.
- The council considers that four 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.

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 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 2019 for which there are significant risk of material adjustments in the forthcoming financial year are shown on the following pages:

Notes to the Core Financial Statements

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions - Insurance	The Authority has a provision of £658,000 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 2018 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 £65,800 to the provision needed.
Provisions – NDR Appeals	The Authority has a provision of £3,300,000 for its share of the expected outcome of NDR appeals outstanding with the VOA as at 31 March 2019.	If 10% of the appeals that we have provided for were unsuccessful this would mean a reduction of £330,000 in the provision.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the 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 3-5% (£6,801,000-£11,335,000). (see also Note 26 Pensions – sensitivity analysis of actuarial assumptions).
Property, Plant and Equipment	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 2018 of community assets exiting use values (EUV) based on rental value (known and estimated) has been used by the Council's external valuers (Wilks Head and Eve (WHE)) as they have extensive experience of valuing local authority assets. Where this information is not known Depreciated Replacement Cost (DRC) is used. The DRC technique is known to return high current values. If updated DRC had been used on community centres and pavilions the balance sheet valuation would be approximately £2.4 million higher. This would increase the value of other land and buildings shown on the balance sheet by £2.4 million and increase unusable reserves by £2.4million. (It should be noted that Balance sheet valuations are not used when determining the sale price of council assets).

Notes to the Core Financial Statements

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

Property, Plant and Equipment	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 £148,000 if the useful life decreased by one year. This depreciation charge does affect the in year surplus of deficit of the HRA.
Fair Value valuations	The Authority owns a number of properties that have been valued based on rental yields.	If the Authority were to assess the security of the income streams more favourably, then the yield would increase giving a higher balance sheet valuation. The valuation would depend on the time of the expected rental income flows and rent increases specific to each asset.
Benefit Overpayments	At 31 March 2019, the Authority had a balance of housing overpayment debtors of £3,424,000. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 89% 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 £1,117,500 would be required, returning this money back to the General Fund.
Trade Debtors and Arrears	At 31 March 2019, the Authority had a balance of trade debtors of £1,973,000 of which £503,000 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 £76,000 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*.

2017/18 £'000		2018/19 £'000
	Expenditure	
29,030	- Employee Benefits Expenses	29,779
24,857	- Other Services and Support Recharges Expenses	22,895
14,934	- Depreciation, Amortisation, Impairment	16,129
7,371	- Interest Payments	7,645
14,409	- NDR Tariff	14,842
865	- Payments to Housing Capital Receipts Pool	865
(1,909)	- (Gain)/ Loss on the Revaluation of assets	3,506
(2,104)	- (Gain)/Loss on the Disposal of Assets	(2,914)
	Material Items of Expenditure	
1,039	- Stevenage Leisure Limited Contract Payment	864
13,587	- Rent Allowances	13,125
18,476	- Rent Rebates	17,462
120,555	**Total Expenditure**	**124,198**
	Income	
(16,762)	- Fees, charges and other service income	(16,733)
(434)	- Interest and Investment Income	(775)
(22,158)	- Income from Council Tax & Non Domestic Rates (before tariff)	(23,390)
(3,411)	- Government Grants and Contributions	(2,938)
	- Material Items of Income	
(39,187)	- Housing Rents	(38,782)
(4,720)	- Car Parks	(4,581)
(13,440)	- Rent Allowances Subsidy	(12,995)
(18,360)	- Rent Rebate Subsidy	(17,309)
(3,012)	- Garage Rental Income	(3,108)
(3,461)	- Commercial Property Rent	(3,570)
(124,945)	**Total Income**	**(124,181)**
(4,390)	**Deficit / (Surplus) on the Provision of Services**	**17**

Notes to the Core Financial Statements

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

Material items of capital income and expenditure:

The Council spent £30.4million on its capital programme in 2018/19, this included £12.7million on roofing and external works to its housing stock, £7.0million on providing new homes, £3.3million on the town centre and regeneration projects, and £7.4million 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 occur between the end of the reporting period and the authorised for issue date 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 27 November 2019 by the Assistant Director (Finance and Estates) (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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

An adjustment to the pension liability following the "McCloud" judgement and the impact of guaranteed minimum payment (GMP) equalisation changes has resulted in a post balance sheet date adjustment to the draft statement published on 31 May 2019.

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.

Notes to the Core Financial Statements

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

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.

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 (£10,006,000) can only be used towards the provision of additional council homes schemes and is restricted to a maximum of 30% of scheme costs.

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

2018/19 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000
	Usable Reserves						
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E)							
Charges for depreciation & impairment of non current assets	(3,222)	(12,701)				**(15,923)**	**15,923**
Revaluation on Property, Plant & Equipment	(3,801)	0				**(3,801)**	**3,801**
Movements in the market value of Investment Property	295	0				**295**	**(295)**
Amortisation of intangible assets	(127)	(79)				**(206)**	**206**
Capital Grants & Contributions	1,801	0				**1,801**	**(1,801)**
Revenue expenditure funded from capital under statute	(861)	0				**(861)**	**861**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(2,136)	(1,976)				**(4,112)**	**4,112**
Insertion of items not debited or credited to the CI&E							
Statutory provision for the financing of capital investment	661	1,241				**1,902**	**(1,902)**
Capital Expenditure charged against General Fund and HRA balances	1,012	6,770				**7,782**	**(7,782)**
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Capital grants & contributions unapplied credited to the CI&E Statement	86	0			(86)	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0			144	**144**	**(144)**
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	2,467	4,923	(7,390)			**0**	**0**
Use of the CRR to finance new capital expenditure	0	0	6,759			**6,759**	**(6,759)**
Contribution from CRR to finance the payments to the Government capital receipts pool & admin costs of disposal	(864)	0	864			**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	0	(1)			**(1)**	**1**
Adjustments involving the Major Repairs Reserve (MRR):							
Reversal of the MRR credited to the HRA		12,780		(12,780)		**0**	**0**
Use of the MRR to Finance new capital expenditure		0		11,125		**11,125**	**(11,125)**
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 26)	(7,264)	(921)				**(8,185)**	**8,185**
Employer's pension contributions & direct payments to pensioners payable in year	4,491	0				**4,491**	**(4,491)**
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(116)					**(116)**	**116**
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	(53)	6				**(47)**	**47**
TOTAL ADJUSTMENTS	(7,632)	10,043	232	(1,655)	58	**1,048**	**(1,048)**

Notes to the Core Financial Statements

Comparator Year 2017/18 Adjustments between Accounting Basis and Funding Basis Under regulations	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	Usable Reserves						
	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E)							
Charges for depreciation & impairment of non current assets	(3,180)	(11,633)				**(14,813)**	**14,813**
Revaluation on Property, Plant & Equipment	1894	0				**1,894**	**(1,894)**
Movements in the market value of Investment Property	14	0				**14**	**(14)**
Amortisation of intangible assets	(79)	(42)				**(121)**	**121**
Capital Grants & Contributions	604	134				**738**	**(738)**
Revenue expenditure funded from capital under statute	(2,772)	0				**(2,772)**	**2,772**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(360)	(3,090)				**(3,450)**	**3,450**
Insertion of items not debited or credited to the CI&E							
Statutory provision for the financing of capital investment	654	2,500				**3,154**	**(3,154)**
Capital Expenditure charged against General Fund and HRA balances	1,745	60				**1,805**	**(1,805)**
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Capital grants & contributions unapplied credited to the CI&E Statement	1,587	0			(1,587)	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0			0	**0**	**0**
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	712	4,859	(5,571)			**0**	**0**
Use of the CRR to finance new capital expenditure	0	0	14,784			**14,784**	**(14,784)**
Contribution from CRR to finance the payments to the Government capital receipts pool	(865)	0	880			**15**	**(15)**
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	0	3			**3**	**(3)**
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA		11,676		(11,676)		**0**	**0**
Use of the MRA to Finance new capital expenditure		0		6,919		**6,919**	**(6,919)**
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 26)	(6,741)	(994)				**(7,735)**	**7,735**
Employer's pension contributions & direct payments to pensioners payable in year	4,190	0				**4,190**	**(4,190)**
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council tax income credited to the CI&E Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(157)					**(157)**	**157**
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	(15)	(14)				**(29)**	**29**
TOTAL ADJUSTMENTS	**(2,768)**	**3,455**	**(10,095)**	**(4,756)**	**(1,587)**	**4,439**	**(4,439)**

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. Earmarked reserves identified for specific purpose are detailed below:

- **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 grant may be used to fund any expenditure. This reserve had been established to mainly fund one off schemes approved by Members, however changes to the scheme criteria has seen a reduction in the amount receivable and for 2019/20 there was no new funding for new one off initiatives.
- **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.
- **Local Authority Mortgage Scheme (LAMS) Reserve -**This reserve was set up to cover the potential for any mortgage defaults on the Local Authority Mortgage Scheme introduced in 2012. The reserve contains investment income generated from the deposits placed over and above the Council's average interest rate earned for the year. There have been no

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

defaults on the scheme since inception and lending under the scheme is now closed. The balance will be transferred to General Fund balances in 2019/20 earned for the year.

- **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 reliance on borrowing to fund capital projects in the wake of lower forecast capital receipts.
- **Insurance Reserve -** This reserve was set up in 2016/17 to fund proactive works to reduce insurance claims against the Council.
- **Future Town Future Council Reserve/ ICT reserve -** Members agreed that the residual balance of the FTFC reserve should be reallocated to an ICT reserve to fund any ICT budget pressure in 2019/20.
- **NDR Collection Fund Reserve -**This reserve has been 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.

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 2018/19.

Earmarked Reserve:	31 March 2018	Transfer to Reserve (to fund future years expenditure)	Transfer from Reserve (to fund in year expenditure)	Net movement in year	31 March 2019
General Fund	£'000	£'000	£'000	£'000	£'000
Regeneration SG1	300	424	0	424	**724**
Housing & Planning Delivery Grant	61	0	0	0	**61**
New Homes Bonus	690	38	0	38	**728**
Regeneration Assets	847	566	(70)	496	**1,343**
Town Centre	28	27		27	**55**
LAMS (Local Authority Mortgage Scheme)	61	0	0	0	**61**
Capital Reserve	0	998	(404)	594	**594**
Insurance Mitigation	124	33	(44)	(11)	**113**
Future Town Future Council/ ICT	263	0	(209)	(209)	**54**
NNDR Collection Fund	475	0	(303)	(303)	**172**
Total Earmarked Reserves	**2,849**	**2,086**	**(1,030)**	**1,056**	**3,905**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

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 March 2018 £'000		31 March 2019 £'000
(118,594)	Revaluation Reserve	(95,914)
(435,032)	Capital Adjustment Account	(429,341)
(188)	Deferred Capital Receipts Reserve	(11,550)
50,052	Pension Reserve	58,694
(522)	Collection Fund Adjustment Account	(406)
388	Accumulated Absences Account	435
(503,896)	**Total Unusable Reserves**	**(478,082)**

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.

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

The Revaluation Reserve:

2017/18 £'000		2018/19 £'000	2018/19 £'000
(95,782)	**Balance as at 1 April**		**(118,594)**
(31,954)	Upward revaluation of assets	(4,394)	
7,637	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	25,821	
(24,317)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		21,427
1,237	Difference between fair value depreciation and historic cost depreciation	(1,081)	
268	Accumulated gains on assets sold or scrapped	2,342	
1,505	Amount written off to the Capital Adjustment Account		1,253
(118,594)	**Balance as at 31 March**		**(95,914)**

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

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

2017/18 £'000		2018/19 £'000	£'000	£'000
(425,607)	**Balance as at 1 April**			**(435,032)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement			
14,813	Charges for depreciation & impairment of non-current assets	16,002		
(1,894)	Revaluation losses on Property, Plant & Equipment	3,801		
121	Amortisation of Intangible Assets	127		
2,772	Revenue expenditure funded from capital under statute	861		
3,717	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	4,112		
19,529			24,903	
(1,505)	Adjusting amounts written out of the Revaluation Reserve		(1,253)	
18,024	Net written out amount of the cost of non-current assets consumed in the year			23,650
	Capital financing applied in the year			
(14,797)	Use of the Capital Receipts Reserve to finance new capital expenditure		(6,418)	
(6,940)	Use of the Major Repairs Reserve to finance new capital expenditure		(11,124)	
(738)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		(1,801)	
(2,500)	Self Financing Debt repayment		(1,241)	
(654)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(661)	
(1,805)	Capital expenditure charged against the General Fund and HRA balances.		(7,783)	
(27,434)				(29,028)
0	Queensway Deferred Capital Receipt			11,364
(15)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement			(295)
(435,032)	**Balance as at 31 March**			**(429,341)**

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.

2017/18 £'000		2018/19 £'000
(191)	**Balance as at 1 April**	**(188)**
	Queensway (finance lease to LLP)	(11,364)
3	Amounts received in year & available for funding	2
(188)	**Balance as at 31 March**	**(11,550)**

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 pays 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).

2017/18 £'000		2018/19 £'000
55,008	**Balance as at 1 April**	**50,052**
(8,247)	Remeasurements of the net defined benefit liability/(asset)	4,944
7,735	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	8,185
(4,444)	Employers' pension contributions and direct payments to pensioners payable in the year	(4,487)
50,052	**Balance as at 31 March**	**58,694**

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.

2017/18 £'000		2018/19 £'000
(679)	**Balance as at 1 April**	**(522)**
157	Amount by which council tax-income and non domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	116
(522)	**Balance as at 31 March**	**(406)**

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, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund and HRA balance is neutralised by transfers to/ from the Account.

2017/18 £'000		2018/19 £'000	£'000
359	**Balance as at 1 April**		**388**
(359)	Settlement or cancellation of accrual made at the end of the preceding year	(388)	
388	Amounts accrued at the end of the current year	435	
29	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		47
388	**Balance as at 31 March**		**435**

Notes to the Core Financial Statements

10. Other Operating Expenditure and Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
865	Payments to the Government Housing Capital Receipts Pool	864
(2,215)	(Gains)/losses on the disposal of non current assets	(3,019)
(1,350)	**Total**	**(2,155)**

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	7,017	Interest payable & similar charges		7,193
	1,398	Pensions interest cost & expected return on pensions assets		1,331
	(368)	Interest receivable & similar income		(825)
	1,206	Expenditure in relation to investment properties and changes in their fair value		1,033
	(2,635)	Income in relation to investment properties and changes in their fair value		(2,861)
		Trading Operations - Indoor Market:		
(412)		Income from stall holders	(403)	
430		Expenditure	414	
	18	Surplus taken to General Fund		11
	6,636	**Total**		**5,882**

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.

Notes to the Core Financial Statements

11. Taxation and Non Specific and Specific Grant Income (contd)

Government Grants and Contributions contd

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.

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

2017/18 £'000		2018/19 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
5,402	Council Tax	5,611
16,756	NNDR Retained income	17,428
(14,409)	NNDR Tariff payment	(14,842)
690	Revenue Support Grant	351
115	Council Tax Reform	109
1,254	New Homes Bonus	1,096
(73)	Apprenticeship Levy paid	0
213	Homelessness prevention grant	297
110	NDR administration Grant	107
593	s31 Grant	769
634	Disabled Facilities Grant	232
900	MHCLG Land release project	0
790	Other Capital Contributions	1,655
15	Other Government grants	145
12,990	**Total Grants, Contributions credited to Taxation and Non Specific Grant Income**	**12,958**
	Credited to Services	
31,716	Department of Work and Pensions Grants for rebates	30,304
274	Discretionary Housing Payments	249
588	Other	547
32,580	**Total Grants, Contributions credited to Services**	**31,100**

The Council has not received any material donations in 2018/19.

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.

Notes to the Core Financial Statements

12. Heritage Assets (contd)

Reconciliation of the carrying value of Heritage assets held by the Council

Cost or Valuation	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
At 1 April 2018	**833**	**53**	**200**	**53**	**1,139**
Additions	0	0	0	0	0
At 31 March 2019	**833**	**53**	**200**	**53**	**1,139**
Accumulated Depreciation & Impairment					
At 1 April 2018	**(476)**	**(26)**	**0**	**0**	**(502)**
Depreciation charge	(32)	(7)	0	0	(39)
At 31 March 2019	**(508)**	**(33)**	**0**	**0**	**(541)**
Net Book Value					
At 31 March 2019	**325**	**20**	**200**	**53**	**598**
At 31 March 2018	**357**	**27**	**200**	**53**	**637**

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.

	Heritage Assets				**Total**
Method of valuation	Town Square £'000	Museum Collection £'000	War Memorial £'000	Civic Regalia £'000	**Heritage Assets £'000**
Cost or Valuation	833	0	53	0	**886**
Valued at Insurance Valuation	0	200	0	53	**253**
	833	200	53	53	**1,138**

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. A proportion of the assets are re-valued at each 1 April as part of a continuous rolling programme of valuation. The rolling programme was recently amended to include valuations on opening balance in line with common practice. 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.*

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 at 1 April on a Beacon Basis. Beacon types being defined by the number of bedrooms, the type of property, its area and whether it is a traditional or non-traditional build. So, with the exception of the properties which were converted into maisonettes and expenditure on replacing fully depreciated components, works done after this date have not been deemed to add value to the Beacon. The Council's housing stock was valued by external valuer Savills. The latest valuation certificates are dated 1 April 2018. A review is undertaken at year end to ensure valuations undertaken on 1 April are still appropriate as at the balance sheet date and uplifted/amended if required.

General Fund properties' valuation certificates are dated 1 April 2018 and revaluations are carried out by private firms of Chartered Surveyors – Wilks Head and Eve.

The revaluation process is co-ordinated by the Council's Estates Manager S Longbottom 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 lives (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 – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer*
- *infrastructure – straight-line allocation over 25 years.*

The useful economic lives for property, plant and equipment which are depreciated are:

Council Dwellings	*up to 50 years*
Operational buildings	*up to 50 years*
Vehicles, plant and equipment	*3-7 years*
Computer Equipment	*3-7 years*

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

The criteria applied by the Council for componentisation, is that where the cost of a component exceeds 15% of the cost of the asset, and there is a significant difference in depreciable life of a component, compared to the asset as a whole, the Council will

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

componentise the asset, to ensure no material distortions in either the value of the asset or the charge made for use of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. The Council's housing stock 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 now 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 2018/19 (as in 2017/18) 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.

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd).

Movement of Property, Plant and Equipment in 2018/19

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 April 2018	**662,201**	**99,783**	**21,789**	**6,571**	**3,485**	**2,008**	**4,695**	**800,532**
Additions	18,183	14,476	3,193	996	6	0	3,960	**40,814**
Accumulated Depreciation & Impairment written off to cost/valuation	0	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(28,920)	(829)	0	0	0	0	0	**(29,749)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,036)	0	0	(6)	6	0	**(4,036)**
Derecognition - Disposals	(1,909)	(11,366)	(643)	0	0	(1,030)	0	**(14,948)**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Assets Under Construction	2,127	(215)	0	215	0	0	(2,226)	**(99)**
Other movements in Cost or Valuation	0	4	0	0	0		0	**4**
At 31 March 2019	**651,682**	**97,817**	**24,339**	**7,782**	**3,485**	**984**	**6,429**	**792,518**
Accumulated Depreciation & Impairment								
At 1 April 2018	**(28,489)**	**(2,821)**	**(16,500)**	**(3,665)**	**(773)**	**(92)**	**0**	**(52,340)**
Depreciation charge	(12,520)	(1,609)	(1,361)	(280)	(97)	(27)	0	**(15,894)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,121	1,203	0	0	0	0	0	**8,324**
Depreciation written out to Revaluation Reserve	0	226	0	0	5	4	0	**235**
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	882	0	210	0	0	80	0	**1,172**
Derecognition - Other	0	0	0	0	0	0	0	**0**
At 31 March 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(3,945)**	**(865)**	**(35)**	**0**	**(58,503)**
Net Book Value								
At 31 March 2019	**618,676**	**94,816**	**6,688**	**3,837**	**2,620**	**949**	**6,429**	**734,015**
At 1 April 2018	**633,712**	**96,962**	**5,289**	**2,906**	**2,712**	**1,916**	**4,695**	**748,192**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd).

Preceding movements of Property, Plant and Equipment in 2017/18.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 April 2017	**631,566**	**103,446**	**20,475**	**5,647**	**3,458**	**2,541**	**5,329**	**772,462**
Additions	14,606	1,771	1,780	396	27	0	2,513	**21,093**
Accumulated Depreciation & Impairment written off to cost/valuation	0	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,767	(606)	0	0	0	(146)	0	**16,015**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,492)	0	0	0	(84)	0	**(4,576)**
Derecognition - Disposals	(4,014)	(2)	(536)	0	0	0	0	**(4,552)**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Held for Sale	3,276	0	89	29	0	0	(3,147)	**247**
Other movements in Cost or Valuation	0	(334)	(19)	499	0	(303)	0	**(157)**
At 31 March 2018	**662,201**	**99,783**	**21,789**	**6,571**	**3,485**	**2,008**	**4,695**	**800,532**
Accumulated Depreciation & Impairment								
At 1 April 2017	**(24,331)**	**(8,160)**	**(15,857)**	**(3,198)**	**(681)**	**(69)**	**0**	**(52,296)**
Depreciation charge	(11,416)	(1,593)	(1,171)	(467)	(97)	(32)	0	**(14,776)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	6,467	0	0	5	(2)	0	**6,470**
Depreciation written out to Revaluation Reserve	6,601	465	0	0	0	11	0	**7,077**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	657	0	528	0	0	0	0	**1,185**
Assets Derecognised - Reclassified	0	0	0	0	0	0	0	**0**
At 31 March 2018	**(28,489)**	**(2,821)**	**(16,500)**	**(3,665)**	**(773)**	**(92)**	**0**	**(52,340)**
Net Book Value								
At 31 March 2018	**633,712**	**96,962**	**5,289**	**2,906**	**2,712**	**1,916**	**4,695**	**748,192**
At 31 March 2017	**607,235**	**95,286**	**4,618**	**2,449**	**2,777**	**2,472**	**5,329**	**720,166**

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)

2017/18 £,000		2018/19 £,000
23,270	**Balance at start of year**	**24,212**
	Additions:	
1,842	Subsequent expenditure	481
(350)	Disposals	0
14	Net gains/(losses) from fair value adjustments	295
	Transfers:	
20	From Property, Plant & Equipment	0
(337)	To Property, Plant & Equipment	0
(247)	To HRA Assets under construction	0
24,212	**Balance at end of year**	**24,988**

The Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

Valuation Techniques Used to Determine Level 2 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 2 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 1 April 2019 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.

2017/18 £,000		2018/19 £,000
2,212	Rental Income from Investment Property	2,414
(798)	Less direct operating expenses arising from Investment Property	(882)
1,414	**Net gain**	**1,532**

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 5 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 £200,271 for all intangible assets charged to revenue in 2018/19 (2017/18 - £121,458). 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:

2017/18 £000's		2018/19 £000's	2018/19 £000's
	Balance as at 1 April		
737	Gross carrying amounts		1,065
(204)	Accumulated amortisation		(325)
533	**Net carrying amount at 1 April**		**740**
	Movements in year:		
328	Purchases	144	
0	Transfer from Asset under construction	98	
(121)	Amortisation for the period	(201)	
207			41
740	**Balance at 31 March**		**781**
	Comprising:		
1,065	Gross carrying amounts		1,308
(325)	Accumulated amortisation		(527)
740			**781**

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 2018/19.

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.

As at 31 March 2019 significant commitments for major projects already underway included:-

	£'000
Decent Homes and major repairs	20,249
Housing Regeneration	23,084
Information and Communication Technologies	2,292
Garage Strategy	2,840
Total	**48,465**

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing

Twin Foxes before redevelopment

Twin foxes after redevelopment – provision of 14 new council homes in 2018/19

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd)

2017/18 £'000		2018/19	£'000
223,275	**Opening Capital Financing requirement**		**221,877**
	Capital investment :		
16,377	Land and Buildings	20,401	
2,532	Other Plant and Equipment	4,339	
1,842	Investment Property	480	
2,513	Assets under construction	4,342	
2,772	Revenue expenditure funded from Capital under statute	861	
26,036			30,423
	Sources of Finance :		
(11,073)	Capital Receipts - general	(3,739)	
(3,724)	Capital Receipts - New Build	(2,679)	
(738)	Government Grants & Other Contributions	(3,133)	
(6,940)	Major Repairs Reserve	(11,124)	
	Sums set aside from Revenue:		
(1,805)	Direct revenue contributions	(7,783)	
(3,154)	MRP and Loan Principal	(1,902)	
(27,434)			**(30,360)**
221,877	**Closing Capital Financing requirement**		**221,940**
	Explanation of movement in year:		
1,756	Increase in underlying need to borrow (supported by government financial assistance)		63
(3,154)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)		0
(1,398)	**Increase/(decrease) in Capital Financing requirement**		**63**

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 be 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 2018/19 the Council had use of multi-functional printing devices and four vehicle leases. The annual amount charged under these arrangements in 2018/19 was £59,000 (2017/18 £66,000). Future lease payments due are shown in the table below:

31 March 2018 Printers £'000	31 March 2018 Assigned Vehicles £'000	31 March 2018 Total £'000	Lease Costs Payable	31 March 2019 Printers £'000	31 March 2019 Assigned Vehicles £'000	31 March 2019 Total £'000
16	24	**40**	Not later than one year	9	13	**22**
0	0	**0**	Later than one year	37	0	**37**

Property: Council as Lessor - the authority currently leases 354 premises which include 181 shops, 35 workshops, 11 public houses, 10 surgeries and 117 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2018/19 was £3,433,000, (2017/18 £3,318,000).

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

31 March 2018 £'000	Future minimum lease payments	31 March 2019 £'000
3,282	Not later than one year	3,317
13,128	Later than one year and not later than five years	13,267
49,230	Later than five years	46,842

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 March 2018 £'000	Future minimum lease to Aviva payments	31 March 2019 £'000
0	Not later than one year	775
0	Later than one year and not later than five years	3,179
0	Later than five years	30,549

31 March 2018 £'000	Future minimum lease from Queensway	31 March 2019 £'000
0	Not later than one year	775
0	Later than one year and not later than five years	3,179
0	Later than five years	30,549

Notes to the Core Financial Statements

18. Financial Instruments

Financial Assets –updated in 2018-19

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow 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 2018 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.

	Amount at 31 March 2019	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2019	Estimated maximum exposure to default & uncollectability 31 March 2019	Estimated maximum exposure to default & uncollectability 31 March 2018
	£'000	%	%	£'000	£'000
Financial Institutions	**A**	**B**	**C**	**(AxC)**	
Banks & Building Societies	34,005	0	0	0	0
Other Local Authorities	19,437	0	0	0	0
Other Counter parties	927	0	0	0	0
Trade Debtors	1,973	34%	15%	302	368
Total	**56,342**			**302**	**368**

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 2019. 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 £503,000 of the £1,973,000 trade debtors balance has passed its due date for payment. The past due amount can be analysed by age and service in the following table;

Notes to the Core Financial Statements

18. Financial Instruments (contd)

Age of Sundry Debt	Estates Services £'000	Direct Services (incl Recycling) £'000	Planning £'000	Other £'000	Total Trade Debtors £'000
less than 3 months	**128**	**821**	**115**	**406**	**1470**
Over Term:					
3-6 months	26	8	0	22	**56**
6 months - 1 year	29	1	0	18	**48**
over 1 year	216	1	21	161	**399**
Total trade debtors over term	**271**	**10**	**21**	**201**	**503**
Total Trade Debtors 31 March 2019	**399**	**831**	**136**	**607**	**1,973**
Total Trade Debtors 31 March 2018	**338**	**163**	**206**	**382**	**1089**

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses, which form the main element of Mortgages under Long Term Debtors. As at 31 March 2019 Deferred Capital Receipts were £187,000 (31 March 2018 £188,000). 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 2019), the financial effect would be:

	£'000
Increase in interest receivable on investments	(682)
Impact on Comprehensive Income & Expenditure Statement	(682)
Share of overall impact credited to the HRA	472
Impact on Movement in Reserves Statement	(210)

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 liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Financial Instruments:

Transition to International Financial Reporting Standard 9 (IFRS9)

Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

New Classifications at 1 April 2018				
	Carrying amount brought forward at 1 April 2018	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
Previous classifications	**£000s**	**£000s**	**£000s**	**£000s**
Loans and receivables	55,654	55,654	0	0
Available for Sale	0	0	0	0
Fair value through profit and loss	0	0	0	0
Total Reclassified amounts at 1 April 2018	**55,654**	**55,654**	**0**	**0**
Re-measurements at 1 April 2018				
Re-measured carrying amounts at 1 April 2018	**55,654**	**55,654**	**0**	**0**
Impact on General Fund Balance				0
Impact on Financial Instruments Revaluation Reserve				0

Effect of Asset Reclassification and Re-measurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet. new classifications at 1 April 2018

	Amortised Cost	Fair Value through Other Comprehensive Income	Fair value through profit and Loss	Non-financial instrument balances	Total Balance Sheet carrying amount
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Non-current investments	10,007	0	0	0	**10,007**
Long-term debtors	0	0	0	271	**271**
Current investments	45,647	0	0	0	**45,647**
Current debtors	0	0	0	14,729	**14,729**
Total Re-measured carrying amounts at 1 April 2018	**55,654**	**0**	**0**	**0**	**55,654**

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.)

		Non Current		Current	
		31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Investments					
	Investment (LGA Municipal Bond)	10	10	0	0
	Financial assets at amortised cost	10,007	10,000	45,647	43,034
Total Investments		**10,017**	**10,010**	**45,647**	**43,034**
Debtors (including Cash, Cash equivalents and Bank)					
	Assets at amortised cost comprising:				
	Mortgages	164	159	13	13
	Housing Rents Leaseholders	0	0	577	509
	Other debtors	107	107	6,439	7,588
	Cash held by the Authority	0	0	11	11
	Bank Current Accounts	0	0	809	738
	Investment Cash Equivalents	0	0	6,880	1,335
Total Debtors		**271**	**266**	**14,729**	**10,194**
Borrowings					
	Financial liabilities at amortised cost	205,483	205,220	3,138	263
Total Borrowings		**205,483**	**205,220**	**3,138**	**263**
Creditors					
	Receipts in Advance	0	0	519	2,225
	Sundry Creditors	762	2,094	9,737	16,344
Total Creditors		**762**	**2,094**	**10,256**	**18,569**

Schedule of PWLB loan repayments	
less than one year	£263,158
1-2 years	£263,158
2-5 years	£526,316
6-10 years	£28,555,950
10 -15 years	£72,700,000
15 -20 years	£99,174,000
20-25 years	£4,000,000
Total	**£205,482,582**

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 March 2018				31 March 2019		
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total		Financial Liabilities Measured at Amortised Cost	Financial Assets: Measured at Amortised Cost	Total
£000	£000	£000		£000	£000	£000
7,083	0	7,083	Interest Expense	7,193	0	7,193
7,083	**0**	**7,083**	**Total expense in Surplus or Deficit on the Provision of Services**	**7,193**	**0**	**7,193**
0	(457)	(457)	Interest income	0	(825)	(825)
0	**(457)**	**(457)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(825)**	**(825)**
7,091	**(457)**	**6,626**	**Net (gain)/loss for the year**	**7,193**	**(825)**	**6,368**

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
- The fair value of trade and other receivables is taken to be the invoiced amount.

The Valuation Techniques Used to Determine Level 2 Fair Values for Investments:
The fair value of the investments have been provided by Link Asset Services and are 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.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

31 March 2018 Carrying amount £'000	31 March 2018 Fair Value £'000		31 March 2019 Carrying amount £'000	31 March 2019 Fair Value £'000
		Non current Investments		
10,007	10,010	Non current Financial assets at amortised cost	10,007	10,062
10,007	**10,010**	**Total**	**10,007**	**10,062**
		Loan Debt		
1,522	1,524	Market Debt	0	0
207,098	232,021	PWLB Debt	205,483	237,586
208,620	**233,545**	**Total**	**205,483**	**237,586**

Valuation Techniques Used to Determine Level 2 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 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £237.586million 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 £266,197million, 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 March 2018 £'000		31 March 2019 £'000
1,105	Central Government Bodies	2,209
79	Other Local Authorities	177
577	Housing Rents & Leaseholders	509
231	Collection Fund	699
5,037	Other Debtors	7,375
7,029	**Total**	**10,969**

The Council has two long term debtor:

Hertfordshire Building Control – This relates to a two year loan (£107,000). An extension to the loan was granted in 2018/19.

Queensway Properties (Stevenage) LLP –This relates to a 37 finance lease for properties 85-100 Queensway and 24-26 The Forum . (see also Note 17 and the Group Accounts section of the statement)

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.*

31 March 2018		31 March 2019	
£'000	**Creditors:**	**£'000**	**£'000**
6,464	Central Government Bodies	6,451	
126	Other Local Authorities	8	
574	Collection Fund	298	
388	Accumulated leave	436	
9,348	Other Entities & Individuals	9,514	
16,901	**Total Creditors**		**16,707**
	Receipts in Advance:		
0	Other Local Authorities	0	
1,061	Housing	1,094	
23	Tenants (redecoration scheme)	0	
720	Collection Fund	562	
519	Other Entities & Individuals	569	
2,323	**Total Receipts in Advance**		**2,225**
19,225	**Total**		**18,932**

The Council has long term creditor (£2,094,000) comprising principally:

Local Enterprise Partnership (LEP) – this relates to a loan to purchase a town centre regeneration asset (£762,000) which will be repayable in 2021/2022 on completion of the regeneration plan and a second regeneration asset (£1,332,000) repayable in 2024/25.

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 *(contd)*

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 March 2018 £'000		31 March 2019 £'000
0	**Balance at start of year**	**1,700**
1,135	Transfer from surplus assets	0
565	Transfer from land & building	0
0	Assets sold	(1,700)
1,700	**Balance at year end**	**0**

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 (Note21).

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 2019.

Water rates: Certainty of income from the collection of water rates is dependent on legal case.

Other Provisions: All other provisions are individually insignificant.

Notes to the Core Financial Statements

22. Provisions (contd)

	Insurance Provision	Organisation change	Municipal Mutual Insurance	NDR Appeals	Water rates	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2017	(602)	(160)	(51)	(2,894)	0	(145)	**(3,852)**
Additional Provisions made in 2017/18	(232)	(203)	0	(944)	0	(19)	**(1,398)**
Amounts Used in 2017/18	213	66	0	164	0	100	**543**
Unused Amounts reversed in 2017/18	0	94	0	320	0	4	**418**
Balance as at 31 March 2018	**(621)**	**(203)**	**(51)**	**(3,354)**	**0**	**(60)**	**(4,289)**
Additional Provisions made in 2018/19	(359)	(221)	0	0	(412)	0	**(992)**
Amounts Used in 2018/19	322	201	0	0	0	0	**523**
Unused Amounts reversed in 2018/19	0	4	0	54	0	60	**118**
Balance as at 31 March 2019	**(658)**	**(219)**	**(51)**	**(3,300)**	**(412)**	**0**	**(4,640)**

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 Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts.

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 2019 the company produced a profit after tax of £21,000. SBC's share of the profit is £7,800. 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. The council holds 14% 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. Final result for the company had yet to be published but the profit/loss is not expected to be material.

Due to the Council's small share holding the Council has not included any further disclosure notes regarding this company.

Notes to the Core Financial Statements

24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £460,924 in 2018/19. (£444,031 in 2017/18). Payments made outside the scheme for Mayoral Allowances totalled £18,760 in 2017/18 (£17,277 in 2017/18).

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 Conts.	Total Remuneration Incl Pension Contributions
	£	£	£	£	£	£
Remuneration 2018/19						
Chief Executive	119,379	1,193	4,353	124,925	34,723	159,648
Strategic Director and Deputy Chief Executive	99,840	403	482	100,725	28,013	128,738
Strategic Director	90,764	430	100	91,294	25,467	116,761
Borough Solicitor **	0	0	0	0	0	0
Assistant Director Finance & Estates (s151 Officer)	80,470	9	140	80,619	22,578	103,197
Total remuneration in 2018/19	**390,453**	**2,035**	**5,075**	**397,563**	**110,781**	**508,344**
Remuneration 2017/18						
Chief Executive	112,955	1,018	7,380	121,353	34,048	155,401
Strategic Director and Deputy Chief Executive	97,882	405	1,162	99,449	27,856	127,305
Strategic Director (from 4/7/2016)	88,984	515	340	89,838	25,323	115,162
Borough Solicitor **	26,966	23	103,417**	130,405	7,685	138,090
Assistant Director Finance & Estates (s151 Officer)	78,893	78	340	79,311	22,452	101,763
Total remuneration in 2017/18	**405,680**	**2,038**	**112,639**	**520,357**	**117,364**	**637,721**

** "Other emoluments" includes election duty payment and redundancy costs.*

***In 2017/18 as part of the Future Town Future Council agenda legal services were procured through an ongoing shared service with Hertfordshire County Council and Borough Solicitor services reduced to a part time position resulting in the redundancy of the Borough Solicitor employed by Stevenage - other emoluments includes redundancy costs paid by the Council.*

Notes to the Core Financial Statements

25. Officers Remuneration contd.

The number of 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.

Number of employees 2017/18	Remuneration Band *	Number of employees 2018/19
8	£50,000 - £54,999	9
4	£55,000 - £59,999	4
1	£60,000 - £64,999	1
3	£65,000 - £69,999	0
4	£70,000 - £74,999	0
2	£75,000 - £79,999	6
0	£80,000 - £84,999	4
2	£85,000 - £89,999	0
0	£90,000 - £94,999	1
1	£95,000 - £99,999	0
1	£100,000 - £104,999	1
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
1	£120,000 - £124,999	1
0	£124,999 - £130,000	0
1	£130,000 - £135,000	0
28	**Total**	**27**

The council directly employs circa 630 employees. With effect from 1st 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 2018 the Chief Executive is paid 6.86 times the lowest paid member of staff and 3.91 times the mean average (£30,572).

Further information can be found in the annual pay policy statement published on the website: https://democracy.stevenage.gov.uk/documents/s5587/20180228-Item14Appendix.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.

2018/19

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 - £9,999	2	0	2	£11,195
£20,000 - £39,999	3	0	3	£110,503
£50,000 - £79,999	3	0	3	£205,585
Total	**8**	**0**	**8**	**£327,285**

2017/18

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 - £19,999	2	0	2	£5,976
£20,000 - £39,999	3	0	3	£145,574
£40,000 - £59,999	3	0	3	£327,098
Total	**8**	**0**	**8**	**£478,648**

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 whom the employees worked.*
- *Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (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 .*

Remeasurements 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*

Notes to the Core Financial Statements

26. **Pension** contd.

Pensions-Local Government Pension Scheme contd.

- *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.

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.

Notes to the Core Financial Statements

26. **Pension** contd.

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.

2017/18 £'000		2018/19 £'000
	Cost of service	
6,262	Current service costs	6,303
75	Past service costs	551
	Financing and Investment Income & Expenditure	
5,131	Interest costs	5,416
(3,733)	Interest income on plan assets	(4,085)
7,735	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	8,185
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
4,551	Return on plan assets (excluding the amount included in the net interest expense)	(6,995)
0	Actuarial gains and losses arising on changes in demographic assumptions	0
3,683	Actuarial gains and losses arising on changes in financial assumptions	11,939
13	Other Actuarial gains and losses	0
15,982	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	13,129
	Movement in Reserves Statement	
(7,735)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(8,185)
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	
4,362	Employer's contributions payable to the scheme	4,487

Notes to the Core Financial Statements

26. Pension contd.

2017/18 £'000		2018/19 £'000
149,648	**Opening fair value of Scheme assets**	**157,490**
3,733	Interest Income	4,085
	Remeasurement gain/(loss)	
4,564	The return on plan assets, excluding the amount included in the net interest expense	6,995
4,444	Contributions from employer	4,487
1,084	Contributions from employees into the scheme	1,110
(5,983)	Benefits paid	(6,144)
157,490	**Closing fair value of scheme assets**	**168,023**

2017/18 £'000		2018/19 £'000
204,656	**Opening Balance of Obligations**	**207,542**
6,262	Current Service Cost	6,303
5,131	Interest Cost	5,416
1,084	Contributions from Scheme participants	1,110
	Remeasurement gain/(loss)	
0	Acturial gains/(losses) arising from changes in demographic assumptions	0
(3,683)	Acturial gains/(losses) arising from changes in financial assumptions	11,939
0	Other	0
75	Past service costs	551
(5,983)	Benefits paid	(6,144)
207,542	**Closing balance**	**226,717**

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 2016.

Notes to the Core Financial Statements

26. Pension contd.

Fair value of Employer's assets (at bid values unless otherwise stated)

Asset category	Period Ended 31 March 2018 Quoted prices in active markets £'000	Period Ended 31 March 2018 Quoted prices not in active markets £'000	Period Ended 31 March 2018 Total £'000	Period Ended 31 March 2018 % of Total Assets	Period Ended 31 March 2019 Quoted prices in active markets £'000	Period Ended 31 March 2019 Quoted prices not in active markets £'000	Period Ended 31 March 2019 Total £'000	Period Ended 31 March 2019 % of Total Assets
Equity Securities:								
Consumer	7,196	0	7,196	5%	7,474	0	7,474	4%
Manufacturing	6,190	0	6,190	4%	6,515	0	6,515	4%
Energy and Utilities	1,651	0	1,651	1%	1,734	0	1,734	1%
Financial Institutions	7,025	0	7,025	4%	6,928	0	6,928	4%
Health and Care	997	0	997	1%	1,367	0	1,367	1%
Information Technology	4,910	0	4,910	3%	5,256	0	5,256	3%
Other	375	0	375	0%	451	0	451	0%
Debt Securities:								
Corporate Bonds (investment grade)	0	0	0	0%	0	0	0	0%
UK Government	0	0	0	0%	0	0	0	0%
Other	0	64	64	0%	0	77	77	0%
Private Equity:								
All	0	5,975	5,975	4%	0	7,878	7,878	5%
Real Estate:								
UK Property	0	5,217	5,217	3%	0	5,952	5,952	4%
Overseas Property	0	5,142	5,142	3%	0	6,373	6,373	4%
Investment Funds and Unit Trusts:								
Equalities	41,394	0	41,394	26%	42,396	0	42,396	25%
Bonds	56,640	0	56,640	36%	58,456	0	58,456	35%
Commodities	0	0	0	0%	0	0	0	0%
Infrastructure	0	376	376	0%	0	1,629	1,629	1%
Other	1,173	8,035	9,208	6%	1,420	8,880	10,300	6%
Derivatives:								
Interest Rate	0		0	0%	0		0	0%
Foreign Exchange	0	(126)	(126)	0%	0	(200)	(200)	0%
Cash and Cash Equivalents:								
All	5,256		5,256	3%	5,437		5,437	3%
Totals	**132,807**	**24,683**	**157,490**	**100%**	**137,434**	**30,589**	**168,023**	**100%**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

26. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

2017/18		2018/19
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.9	Women	24.9
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.7	Women	26.7
	Other Assumptions:	
2.4%	Rate of pension inflation	2.5%
2.5%	Rate of increase in salaries	2.6%
2.6%	Rate for discounting scheme liabilities	2.4%
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 2019 (%)	Weighted average duration
Active members	96,218 (42.4%)	21.4
Deferred members	52,271 (23.1%)	21.6
Pensioner members	78,228 (34.5%)	11.1
Total	**226,717 (100%)**	**16.4**

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 2018	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	10	21,619
0.5% increase in salary increase rate	1	2,225
0.5% increase in pension increase rate	8	19,105

The total contributions for current service cost expected to be made to the Pension Scheme in the year to 31 March 2020 is estimated at £4,496,000.

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@hertscc.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 £856,191 (2017/18, £857,034). 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.

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £475,815 in 2018/19 (£541,459 in 2017/18).

A legal shared service is provide to Stevenage BC by HCC for which the council paid £407,965 (2017/18 £327,183)

Notes to the Core Financial Statements

27. Related Parties contd

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 2018/19 is shown in Note 25 Members Allowances.

A contract payment of £856,573 was paid to Stevenage Leisure Limited (SLL) (2017/18 £1,254,472) and £44,657 was paid to Hertfordshire Building Control Limited (£70,572 in 2017/18). Also £1,301,690 was paid to other organisations (2017/18 £1,426,593), either as grants or services received. With reference to all of these organisations, of the 39 Members, 32 Members declared interests through either the Register of Interests or completed related party transactions' forms. As at 31 March 2019 SBC had paid SLL £156,510 (March 2018 £296,752) for management costs relating to 2019/20.

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 2018/19 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 at the Council offices. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2018/19, 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 four contingent liabilities/assets were identified, that related to:-

- There is a possibility that a new claim for mandatory relief from business rates on behalf of NHS Trust will be received. The second reading of the Hospital (Parking and Business Rates) Bill 2017-19 is scheduled for 15 June 2018. The application could potentially be backdated, potentially up to 6 years (as a statute of limitation). Due to the uncertainty to whether a claim for mandatory relief is made and to whether it is back dated it is not possible to quantify the financial impact to the Council.
- Business Rate payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency. The Council has made a provision for appeals lodged including a percentage for those that may be withdrawn.
- 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.
- Local Enterprise Partnership (LEP) funding for a new bus station has been agreed, however the council is awaiting release of these funds. Should the funds not be released the cost of the bus station, an essential part of the SG1 project, would fall on the council. The 2019/20 capital strategy details the approach the council would take if this were to happen.
- 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.

Notes to the Core Financial Statements

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 2018/19 financial year are shown in the table below. The appointed auditor for 2018/19 is Ernst & Young LLP.

2017/18 £'000	Fees Payable	2018/19 £'000
64	Fees payable to the **External Auditor** with regard to **external audit services** carried out by the appointed auditor for the year.	49
10	Fees payable to **External Auditor** for the certification of **grant claims and returns** for the year.	9
(9)	Fees refunded by the **Public Sector Audit Appointments** with regard to external audit services carried out by the appointed auditor	0
65		**58**

Notes to the Core Financial Statements

30. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2017/18 £'000		2018/19 £'000
(447)	Interest received	(509)
7,085	Interest paid	7,326
6,638		**6,581**

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

2017/18 £'000	Non Cash Items	2018/19 £'000
(13,040)	Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement	(19,930)
(3,291)	Removal of IAS Pension entries in the Comprehensive Income & Expenditure Statement	(3,768)
(3,718)	Removal of carrying amount of assets disposed	(4,112)
(423)	Other non cash item movements	(56)
	Items on an accrual basis	
(22)	Add/(less) increase/(decrease) in stock	3
(40)	Add/(less) increase/(decrease) in debtors	2,600
(3,038)	Add/(less) increase/(decrease) in creditors & receipts in advance	(14,288)
(23,572)		(39,551)

Stevenage BOROUGH COUNCIL

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.

2017/18 £000		Note	2018/19 £000	
	Expenditure			
6,649	Repairs & Maintenance		6,823	
10,752	Supervision & Management		10,917	
176	Rents, Rates, Taxes & Other Charges		207	
11,416	Depreciation & Impairment of Non-Current Assets - HRA Dwellings		12,520	
183	Depreciation & Impairment of Other Non-Current Assets		260	
146	Movement in the allowance for bad debts		156	
29,322	**Total Expenditure**			**30,883**
	Income			
(39,187)	Dwelling rents	HRA 1	(38,782)	
(360)	Non-dwellings rents		(251)	
(2,888)	Charges for Services & Facilities		(3,517)	
(685)	Contributions towards expenditure		(497)	
(43,120)	**Total Income**			**(43,047)**
(13,798)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**			**(12,164)**
712	HRA Services share of Corporate & Democratic Core			1,043
(13,086)	**Net income for HRA services**			**(11,121)**
(1,770)	Gain on sale of HRA Non-Current Assets			(2,947)
6,514	Interest payable (PWLB loans - Self financing)			6,514
503	Interest payable (Decent Homes borrowing)			407
(287)	Interest receivable on revenue balances			(405)
0	Interest receivable on mortgages			0
22	Apprentice levy			0
(134)	Capital grants & Contributions receivable			(52)
418	Pension Interest and expected return on pension assets			374
(7,820)	**Deficit for the year on HRA services**			**(7,230)**

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

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

Movement on the HRA Statement

2017/18 £000		Note	2018/19 £000	2018/19 £000
(19,750)	**Balance on the HRA at the end of the previous year**			**(24,115)**
(7,820)	Deficit for the year on the HRA Income & Expenditure Statement		(7,230)	
3,455	Adjustment between accounting basis and funding basis under statute	8	10,043	
(4,365)	(Increase)/Decrease in year on the HRA			2,813
(24,115)	**Balance on the HRA at the end of the year**			**(21,302)**

Notes to the Housing Revenue Account (HRA)

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 0.75% of let-able properties were vacant (in 2017/18 figure was 0.79%). Average rents - excluding service charges - were £95.72 a week in 2018/19 (£96.48 in 2017/18).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2018/19 rent arrears as a proportion of gross rent income were 2.49% (2.62% in 201718).

2017/18 £'000		2018/19 £'000
1,140	Arrears at 31 March	1,083
182	Amounts written off during the year	190
(6)	Amounts written on during the year	0

The bad debts provision stood at £586,205 at 31 March 2019 (£620,655 at 31 March 2018).

Notes to the Housing Revenue Account (HRA)

HRA 3. Housing Stock Numbers

The stock movement can be summarised as follows:-

2017/18 No.		2018/19 No.
8,000	Stock as at 1st April	7,997
(37)	Less Right to Buy Sales	(32)
34	New Build acquisitions	31
0	Demolitions	(31)
0	Conversions/other	0
7,997	**Stock at 31st March**	**7,965**
5,168	Houses	5,151
2,829	Flats	2,814
7,997	**Total**	**7,965**

The stock numbers disclosed above are properties that are in management and available to let.

New homes at Archer Road completed in 2017

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 2018	£ 633,712
As at 31 March 2019	**£ 618,675**
The Vacant Possession value of the dwellings as at 31 March 2019 was	£ 1,627,982

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.

HRA 4. Non Current Asset Valuations (contd.)

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

31 March 2018 £'000's		**31 March 2019 £'000's**
4,067	Assets Under construction	2,846
472	Vehicles Plant & Equipment	1,296
4,539	**Total**	**4,142**

HRA 5. Major Repairs Reserve (MRR)

2017/18 £'000	**2017/18 £'000**		**2018/19 £'000**	**2018/19 £'000**
	(4,507)	**Opening Balance as at 1st April**		**(9,264)**
		Transfers to the MRR -		
(11,415)		Depreciation of HRA Dwellings	(12,520)	
(260)		Depreciation of other HRA Assets	(260)	
	(11,675)			(12,780)
		Transfers from MRR -		
	6,918	Financing of HRA Capital Expenditure		11,124
	(9,264)	**Closing Balance as at 31 March**		**(10,920)**

Stevenage BOROUGH COUNCIL

Notes to the Housing Revenue Account (HRA)

HRA 6. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2018/19 is summarised as follows:

2017/18 £'000		2018/19 £'000
	Capital Expenditure	
11,814	Major Repairs & Improvements	13,067
1,761	New Council Housing	3,604
421	Disabled Adaptations	768
242	Equipment	1,644
2,784	Assets under construction	3,283
17,022		22,366
	The Capital Expenditure was financed as follows:	
9,888	Capital Receipts	2,661
6,940	Major Repairs Reserve	11,124
194	Contributions	6,770
0	New Borrowing	1,811
17,022		22,366

Total Capital Receipts in 2018/19 from the sale of property within the HRA can be summarised as follows :-

2017/18 £'000		2018/19 £'000
(4,904)	Right to Buy Sales	(4,910)
0	Right to Buy Mortgage Repayments	(1)
(96)	Other Land & Property *	(103)
(5,000)		(5,014)

*Includes repayment of Right to Buy discounts

Stevenage BOROUGH COUNCIL

Collection Fund Statement 2018/19

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.

2017/18				2018/19		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
			Income			
(43,622)		(43,622)	Council Tax Receivable	(46,590)		(46,590)
	(47,497)	(47,497)	Business Rates Receivable		(45,047)	(45,047)
	3,086	3,086	Transitional Payment Protection receivable		1,625	1,625
(43,622)	(44,411)	(88,033)	**Total income**	(46,590)	(43,422)	(90,012)
			Expenditure			
			Precepts, Demands and Shares			
33,258	4,219	37,477	Hertfordshire County Council	35,730	4,371	40,101
4,058		4,058	Hertfordshire Police Authority	4,438		4,438
5,300	**16,876**	**22,176**	**Stevenage Borough Council**	**5,532**	**17,483**	**23,015**
	21,095	21,095	Central Government		21,854	21,854
			Charges to Collection Fund			
	110	110	Costs of collection		107	107
71	509	580	Write offs of uncollectable amounts	183	200	383
116	(442)	(326)	Increase/(decrease) for impairment	57	(396)	(339)
	1,148	1,148	Increase/(decrease) in provision for appeals		(134)	(134)
			Contribution in regard to previous year deficit/surplus			
855	120	975	Hertfordshire County Council	876	8	884
105		105	Hertfordshire Police Authority	107		107
139	**478**	**617**	**Stevenage Borough Council**	**140**	**30**	**170**
	598	598	Central Government		38	38
43,902	**44,711**	**88,613**	**Total expenditure**	**47,063**	**43,561**	**90,624**
280	**300**	**580**	**Movement on fund balance (deficit/(surplus))**	**473**	**139**	**612**
(1,166)	**(1,328)**	**(2,494)**	**Balance at beginning of year**	**(886)**	**(1,028)**	**(1,914)**
(886)	**(1,028)**	**(1,914)**	**Balance at end of year**	**(413)**	**(889)**	**(1,302)**

Notes to the Collection Fund Statement 2018/19

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 equivalents was reduced to take into account the loss of income; (27,058.50 for 2018/19, 26,995.10 for 2017/18). The basic amount of council tax for a band D property £1,688.92 for 2018/19 (£1,596.35 for 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	**A (Disbld.)**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**TOTAL**
Properties	0	1,581.08	6,532.01	21,437.04	3,295.81	3,164.90	915.99	422	15	37,363.93
Exemptions		(35)	(117)	(145)	(25)	(20)	(2)	(1)	(5)	(350)
Disabled Relief	0	11	67	(68)	20	(24)	1	(5)	(2)	0
Discounts (25%)	0	1,109.06	3,919.61	6,303.24	750.48	511.47	104.80	53	0	12,751.67
Discounts (50%)	0	2	7	12	2	2	6	7	5	43
Council Tax Support Scheme	0	374.22	1,365.58	2,339.27	227.04	52.47	12.44	2.75	0	4,373.77
Empty Homes Premium	0	6.00	6.00	6.00	3.00	2.00	1.00	1.00	0	25.00
Effective Properties	0	907.60	4,136.03	17,305.96	2,876.75	2,940.56	873.85	397.00	5.50	29,443.24
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	0	605.06	3,216.91	15,383.07	2,876.75	3,594.02	1,262.23	661.67	11	27,610.71
Council Tax Base	Band D equivalent multiplied by collection rate of 98%									**27,058.50**

Notes to the Collection Fund Statement 2018/19

CF 1. Council Tax (cont)

The income chargeable of £54,559,037 in 2018/19 is from the following sources:

2017/18		2018/19
£43,550,585	Billed to Council Tax Payers	£46,407,418
£5,828,125	Local Council Tax Scheme	£5,935,068
£5,180,327	Exemptions, Discounts, etc.	£5,573,702
£54,559,037		£57,916,188

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 49.3p in 2018/19 (47.9p in 2017/18) 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 48.0p in 2018/19 (46.6p in 2017/18). The rateable value for the Council's area is £110,353,092 at 31 March 2019 (£110,366,867 at 31 March 2018). 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%.

	2017/18				2018/19	
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(£ 690,974)	(£102,814)	(£ 793,788)	Hertfordshire County Council	(£323,317)	(£88,912)	(£412,229)
(£83,898)		(£ 83,898)	Hertfordshire Police Authority	(£39,651)		(£39,651)
(£ 110,942)	**(£411,255)**	**(£522,197)**	**Stevenage Borough Council**	**(£50,062)**	**(£355,649)**	**(£405,711)**
	(£514,069)	**(£514,069)**	Central Government		(£444,561)	(£444,561)
(£ 885,814)	**(£1,028,138)**	**(£1,913,952)**		**(£413,030)**	**(£889,121)**	**(£1,302,152)**

Stevenage BOROUGH COUNCIL

Group Accounts 2018/19

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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 statement s 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 Notes 3 –Critical judgements in applying Accounting Policies and Note 23 – Hertfordshire CCTV Limited and Hertfordshire Building Control Ltd).

On 7th November 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 30th 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

Queensway LLP has its first year end as 31 October 2019. As such accounts have been prepared for the first four months of trading and these accounts have not been subject to their auditors (yet to be appointed). In compiling the accounts 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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 carried forward	**(6,427)**	**(2,550)**	**(19,750)**	**(4,507)**	**(25,518)**	**(143)**	**(58,895)**
Movement in reserves during 2017/18							
Total Comprehensive Expenditure and Income	**3,430**		**(7,820)**		**0**	**0**	**(4,390)**
Adjustments between accounting basis & funding basis under regulations	(2,768)		3,455	(4,757)	10,095	(1,586)	**4,439**
Net Increase/Decrease before Transfers to Earmarked Reserves	**662**	**0**	**(4,365)**	**(4,757)**	**10,095**	**(1,586)**	**49**
Transfers to/from Earmarked Reserves	300	(300)	0	0	0	0	0
(Increase)/Decrease in Year	962	(300)	(4,365)	(4,757)	10,095	(1,586)	**49**
Balance at 31 March 2018 carried forward	**(5,465)**	**(2,850)**	**(24,115)**	**(9,264)**	**(15,423)**	**(1,729)**	**(58,846)**
Movement in reserves during 2018/19							
Total Comprehensive Expenditure and Income	**7,938**		**(7,230)**				**708**
Adjustments between accounting basis & funding basis under regulations	(7,631)		10,043	(1,655)	232	58	**1,047**
Net Increase/Decrease before Transfers to Earmarked Reserves	**307**	**0**	**2,813**	**(1,655)**	**232**	**58**	**1,755**
Transfers to/from Earmarked Reserves	1,055	(1,055)					**0**
(Increase)/Decrease in Year	**1,362**	**(1,055)**	**2,813**	**(1,655)**	**232**	**58**	**1,755**
Balance at 31 March 2019 carried forward	**(4,103)**	**(3,905)**	**(21,302)**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,091)**

Stevenage BOROUGH COUNCIL

Group Accounts – Movement in Reserves Statement

	Note	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000
Balance at 31 March 2017 carried forward		**(58,895)**	**(466,893)**	**(525,788)**
Movement in reserves during 2017/18				
Surplus or (deficit) on provision of services		**(4,390)**	**(32,565)**	**(36,955)**
Adjustments between accounting basis & funding basis under regulations	**7**	4,439	(4,439)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**49**	**(37,004)**	**(36,955)**
Transfers to/from Earmarked Reserves	**8**	0	0	**0**
(Increase)/Decrease in Year		**49**	**(37,004)**	**(36,955)**
Balance at 31 March 2018 carried forward		**(58,846)**	**(503,897)**	**(562,743)**
Movement in reserves during 2018/19				
Surplus or (deficit) on provision of services		**708**	**26,862**	**27,570**
Adjustments between accounting basis & funding basis under regulations	**7**	**1,047**	(1,047)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**1,755**	**25,815**	**27,570**
Transfers to/from Earmarked Reserves	**8**	**0**	0	**0**
(Increase)/Decrease in Year		**1,755**	**25,815**	**27,570**
Balance at 31 March 2019 carried forward		**(57,091)**	**(478,082)**	**(535,173)**

Group Accounts – Comprehensive Income & Expenditure Statement

2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net Expenditure		Note	2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
5,856	(275)	5,581	Community Services		5,824	(325)	5,499
38,006	(33,903)	4,103	Housing Services		34,864	(32,297)	2,567
16,752	(8,563)	8,189	Environmental Services		16,849	(7,322)	9,527
101	0	101	Local Community Budgets		101	0	101
3,642	(5,853)	(2,211)	Resources		7,870	(5,860)	2,010
2,589	(1,952)	637	Resources - Support		2,523	(1,840)	683
30,034	(43,120)	(13,086)	Housing Revenue Account		31,903	(43,025)	(11,122)
0	0	0	Queensway Properties LLP		598	(208)	390
96,980	**(93,666)**	**3,314**	**Cost of Services**		**100,532**	**(90,877)**	**9,655**
		(1,350)	Other Operational Expenditure				(2,155)
		6,636	Financing & Investment Income and Expenditure				6,163
		(16,756)	Taxation & Non-Specific Grant Income: Retained Business rates				(17,428)
		17,460	Taxation & Non-Specific Grant Income: NNDR expenditure (tarriff to DCLG)				14,842
		(13,694)	Taxation & Non-Specific Grant Income: Other				(10,372)
		(4,390)	**Deficit/(surplus) on Provision of Services**				**705**
		(24,318)	Surplus on revaluation of Property, Plant and Equipment assets			21,899	
		(5,655)	Actuarial (gains)/losses on pension assets/liabilities	26		4,146	
		(29,973)	**Other Comprehensive Income and Expenditure**				**26,045**
		(34,363)	**Total Comprehensive Income and Expenditure**				**26,750**

Group Accounts – Group Balance Sheet

31 March 2018			31 March 2019		
£'000		Note	£'000	£'000	£'000
633,712	- Council Dwellings		618,676		
96,962	- Other Land & Buildings		106,179		
5,289	- Vehicles, Plant & Equipment		6,688		
12,229	- Other		13,835		
748,192	Total Property, Plant & Equipment			**745,378**	
637	Heritage Assets			598	
24,212	Investment property			24,988	
740	Intangible Assets			781	
10,017	Long Term Investment			10,010	
271	Long Term Debtors			266	
784,069	**Total Long Term Assets**				**782,021**
45,647	Short Term Investments			43,034	
1,700	Assets Held for Sale			0	
139	Inventories			142	
7,029	Short Term Debtors			10,001	
7,700	Cash and Cash Equivalents			7,888	
62,215	**Current Assets**				**61,065**
(3,138)	Short Term Borrowing			(263)	
(19,225)	Short Term Creditors			(18,932)	
(4,289)	Provisions			(4,640)	
(26,652)	**Current Liabilities**				**(23,835)**
(762)	Long term creditors			(1,318)	
0	Long term lease & borrowing (Queensway)			(18,177)	
(205,483)	Long term borrowing			(205,220)	
(50,052)	Pension Liability			(58,694)	
(593)	Grants Receipts in Adv - Capital			(668)	
(256,890)	**Long Term Liabilities**				**(284,077)**
562,742	**Net Assets**				**535,174**
58,846	**Usable Reserves**				**57,092**
503,896	**Unusable Reserves**				**478,082**
562,742	**Total Reserves**				**535,174**

These financial statements are authorised by Clare Fletcher – Assistant Director (Finance and Estates) (Chief Financial Officer) on 27th November 2019.

CD Fletcher

Clare Fletcher

Group Accounts – Cash Flow Statement

2017/18 £'000		2018/19
(4,390)	Net (surplus) or deficit on the provision of services	707
(23,572)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(57,409)
7,910	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21,565
(20,052)	Net Cash flows from Operating Activities	(35,137)
24,967	Net cash flows from investing activities	42,045
736	Net cash flows from financing activities	(7,095)
5,651	Net (increase) or decrease in cash and cash equivalents	**(188)**
(13,351)	Cash & Cash Equivalents at the beginning of the reporting period	(7,700)
(7,700)	Cash & Cash Equivalents at the end of the reporting period	**(7,888)**

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.

Group Accounts - Notes to the Group 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 and cash balances. Expected lease payments are detailed in the following table

	£'000's
Due in less than 1 year	£775
Due in 1-5 years	£3,179
Due in 6-37 years	£30,549
TOTAL	**£34,503**

G3. Group Debtors

31 March 2018 £'000		**31 March 2019 £'000**
1,105	Central Government Bodies	2,209
79	Other Local Authorities	177
577	Housing Rents & Leaseholders	509
231	Collection Fund	699
5,037	Other Debtors	6,407
7,029	**Total**	**10,001**

Group Accounts - Notes to the Group Accounts

G4. Group Creditors

31 March 2018		31 March 2019	
£'000	**Creditors:**	£'000	£'000
6,464	Central Government Bodies	6,451	
126	Other Local Authorities	8	
574	Collection Fund	298	
388	Accumulated leave	436	
9,348	Other Entities & Individuals	9,514	
16,901	**Total Creditors**		**16,707**
	Receipts in Advance:		
0	Other Local Authorities	0	
1,061	Housing	1,094	
23	Tenants (redecoration scheme)	0	
720	Collection Fund	562	
519	Other Entities & Individuals	569	
2,323	**Total Receipts in Advance**		**2,225**
19,225	**Total**		**18,932**

G5. Queensway Properties LLP Summary Profit and Loss Account for Period 7 November 2018 to 31 March 2019

2017/18 Net Expenditure £'000		2018/19 Net Expenditure £'000
0	Turnover	(208)
0	Cost of Sales	286
0	**Gross (Profit)/loss**	**78**
0	Administration Expenses	23
0	Support costs (incl set up costs)	290
0	Other costs	300
0	**Net (Profit) / loss for the period**	**691**

Group Accounts - Notes to the Group Accounts

G6. Queensway Properties LLP Summary Balance Sheet

31 March 2018		31 March 2019	
£'000		£'000	£'000
	Land & Buildings	11,364	
0	**Total Long Term Assets**		**11.364**
	Short Term Debtors	75	
	Cash and Cash Equivalents	5,804	
0	**Current Assets**		**5,879**
	Creditors due in less than one year	(253)	
0	**Current Liabilities**		**(253)**
	Long term finance lease	(17,665)	
0	**Long Term Liabilities**		**(17,665)**
0	**Net Assets**		**(691)**
	Profit and Loss account	(691)	
0	**Total Partnership Funds**		**(691)**

G7. Queensway Debtors and Creditors

In the group accounts the transactions between the Council and Queensway LLP are eliminated.

Queensway Debtors due in less than 1 year

31 March 2018 £'000		31 March 2019 £'000
0	Stevenage Borough Council	0
0	Other Debtors	75
0	**Total**	**75**

Queensway Creditors due in less than 1 year

31 March 2018 £'000		31 March 2019 £'000
0	Stevenage Borough Council	(253)
0	Other Creditors	0
0	**Total**	**(253)**

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 refer 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 accorded. This is achieved by restating the comparative amounts for prior period(s) presenter in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net worth for the earliest prior period presented.

Surplus

An excess of income over expenditure (or assets over liabilities).

Report of the External Auditors

To follow

Stevenage Borough Council's
Annual Governance Statement 2018/19

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

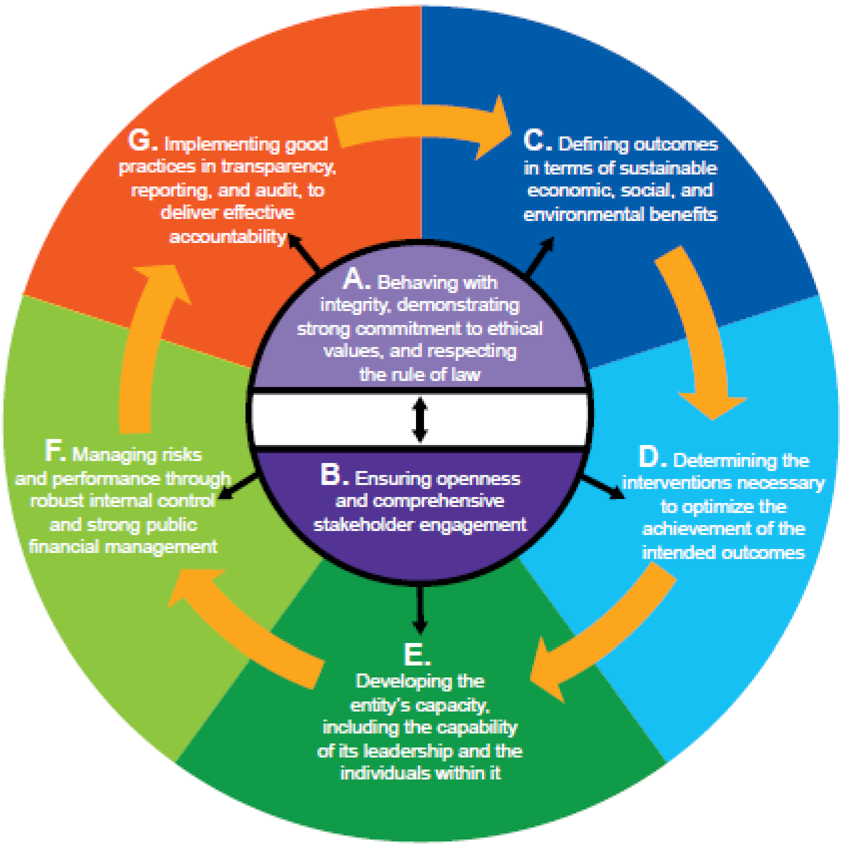


Figure 1: International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) '**Achieving the Intended Outcomes While Acting in the Public Interest at all Times' – The International Framework**

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 was revised and approved by Audit Committee in June 2017. A copy of the code can be obtained from the Council Offices.

This Annual Governance Statement explains how the council has continued to comply with the Local Code, summarises the review of effectiveness and identifies areas of governance to be strengthened.

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 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 Internal Audit'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 meet four times a year to consider the assurance framework 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 nine.

- In addition to this proactive in-year review, Corporate Governance Group carries out an annual review of compliance with the behaviours that make up the seven core principles of corporate governance in the CIPFA/SOLACE Framework and submit a summary of the assessment to the Audit Committee. (Considered at Audit Committee March 2019).

- 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.

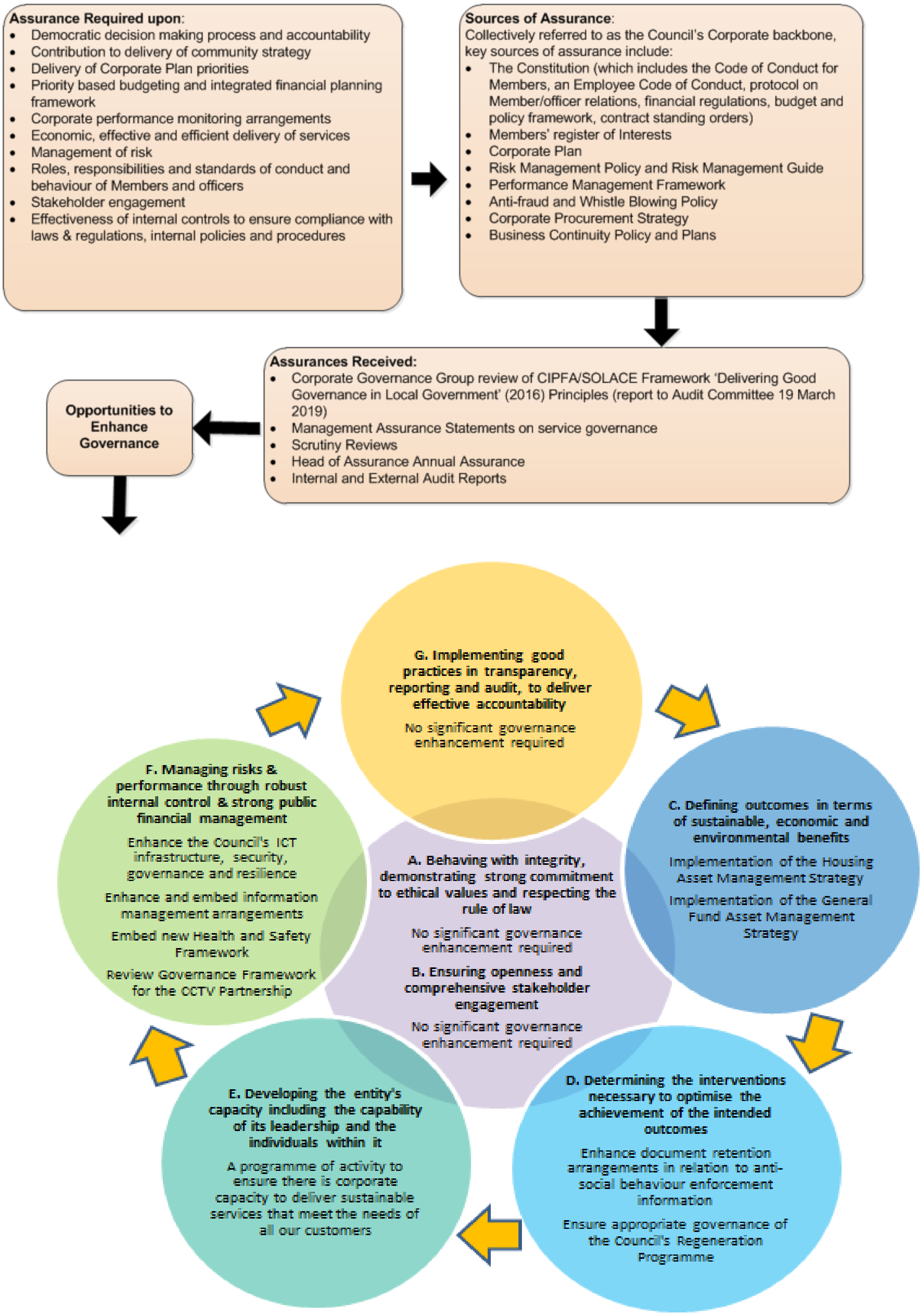
- Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates), and the Head of Assurance Annual Report, require inclusion in the Statement.

All of these mechanisms of review contribute to overall assurance for the 2018/19 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) against the relevant principles. 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 2019 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 for 2019/20



The Action Plan (pages 27 to 30) 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 Assistant Director (Finance & Estates) (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 the 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.

2018/19 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement is being reported to the Audit Committee in June 2019. From the internal audit work undertaken in 2018/19, the 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:

ASSURANCE OPINION: FINANCIAL SYSTEMS

Our overall opinion is **Good Assurance;** meaning the design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings

ASSURANCE OPINION: NON-FINANCIAL SYSTEMS

Our overall opinion is **Satisfactory Assurance;** meaning the internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements

SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and report in this Annual Governance Statement and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

The Good assurance opinion overall on financial systems has been concluded from ten financial systems audits, where an opinion has been given. Eight received Good assurance and two received Satisfactory assurance. No Critical or High priority recommendations were made in these audits.

The Satisfactory assurance opinion on non-financial systems has been concluded from nineteen audits. Seven audits received Good assurance, six received Satisfactory assurance and three received Limited assurance. Twelve high priority recommendations were made across these audits. In addition, three audits were classified as 'Not Assessed', i.e. no audit opinion was given. These three audits have contributed to the assurance opinion on non-financial systems as they were important pieces of consultancy and advice work carried out during the course of the year. Five high priority recommendations were made across these three audits.

In arriving at their Satisfactory assurance opinion for non-financial systems, SIAS highlights that 68% of opinions issued for individual audits during the year were assessed as Good or Satisfactory assurance. This generally indicates the Council has satisfactory or good systems of internal control for a wide range of areas.

When considering these opinions it should be noted that in 2018/19 the SIAS moved from a five tier assurance opinion matrix (Full, Substantial, Moderate, Limited and No Assurance) to one that contains four tiers (Good, Satisfactory, Limited and None).

A summary of the High Priority Audit Recommendations made by the SIAS from the 19 audits carried out during 2018/19 is shown below:

High Priority Audit Recommendation	Governance Enhancements
Governance Arrangements for the Hertfordshire CCTV Partnership Nine recommendations were identified to improve CCTV Partnership governance arrangements	**All audit recommendations have been implemented.** A new CCTV Partnership Governance Framework, Partnership Agreement, Shareholder Agreement and Terms of Reference have all been agreed. A new five year rolling Business Plan has also been produced. A review of reporting arrangements has also taken place.
Community Safety One recommendation was identified to enhance documentation retention arrangements in relation to anti-social behaviour and environmental disturbance cases	**Audit action has been implemented.** The audit recommendation in relation to enhancing documentation retention arrangements has been implemented.
The Shared IT Service Improvement Plan: Two recommendations were identified to improve the shared IT Service governance and performance management arrangements.	**One audit recommendation has been implemented and the other is in progress.** The ICT Strategy has been completed and accepted by Stevenage Borough Council. East Herts Senior Leadership Team has agreed the strategy and final approval will be considered in December 2019. Meta-compliance software has been deployed. A number of IT policies and procedures have now been written and a programme of work to complete this work is in place and is being actioned.
Cyber Security Follow-Up Two recommendations were identified to improve IT security arrangements.	**Both recommendations are in progress.** The Council has created a Security and Network Team to implement security/network improvements. New email filtering and anti-virus arrangements are now in place. A review of access controls has been carried out. Procurement of a network monitoring tool to commence January 2020. Configuration of firewall rules has been created and is being updated as the requirement changes. A firewall

	policy is being created alongside the redesign of the network. Replacement of firewalls and switches is scheduled for April 2020. Network security tools are being investigated and a vulnerability scanner is now in place.
Incident Management Follow up: Three recommendations were identified to improve IT resilience and disaster recovery planning	**One recommendation has been implemented and two are in progress.** Remedial work on electrical systems at both data centres to remove single points of failure is complete. Funding has been secured to appoint an outside agency to review the Council's Disaster Recovery plans. This will be commissioned post implementation of the replacement of storage and VDI hosted desktops as these new systems will substantially improve the Council's disaster recovery arrangements and capabilities. A secondary link using Microwave technology to increase the resilience of the link between the Council's two data centres is scheduled for completion in January 2020. Tests will be planned post implementation of this new technology.

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.

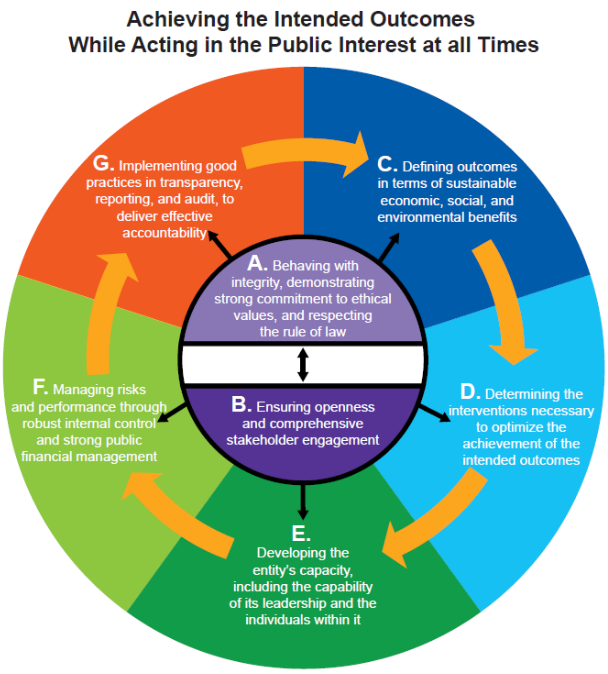
The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS performance against the performance indicator relating to planned days delivery.

Area of Activity	Target	2015/16	2016/17	2017/18	2018/19
Planned Days percentage of actual billable days against planned chargeable days completed	**95%**	95%	99%	95%	99%

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 on 11 June 2019.

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 '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 and apply across all other principles (C – G)

A summary of the review of effectiveness of local arrangements in place for 2018/19 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. Key enhancements to arrangements delivered throughout 2018/19 are indicated in the Corporate Calendar (pages 25-26) with specific reference to progress against the delivery of actions identified in the 2017/18 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 2018/19 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 allegations of a failure to comply with this Code. 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. In addition, the Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

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.

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.

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, officer meetings with their managers (REAL conversations), the Modern Member 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 and an Anti-Fraud and Corruption Policy. 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.

The council did not carry out any investigations using covert surveillance under RIPA during 2018/19.

2018/19 Governance Enhancement Activity:

- Regulation of Investigatory Power Act (RIPA) training was undertaken by the council's RIPA Authorising Officers
- An Independent Person for the Audit Committee was appointed
- The arrangements for Council decision making were reviewed and new arrangements were approved by Council.
- The Council's Contract Standing Orders and Constitution were reviewed.

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 2018/19 Review of Effectiveness:

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 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

In November 2017 a LGA Peer Review of the Council's Communications arrangements was carried out. The results of this review have been reflected in a new Communications and Marketing Strategy which will be implemented in 2019/20.

The council has 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.

To facilitate the council's drive for continuous improvement, a Partner of Choice Programme was established to achieve stronger partnerships with key agencies to better deliver the Council's strategic priorities. In March 2018 it was apparent that working in partnership is now embedded in the culture of the Council and there is a strong framework for future collaboration with other public sector bodies. This led to the Partner of Choice programme being considered complete. Development of partnerships continues as part of day-to-day business and any new shared service proposals will be considered and implemented within the Financial Security Programme.

2018/19 Governance Enhancement Activity:

- To ensure staff are optimally engaged and motivated in delivering the Council's priorities, a staff survey was carried out to gauge levels of staff satisfaction/engagement and perception of organisation performance and delivery.
- The Annual Report and Performance Review 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 Community Select Committee carried out a review of resident involvement with clear actions to enhance consultation and engagement arrangements which has informed the development of a wider Community Engagement Framework and toolkit for the Council.
- In addition, a new statement of Community Involvement was approved, setting out the Council's vision and strategy for effective community engagement through all stages of the planning process.

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 2018/19 Review of Effectiveness:

The Council's vision:

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

Figure 6: Stevenage Together Themes

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, work and visit Stevenage.

Stevenage Together is responsible for producing a Community Strategy and making sure that it is carried out. The Community Strategy (Stevenage 2021: Our Town, Our Future) is the main strategic plan for the partnership. It outlines the partnership's vision and how the partnership will work together to improve Stevenage and contribute to the development of the town.

Stevenage Together oversees four themed groups: Social Inclusion Partnership (SIP), Community Safety Partnership (SoSafe), Health and Wellbeing Partnership and an economy task force.

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

Stevenage Together has adopted five co-operative principles:

- The Partnership as a strong community leader
- Working together with the community and other agencies to provide services based on needs
- Communities empowered to design and deliver services and play a role in their local community
- A clear understanding between the partnership and our communities – this is what we do, this is what we will help you to do
- Joined-up and accessible services that offer value for money and focus on the customer

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 arrangements, particularly through the four programmes that deliver the changes required to ensure the Council is well placed to meet the service demands of the future:

- Financial Security
- Performing at our Peak
- Employer of Choice
- Partner of Choice (complete)

Figure 7: Future Town Future Council

The focus and scopes of programmes is monitored to ensure that the FTFC Programme continues to deliver the Council's priorities. The FTFC programme continues to perform well and is currently on track against delivery of the agreed outcomes.

Figure 8: Corporate Plan

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 we consider progress against our priorities as part of our annual plans and this informs important decisions about where to spend the budget. The Annual Report summarises our achievements over the past year and outlines what we plan to do in the next twelve months and is published on the council's website.

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 Officer's Assets and Capital Group ensures effective arrangements are in place for the design and delivery of capital projects and resources.

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. Monthly meetings focus on the monitoring and delivery of the HRA Business Plan.

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.

Financial management arrangements conform to the governance requirements of the CIPFA Statement

In March 2019, the Secretary of State released the holding direction on the Council's Local Plan allowing work to proceed to regenerate the town centre, build much-needed new housing and create jobs and opportunities the people of Stevenage need and want. The Local Plan sets out how Stevenage will develop in the future, both in relation to regeneration and growth and will guide development within the town until 2031.

2018/19 Governance Enhancement Activity:

- Executive in March 2019 approved a new five year Housing Asset Management Strategy and an action plan for implementation of the strategy over the next five years. 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.

- Executive in July 2018 approved the adoption of a new General Fund Asset Management Strategy and a rolling five year action plan. The Strategy will guide 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 FTFC aims. The new Strategy sets out clear financial targets to achieve during the next five years to meet the council's financial challenges. To help reach these financial targets, the Strategy recommends seven clear areas for change, including undertaking locality and 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 will be the key change document and main focus, to be updated annually. A Locality Board has been established and an approach to the review has been agreed by the board. A new post funded from the business rates pool is now in place and will support the community engagement associated with this work.

To enhance governance arrangements summarised in the Council's Local Code of Corporate Governance:

Housing Asset Management Strategy (2018-2023): Implementation of the actions identified for 2019/20 to implement the five year Housing Asset Management Strategy Action Plan which was agreed at Executive in March 2019. (Action 1)

General Fund Asset Management Strategy (2018-2023): Implementation of the actions identified for 2019/20 to implement the five year General Fund Asset Management Strategy Action Plan which was agreed at Executive in July 2018. (Action 2)

Further more detailed information regarding the above enhancement activity and timeline for delivery is reflected on pages 27 and 28).

Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:
The Housing Revenue Account 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 November 2018, Executive approved an action plan to consider options for reviewing/re-focusing the Housing Revenue Account Business Plan to reflect changes to borrowing rules. In addition the review of service and support charges to tenants and leaseholders which was delayed in 2018/19 will now be carried out in 2019/20.

The Medium Term Financial Strategy (MTFS) and Capital Strategy undergo regular review throughout the year to ensure finances remain robust in the long term and ensure the council can deliver the ambitions set out in the 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 Council's Financial Strategy was reported to Executive in September 2018 and updated in the November Financial Security report and as part of the 2019/20 budget setting process. These reports highlighted the need for an on-going Financial Security savings target to fund inflation and service pressures compounded by the loss of central government funding of £5.3Million by 2019/20.

The MTFS as approved by Members in September 2018 had a key principle: 'achieve an on-going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reduction in expenditure.'

At the November 2018 meeting, the Executive approved a package of Financial Security budget options, growth and pressures and fee increases to be included in the 2019/20 budget. Officers, together with the Leader's Financial Security Group will be working towards achieving the unidentified Financial Security target of £1.2Million, General Fund and £650K, HRA for the three years 2020/21-2023/24. This Financial Security target includes fees and charges increases and is based on an annual increase in council tax. On-going Financial Security options are required to fund inflationary pressures whilst at the same time absorbing the impact of reductions in government grants.

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 2018/19 Review of Effectiveness:

Financial Governance Arrangements:

Figure 9: Financial Security Workstreams

The Financial Security programme continues to enhance the financial resilience of the council by ensuring resources are used effectively 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.

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.

As part of the Performing at our Peak programme, a new performance management framework was introduced to monitor performance measure results associated with the FTFC Programme together with measures to monitor the delivery of effective services (the corporate programme).

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.

Regeneration

The Council along with its development partners will be delivering a major, twenty year, £1bn regeneration programme designed to transform Stevenage. Stevenage First, the partnership formed of Stevenage Borough Council, Local Enterprise Partnership, Hertfordshire County Council and the Chamber of Commerce are leading this regeneration work.

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. Development of the Queensway North area will form a significant early and important part of Stevenage's regeneration programme. 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. The delivery of the project is supported by a Working Group, a monthly internal Board meeting, and a quarterly Board meeting with Reef, the developer. The Housing Development and Regeneration Executive Committee terms of reference incorporate oversight of this project and business plan. The Council has strategic control and influence over Queensway Properties Limited Liability Partnership (LLP) and so have prepared group financial statements. Refer to the 2018/19 Financial Report including Statement of Accounts and Group Accounts for further information.

Progress on key regeneration projects is reported to Housing Development and Regeneration Executive Committee and internal programme reporting takes place via the monthly FTFC Programme Board. In addition, monthly and quarterly reporting with Hertfordshire LEP takes place together with Stevenage Borough Council financial reporting to track LEP related expenditure.

To enhance arrangements summarised in the Council's Local Code of Corporate Governance:

Regeneration: To ensure good governance of the key regeneration projects including the Queensway and SG1 schemes the following activity is planned:

- Continued progress reporting on key projects to Housing Development and Regeneration Executive Committee
- Anticipating the implementation of new partnership governance for regeneration schemes, as part of agreed GD3 funding package and new opportunities indicated in Town Deal prospectus
- Continuation of the partnership governance arrangements between SBC and Mace; and Queensway LLP and Reef
- Implementation of recommendations arising from internal audit review of Regeneration Programme Management
- Continued internal programme reporting via FTFC Programme Board
- Continued monthly and quarterly reporting with Hertfordshire LEP, in addition to Stevenage Borough Council financial reporting to track LEP related expenditure

Further more detailed information regarding the above enhancement activity and timeline for delivery is reflected on page 30)

2018/19 Governance Enhancement Activity:

- The Repairs and Voids service has implemented new delivery and case management arrangements ensuring ownership and accountability for delivery from the point of receipt through to closure. These arrangements have had a positive impact on service performance and have resulted in a much improved follow-up audit report.
- Approval and publication of a new Corporate Procurement Strategy. The Strategy highlights the principles the Council will use to procure and deliver the goods, works and services that will support the Council's overall aims and objectives.
- The Performing at Our Peak Programme had delivered a performance and governance system which provides the Senior Leadership Team access to data and information that form strategic insight and is providing a clearer picture of performance, risk and governance.
- The corporate performance guide has been reviewed to incorporate changes to reflect the monitoring and management of business insight through the new corporate insight system.
- Enhancement of Housing IT system to support customers to self-serve in the future, enabling customers to take responsibility for their Personal Housing Plans, enable better casework monitoring and improved customer communication, capture customer information in one place and enable officers to make more informed decisions and provide a more effective response to customer enquiries.
- A new approach to the identification and implementation of local improvement priorities is now being taken, informed by learning attained as a result of the partnership with two universities and the Department for Digital, Culture, Media and Sport.
- The shared IT Partnership governance arrangements continue to be enhanced. The Shared Services Partnership Board is overseeing the development and implementation of a single IT strategy that will deliver the Council's digital transformation ambitions and ensure that services are delivered that meet customer needs and are fit for the future.
- Executive at its meeting in October approved the business case for a Wholly Owned Housing Development Company which will complement the Council's existing and future property development activity. Once created a Housing WOC will have the ability to purchase, own, develop, sell and rent homes in the private sector at market rents and prices. This will improve the supply of quality homes in the market rent segment in Stevenage. A report is to be brought to a future Executive comprising a fully costs financial projection of the WOC's operational activities and a Business Plan, prior to the WOC commencing trading.

To enhance arrangements summarised in the Council's Local Code of Corporate Governance:

Community Safety: Implement changes to procedures to enhance document retention arrangements in relation to the enforcement of anti-social behaviour action (action 3)

Further more detailed information regarding the above enhancement activity and timeline for delivery is reflected on page 25)

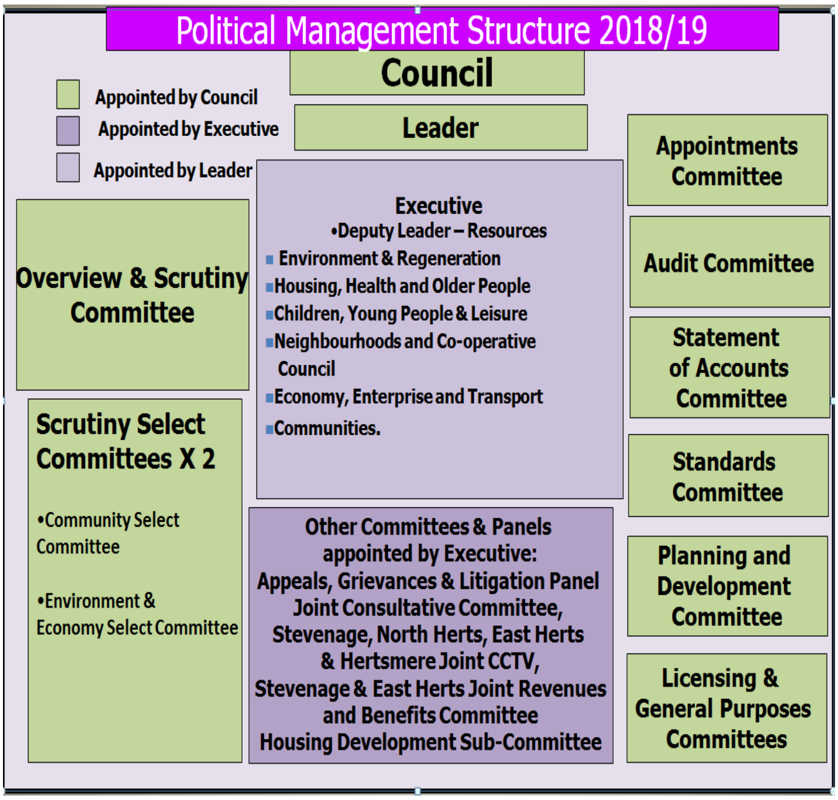
Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:

The Council continues to assess the potential impact of Welfare Reform changes on the community. In October 2018, Universal Credit Live was rolled out in Stevenage. The Council is continuing to identify and work with tenants affected by the reduction in the benefit cap, and under occupancy charges. Together with migration to Universal Credit and later managed migration (legacy benefit claimants moving on to UC), and more recently to support mixed age couples where the youngest partner is below pension credit age. The council are continuing to support tenants on legacy benefits and council tax support

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 2018/19 Review of Effectiveness:



The Council's Political Management Structure:

Figure 10: Political Management Structure 2018/19

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.

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 (Assistant Director Finance and Estates) as contained within Section 114 of the Local Government Finance Act 1988.
- Monitoring Officer to meet Section 5 of the Local Government and Housing Act 1989.

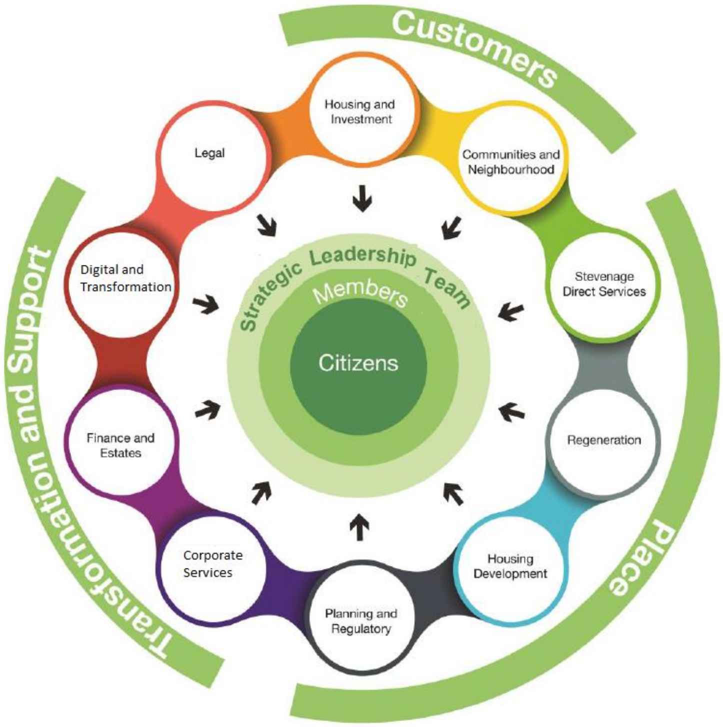
There is a Modern Members Programme which provides Members with a programme of training to ensure they have the skills and knowledge to ensure effective and informed decision making. This training programme covers essential skills such as understanding budgets as well as topical items and briefing on 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.

Figure 11: Officer Structure



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 new competency framework structure. The Leadership Competency Framework (implemented for posts Level 10 and above) provides a map of the behaviours, as well as the skills, that are valued and recognised by the Council. The Framework will be rolled out to all staff during 2019/20.

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, REAL Conversations Policy, Sickness Absence Policy) to encourage all employees to personally deliver the highest standards of service possible and for managers to proactively address performance issues.

The Council's Target Operating Model:

Figure 12: Council's Target Operating Model

The Target Operating Model (TOM) (see diagram below) sets out how the Council plans to operate in the future and is designed to ensure that services across the Council are aligned.

The TOM provides a high level representation of how the Council can best organise itself, by shaping process, technology, governance and organisation (structure, roles and responsibilities) to deliver the FTFC programme, corporate strategy and priorities. It was adopted in 2016, following engagement with senior managers and consultation through the Senior Management Review. The adoption of this operating model has already begun to fundamentally alter the shape of the council and the way it operates.

The new operating model has been designed to address the current challenges and the changing public sector context.

2018/19 Enhancement Activity:
- A new corporate staff appraisal process (REAL Conversation) was implemented. REAL Conversation is a rolling appraisal process with regular meeting arrangements providing a framework for achieving the best performance on a day to day basis.
- A new intranet went live providing staff with the vital information and tools to help them in their role.
- Working collaboratively with the Council's recognised Trade Unions, staff have been offered the opportunity to develop their literacy, maths and computing skills and attain formal qualifications.
- A training programme for all Housing Advice staff was implemented.
- Training on the Homelessness Reduction Act which came into force 3 April 2018 was provided for the Housing team and services.
- A Fourth Tier Leadership Network has been established with its inaugural meeting held in December 2018.

To enhance arrangements summarised in the Council's Local Code of Corporate Governance:

Corporate Capacity: Continue to implement the restructure of services through Future Council Business Reviews to improve corporate capacity and deliver sustainable services that meet the needs of customers. The Employer of Choice programme's focus for 2019/20 includes a number of strands which will seek to improve the Council's capacity to deliver. These include people development, performance management, ways of working and resourcing. (Action 4)

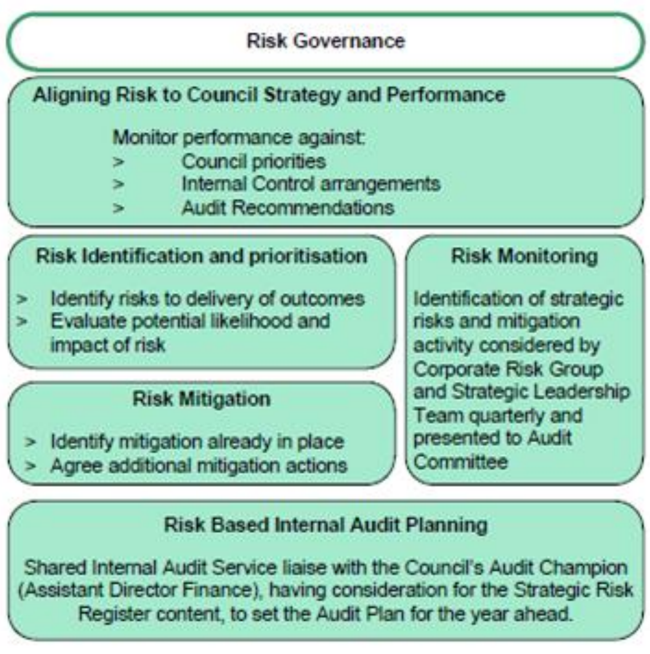
Further more detailed information regarding the above enhancement activity and timeline for delivery is reflected on page 28-29)

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 2018/19 Review of Effectiveness:

Figure 13: Council's Risk Governance Arrangements



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. 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.

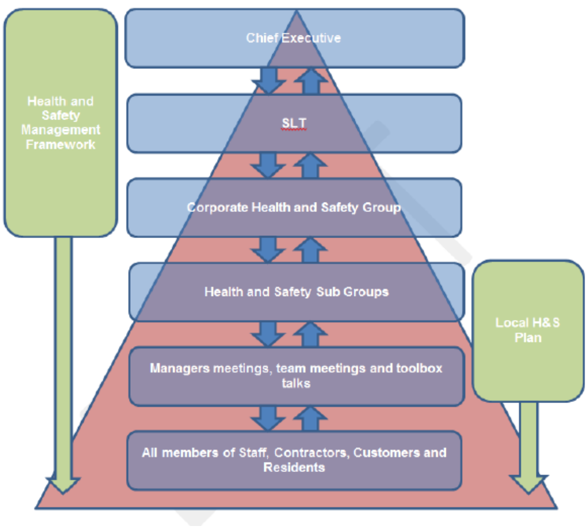
The ability to identify and assimilate new technologies is an integral part of the Council's aim to achieving its strategic objectives. The Council has a Shared IT service with East Herts which is responsible for developing the shared IT platform as well as delivering IT services. The shared service was established through a partnership agreement between the two Councils in 2013 and the Shared IT Services contract was renewed in August 2018.

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. Following a review carried out by the Society of IT Managers (SOCITM), a Technology Improvement Plan was produced. There have been significant changes in the governance structure of the Shared IT Service in 2018/19. The service is now working with Microsoft to develop a new programme of activity to further enhance IT infrastructure and resilience. Following this review, a new draft ICT strategy outlining a two year plan for further improvement and road map is being produced. Elements of capital funding required have been established in the Capital Programme and through the budget setting process for 2019/20.

Figure 14: Council's Health and Safety Framework



To enhance council-wide arrangements for the assessment and monitoring of health and safety a Health and Safety Management Framework has been introduced. 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 will provide 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 Corporate Health and Safety Group ensures the group is providing senior management with the assurances that are required.

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 the GDPR are to give citizens and residents back control of their personal data and to simplify the regulatory environment. An action plan to enhance information management arrangements across the council is being implemented. The Council has a Records Governance Manager, Information Asset Owners have been assigned and a Corporate Information Governance Group has been established to embed best practice records management across the council and ensure that customer data is appropriately managed.

2018/19 Enhancement Activity:

- A new generator has been installed to improve power resilience at the Daneshill House Data Centre.
- Migration of the Council's telephone system is complete for East Herts and work has commenced on Stevenage Borough Council's migration with work expected to be complete early in 2019/20.
- A series of IT infrastructure enhancements have also been implemented to provide a more reliable and secure ICT service that supports delivery of more digital solutions.

- Substantial progress has been made to ensure the Council is General Data Protection Regulation (GDPR) compliant and to make sure all staff are aware of their responsibilities with regards to the management of customer data. Training to help service teams understand the importance of good customer information handling has included: GDPR e-learning; bespoke training delivered to field-based operatives at Cavendish Depot and bitesize lunchtime learning sessions for other Council staff. Data Protection policies and guidance have also been updated. Enhancement activity has been reflected in a follow-up SIAS audit report on GDPR Preparedness which provided a ‘Good’ level of assurance. GDPR compliance has also been enhanced with the implementation of an electronic document management system which allows the Housing and Investment service to process and store fewer documents.
- To ensure and maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a new corporate health and safety governance structure has been put in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed. The Council has a complete database of health and safety risk assessments for all services and all Assistant Directors have carried out self-audits of their services.
- The Shared Anti-Fraud Service (SAFS) have delivered a number of training sessions for staff and a plan has been developed to deliver additional sessions to front line customer service staff to assist in the identification and reporting of false documents
- Working with HR Teams across the County, SAFS have developed and published an e-learning package for staff and Members linked to the Council’s policies and fraud reporting processes.
- SAFS have worked closely with senior officers to ensure that the Council is able to comply with the statutory National Fraud Initiative (NFI).
- A new Compliance Manager has been appointed to monitor the health and safety of Council buildings
- Enhanced IT Shared Service Partnership arrangements have been implemented and are now embedded.
- A BREXIT impact assessment to assess operational risks and mitigation actions to ensure vital services continue to work effectively in the event of a no deal EU withdrawal was considered by Executive in January 2019.
- SIAS provided ‘Good’ assurance for both the Council’s Corporate Governance and Risk Management arrangements for 2018/19.

To enhance arrangements summarised in the Council’s Local Code of Corporate Governance:

- **Cyber Security, IT Resilience and Governance:** The Shared IT Service to continue to develop and implement a strategy and programme of activity to enhance IT infrastructure, cyber security, governance, policy framework and IT resilience. (Action 5)
- **Information Management:** Continue to enhance and embed information management arrangements across the Council to ensure that best practice records management continues to be applied and customer data is appropriately managed.(Action 6)
- **Corporate Health and Safety:** Embed the new Health and Safety Framework to ensure health and safety compliance and performance across the Council. (Action 7)
- **CCTV Partnership:** The governance framework and business plan for the CCTV Partnership to be reviewed by the CCTV Joint Executive and Company Board of Directors. (Action 8)

Further more detailed information regarding the above enhancement activity and timeline for delivery is reflected on pages 29 and 30)

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 2018/19 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

The council complies with requirements outlined in the Local Government Transparency Code 2015. Compliance 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 2018/19 arrangements is set out on pages 5 to 8 of this Statement outlining assurance for both financial and non-financial systems.

For 2018/19 the Shared Internal Audit Service assigned 'Good' assurance for financial systems and 'satisfactory' assurance to non-financial systems. Actions to enhance governance for the areas highlighted have been identified and prioritised.

The Council's External Auditors, Ernst and Young, advised Audit Committee in July 2018 in their Annual Audit Letter for 2017/18 that the council's financial statements give a true and fair view of the financial position of the Council at 31 March 2018 and its expenditure and income for the year then ended. The letter also advised that other information published with the financial statement was consistent with the Annual Accounts. The Auditors also concluded that 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 2017/18 was consistent with the 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 2018/19

The following corporate governance calendar summarises activity and enhancements delivered throughout the year to ensure compliance with the corporate governance arrangements outlined in the Council's Local Code and outlines progress made against the improvement actions identified in the 2017/18 Annual Governance Statement.

Corporate Governance Calendar April 2018-September 2018

Apr 2018

- Internal Audit of **Corporate Governance** arrangements achieves **'Substantial**' assurance for areas assessed
- Internal Audit of **Risk Management** arrangements achieves **'Full'** assurance for areas assessed
- **Corporate Governance Group** carried out a **review of Principle E** of the CIPFA/SOLACE Framework

May 2018

- **Annual Council** agree the political management structure of the Council
- **New Members** attend **induction programme**

June 2018

- **Audit Committee** recommended the **2017/18 AGS** to **Statement of Accounts Committee**
- **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 2018/19
- **Corporate Procurement Strategy** approved

To meet a 2018/19 AGS action, a new generator was installed at Daneshill House to improve IT resilience

July 2018

- **Annual Scrutiny Report** submitted to Council
- **2017/18 Annual Report and Performance Review** approved by Executive
- **2017/18 Statement of Accounts** reported to the Statement of Accounts Committee
- Appointment of **Independent Person** to serve on the Audit Committee
- Launch of **REAL Conversations and Staff Survey**

To meet a 2018/19 AGS action, The General Fund Asset Management Strategy was approved by Executive

Aug 2018

- Council's **Constitution** and **Contract Standing Orders** updated

To meet a 2018/19 AGS action, training to ensure staff are aware of their responsibilities with regards to management of customer data. Data Protection policies and guidance have been updated. SIAS audit report on GDPR Preparedness provided a 'Good' level of assurance

Sep 2018

- Executive approves **General Fund and HRA MTFS 2018/19-2022/2023**
- Annual report of Shared **Anti-Fraud Service for 2017/18** to Audit Committee
- **External Auditors** advise **Audit Committee** that the council's **financial statements give a true and fair view** of the financial position of the Council at 31 March 2018 and of its expenditure and income for the year then ended
- **Corporate Governance Group** carried out a **review of Principles D & F** of the CIPFA/SOLACE Framework

Corporate Governance Calendar October 2018 - March 2019

Oct 2018

- Council approves the **Annual Treasury Management Review of 2017/18 including prudential code**
- **Executive** approve the business case for establishing **a Wholly Owned Housing Development Company**

Nov 2018

- **Corporate Governance Group** carried out a **review of Principles A and B** of the CIPFA/SOLACE Framework
- **Housing Revenue Account MTFS (2018/19-2022/23) and Business Plan Update** considered by Audit Committee

Dec 2018

- New **Scheme of Delegation** approved at Council

To meet a 2018/19 AGS action, new delivery and case management arrangements have been implemented in the Repairs and Voids service which have had a positive impact on service performance

Jan 2019

- Council approve the **Housing Revenue Account Final Budget Proposals, Rent Setting and Draft Council Tax Support Scheme 2019/20**
- Overview and Scrutiny Committee consider the **2019/20 Draft Capital Forward Plan, Five Year Capital Strategy Update and 2019/20 Council Tax setting and General Fund** Budget for submission to Executive and Council

To meet a 2018/19 AGS action, a new corporate health and safety governance structure has been put in place that provides assurance to senior management that health and safety is being effectively managed

Feb 2019

- **Council** approves the **2019/20 Council Tax, General Fund and Capital budgets, and the Annual Treasury Management Strategy including Prudential Code Indicators 2019/20**
- **Members' Allowances Scheme 2019-20** approved at **Council**
- **Pay Policy Statement for 2019/20** approved by **Council**
- **Council** approves the **Interim appointment of Chief Executive**
- **Executive approves a new Community Engagement Framework and Toolkit**

Mar 2019

- **Audit Committee** note the self-assessment of compliance against **the CIPFA/SOLACE Framework'**
- Internal Audit of **Corporate Risk Management arrangements** achieved **Good Assurance** and **Corporate Governance arrangements** achieved **Good Assurance** for areas assessed

To meet a 2018/19 AGS action, a new five year Housing Asset Management Strategy was approved at Executive

To meet a 2018/19 AGS action Business Unit reviews have been carried out in a number of Business Units throughout the year

Planned Improvement Activity for 2019/20:

Significant internal control and governance issues identified as part of the 2018/19 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, such as:

- The Housing Revenue Account (HRA) Business Plan, (agreed by Executive November 2018) 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 (see page 14)

- The Medium Term Financial Strategy 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 the 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. There remains significant pressure identified in the General Fund report to the Executive (January 2019) which will mean that the Financial Security targets need to be achieved to meet a contribution to balances in 2022/23 (see page 14

- 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 (see page 17)

Action Ref	Action	Target Date
1	**To implement the first phase of the Action Plan to deliver the five year Housing Asset Management Strategy (2019-2024) the following activity is planned (AD Housing and Investment):**	
	• Carry out a programme of work to improve understanding of the Council's housing stock and its condition to enable effective investment decisions	2019-20
	• Carry out a review of asset data to develop understanding of asset performance and deliver a programme of improvements	Review 2019/20 Implement2019-2024
	• Establish a standard methodology for carrying out options appraisals and use the appraisals to guide investment decisions	Review 2019-2020 Implement 2019-2024
	• Carry out a programme of work to continue to ensure safe homes	2019-2024
	• Carry out a programme of work to maintain compliance with the decent Homes standard across the stock	To be confirmed

Action Ref	Action	Target Date
	• Develop effective programmes to deliver the objectives of the strategy and wider Council strategies • Carry out a review of repairs costs and analyse the financial viability to take on subcontracted works in-house to deliver a value for money' repairs service which meets the needs of customers • Review the structure, processes and systems used by the Repairs and Voids service as a whole to ensure the service being provided is the best possible • Carry out a programme of work to ensure assets are energy efficient and champion environmental sustainability • Carry out a review and implement recommendations to ensure the best use of adapted stock and deliver an efficient adaptation programme to meet the requirements of residents • Carry out a review and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void	2019-2020 2019-2021 2019-2024 2019-2024 Review 2019-2020 Implement 2019-2024 Review 2019-2020 Implement 2019-2024
2	**To implement the General Fund Asset Management Strategy which was approved in July 2018, the following activity is planned (AD Finance and Estates):** • Review condition and relevance of the current commercial portfolio to determine capital investment requirements • Review the Council's commercial portfolio • Implement Locality Reviews	2019-2020 2019-2021 2019-2021
3	**To enhance document retention arrangements in relation to the enforcement of anti-social behaviour action, the following activity is planned (AD Communities and Neighbourhoods)** • Changes to procedures to be implemented to ensure enhanced document retention arrangements	2019-2020
4	**To ensure there is there is corporate capacity to deliver sustainable services that better meet the needs of customers, the following activity is planned (All Assistant Directors):** • Continue to implement the restructure of services through Future Council Business Reviews • Carry out a skills/capacity gap analysis and put in place targeted management and staff activity in response	2019-2020 2019-2020

Action Ref	Action	Target Date
	• Introduce tools and techniques to manage change effectively whilst maximising levels of staff engagement • Develop communication/engagement strategies that enable all staff to have a clear understanding of organisational direction and the desired culture, behaviours and ways of working	2019-2020 2019-2020
5	**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: (AD Corporate Services and Transformation):** • Complete telephone enhancement activity • Windows 2008 replacement programme • Email filtering replacement • Strengthen anti-virus arrangements • Enhance network security management arrangements • Enhance policy and training arrangements • Review the Council's IT perimeter security arrangements • Review access controls • Complete the infrastructure review and produce a new ICT strategy and road map to improve ICT resilience and security • Horizon VCI Upgrade • Completion of the IT infrastructure refresh	2019-2020 2019-2020 2019-2020 2019-2020 2019-2020 2020-2021 2019-2020 2019-2020 2019-2020 2019-2020 2020-2021
6	**To continue 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 following activity is planned: (AD Corporate Services and Transformation)** • Review of data sharing arrangements with local authority partners and public agencies • Review and update supplier agreements • Review and enhance GDPR ICT security compliance • Review of data security policies • Review and carry out a further phase of GDPR staff training	2019-20 2019-20 2019-20 2019-20 2019-20
7	**To embed the new Health and Safety Framework to ensure health and safety compliance and performance across the Council the following activity is planned: (AC Corporate Services and Transformation)** • Health and safety training needs to be identified for all roles across the Council • Embed the new Health and Safety Framework and arrangements	2019-2020 2019-2020

Action Ref	Action	Target Date
8	**To review and enhance the Governance Framework and arrangements for the CCTV Partnership the following activity is planned: (AD Communities and Neighbourhoods)** • Review of Governance Framework • Approval of new Governance Framework, Partnership Agreements, Shareholders Agreement and Terms of Reference • Development of a new five year rolling Business Plan for the Partnership • Review of reporting arrangements for the Partner Authorities	2019-20 2019-20 2019-20 2019-20
9	**To ensure good governance of the key regeneration projects including the Queensway and SG1 Schemes the following activity is planned (AD Regeneration)** • Continued progress reporting on key projects to Housing Development and Regeneration Executive Committee • Anticipating the implementation of new partnership governance for regeneration schemes, as part of agreed GD3 funding package and new opportunities indicated in Town Deal prospectus • Continuation of the partnership governance arrangements between SBC and Mace; and Queensway Limited Liability Partnership and Reef • Implementation of recommendations arising from the internal audit review of Regeneration Programme Management • Continued internal programme reporting via FTFC Programme Board • Continued monthly and quarterly reporting with Hertfordshire LEP, in addition to Stevenage Borough Council financial reporting to track LEP related expenditure	2019-20 2019-20 2019-20 2019-20 2019-20 2019-20

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 the Corporate Calendar set out on pages 25 and 26. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 27-30.

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 …………………………………..
Matt Partridge
Chief Executive of Stevenage Borough Council

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Glossary of Common Audit phrases

- **Known Differences:**

Represent items that can be accurately quantified and relate to a definite set of facts or circumstances (example – invoice value for goods received in March)

- **Judgemental Differences:**

Generally involves estimation and relate to facts or circumstances that are uncertain or open to interpretation (example – bad debt provision for unpaid rent)

- **Misstatement:**

An amount entered in the statement of accounts which the auditors believe is not correct.

- **Materiality Levels:**

Audits have used a figure equivalent to 2% of SBC's gross expenditure (£0.106m) on provision of services. This represents the threshold for reporting misstatements that have an effect on the primary statements .

- **Notes to the Core Statement:**

Extra detail and information on the lines shown on the core statements.

- **Primary Statements:**

Also refered to the Core Statements – the main statements in the Statement of Account which are:. Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and Collection Fund.

- **Qualified**

A qualified opinion is typically given when the auditor was not able to gather sufficient evidence for various aspects of the financial statements. Without sufficient verification of transactions, an unqualified opinion may not be given. A qualified opinion is suitable when accounting procedures used do not conform to recognised accounting standards or procedures. Inadequate disclosures in the notes to the financial statements, estimation uncertainty, or the lack of a statement of cash flows are also grounds for a qualified opinion.

- **True and Fair:**

True and fair view in auditing means that the financial statements are free from material misstatements and faithfully represent the financial performance and position of the organisation.

- **Unqualified**

An unqualified opinion is an independent auditor's judgment that a company's financial statements are fairly and appropriately presented, without any exceptions, and in compliance with recognised accounting standards or procedures.