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STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE

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

Date: Monday, 28 February 2022
Time: 6.00pm
Location: Council Chamber, Daneshill House, Danestrete
Contact: Ian Gourlay (01438) 242703
committees@stevenage.gov.uk

Members: Councillors: T Callaghan (Chair), J Gardner (Vice-Chair), M Arceno, Ashley-Wren, S Booth, G Lawrence CC, N Leech, M McKay, C Parris and L Rossati.
Mr G Gibbs (Independent Co-opted Non-voting Member)

AGENDA

PART I

1. APPOINTMENT OF PERSON TO PRESIDE

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

2. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

3. 2019/20 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

The Committee is requested to receive a presentation from the Strategic Director (CF) on the External Auditor’s Annual Report for consideration and approval and the audited 2019/20 Financial Report including the Statement of Accounts.

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

After questions the Statement of Accounts Committee will adjourn to allow the Audit Committee to consider the report and to agree any recommendations.

Report attached – Pages 3 – 266

4. URGENT PART I BUSINESS

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

5. EXCLUSION OF PUBLIC AND PRESS

To consider the following motions –

1. That under Section 100A 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 Paragraphs 1 – 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 18 February 2022

Part I – Release to Press

Stevenage BOROUGH COUNCIL

Meeting:	**Audit Committee/Statement of Accounts Committee**	**Agenda Item:**	
Portfolio Area:	Resources		
Date:	**28 February 2022**		

2019/20 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

Author – Clare Fletcher Ext No. 2933
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Lead Officer - Clare Fletcher Ext No. 2933
Contact Officer – Clare Fletcher Ext No. 2933

1 PURPOSE

1.1 To present the External Auditor – Ernst & Young LLP's Audit Results Report for consideration and the audited 2019/20 Financial Report including the Statement of Accounts (SOA).

2 RECOMMENDATIONS

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

2.1 The Council's Letter of Representation provided no matters arise from the conclusion of the audit which are material in nature (appendix 2).

2.2 The Statement of Accounts 2019/20 be approved provided no matters arise from the conclusion of the audit which are material in nature (appendix 3).

2.3 That the Audit Results Report to those charged with Governance for 2019/20 be noted (appendix 1).

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 results report produced by the Council's External Auditors, Ernst & Young is shown at Appendix 1.

3.2 The General Fund and The Housing Revenue Account outturn position were presented to the Executive on 8 July 2020. The General Fund year end balances were reported as £6.829Million and the HRA £19.819Million.

Changes affecting the 2019/20 Statement of Accounts

3.6 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.

3.7 CIPFA LASAAC has issued an exceptional consultation on time limited changes to the 2021/22 and 2022/23 Codes of Practice. The consultation, which closes on 3 March 2022, asks for feedback on two proposals:

- Pausing the requirements for professional valuation of operational property, plant and equipment assets in the 2021/22 Code and (at least) the 2022/23 Code, with the possibility of mitigating the effect of this through the application of centrally determined indices.

- Deferring the implementation of IFRS 16 Leases, which is currently set to be implemented in the 2022/23 Code.

3.8 If the proposals being consulted on are enacted, then the valuation of operational property, plant and equipment, with or without indices depending on the consultation outcome, would be effective for 2021/22 and so come into force shortly before 31 March 2022. The remaining option relates to the 2022/23 Code. This is to simplify the closure and audit process to enable the backlog of external audits not to impact on future years.

3.9 The **Annual Governance Statement** is shown as a separate document and is included at Appendix 1 to this report. This Committee is required to approve the SOA and the Annual Governance Statement.

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

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

4.1 Statement of Accounts

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

4.1.2 The 2019/20 fourth quarter outturn position for the General Fund has changed from that set out in paragraph 3.2 and following the audit the General Fund balances are now £133,438 higher , as shown in the table below.

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GENERAL FUND	2019/20 Original Budget £	2019/20 Working Budget £	Reported July 2020 2019/20 Actual £	Statement of Accounts	Variance to July 2020 report £
General Fund Balance 1 April	**(£4,794,061)**	**(£4,794,061)**	**(£4,794,061)**	**(£4,794,061)**	**£0**
Net Budget (incl. S31 Grant & NDR levy)	**£8,802,520**	**£9,570,680**	**£6,965,145**	**£6,831,707**	**(£133,438)**
Council Tax	(£5,754,911)	(£5,754,911)	(£5,754,911)	(£5,754,911)	£0
Retained Business Rates	(£2,562,580)	(£2,562,580)	(£2,909,395)	(£2,909,395)	£0
Transfers to/from collection fund	(£436,583)	(£436,583)	(£436,583)	(£436,583)	£0
Total Core resources	**(£8,754,074)**	**(£8,754,074)**	**(£9,100,889)**	**(£2,269,182)**	**(£133,438)**
Net Contribution from/ (to) balances	£48,446	£816,606	(£2,135,744)	(£2,269,182)	(£133,438)
General Fund Balance 31 March	**(£4,745,615)**	**(£3,977,455)**	**(£6,929,805)**	**(£7,063,243)**	**(£133,438)**

3.3 This was as a result of two invoices that had been accrued on estimation, which related to:

- Estimate of Shared Revenues and Benefits final 2019/20 invoice dated 4 September £75,046 higher than accrued for.
- Estimate of HCC Waste Management costs final 2019/20 invoice dated 20 September £58,392 higher than accrued for.

3.4 The impact of the £133,438 underspend was included in the 2020/21 outturn report to the July 2021 Executive, so the overall impact is neutral for the General Fund. Members should note there will always be a need to estimate expenditure where invoices have not been received but goods consumed.

3.5 There were a number of further amendments between draft and final including that included in paragraph 3.2-3.3. These included:

- Restatement of some fixed asset valuations (Fairlands Valley, golf course and Peartree play area)- no impact on the General Fund but increasing asset values and revaluation reserve
- Restatement of pension entries following the audit of the pension accounts, reducing pension reserve liability, no impact on General Fund or HRA but increases unuseable reserves.
- Restatement of the Local Enterprise grant as loan reducing government grants unapplied by £1.57Million and increasing borrowing (at 0%), reducing useable reserves (Government Grants Unapplied) by the amount accrued for but not received.

- The net effect of a reduction in the amount of depreciation charge to the HRA and major repairs reserve and capital expenditure that should not have been accrued - Reduction in Major Repairs Reserve balance of £123K on the draft accounts.

4.2 **Balance Sheet**

4.2.1 The Council's Balance Sheet as at the 31 March 2020 showed total reserves of £573.58Million, an increase of £37.7Million over the Balance Sheet as at 31 March 2019. The increase in the Council's net worth can be assessed by reviewing the Useable and Non Useable Reserves. The draft accounts total reserves were £573.320Million.

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 2020 the Council's useable reserves decreased by £1.5Million to £57.8Million.

4.2.4 The table below details the movement in useable reserves.

Useable Reserves	Balance at 31 March 2019	Increase/ (Decrease) in year	Balance at 31 March 2020	Draft SOA 31 March 2020	Variance
Revenue Reserves:					
General Fund Balance	(£4,794)	(£2,269)	(£7,063)	(£6,930)	(£133)
Earmarked General Fund Reserves	(£3,311)	(£1,087)	(£4,398)	(£4,398)	£0
Housing Revenue Account	(£21,302)	£1,483	(£19,819)	(£19,819)	£0
Earmarked Housing Revenue Account	£0	(£5,713)	(£5,713)	(£5,713)	£0
Total Revenue Reserves	**(£29,407)**	**(£7,586)**	**(£36,993)**	**(£36,860)**	**(£133)**
					£0
Capital Reserves:					
Major repairs reserve	(£10,919)	£6,173	(£4,746)	(£4,869)	£123
Capital Reserve (earmarked reserve)	(£594)	(£500)	(£1,094)	(£1,094)	£0
Capital Receipts Reserve	(£15,191)	£398	(£14,793)	(£14,793)	£0
Government Capital Grants Unapplied	(£1,671)	£0	(£1,671)	(£3,243)	£1,572
Total Capital Reserves	**(£28,375)**	**£6,071**	**(£22,304)**	**(£23,999)**	**£1,695**
TOTAL REVENUE AND CAPITAL RESERVES	**(£57,782)**	**(£1,515)**	**(£59,297)**	**(£60,859)**	**£1,562**

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 for both the General Fund and HRA.

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 increased by £36.2Million to £514.28Million as at 31 March 2020, due to an increase in the Capital Adjustment account. This arose from higher capital financing costs versus the costs reversed out of the General Fund for depreciation and revaluation gains and losses and a decrease in the pension liability of £19.28Million. Movements in the unusable reserve do not affect the Council tax payer or HRA tenant.

Unusable reserves	**2018/19** **£'000**	**Audited 2019/20** **£'000**	**Variance** **£'000**	**2019/20 draft** **£'000**	**Variance** **£'000**
Revaluation Reserve	(£95,913)	(£97,972)	(£2,059)	(£94,906)	£3,066
Capital Adjustment Account	(£428,830)	(£443,324)	(£14,494)	(£446,109)	(£2,785)
Deferred Capital Receipts Reserve	(£12,059)	(£12,009)	£50	(£12,009)	(£0)
Pensions Reserve	£58,694	£39,414	(£19,280)	£40,974	£1,560
Collection Fund Adjustment Account	(£406)	(£928)	(£522)	(£928)	(£0)
Accumulating Compensated Absences Adjustment Account	£435	£535	£100	£535	£0
Total Unusable Reserves	**(478,079)**	**(514,284)**	**(36,205)**	**(512,443)**	**1,841**

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

4.3.2 At the time the time of writing the report, no objections were received by electors to the 2019/20 accounts.

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

4.4 CFO comments

4.4.1 There are a number of adjustments to fixed asset valuations which caused changes to the fixed asset valuations (£2.5Million), although these assets are not held for sale but relate to the council's operation and community buildings.

Balance Sheet	**Draft £'000**	**Audited £'000**	**Variance £'001**
Total Long Term Assets	£810,440	£812,964	£2,524
Current Assets	£59,969	£58,692	(£1,277)
Current Liabilities	(£26,748)	(£26,478)	£270
Long Term Liabilities	(£270,360)	(£271,597)	(£1,237)
Net Assets	**£573,302**	**£573,581**	**£279**

4.4.2 A review has been taken of fixed assets for the 2020/21 and 2021/22 accounts, notwithstanding the potential consultation changes to fixed assets as set out in paragraph 3.7-3.8 of the report.

4.4.3 The correct classification of the LEP funding from grant to loan, which is due to be repaid by 2030, increases long term liabilities (and is included in the reduction of current assets as a proportion had been accrued to be received in 2020/21, so reducing current liabilities).

4.4.4 The audits of both 2019/20 and 2020/21 have been challenged by significant vacancies in the Finance department and the impact of COVID on the service. To mitigate this, an agency member of staff has been retained to provide continuity for the 2020/21 accounts. Recruitment has also taken place for the finance team and the new Technical Manager is due to start 1 March 2022 and an offer has been made for the Assistant Director Finance. It should also be noted that delays in completion of the external audit work makes completion of the audit more difficult do due dealing with two year ends, turnover of staff etc. .

5 **IMPLICATIONS**

5.1 Financial Implications

5.1.2 The updated Accounts for 2019/20 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) previously required to publish draft accounts by 31 May following the year end, the Council's 2019/20 draft accounts were published on 30 July 2020. The external audit of the draft accounts was delayed by Ernst Young (EY) LLP due to EYs resourcing pressures, exacerbated by COVID, together with internal Finance Team resourcing issues. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. As such the Council was unable to publish its audited accounts by the end of July. The Audit and Statement of Accounts Committees has had to be rescheduled a number of times. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015

5.2.2 However for 2020/21 the extension of the audited accounts publication deadline was made to 30 November for all local authority bodies, in part reflecting the special challenges posed for both auditors and local bodies by the Covid-19 pandemic.

5.2.3 In January 2021, the government consulted on amendments to the Accounts and Audit Regulations 2015 to implement recommendation 10 of the Redmond review, to extend the deadline for publishing audited local authority accounts to 30 September from 31 July. The government said that they would extend the deadline for two years from 2020/21 and to review at that point whether there is a continued need to have an extended deadline. These regulations came into force on 31 March 2021.

BACKGROUND PAPERS

4th Quarter General Fund and HRA report 8 July 2020 Executive

4th Quarter Capital monitoring report 8 July 2020 Executive

Review of the Medium Term financial strategy and impact of COVID 19 on the Council's General Fund Revenue budget

Medium Term Financial Strategy 15 September 2021Executive

APPENDICES

Appendix 1 – Annual Results Report

Appendix 2 - Letter of Representation

Appendix 3 – Statement of Accounts 2019/20

Appendix 4 – Annual Governance Statement

Stevenage Borough Council
Audit results report

Year ended 31 March 2020

February 2022

EY
Building a better working world

17 February 2022

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 (the Authority) for 2019/20. We will issue our final report following the Audit Committee meeting on 28 February 2022.

The audit of the 2019/20 audit of Stevenage Borough Council has not been straight forward due to a number of reasons, including the impact of the Covid-19 pandemic both in terms of audit risks and our planned procedures to address those risks, but also practically conducting a remote audit. We acknowledge that the resourcing of our local government audits remains a challenge due to the shortage of staff within the local government audit market with the specific skills and knowledge required to conduct an effective audit. We have had to make tough decisions to delay the delivery of audits across all of our audited entities in order to safeguard audit quality. We would like to thank all of the Council's officers (both past and present) who participated in the audit.

We have substantially completed our audit of the Council for the year ended 31 March 2020. Our remaining procedures, which will be completed during February 2022, mainly consist of the completion of our quality assurance review procedures on the final assembly of audit working papers and routine consultation processes in relation to the Council's revised going concern disclosures. 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 at Appendix C of this report, shortly following this committee. We expect to also issue an unmodified opinion in relation to the Council's value for money conclusion.

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 28 February 2022.

Yours faithfully

Neil Harris
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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

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

01 Executive Summary

Executive Summary

Status of the audit

We have substantially completed our audit of the Stevenage Borough Council financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Plan.

The outstanding work at the date of this report is:

- Completion of remaining review procedures with respect to documentation on our audit file by the audit manager and engagement partner.
- The outcome of the internal consultation with EY's professional practice department on the appropriateness of the Council's going concern disclosure.
- Completion of subsequent events review, including update of our review of committee minutes.
- Final review and completion checks on the financial statements.
- Completion of audit conclusion procedures, in order to issue our audit report.
- Receipt of the signed management representation letter.

Subject to satisfactory completion of the following outstanding items above, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Appendix C.

Executive Summary

Scope update

In our Audit Plan dated 9 June 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements, including our assessment and planned response of risks arising from the Covid-19 pandemic on the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Timescale of the audit – The audit of the Council’s 2019/20 financial statements has been protracted due to a number of reasons:
    - As communicated in our Audit Plan, increased audit risks as the result of the Covid-19 pandemic.
    - As communicated in our Audit Plan, increased audit testing due to the reduced materiality compared to the prior year 2018/19 audit.
    - Turnover of the Council’s key financial personnel multiple times throughout the audit period has increased the time taken to resolve audit queries and agree on amendments to the financial statements.
    - The number of audit misstatements identified, and also the complexity of adjustments to the financial statements. In particular the accounting treatment adopted for Local Enterprise Partnership (LEP) funding as grant income in the draft financial statements.
    - The current state of the local government audit sector, including increased quality demands from the FRC (as the audit regulator) and the challenge of clearing delayed audits across the sector.

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Materiality

We updated our planning materiality assessment using the 2019/20 draft statement of accounts. Based on our materiality measure of 1% of gross expenditure on the provision of services, we have updated our overall materiality assessment to £1.05 million (Audit Plan – £1.11 million). This results in updated performance materiality, at 75% of our overall planning materiality, of £0.792 million, and an updated threshold for reporting misstatements of £52,777 (5% of Planning Materiality).

- Information Produced by the Entity (IPE) – We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:
    - Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
    - Agree IPE to scanned documents or other system screenshots.

As disclosed in the audit plan, additional risks are likely to result in additional audit fees which will be discussed with S151 officer and then submitted to PSAA for determination. Refer to section 7 of this report for more information on the audit fee.

Executive Summary

Audit differences

Unadjusted audit differences

We have identified 3 audit differences which have not been adjusted for by management in the 2019/20 statement of accounts. Overall these are not material the financial statements, however, we are required to report all unadjusted audit differences above £53k to the Audit Committee.

The unadjusted audit differences relate to:

- Inappropriate capitalisation of revenue expenditure, £153k.
- Valuation of property, plant and equipment, £120k.
- Queensway lease accounting treatment, £175k.

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

Adjusted audit differences

During the audit identified 9 audit differences which have been adjusted for by management in the 2019/20 statement of accounts. The most of significant of which relate to the accounting treatment of LEP funding, the valuation of pension liability and the valuation of the Council's property assets.

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

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

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. The Annual Governance Statement has been updated to reflect the impact of the Covid-19 pandemic on the Council's arrangements. We have no matters to report as a result of this work.

Procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2019/20 are no longer required based on the current timetable of the 2019/20 Whole of Government Accounts.

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 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 matters

As the result of the audit we have a number of observations and recommendations for the Council relating to the capacity and resilience of the Council's finance team, as well as the processes in place to be prepared for an audit. Please refer to section 5 of this report for the detail observations and our recommendations for the Council.

Executive Summary

Audit Risk and Areas of audit focus

Our audit plan identified key areas of audit risk and areas of focus for our audit of the Authority's financial statements. We summarise below our findings for the significant risks of the audit:

Significant risk	Provisional findings & conclusions, subject to the final completion of our quality review procedures.
Misstatements due to fraud or error – Risk of management override	We have completed our planned audit procedures and found no indications of management override of controls.
Misstatements due to fraud or error – Inappropriate capitalisation of revenue expenditure	We have completed our planned audit procedures. Based on sample testing we have identified one projected misstatement of £153k in relation to inappropriate capitalisation of revenue expenditure. This audit difference has not been amended for by management.
Misstatements due to fraud or error – Misclassification of capital receipts as revenue	We have completed our planned audit procedures. We identified that the Council incorrectly accounted for £4.1m of Local Enterprise Partnership (LEP) funding as grant income when it should have recognised as a long term liability. This audit difference has been amended for by management.
Valuation of market based property assets (including Property, Plant and Equipment, Council Dwellings and Investment Properties)	We have completed our procedures including review of a sample of valuations by our EY Real Estates specialist. A number of audit misstatements were identified as the result of procedures performed. Audit difference of £1.07m have been corrected for by management, however, the net impact of unadjusted misstatement of £120k remain unadjusted in the 2019/20 financial statements.
Group Financial Statements: Valuation of Queensway Asset	We have completed our procedures including a review of the Queensway asset by our EY Real Estates specialist. The valuation of the asset was outside of the reasonable expected range by £730k. This has not been corrected for by management.

Executive Summary

Audit risk and areas of audit focus (continued)

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. We summarise below our findings for areas of audit focus:

Area of audit focus	Provisional findings & conclusions, subject to the final completion of our quality review procedures
Valuation of property, plant and equipment assets under depreciated replacement cost model	We have completed our procedures including review of the Stevenage Arts and Leisure Centre by our EY Real Estates specialist. Audit misstatements were identified and have been corrected for by management.
Preparation of Group Accounts	We have performed our audit procedures in relation to the group accounting and the scope of the group audit and have not identified any audit findings.
Queensway Lease Accounting Treatment	We have performed our audit procedures in relation to the Queensway lease accounting and identified an audit misstatement of £175k. This misstatement has not been corrected for by management. The Council should fully review its accounting model for the Queensway deal for the 2020-21 audit.
Pension liability valuation and disclosures	We have performed our audit procedures in relation to the pension liability and disclosures. As a result we have identified an audit misstatement that decreased the pension liability recognised on the Council's balance sheet by £1.5m. This has been amended for by management.
Recognition of grant income associated with Covid-19	We have performed our audit procedures in relation to the recognition of grant income associated with Covid-19. We have not identified any misstatements nor any instances of management bias in relation to this area.
Going Concern Disclosures	Subject to completion of internal consultation by EY's Professional Practice Department we have completed our procedures on going concern disclosures. We are satisfied that the Council's revised going concern disclosure is appropriate. We do not anticipate reporting of any material uncertainties in relation to going concern in our audit report.

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

- There are no other considerations or matters that could have an impact on these issues; and
- You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

Executive Summary

Value for money

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 a significant risk relating to financial resilience of the Council based on it's lower level of available reserves compared to other local authorities in Hertfordshire, particularly in the context of the financial challenges and uncertainties as the result of Covid-19 pandemic.

We have included in Section 4 the detailed work we are performing in response to this risk. At the time of issuing this report we have completed our planned procedures in relation to this risk, subject to final review and conclusion.

We engaged the use of specialist support from the EY Strategy and Transactions Team to conduct scenario modelling based on the Council's medium term financial strategy. The findings of which where that the Council's medium term financial strategy was reasonable and appropriate, and that the Council has sufficient reserves over the medium term. However, it is important that the Council is not complacent on its reserve balances and continues with its 'Making Your Money Count' options programme so that the Council's reserve balances are not reduced to unstainable levels.

We expect to issue an un-modified value for money conclusion.

Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Correspondence from the Public

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

Control observations

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

02 Areas of Audit Focus

Areas of Audit Focus

Fraud risk - misstatements due to fraud or error

What is the risk?

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

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

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

What did we do?

We have completed our standard procedures to address the fraud risk, which included:

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

What are our provisional conclusions?

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

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.

Significant risk

Misstatements due to fraud or error – Incorrect capitalisation of revenue expenditure

What is the risk?

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

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

In 2019/20 the Authority has incurred £43.1 million capital expenditure.

What judgements are we focused on?

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

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

What did we do?

Our approach focused on:

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

What are our provisional conclusions?

We performed extensive sample testing on the Council's capital expenditure in 2019/20.

Our sample testing of property, plant and equipment additions identified 7 low value items (total cumulative value £985) for which the Council where unable to provide evidence to support the capital nature of the expenditure.

We have extrapolated these items to calculate a projected audit misstatement of £153,480. The Council has not adjusted the financial statements for this project misstatement. Refer to section 3 of this report.

We did not identify any usual journal entries that in relation to capital additions.

Significant risk

Misstatements due to fraud or error – Misclassification of capital receipts as revenue

What is the risk?

The Council is under significant financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to the application and use of capital receipts in the financial statements.

The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be higher for adjustments concerning the application of useable capital receipts and deferred capital receipts.

What judgements are we focused on?

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

We consider the risk applies to the application of capital receipts in the comprehensive income and expenditure statement (CIES) and balance sheet (via the capital financing requirement).

What did we do?

Our approach focused on:

- Sample testing the application of capital receipts in the capital financing requirement to ensure they meet the definition of sources of funding;
- Sample testing deferred capital receipts to ensure any conditions have been correctly applied; and
- Using our data analytics tool to identify and test journal entries adjustments that impact capital receipts.

What are our provisional conclusions?

Our sample testing of the application of capital receipts from in year disposal of capital assets during 2019/20 did not identify any misstatements.

There were no net material changes during the 2019/20 year to the Council's Capital Receipts Reserve and Capital Grants Unapplied account.

However, we identified a material misstatement in relation to accounting treatment adopted for Local Enterprise Partnership (LEP) funding of capital projects in relation to the regeneration of Stevenage town centre. The Council incorrectly accounted for £4.1m of LEP funding received in year as grant income whereas it should have been accounted for as long term borrowing based on the underlying nature of the LEP agreements.

This increased the Council's Capital Financing Requirement. The Council has amended the financial statements to adjust for the LEP misstatement. Refer to section 3 of this report.

Significant risk

Valuation of market based property assets
(including Property, Plant and Equipment, Council Dwellings and Investment Properties)

What is the risk?

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuers.

We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of market based properties. In addition outputs from the valuer are subject to estimation, there is a significant risk that the valuation of market based property assets may be misstated.

The Council has as significant asset base including:

- £632m of council dwelling properties,
- £163m of property, plant and equipment,
- £24m of investment properties

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

What judgements are we focused on?

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

We consider the risk applies to the valuation of market based property assets, including PPE, Council Dwellings and Investment Properties.

What did we do?

Our approach focused on:

- The adequacy of the scope of the work performed by the Council's valuers, their professional capabilities and the results of their work;
- The use of EY valuation specialists to review a sample of market based property assets valuations
- Sample testing property values to corroborate key assumptions used by the valuer in performing their valuations;
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Consideration of useful economic lives in the most recent valuation; and
- Testing that accounting entries had been correctly processed in the financial statements.

What are our provisional conclusions?

Our consideration of the work, professional capabilities and the results of the Council's valuers did not identify any issues.

Based on the review conducted by the EY Real Estate valuations team there were 4 properties, out of a sample of 8, where the valuation of the asset was outside of a reasonable expected range. This resulted in an audit misstatement of £1.07m understatement of the value of Property, Plant and Equipment in relation to two assets. This misstatement was amended for by management.

A further audit misstatement of £120k was identified based on the net cumulative impact of a further 5 property valuations. This misstatement was not amended for by management.

A number of assets, total value £1.2m, were identified that were last valued in 2012. This is outside the accounting framework's requirement of a valuation at least once every 5 years. Based on audit challenge management revalued a number of these assets, which resulted in a further audit adjustment of £517k which increased the valuation of PPE.

We noted that Council Dwellings valuations was understated by £609k due to the incorrect valuation figure being from the valuer's report. This has been corrected for by management.

The assumptions used in valuation of investment properties were overall reasonable. No audit misstatements were identified in relation to investment property valuations.

Our consideration of the useful economic lives in the most recent valuation did not identify any issues.

Accounting entries had been correctly disclosed in the financial statements.

Refer to section 3 of this report for information on audit misstatements.

Significant risk

Group Financial Statements: Valuation of Queensway Asset

What is the risk?

The valuation of the Queensway asset is material to the Council's group financial statements. This asset is a regeneration asset with commercial activities in Stevenage town centre that was undergoing regeneration as of 31 March 2020. The valuation of this asset is based on future expected cash flows that Queensway LLP will receive from its tenants. As the asset is undergoing regeneration, and the uncertain economic environment as a result of the COVID-19 pandemic, there are an increased number of assumptions and estimates that underpin the valuation of this asset. As such the valuation of this asset in particular is susceptible to material misstatement.

The value of the Queensway asset recognised in the Council's group financial statements is £11.73m.

What judgements are we focused on?

The valuation assumptions used to value the Queensway asset as of 31 March 2020.

What did we do?

Our approach focused on:

- The adequacy of the scope of the work performed by the Council's valuers, their professional capabilities and the results of their work;
- The use of EY valuation specialists to review the valuation of the Queensway asset.
- Testing and challenging the key asset information and assumptions used by the valuers in performing their valuation; for example referencing tenancy schedules back to tenancy agreements;
- Considering any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Testing that accounting entries had been correctly processed in the financial statements.

What are our provisional conclusions?

Our consideration of the work, professional capabilities and the results of the Council's valuers did not identify any issues.

Based on the review conducted by the EY Real Estate valuations team we considered that a reasonable valuation range for the Queensway asset as of 31 March 2020 was between £10 to £11m. The value of asset was £730k above the maximum reasonable range for the valuation of the asset. In particular the market rent assumptions used by the Council's valuer were above those that could reasonably be expected.

We have treated the £730k difference as an audit misstatement. This has not been adjusted for by management. (This unadjusted audit difference is included within the £120k net remaining difference on property valuations, as referred to section 3 of this report).

Accounting entries had been correctly disclosed in the financial statements.

Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
Valuation of property, plant and equipment assets under depreciated replacement cost model – inherent risk Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For assets valued using depreciated replacement cost (DRC) this risk is heightened due to the specialised nature of the assets and insufficient availability of market-based evidence to assist the valuation. As the Council's DRC asset base is significant £23.3m as of 31 March 2020, and the outputs from the valuer are subject to estimation, there is a higher inherent risk that the valuation of theses assets may be under/overstated or the associated accounting entries incorrectly posted.	We have: • Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Engaged EY Real Estate valuations team to review the Council highest value asset £14.4m (Arts and Leisure Centre) • Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); • Tested accounting entries, ensuring these have been correctly processed in the financial statements. <u>Our conclusions are:</u> Our consideration of the work, professional capabilities and the results of the Council's valuers did not identify any issues. Based on the review conducted by EY Real Estate valuations team on the valuation of the Arts and Leisure Centre £14.4m was within a reasonable valuation range. An audit misstatement of which undervalued the valuation of Stevenage Swimming Pool by £822k was identified. This misstatement has not been adjusted for by management (This unadjusted audit difference is included within the £120k net remaining difference on property valuations, as referred to section 3 of this report). Appropriate accounting entries have been adopted within the financial statements for valuations of Property, Plant and Equipment. were found to be correctly .

Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
Preparation of Group Accounts – inherent risk Queensway LLP was formed by Stevenage Borough Council in November 2018 as an entity to facilitate the regeneration of the Queensway asset that is an integral part of the Council's town centre regeneration strategy. During the 2018/19 audit we considered the preparation of group accounts as a significant risk for the audit as it was the first time that Queensway LLP was consolidated into the group financial statements. There were no significant issuing arsing from the Council's group accounts consolidation, however as 2019/20 is the first full financial year for Queensway LLP we still consider the risk relating to the preparation of group accounts and our group audit procedures to be an inherent risk.	We have: • Enquired with management to understand the processes and controls in place for how intra-group transactions and balances are identified. • Substantively tested the group the consolidation schedule to review whether the adjustments made are consistent with our knowledge gained throughout the audit of the Stevenage Borough Council and of Queensway LLP. • Reviewed the group financial statements and consolidation schedule to consider whether the adjustments made are compliant with the applicable accounting standards, including IFRS 10 Consolidated Financial Statements and the CIPFA Code of Practice. <u>Our conclusions are:</u> The processes and controls in place for the identification of intra-group transactions and balances are appropriate. Substantive testing on the group consolidation of Queensway LLP accounts into the Council's group financial statements did not identify any misstatements. Consolidation adjustment made by the Council are compliant with the CIPFA Code and IFRS 10.

Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
Queensway Lease Accounting Treatment – inherent risk In preparing Queensway LLP financial statements significant judgements are taken in relation to the lease accounting treatment. We reviewed these judgements during the 2018/19 audit and a number of amendments as a result of the audit were made to the group financial statements. As 2019/20 is the first full financial year for Queensway LLP we need to consider whether these judgements remain appropriate. We will engage EY financial reporting specialists to obtain assurance over the accounting treatment for the lease arrangement for the 2019/20 audit.	We have: • Reviewed the lease accounting treatment adopted during 2019/20; including follow up on points identified during the 2018/19 review of the lease accounting treatment. In particular the interest rates applied to the leasing and borrowing elements of the lease agreement. • Considered whether the appropriate accounting journal entries are consistent with the prevailing accounting standard IAS 17 Leases. • Reviewed the relevant lease disclosures in the Council's financial statements. We engaged EY financial reporting specialists to assist the audit team in reviewing the accounting treatment adopted. <u>Our conclusions are:</u> Based on feedback from the 2018/19 audit the Council has amend its Queensway lease and borrowing model to revise the interest rate adopted on the borrowing element of the Queensway deal. However, the interest rate calculated by the Council is not correct due to the incorrect split of lease repayment amounts between repayment of principal and repayment of interest in the model. The impact of this difference for the 2019/20 group financial statements of the Council is that the long term lease liability, on the balance sheet, is overstated by £175k and also the interest cost, recognised in the comprehensive income and expenditure statement, is overstated by £175k. We have treated this as an audit misstatement that has not been corrected for by management. Refer to section 3 of this report for further information. We recommend that the Council's reviews in totality the Queensway lease and borrowing model for 2020/21. This may require the Council to draw upon external specialist accounting advice. Each year this matter remains unresolved the audit misstatement will increase, eventually it will be material to the audit.

Audit risks

Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
Pension liability valuation and disclosures – inherent risk The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31st March 2020 this totalled £39 million. The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk. In addition, every three years, a formal valuation of the whole fund in carried out in accordance with the LGPS Regulations 2013 to assess and examine the ongoing financial position of the fund. The IAS19 report for 2019/20 will reflect the updated membership numbers provided for this triennial valuation. We will therefore need to seek additional assurances from the Pension Fund auditor over this data. An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Hertfordshire Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.	We have: • Liaised with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Stevenage Borough Council; • Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. • Assessed the results of the triennial valuations, including the assumptions used and the impact on the Council's pension liability. • Engaged early with the Council, and their actuary, to understand any ongoing impact of the McCloud judgement and GMP rulings on the IAS19 liability. • Considered the nature and value of level 3 investments held by Hertfordshire Pension Fund and the proportion of the overall Fund relating to Stevenage Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2020. <u>Our conclusions are:</u> We received the Pension Fund Assurance letter from the auditors of Hertfordshire Pension Fund. This highlighted that the investment returns for the year end 31 March 2020 as estimated by the actuary (-3%) was different compared to that as reported by the Pension Fund (-1.3%). A revised IAS 19 results report was obtained by the Council from the actuary to update for this. In addition, the audit of the pension investments held by the Pension Fund identified valuation misstatements of which the Council has a share of these. In total, the value of the Council's pension liability on it's balance sheet decreased from £40.9m to £39.4m as the result of audit adjustments to the financial statements. Refer to section 3 of this report for further information. The accounting entries and pension liability related disclosures in the financial statements were appropriate.

Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
Recognition of grant income associated with Covid-19 The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be manipulated to improve the reported position.	We have: • Considered the revenue and capital grants received by the Council; • Assessed the potential for manipulation of individual grant streams (including those related to business rates); and • Responsive to the risk, carry out testing to ensure the accounting treatment and recognition applied to grant income is appropriate. Our conclusions are: The Council did not receive a material amount of Covid-19 support funding for itself in the 2019/20 year. The Council did however receive Covid-19 business support funding to provide financial support to the local businesses of Stevenage in March 2020. Based on our substantive testing on cut-off around the financial year end of 31 March 2020 we did not identify any instances of inappropriate recognition this money in the Council's financial statements. Based on the grant testing performed during the audit we did not identify any management bias in relation to recognition of grant income related to Covid-19

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Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
Going concern disclosures The auditor’s report in respect of going concern covers a 12-month period from the date of the audit report. Therefore the Council’s assessment and financial statement going concern disclosures need to cover this future prospective period. CIPFA’s Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom,* still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor’s report. We are obliged to report on such matters within the section of our audit report ‘Conclusions relating to Going Concern’. Covid-19 has created a number of financial pressures throughout Local Government. For Stevenage Borough Council the estimated cumulative loss as the result of Covid-19 through to March 2023 is approximately £10m. This includes significant reductions in income for the Council from car parks, business rate gains and other income; as well as additional cost pressures to accommodate the homeless. Financial support from Central Government does not cover all of the Council’s losses.	Findings and conclusion: Officers have carried out an assessment of the impact of Covid-19 on the Council's income, expenditure, balances and reserves to inform reporting to the Audit Committee and other members. These assessments have been used to enhance the disclosure in the financial statements around the going concern assertion. We have reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, including around reductions in fees and charges. We have also considered the adequacy of the revised disclosure note and its consistency with the going concern assessment and our audit procedures. The Council is currently forecasting £1.2 million of additional cost pressures as a result of Covid-19 during the 2022/23 year. This is partly mitigated by grant funding from Central Government. The Council’s forecast level of general fund balance as at 31 March 2023 is £3.7m which is above the Council’s risk assessed minimum balance of the general fund by £0.4m. The Council’s cash flow modelling through to March 2023 demonstrates that it is able to work within its capital financing requirement. The Council is forecasting a liquidity position of cash and short term investment balances of £47m as of 31 March 2023. We have reviewed the revised going concern disclosure and are satisfied that it adequately reflects the Council’s assessment and informs the reader of the impact of the Covid-19 pandemic on the Council’s finances. We are currently now completing our internal consultation with our Professional Practice Directorate on our audit work and assessment of the Council’s financial statement going concern disclosure. We do not anticipate reporting a material uncertainty in our audit report in relation to going concern.

03 Audit Differences

Audit Differences

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

Summary of unadjusted audit differences

The following audit differences, above our reporting threshold of £52,777, have <u>not</u> been amended for by management in the 2019/20 statement of accounts:

- Inappropriate capitalisation of revenue expenditure – Based on representative capital additions testing we have determined an extrapolated misstatement of £153k, which overstates the balance of property, plant and Equipment and understates the Council’s revenue expenditure. This unadjusted misstatement would impact the Council’s general fund.

- Valuation of property, plant and equipment – Differences were identified on the valuation of individual properties, these ranged from £822k overvalued to £733k undervalued. This differences are as the result of the underlying methodology and assumptions used by the Council’s valuer. The total net cumulative impact of unadjusted differences in relation to property valuations that we are reporting is £120k. This misstatement overstates the balance of Council’s property, plant and equipment and of the Council’s revaluation reserve (an unusable reserve) by £120k.

- Queensway lease accounting treatment – Based on our review procedures of the Queensway lease and borrowing models we have identified an audit difference of £175k which overstates both the long term lease liability on the Council’s balance sheet and also the interest cost recognised as expenditure.

Audit Differences

Summary of adjusted audit differences

In total there were 9 audit adjustments that have been amended for by management in the 2019/20 statement of accounts. We report to the Audit Committee significant audit differences (above our performance materiality threshold of £0.792m) that have been amended for in the financial statements. The significant audit differences that have been adjusted for include:

- Accounting treatment of Local Enterprise Partnership (LEP) funding for capital regeneration scheme in Stevenage. The Council has applied the incorrect accounting treatment to LEP funding. The Council has multiple LEP funding agreements, some of which are non-repayable and some of which are repayable. The repayable funding should be accounted for as borrowing. In addition, the Council had not considered the soft-loan element of the borrowing. Furthermore, the Council accrued £1.3m of LEP funding as a debtor at year end, however the nature of this funding was actually borrowing and it is not standard accounting practice to accrued for borrowing before it is received.
- The total audit adjustment in relation to LEP funding was:
    - Grant income received in year decreased by £4.1m
    - Long term liabilities increased by £3.2m
    - Receivables (debtors) decreased by £1.3m
    - Capital adjustment account (unusable reserve) increase by £0.4m (Soft-loan element)

- Pension liability – The valuation of the pension liability decreased by £1.56m as the result of the revised IAS19 report from the actuary and the findings from the audit of Hertfordshire Pension Fund, in relation to the valuation of investment assets held by the Pension Fund. This adjustment decreased both the pension liability and the pension reserve (unusable reserve) by £1.56m. This had no impact on the Council's usable reserves for 2019/20.

- Property, Plant and Equipment valuations – Adjusted differences in relation to the valuation of properties asset were identified that increased both the value of the Property, Plant and Equipment and the revaluation reserve (unusable reserve) by £1.07m. This had no impact on the Council's usable reserves for 2019/20.

Other audit differences that were above our reporting threshold, £0.053m, but below our performance materiality threshold of £0.792m which have been amended for in the 2019/20 statement of accounts include:

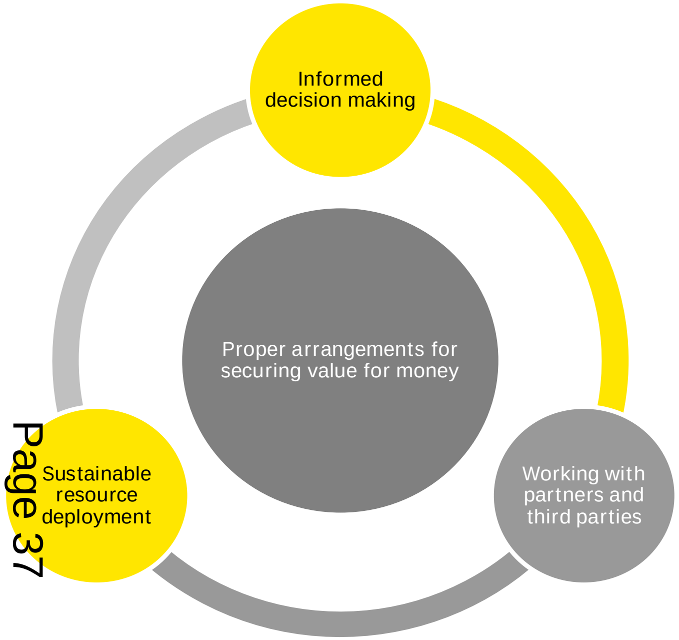
- Valuation of council dwelling properties.
- PPE additions that had not been accrued for, and also PPE additions that had been inappropriately accrued for.
- Over and under measurement of revenue expenditure accruals.
- Omitted journal entry postings in relation to NNDR income for the Council.

In addition there were disclosure misstatements in the draft 2019/20 statement of accounts that have been corrected for. The significant disclosure differences that have been amended for were:

- Clerical casting errors and internal inconsistencies between disclosures in the financial statements.
- Disclosures in the draft statement of accounts document itself had not been updated since the prior year accounts.
- The classification of cash flows in the Statement of Cash Flows in relation to the LEP funding adjustment.

04 Value for Money Risks

Value for Money



Background

We are required to consider whether the Authority 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 2019/20 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.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19.

This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

Overall conclusion

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk identified in our Audit Plan as well as any risks identified since then and any other significant weaknesses or issues we want to bring to your attention.

Our audit procedures on your arrangements to secure economy, efficiency and effectiveness in your use of resources as substantially complete and are subject to review.

Value for Money Risk

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 as well as any additional risks identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
Financial resilience The Council is operating in a challenging financial environment with reduced income and increased costs pressures as a result of Covid-19. The Council had estimated this increased financial pressure to be £6.1 million for the initial 6 month period; however given the unprecedented circumstances there was significant uncertainty surrounding the type and duration of social distancing measures that will be in place as a result of Covid-19, and the resulting financial impact this has on the Council. The September 2019 Medium Term Financial Strategy (MTFS) identified £1.9 million of Financial Security targets to be achieved by 2022/23; as well as an additional increase of the saving targets of £135,000 which is yet to be identified (effectively a budget gap). Delivery of the Financial Security Targets is critical for the Council to sustainably deploy its resources in the medium term. This represents a significant risk to the Council's overall financial resilience. Stevenage Borough Council has a lower level of reserves available to it compared to other local authorities in Hertfordshire. This is due to the Council's planned use of resources over the medium term as set out in their MTFS. The Council risk assesses its required minimum level of reserves for both the general fund and the housing revenue account. The Council will be revisiting its budget and MTFS assumptions in light of Covid-19. The Council's revised MTFS will be presented at the June 2020 Executive meeting.	• Deploying resources in a sustainable manner.	To address this risk, we engaged specialist support from EY's Strategy and Transactions team to work with the audit team in reviewing, challenging and exercising appropriate professional scepticism on the Council's medium-term financial strategy, including: • Identification of the key assumptions contained in the medium-term financial plan and the reasonableness of the basis of these; • Reviewed the Council's stress testing of these assumptions; sensitivity analysis and mitigating actions. • Developed an understanding of how the Council identifies its budget gaps and risk mitigations; • Stress tested the Council's financial resilience and adequacy of available reserves and balances before and in light of Covid-19. • Assessed the Council's track record on delivering savings and the robustness of its future savings plans. • Reviewed the process by which the Council risk assesses its minimum required level of reserves. Subject to final review, our findings and conclusions in relation to this value for money risk are on the next page:

Value for Money Risk (continued)

What are our findings and conclusion?

Findings:

Our modelling suggests that the Council's forecasts within the current financial year and over the medium-term financial strategy are both reasonable and appropriate compared with our base-case economic scenario, including the likely impacts of Covid-19 on the Council's finances. It is however noted that our modelling of the the financial challenges that the Council faces over the medium is forecast to be considerably more severe in our more volatile economic conditions.

Our modelling suggests that over the medium term the Council has sufficient reserve balances to meet the financial challenges of the base-case economic scenario. However, it is important that the Council is not complacent on its reserve balances and continues with its 'Making Your Money Count' options programme so that the Council's reserve balances are not reduced to unstainable levels.

Fig. 4 - Medium Term Financial Challenge 2020/21 - 2023/24

Source: EY Financial Resilience Model

The Council's planned use of resources over the medium term is set out in their medium term financial strategy. The Council risk assessment of its required minimum level of reserves is appropriate based on the Council's risk appetite and future planed use of resources for the people of Stevenage.

Overall Conclusion:

We currently expect to report an un-modified value for money conclusion in relation to the 2019/20 audit.

05 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

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

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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.

Procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2019/20 are no longer required based on the current timetable of the 2019/20 Whole of Government Accounts.

Other reporting issues

Other powers and duties

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

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

Other matters

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

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

We have made the several observations and recommendations as the result of the 2019/20 audit, please refer to the next page.

Other than the observations and recommendations (as stated on the next page) we have no other matters to report.

Other reporting issues

Other matters

Observations and recommendations resulting from the 2019/20 audit

As the result of the 2019/20 audit, we have made the following observations on the capacity and resilience of the Council's finance team, as well as the processes in place for the Council to be prepared for an audit:

- The capacity and resilience of the Council's finance team should be reviewed to consider if there is sufficient capacity for the Council to proactively consider the financial reporting implications. Whether that is a change in accounting standard or whether there is a new source of funding or major project undertaken by the Council. For example if the accounting treatment of the LEP funding had been proactively considered by the Council in advance of the audit, then the time taken to complete audit would reduced. There is a risk of similar occurrences in future years without sufficient capacity in the Council's finance team.

- The quality of the Council's working papers to support the audit of it's financial statements should be improved. The Council's working papers for the audit were often difficult and time consuming to understand. This increases the risk of the audit overrunning and resulting in higher audit fees for the Council.

- The Council's financial reporting processes for its capital assets (Property, Plant and Equipment and Investment Properties) should be reviewed to identify potential efficiencies. The Council's current process for reporting the value of it's capital asset is very manual and requires multiple adjustments to be made from the fixed asset register system (RAM). This is time consuming for both the Council's officers to prepare and for the audit team to review. There may be improved technological and automated processes available. There is a risk that the reporting and audit of the Council's capital assets is more complicated, time consuming and costly than necessary.

- The Council should review the Queensway lease and borrowing accounting models. This may require the Council to draw upon external specialist accounting advice. The methodology and calculations used in the model are likely to result in a material misstatement in the Council's financial statements at a future point in time.

We note that the Council has already taken positive steps to address the observations and recommendations noted above in advance of the 2020/21 audit, including recruitment of permanent posts for Technical Finance Manager and Associate Director for Finance. In addition the Council is reviewing it's working papers to support the 2020/21 financial statements in advance of the 2020/21 audit.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your 2019/20 financial statements of which you are not aware.

<u>Commentary for 2020/21 financial statements and audit:</u>

During the 2021 calendar year there was considerable turnover of key finance officers at Stevenage Borough Council. While this does not directly impact the control environment in place during the 2019/20 financial year, it does raise questions on the effectiveness of the internal control environment at the Council to prevent and detect material misstatements for the 2020/21 financial statements of the Council. We will consider the impact of this as part of the 2020/21 financial statement audit risk assessment and procedures.

We note that the Council has taken the decision to retain an agency member of staff through the end of the 2019/20 audit and into the 2020/21 audit in order to retain knowledge across financial years and to review working papers that support the 2020/21 financial statements in advance of the 2020/21 audit.

07 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 9 June 2020.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 28 February 2022.

Relationships, services and related threats and safeguards

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

There are no relationships from 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

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

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 2020.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Final fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Scale fee – Code work	49,283	49,283	49,283
Scale fee variation – Code work	TBC (Note 1)	-	28,142
Total Audit Fee	TBC (Note 1)	49,283	77,425
Other non-audit services (Housing Benefits Certification)	38,800	-	24,400
Total All Fees	TBC (Note 1)	49,283	101,825

All fees exclude VAT

Note 1

For 2019/20 we do not believe the existing scale fees provide a clear link between a public sector organisation's risk and complexity and the increased regulatory requirements to deliver an ISA compliant audit. Further background and context of the audit fee for 2019/20 is set out on the next two pages.

We have discussed this context and the fee implications for 2019/20 as we see them with the Strategic Director (CFO). As communicated in our audit plan dated June 2020 we estimated the audit indicative fee for Stevenage Borough Council would be between £120k and £150k based on on the risk profile of the Council.

At the conclusion stage of the audit, we estimate the total 2019/20 audit fee for Stevenage Borough Council to be between £175k and £185k. The CFO does not currently agree with this audit fee. However, we consider that the fee is reflective of both (i) the areas of scope for the audit that are not included in PSAA's base scale fee, including:

- Audit of the Council's group financial statements
- Complexities of the Queensway lease arrangement.
- the Council's value for money risk, associated with financial resilience.
- the increase in expectations of the quality of the audit driven by increased FRC requirements.

and (ii) the complexities encountered during the 2019/20 audit of the Council, including:

- the impacts of Covid-19 on the audit, including our re-assessment of audit risks and response to those risks, including reduced materiality for the audit.
- the number and complexity of audit differences identified during the audit,
- the extent of specialist support required from internal EY teams to respond appropriately to the risks of material misstatement.
- the successive turnover of the key finance contacts (5 individuals), with little handover between officers.
- the quality of the Council's working papers to support the financial statements and the audit.

Fee analysis (continued)

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as Stevenage Borough Council and the audit complexities encountered the extent of audit procedures now required mean it will take approximately 1,600 hours to complete a quality audit, due the complexities of the 2019/20 audit for Stevenage Borough Council, the 2019/20 audit has take over 3,200 hours. Your scale fee is £49,283 and our current estimate is a final fee is between £175,000 and £185,000.

Summary of key factors

1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
   - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.

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2. Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
   - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions, use of our internal specialists and increased correspondence with external specialists.
3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics:
   - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
   - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

Fee analysis (continued)

Summary of key factors (continued)

4. As a result public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.

   - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.

   - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Next steps

We have informed the CFO of the proposed audit fee for the 2019/20 audit. The CFO does not agree with the total audit fee of £175k to £185k.

We will share and discuss the detail of the scale fee variation with the CFO for further comment. We will submit our proposed scale fee variation to PSAA for their review and determination.

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

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2021
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021

08 Appendices

Appendix A

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – June 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – June 2020
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 – February 2022

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		Our Reporting to you
Required communications	What is reported?	When and where
Major Local Authorities	For the audits of financial statements of public interest entities our written communications to the Audit Committee include: • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant	Audit Plan – June 2020 and Audit Results Report – February 2022

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		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 – February 2022
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 – February 2022
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 – February 2022
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 – February 2022

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		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 – February 2022
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. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Audit Plan – June 2020 and Audit Results Report – February 2022

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		Our Reporting to you
Required communications	What is reported?	When and where
	• Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
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	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report – February 2022

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		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Results Report – February 2022
Written representations	• Written representations we are requesting from management and/or those charged with governance	Audit Results Report – February 2022
Material inconsistencies or misstatements	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – February 2022
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – February 2022
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit Plan – June 2020 and Audit Results Report – February 2022

Management representation letter

Management Rep Letter

To follow as a separate item in the Audit Committee papers.

Draft audit report

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

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Stevenage Borough COUNCIL

Opinion

We have audited the financial statements of Stevenage Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement and the related notes 1 to [x];
- Collection Fund and the related notes 1 to [x]]; and
- Statement of Accounting Policies

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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Stevenage Borough Council as at 31 March 2020 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 2019/20.

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 Stevenage Borough Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements

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

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 in April 2020, 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 2020.

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.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on pages [...], the Chief Finance 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 2019/20, 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.

Appendix C - Audit Report

Our opinion on the financial statements

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.

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 in April 2020, as to whether 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 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 2020.

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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Clare Fletcher
Strategic Director (CFO) Appendix 2

Stevenage BOROUGH COUNCIL

Daneshill House, Danestrete, Stevenage, Herts SG1 1HN. Tel: 01438 242242 Textphone: 01438 242330 stevenage.gov.uk

Contact: Clare Fletcher
Direct Line: 01438 242933
E-mail: clare.fletcher@stevenage.gov.uk

Date: 17th February 2022

Neil Harris
Ernst & Young
400 Capability Green
Luton
LU1 3LU

Dear Neil,

Letter of representation 2019/20 external audit

This letter of representations is provided in connection with your audit of the consolidated Group and Council financial statements of Stevenage Borough Council ("the Group and Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Stevenage Borough Council as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Group that are free from material misstatement, whether due to fraud or error.

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

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

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

1. We acknowledge that we are responsible for determining that the Group and Council’s activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

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

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities

and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.

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

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

7. From the date of our last management representation letter, 28 February 2020, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 28 to the consolidated and Council financial statements all guarantees that we have given to third parties.

E. Going Concern

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

F. Subsequent Events

1. Other than those events described in Note 6 to the consolidated and Council financial statements, there have been no events, including events related to the

COVID-19 pandemic subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

H. Other information

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

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

Reserves

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

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate for the Council:

   a. value of property, plant and equipment and investment properties
   b. the value of the pension liablity
   c. the value of the business rates provision

and for the Group:

   d. the value of the Queensway property asset.

and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Estimates

Property valuation and Business Rates Appeal Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the significant assumptions used in making the property valuation accounting estimate appropriately reflect our intent and ability to utilise the assets on behalf of the entity.

3. We confirm that the significant assumptions used in making the business rates appeal provision accounting estimate appropriately reflect our intent and ability to utilise the provision on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

Retirement benefits

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

Yours faithfully,

Clare Fletcher
Strategic Director / Chief Financial Officer

Appendix 1

Schedule of unadjusted audit misstatements

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)						
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity/Reserves components	Effect on the current period OCI	Income statement effect of the current period
Projected misstatements:									
1		Capital additions - Inappropriate capitalisation of revenue expenditure							
		Property, Plant and Equipment		(153,480)					
		CIES - Net Cost of Services							153,480
Judgmental misstatements:									
2		Valuation of Property, Plant and Equipment							
		Property, Plant and Equipment		(120,000)					
		Interest cost expense						120,000	
		Movement in reseves statement						(120,000)	
		Revaluation Reserve					120,000		
Factual misstatements:									
3		Queensway Lease Accoutining Treatment							
		Long term lease liability				(175,000)			
		Interest cost expense							175,000

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2019/20
Financial Report including Statement of Accounts and Group Accounts

Stevenage
BOROUGH COUNCIL

The 2019/20 Statement of Accounts was certified as presenting a true and fair view of the financial position of Stevenage Borough Council by the Chief Financial Officer on 28 February 2022.

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.

Contents	Page

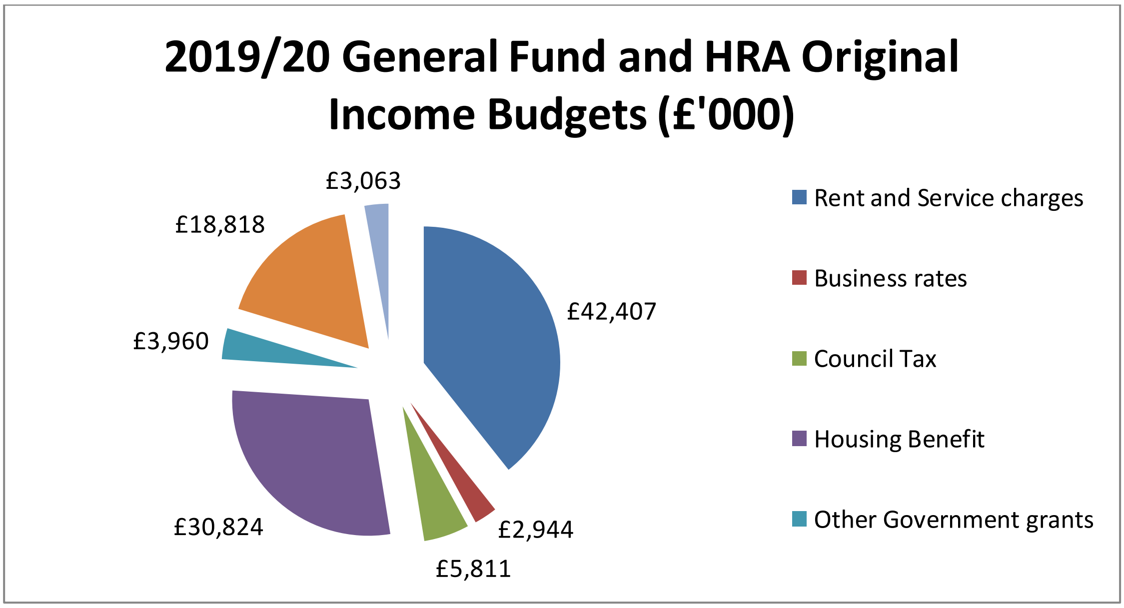
Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2019/20. As a co-operative Council we 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.

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

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

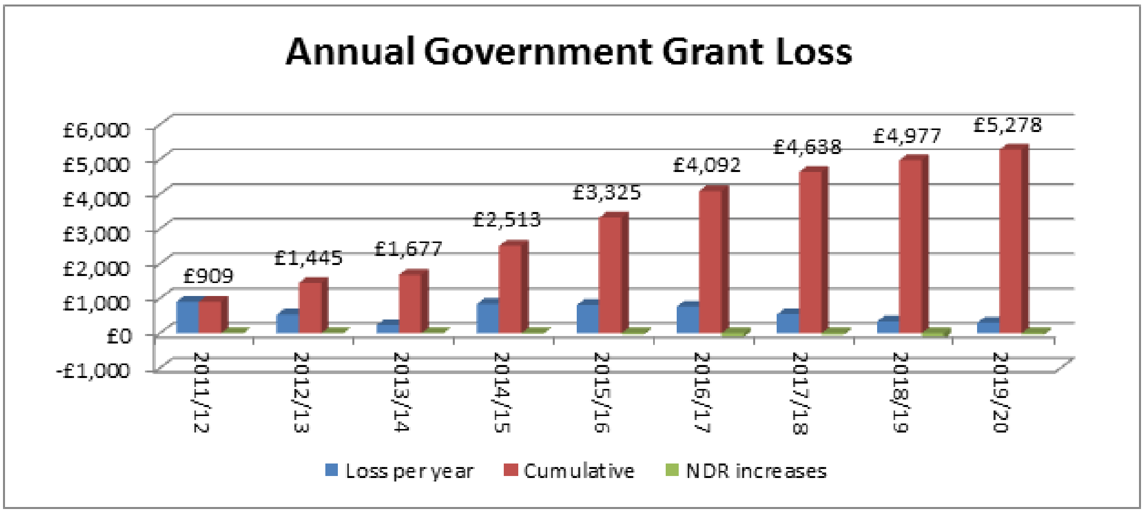
The Council directly employs circa 620 employees across our many services and how we fund those services is shown below.



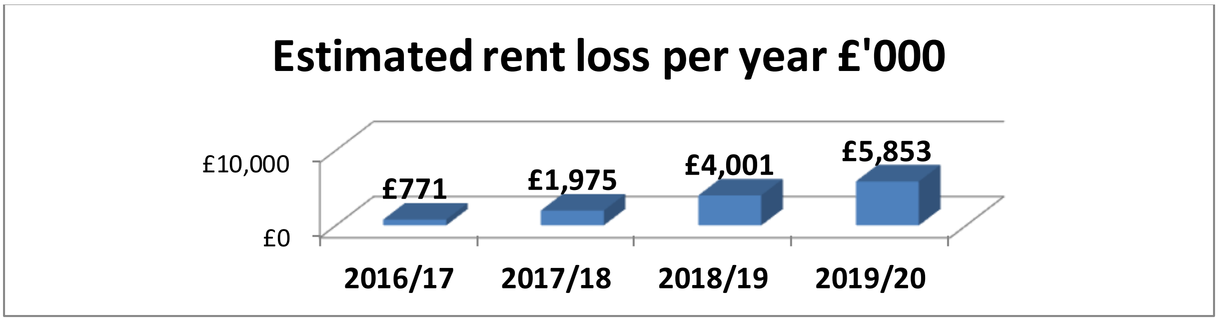
Foreword by Chief Executive

Financial Challenges

Local government has faced significant funding cuts during the period of national austerity, which has seen successive governments reduce financial support to all parts of the public sector, with lower tier authorities such as Stevenage Borough Council receiving a significant proportion of that reduction. The impact on Stevenage has been our General Fund services will have seen £5.3Million of government grant removed between 2011/12-2019/20. But we also have had to fund an estimated £5.1Million of inflation increases and pressures in that period in addition to the grant reductions, without the ability to fund the widening gap from Council tax. This is because increases have been limited by legislation for District Council's at below 2% up to 2017/18 and thereafter limited to increase below 3% or £5 on a Band D property, 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 year period. Rental income is used fund the management of our council homes, fund improvements and to build new homes.



Foreword by Chief Executive

The Covid-19 pandemic

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

These additional costs have not had a dramatic impact on the 2019/20 outturn as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of income. These include parking, trade waste and commercial property rents. As with any recession, investment income is anticipated to reduce which create further pressures on the Council's finances.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial, even after the Government's emergency Covid-19 funding for local authorities is taken into account. The Council has put precautionary measures in place to allow the Council to deliver its much needed services in the recovery phase and have sufficient balances, should further government funding fall short of the losses sustained.

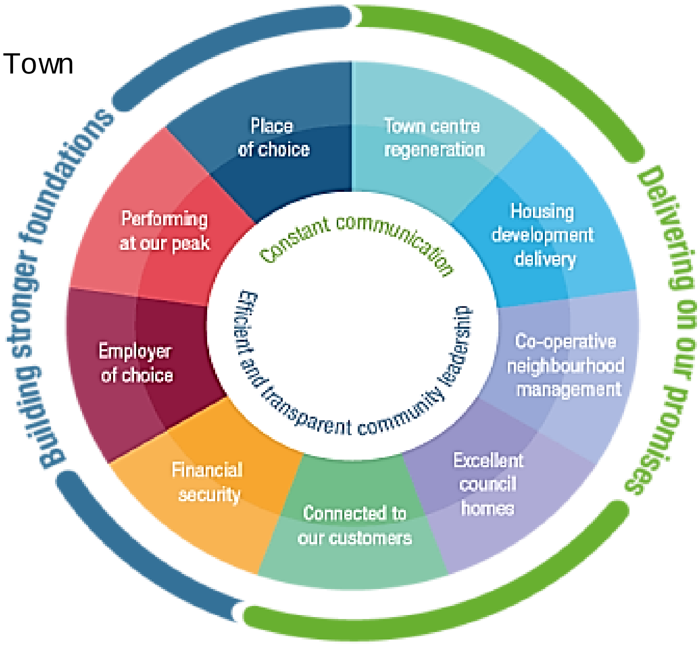
Foreword by Chief Executive

Future Town Future Council Programme & Covid-19 Recovery Plans

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, legislation changes and the economic context 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.

Members approved the current Future Town Future Council Corporate Plan in December 2016. It reflects the Council's continuing focus on co-operative working and outlines the key outcomes and priorities for the town over the period 2016-2021 through the flagship Future Town Future Council (FTFC) transformation programme, shown to the right.



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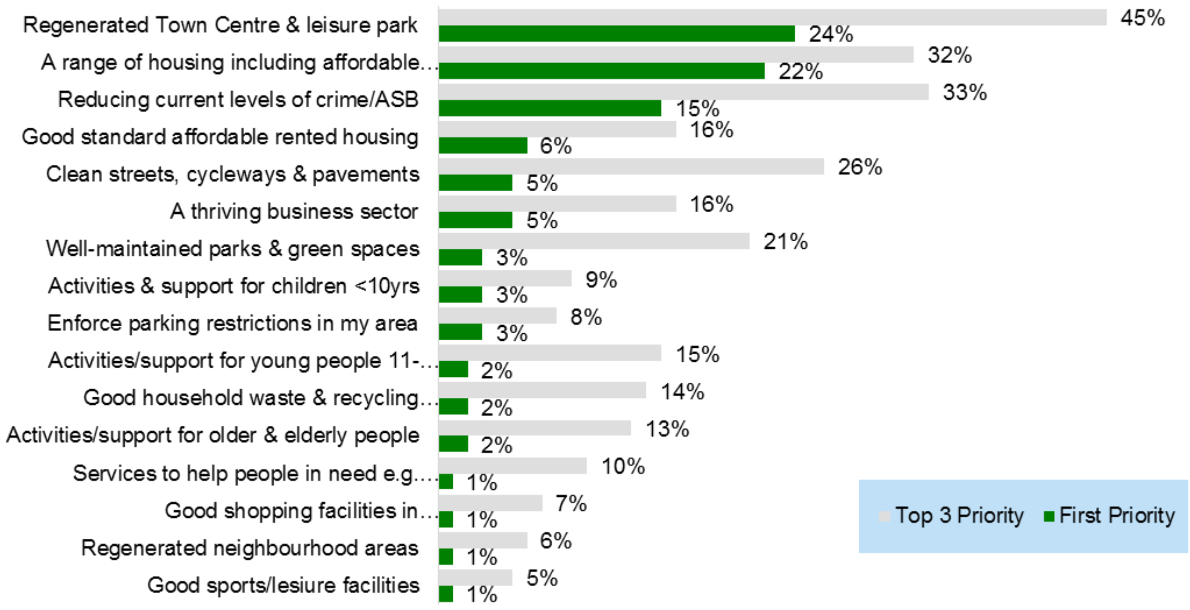
Artist impression of Stevenage town centre

Foreword by Chief Executive

When we asked our residents[1], they said their top priorities were regenerating the town centre and affordable housing, and these match the Council's top priorities



FTFC is delivering key improvements that our residents told us they want to see. Included in this five year programme are plans to regenerate the town centre, provide housing that works for all, make services more accessible, and invest in our town's neighbourhoods. From 2020/21 we will be launching a "Place of Choice" strand to our programme which will incorporate some of our place-based strategies and key work we carry out with our partners. We will ensure our cooperative approach helps us address the economic and social recovery challenges in the year ahead. This will be coupled with our commitment to addressing both the Council and the town's contribution to climate change through sustainable local growth via partnership and resident engagement across the town.

In parallel to this, the Council's focus has also turned to how it will aid recovery of the town and the Council in the context of the Covid-19 crisis. The aim of our emerging Town and Council Recovery Plans is to provide a formal and integrated structure for recovery following the Covid-19 pandemic. The backbone of the Town Recovery Plans is the Council's FTFC programme which is already being taken forward in partnership with other local organisations. Some of the actions that the Council will take in conjunction with its strategic partners will be short term to support social distancing. Others such as regenerating the town centre and building new Council homes are medium to longer term programmes. Together these actions will play a significant role in the town's recovery.

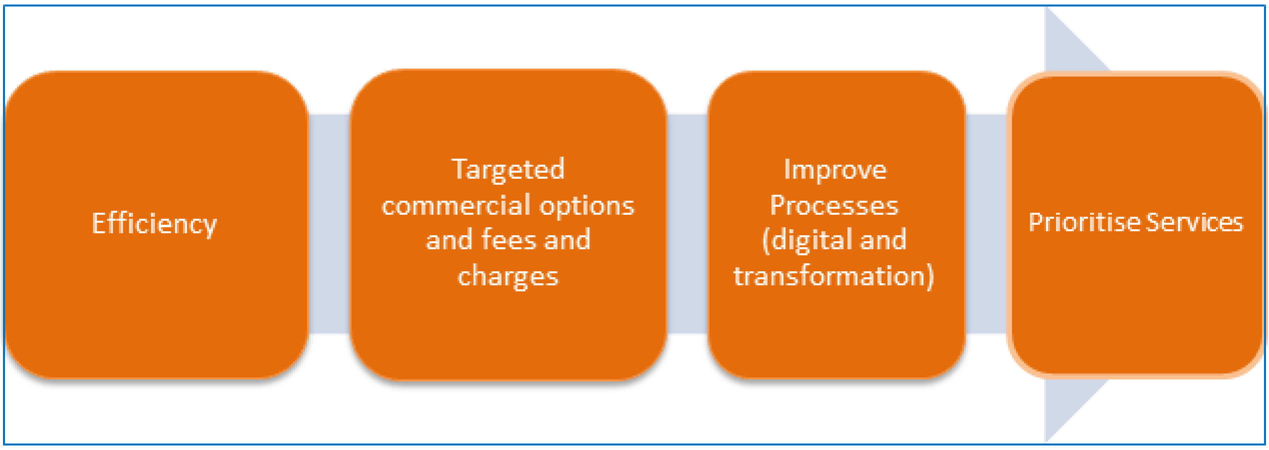
[1] Residents Survey 2017

Foreword by Chief Executive

Financial Security

But how we do we deliver all this with the financial challenges we face? The Council's Financial Strategies (MTFS), highlighted the need for on-going savings to fund inflation and service pressures. We aim to ensure we can deliver our priorities even though our resources are reducing through our 'Financial Security' work stream. 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 FTFC ambitions.

Financial Security



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

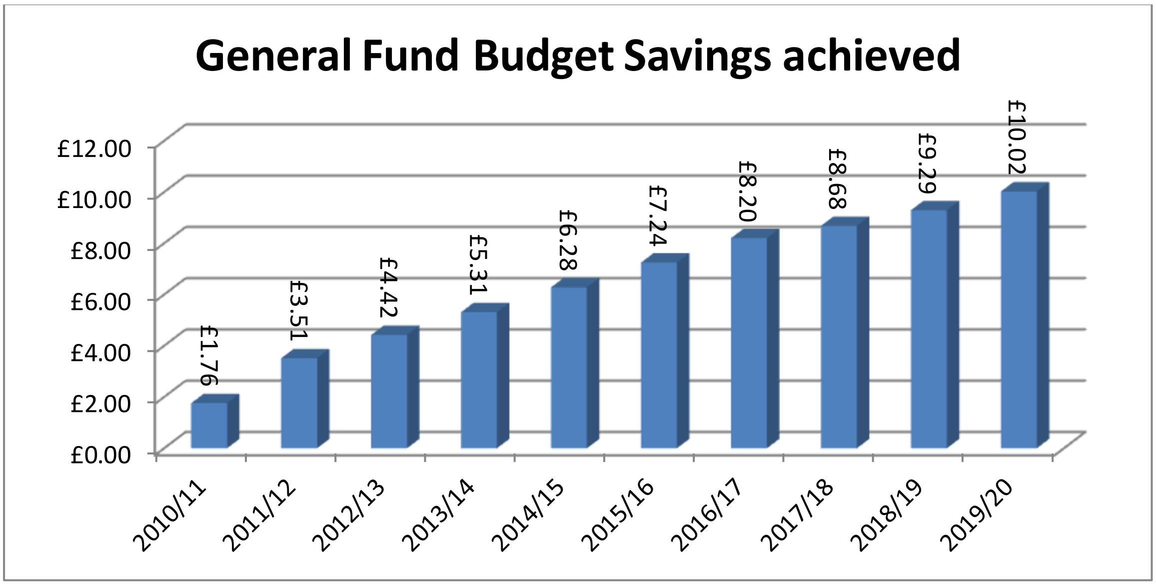
'To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on–going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'

The delivery of FTFC priorities against a backdrop of funding cuts will necessitate that growth should only be approved which meets the outcomes of the FTFC priorities. The Council will consider the timeline of this MTFS principle in light of Covid-19, projected funding losses to the Executive in the September 2020 update.

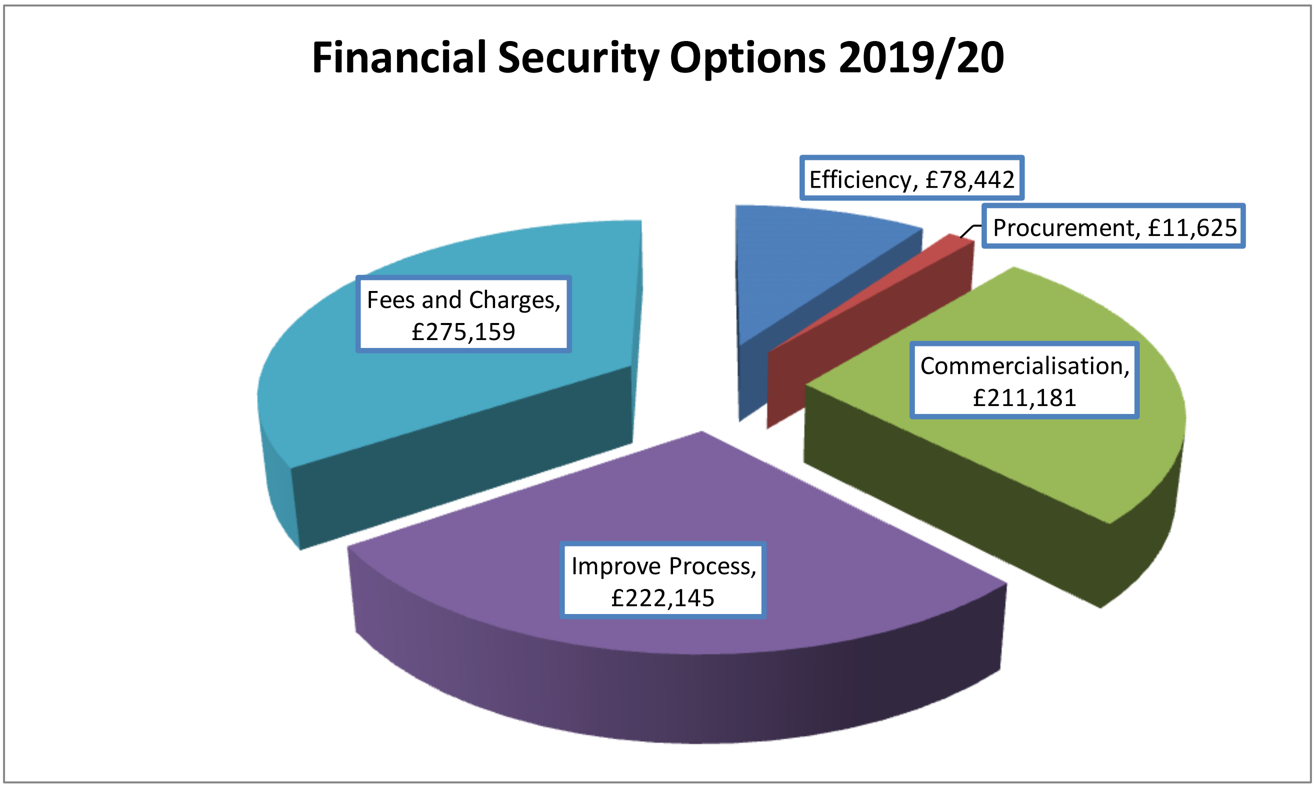
In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring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

Foreword by Chief Executive

But we do have a track record in achieving savings and during the period 2010/11-2019/20 Members have approved a total £10.02Million net cost reductions for General Fund services.



For the 2019/20 financial year, Members approved total General Fund Financial Security options of £799K and an additional £122K of prior year savings. Members also approved options totalling £355K for Housing Revenue Account (HRA), giving an overall total of £1,275M for 2019/20.



Foreword by Chief Executive

Looking to the future, the total 'Financial Security' target for both the General Fund and HRA for 2021/22-2023/24 is estimated to be £3.13Million, (including fees and charges increases), our plans have identified options totalling £1.77Million, leaving £1.36Million to be delivered as part of the Financial Security priority, (£1.14Million General Fund, £220K, HRA) as at February 2020.

In addition to the Financial Security options identified, Members 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 £200K contribution to the General Fund. To date one property has been acquired which is estimated to give a £42K contribution to the General Fund and other opportunities are currently being explored. The projection for 2020/21 is to achieve a £200K total contribution for the General Fund.

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, this is currently being reviewed.

FTFC Delivery

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

The much needed multi-million pound regeneration of Stevenage town centre has begun, and represents one of the biggest development opportunities in the East of England. The Council continues to work with its construction and delivery partners to deliver a range of regeneration schemes.

During 2019/20, development and construction company, Mace, submitted the planning application for a key phase of the town centre regeneration, called SG1. This ambitious scheme will bring £350M 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 anticipate that, following the planning process, construction work will start in this financial year, taking several years to complete.

Foreword by Chief Executive

Our other development partner, Reef, is progressing well on a further town centre scheme, that will see the redevelopment of a significant part of the Town's main shopping thoroughfare, Queensway North. The £50M scheme aims to ensure the town centre offer remains vibrant and will introduce a range of new retail, flexible working, conference facilities and bar and restaurant space into the area, with the first phase due to complete in 2020/21.

Improvements to the public realm in the Town Square will also complete in 2020/21 and construction of the new bus interchange will commence.

Stevenage is well positioned to attract further infrastructure investment over and above the Growth Deal funding already secured. The Council has continued to contribute to the development of a Hertfordshire Growth Prospectus and a countywide Economic Recovery Strategy that will potentially help unlock additional Government resources to stimulate growth across the county and within Stevenage.

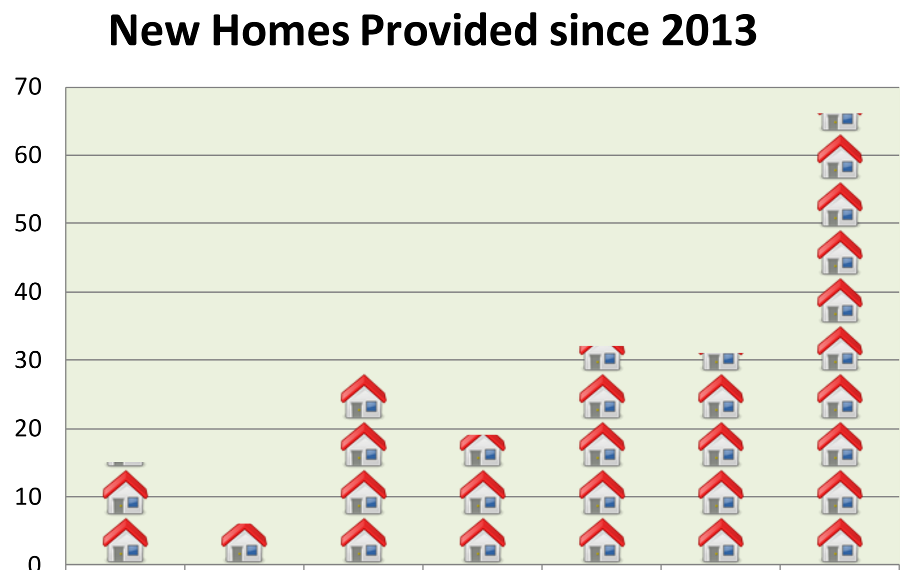
Work is continuing to progress through the recently created Stevenage Development Board on the development of a Town Investment Plan for Stevenage – as part of the Government's Towns Fund Programme. Through this programme the Council, working alongside local partners, has an opportunity to secure up to £25M to further support growth in the town.

Southgate Artists impression after regeneration

Foreword by Chief Executive

Providing decent, social and affordable homes appropriate to the needs of our residents is another one of our key priorities and is being achieved through the delivery of the Council's own new build programme.

A total of 65 social and affordable homes were delivered in 2019/20, including schemes at Blackwell Close and Burwell Court, bringing the total to 238 homes since the programme began. The contractor for the flagship independent living scheme at Kenilworth Close was also appointed during the year.



	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Properties	15	6	28	19	32	31	66

During 2020/21, the Council will progress the development of a further 240 new affordable homes, including sites at Shephall Way, Kenilworth Close, North Road and Symonds Green, and will seek planning permission for an additional 300 homes. We will also finalise the establishment of a new Wholly Owned Housing Company to further deliver housing growth within the town.

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 2019/20 we allocated £450K from New Homes Bonus funding to help fund this programme. This funding is in addition to the capital funding we have already approved.

Foreword by Chief Executive

The Council will implement a new Area Based Working model during 2020/21; including the establishment of six Cooperative Neighbourhood areas. Neighbourhood teams will form the basis of the Council's strategic approach to delivering localised, responsive, coordinated and collaborative services; working with partners; and engaging with the different communities of Stevenage.

As part of the Council's community wealth building approach, work will continue with other anchor institutions and businesses in the town to share best practice and promote local employment and spend.

Risk and Performance

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

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

Business Transformation

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.

In response to Covid-19 the Council has changed how it operates and how it delivers services to residents. Whilst some of this change has been hard, the organisation now has the capability to work and deliver differently – to become an even more modern and flexible organisation with the potential to change its culture and further improve staff wellbeing.

Foreword by Chief Executive

In 2020/21 the Council will develop a new Workforce strategy and supporting work programme to ensure that our workforce and workplace are developed and engaged to deliver our services now and in the future. The strategy will focus on ways of working, workforce communication, workforce inclusion and diversity and workforce development.

Building on the changes already made the Council will look to refocus and accelerate its transformation programme in order to improve user experiences and create service efficiencies. In doing so, the Council will look to further exploit new and existing technology to deliver more accessible services and involve service users as it does so.

Statement of Accounts

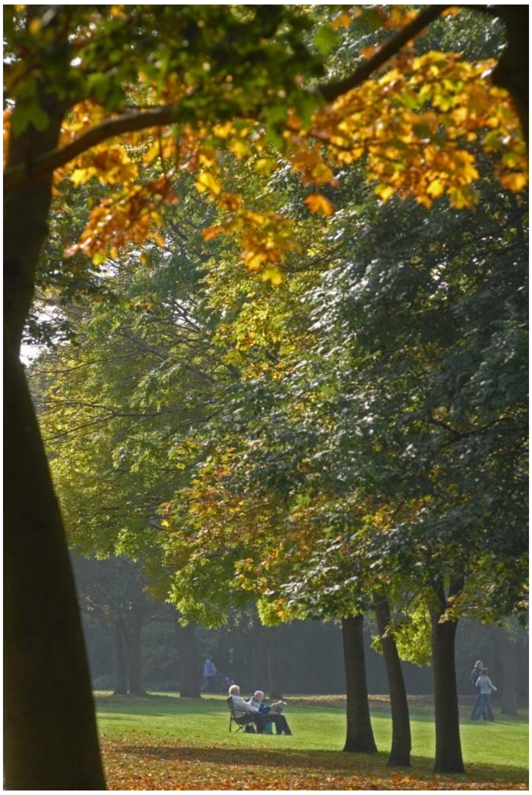
The Accounts of Stevenage Borough Council for the year ended 31 March 2020 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting.

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.

This concludes my first year as Chief Executive of Stevenage Borough Council, a role I am both proud and privileged to hold. I am grateful for the support I have received from officer colleagues and our Elected Members, in particular, the Leader of the Council Cllr Sharon Taylor OBE. Without a doubt the response to the COVID Pandemic will continue to dominate for some time to come as we strive, working cooperatively with our partners, to do all we can to support local people and businesses. I hope though that the activities already underway along with those now planned as set out in this foreword serve to demonstrate that Stevenage Borough Council was already focusing upon the right priorities as highlighted by those who live and work in the town.

Matt Partridge
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

2018/19		2019/20
	Area and Population	
2,596	Area (hectares)	2,597
87,700	Population	87,754
33.78	Population per Hectare	34.04
	Council Tax	
29,433	Number of Chargeable Dwellings	29,699
	Council Tax per Property in Band D	
£204.46	**- Stevenage Borough Council**	**£210.57**
£1,320.46	- Hertfordshire County Council	£1,359.94
£164.00	- Hertfordshire Police Authority	£188.00
£1,688.92	**Total Council Tax**	£1,758.51

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

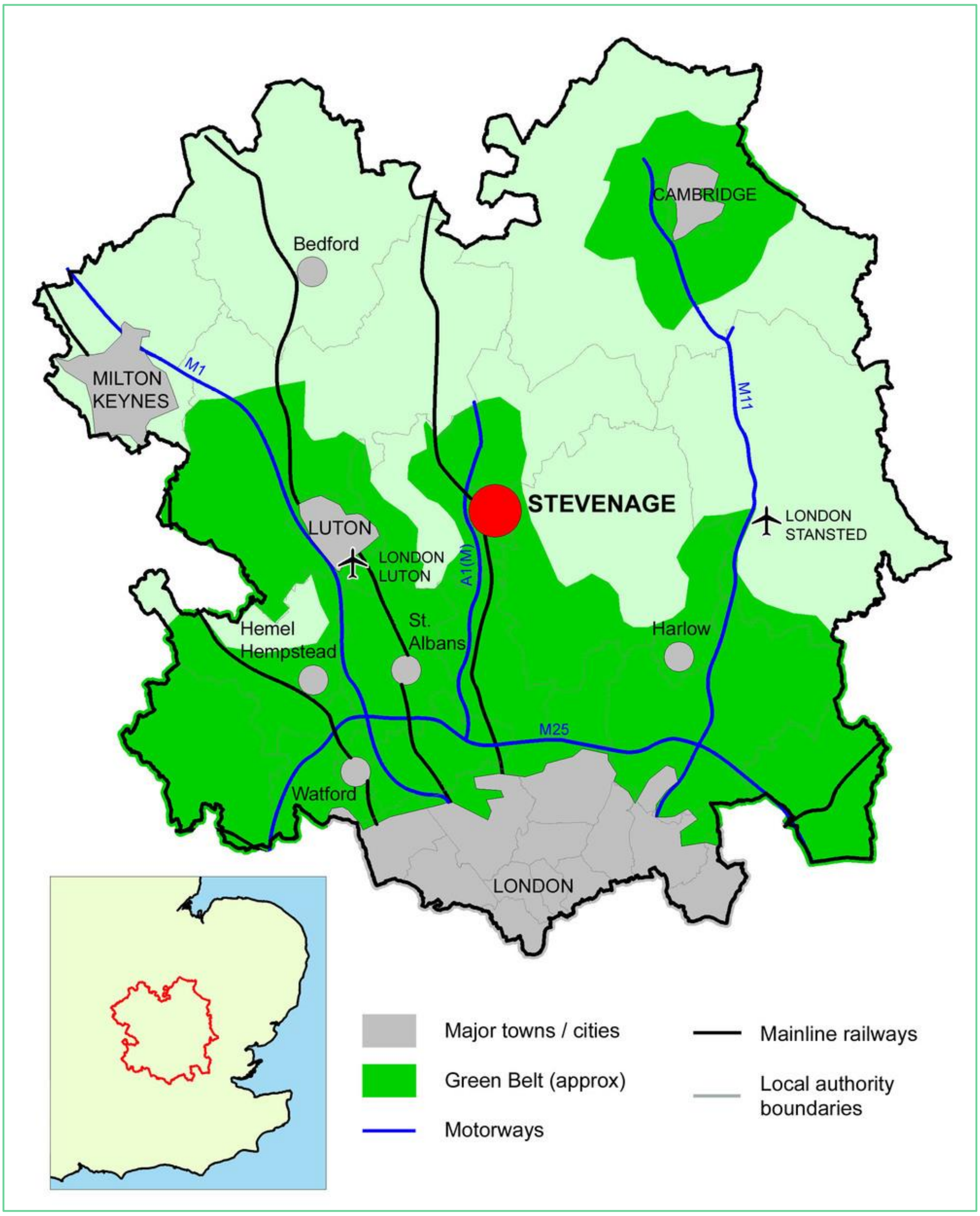
About Stevenage Borough Council

General information

Geography

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

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



About Stevenage Borough Council

General information

Business

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

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

Living

Stevenage offers a fantastic standard of living 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 with planning permission submitted by our development partner Mace for the first phase, called SG1, construction is another step closer. SG1 will see over 1,800 new homes, restaurant, commercial spaces, public spaces and a new community hub delivered.

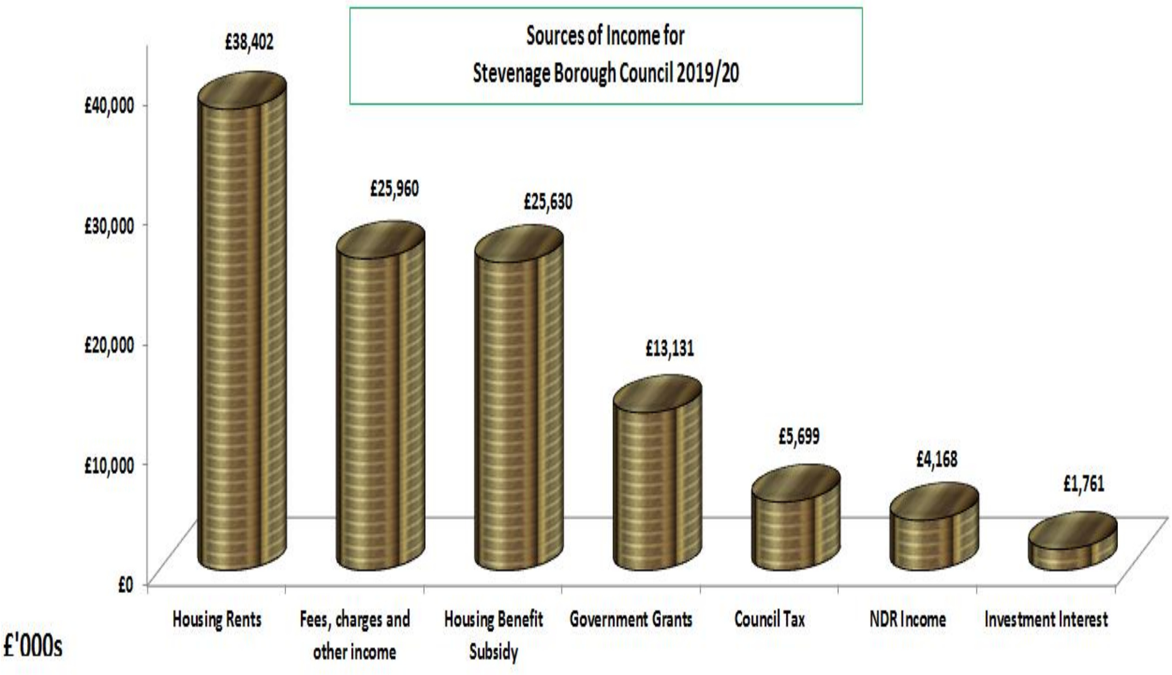
The Council has also entered into a partnership to redevelop part of Queensway in the town centre. The £50M redevelopment will include mixed retail use, housing and leisure facilities, helping to regenerate this area of the town centre.

Queensway: artist’s impression

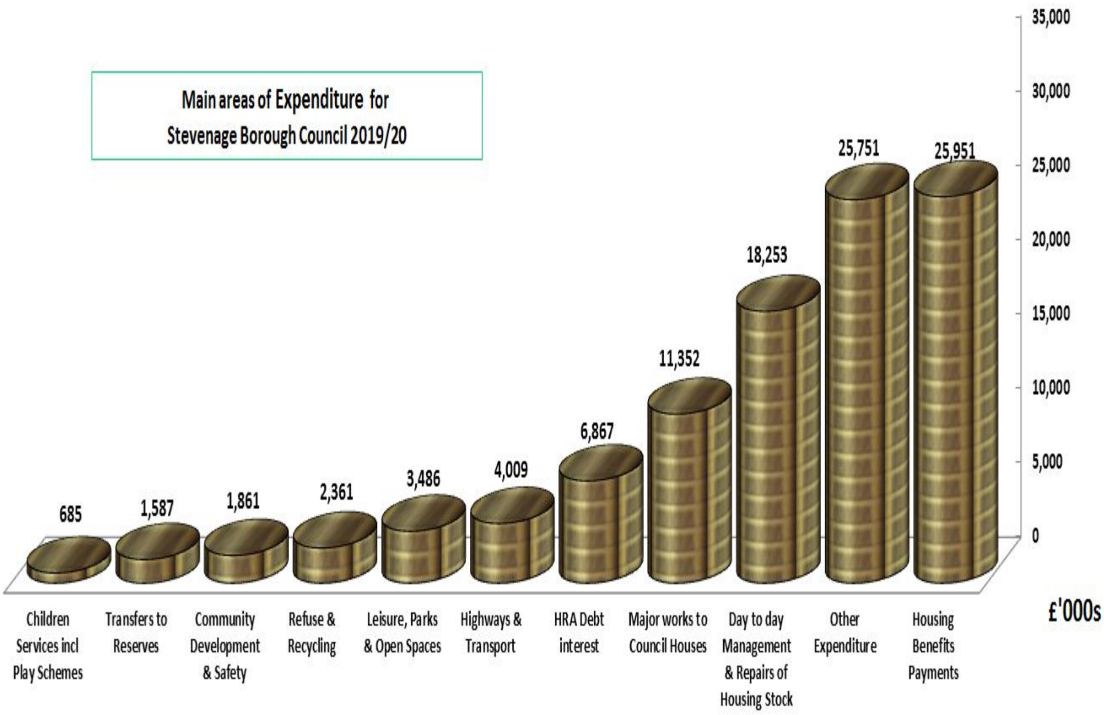
About Stevenage Borough Council

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 2020

(full statement on page 43)

2018/2019 Net Expenditure £'000	Comprehensive Income & Expenditure Account	2019/2020 Net Expenditure £'000
£9,248	**Cost of Services**	**£5,109**
(£1,809)	Other Operational Expenditure	(£2,501)
£5,882	Financing & Investment Income and Expenditure	£5,843
(£12,958)	Taxation & Non-Specific Grant Income: Retained Business rates	(£19,508)
£363	**(Surplus)/Deficit on Provision of Services**	**(£11,057)**
£26,516	**Other Comprehensive Income and Expenditure**	(£26,660)
£26,879	**Total Comprehensive Income and Expenditure**	**(£37,717)**

2018/19 £'000	Balance Sheet	2019/20 £'000
	Assets:	
£788,190	Long Term Assets	£812,964
£55,587	Current Assets	£58,692
(£23,193)	Current Liabilities	(£26,478)
(£284,719)	Long Term Liabilities	(£271,597)
£535,865	**Net Assets**	**£573,581**
	Fund Balances & Reserves:	
(£57,783)	Usable Reserves	(£59,297)
(£478,082)	Unusable reserves	(£514,284)
(£535,865)	**Total Comprehensive Income and Expenditure**	**(£573,581)**

Narrative Statement

Revenue Budget and Outturn

The original General Fund net budget of £8.803M was agreed at Full Council on 27 February 2019. 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 £9.571Million approved on 11 March 2020 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2019/20 £'000	Working Budget 2019/20 £'000	Actual 2019/20 £'000	Variance to working Budget £'000
Directorate:				
Community Services	£4,297	£4,462	£4,433	(£29)
Housing Services	£1,991	£2,011	£2,724	£713
Environmental Services	£6,798	£7,329	£6,085	(£1,244)
Local Community Budgets	£101	£101	£92	(£9)
Resources	(£4,353)	(£5,029)	(£7,065)	(£2,036)
Resources Support	(£31)	£698	£563	(£135)
Total Net General Fund Expenditure	**£8,803**	**£9,572**	**£6,832**	**(£2,740)**
Income:				
Council Tax	(£5,755)	(£5,755)	(£5,755)	£0
Transfers to/from Collection Fund	(£437)	(£437)	(£437)	£0
Retained Business Rates	(£2,563)	(£2,563)	(£2,909)	(£346)
Total Income from Taxation	(£8,755)	(£8,755)	(£9,101)	(£346)
Net Underspend /transfer to balances	**£48**	**£817**	**(£2,269)**	**(£3,086)**
General Fund Balance brought forward	**(£4,096)**	**(£4,794)**	**(£4,794)**	
Balance Carried Forward	**(£4,048)**	**(£3,977)**	**(£7,063)**	

Narrative Statement

Revenue Budget and Outturn

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

The 2019/20 actual net spend on the General Fund was £2.739M lower than the working budget. This includes actions approved in the Medium Term Finance Strategy recovery plan at the June Executive to improve the resilience of General Fund balances as a result of the impact of Covid 19 on the Council. The large variance in Resources is mainly due to £1.218M of Revenue Contribution to Capital that will be used to offset some of the Covid19 losses that will impact 2020/21 and as approved by Members in the June MTFS update. Included within this underspend is £795K relating to projects which have slipped into 2020/21 and for which carry forward of budget has been approved by Executive (8 July 2020).

Narrative Statement

Budget – Housing Revenue Account (HRA)

The original HRA budget of £9.076M (deficit) was agreed at Council on 30 January 2019. 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 £2.432M surplus approved on 11 March 2020 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2019/20	Working Budget 2019/20	Actual 2019/20	Variance to Working Budget
Expenditure:				
Supervision & Management	9,383	9,444	9,129	(315)
Repairs & Maintenance	6,226	6,155	6,136	(19)
Other expenditure	5,629	5,800	5,605	(195)
Total Expenditure	**21,239**	**21,398**	**20,870**	**(529)**
Income:				
Dwelling Rents	(39,254)	(39,022)	(39,012)	11
Other income	(5,579)	(5,408)	(5,852)	(444)
Total Income	**(44,834)**	**(44,430)**	**(44,863)**	**(433)**
Other charges to the HRA				
Depreciation	12,156	11,484	11,484	(0)
Interest	6,568	6,457	6,469	12
Other	13,947	7,523	7,523	(0)
Total Other charges to the HRA	**32,671**	**25,465**	**25,477**	**12**
(Surplus) / Deficit for the year	**9,076**	**2,432**	**1,483**	**(950)**
Balance brought forward	(20,054)	(21,302)	(21,302)	0
Balance Carried forward	**(10,977)**	**(18,870)**	**(19,819)**	**(950)**

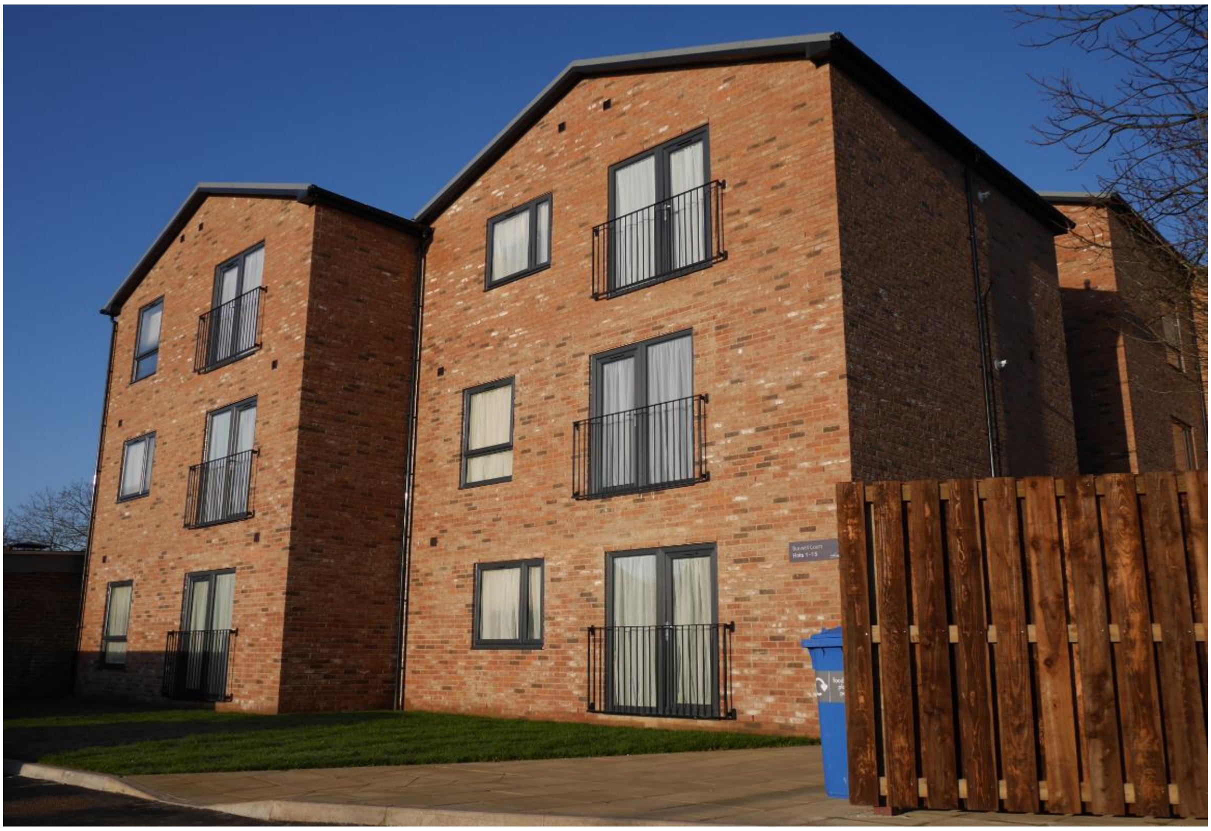
The 2019/20 actual HRA net deficit was £950K lower than the working budgeted deficit. Included within this underspend is £390K relating to projects which have slipped into 2020/21 and for which carry forward of budget has been approved by Executive (8 July 2020). Included within the actual costs is the release of a provision £440K which relates to claims relating to historic water commission charges that are now considered to be of low risk within the HRA accounts and is in accordance with statutory provisions and CIPFA guidance.

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 £196.911M (an amount determined by and payable to The Secretary of State). HRA reserves over and above minimum balances (£19.819M at 31 March 2020) are required to repay those loans taken out as part of the Self Financing agreement and balance the needs of the service. In addition Members have approved a reserve of £5.7M to allow for interest rate fluctuations on borrowing.

2019/20 was a landmark year for the HRA with housing stock increasing and the number of new homes provided exceeding the number of houses lost through the right to buy scheme. During the financial year 2019/20, 42 council homes were sold under the Right to Buy scheme and 64 new homes were provided by the Council's Housing Development programme The Council's closing stock of council homes at 31 March 2020 was 7,990 (7,965 properties at 31 March 2019).



15 New homes at Burwell Court

Narrative Statement

Material Assets Acquired or Liabilities Incurred during 2019/20.

During 2019/20 the Council acquired sites in the town centre as part of the regeneration site assembly to deliver a new public realm and buildings at the heart of Stevenage.

Economic Significant Provisions, Contingencies and Write offs

There were no significant movements in provisions or write offs in 2019/20.

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 cannot 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.

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 medium term. 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

As at the 31 March 2020 the General Fund had the following reserves:

- £7.063M General Fund Balances
- £5.492M Earmarked Reserves
- £5.993M Capital Reserves
- £18.548M Total Reserves

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 £2.920M are required for 2020/21, (at the 31 March 2019, £2.671M). 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. In June 2020 Members approved an updated Medium Term

Narrative Statement

General Fund Reserves (cont)

Financial Strategy to address Covid 19 pressures and an additional £3Million use of balances was identified to cover anticipated budget pressures in 2020/21 and the mitigation measures necessary to address the pandemic. The Council continues to managed its use of General Fund balances in the short term but may have to review 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 as a result of Covid 19 (September 2020 Executive).

Local Government finances are going through considerable change and challenge and the assessment of balances must not only deal with unplanned spend but also future Government funding changes, including the fair funding review and the localisation of Business Rates which places greater risk and reward on the Council in regard to NDR collection rates and yield. These changes to funding have been deferred beyond 2021/22 as a result of Covid 19 and the need for Councils to focus on meeting the public health challenges posed by the pandemic.

Narrative Statement

Housing Revenue Account Reserves

HRA reserves are ring fenced and cannot be used for General Fund expenditure. As with the General Fund a risk assessment is undertaken on the HRA to determine the level of balances required each year. As at 31 March 2020 The HRA had the following reserves:

- £19.819M Balances
- £5.713M Earmarked Reserves
- £4.746M Major Repairs Reserve
- £10.470M Capital Reserves
- £40.748M Total Reserves

The risk assessment identified HRA balances of £2.985M are required for 2020/21. In addition balances will be needed to repay the HRA loans (as at 31 March 2020, the HRA had loans of £209M) 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 2020 were £19.819M and higher than the risk assessment of balances for 2019/20, 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.
- Increased prudential borrowing in the HRA increases the risk of adverse interest rate fluctuation throughout the life of the business plan.
- Impact of future changes in government policy on rent increases.

The HRA 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 £10.470M available for capital schemes £10.364M 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 of Council homes of which the government takes a proportion which was £865K in 2019/20.

Narrative Statement

Borrowing and Capital

As at the 31 March 2020 the Council had external borrowing of £209.229M, (£205.483M at 31 March 2019). 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 addition it has finance lease to purchase 37 year head lease for 85-100 Queensway and 24-26 The Forum from Aviva, (£11.765M at 31 March 2020, £11.788M at 31 March 2019)

In 2019/20 the Council spent £43.527M on capital projects, of which £19.500M was spent on our existing housing stock and other housing related assets, £10.886M on new HRA homes and a further £13.140M on General Fund assets.

The Council funded £8.038M of its capital programme from the sale of assets, (land and council house sales), which equates to 18%, (21% 2018/19) of the total funding. Grants and 3rd party payments made up £8.582M of funding (20%) in 2019/20. The biggest source of funding (41%) of the HRA capital programme in 2019/20 was the Major Repairs Reserve. This is funded from the depreciation charge made from the HRA to the Major Repairs reserve to finance future capital investment. The residual £8.876M was financed by borrowing, from new external borrowing and internal borrowing.

Pension Liability

The Council participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council, and the impact of the pension liability is shown on the face of the balance sheet. As at 31 March 2020 the pension liability decreased by £19.281M to £39.413M following the triannual review undertaken in 2019/20.

Significant changes in accounting policy in 2019/20

There have been no significant changes in accounting policies in 2019/20. 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).

Narrative Statement

Significant changes in estimation techniques in 2019/20

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

Other significant events during the financial year 2019/20

In March 2020 the UK went onto a countrywide lockdown to combat the spread of Covid 19 pandemic. Members of the public were asked to stay at home, non- essential shops and offices were closed and the council saw a significant drop in income from carparks and tenants. At the same time the council was incurring additional costs in supporting the residents of Stevenage and providing accommodation for rough sleepers. Central Government grant has been provided towards these costs but as reported in the Covid 19 medium term financial strategy presented to Executive in June 2020 the additional costs to the Council in 2020/21 is estimated at £6M, based on current forecast and impacts of Covid 19. Financial mitigation measures were approved by Members in June to address the immediate impact of the Covid pandemic.

During the pandemic work on the Councils regeneration schemes at SG1 and Queensway continued. In 2019/20 two further land assembly purchases were made to facilitate the SG1 scheme.

Additional information provided by the Council's Strategic Director (s151 Officer) on the impacts of the COVID pandemic on the Council's finances

The COVID pandemic has created significant financial issues for the Council such as

- Many of Stevenage's businesses and residents are not or unable to make payments due for items such as commercial rents, business rates and council tax.
- A number of the Council's income streams such as parking seeing a significant reduction in revenues
- Supporting the Council's leisure provider with emergency funding

The Council has identified the potential cost of COVID through two updates on the General MTFS in June and September. The first report in June recommended putting in place a number of precautionary measures to reduce General Fund net expenditure totalling £3.5Million.

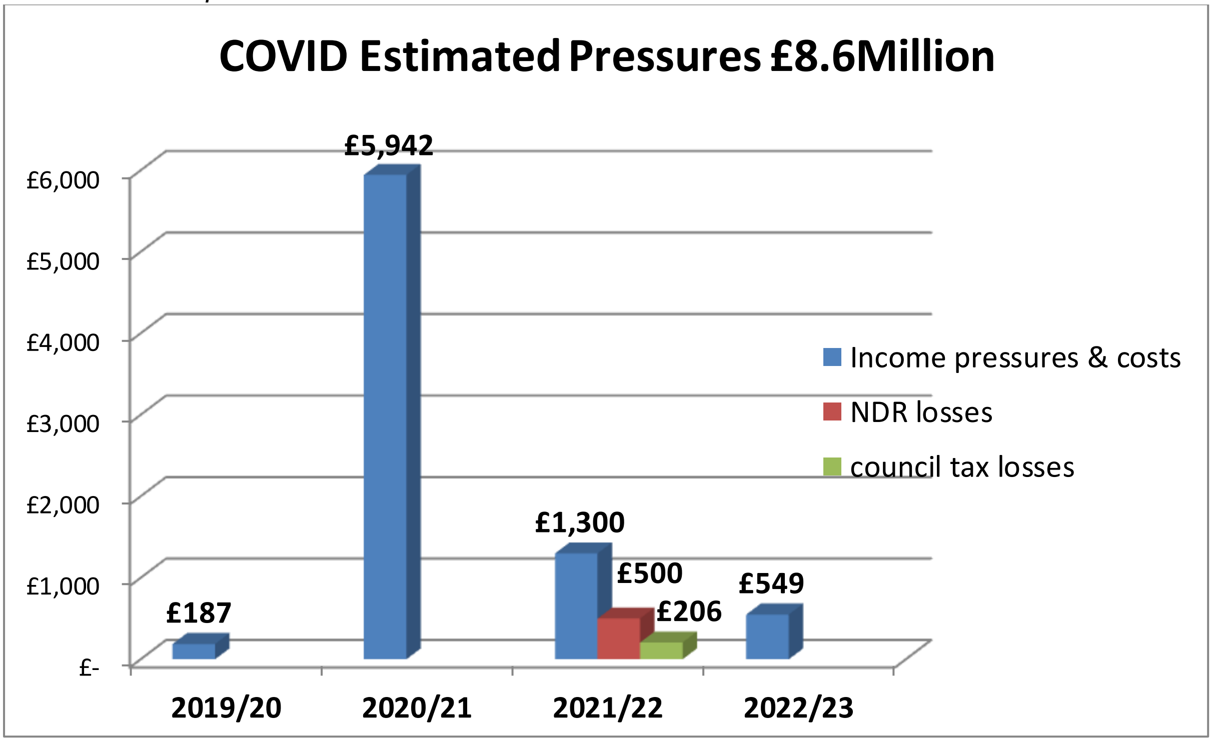
The latest General Fund year end position compared to the prior year and the 2020/21 Original Budget are summarised below.

Narrative Statement

General Fund Balances	31 March 2019 £'000	31 March 2020 £'000	2020/21 Original Budget £'000
Opening Balance	(£5,465)	(£4,794)	(£3,884)
In Year Contribution (to)/from reserves	£671	(£2,269)	£149
Closing Balances	(£4,794)	(£7,063)	(£3,735)
Earmarked Reserves	**(£3,905)**	**(£5,492)**	**(£2,755)**

The 2020/21 budget was set in February 2020 and set a budget that was drawing down £149K from General Fund reserves. However, since the budget was set, the impact on COVID on the Council's General Fund in particular has been evident with increasing arrears and a significant down turn in fees and charges. The Council proactively sought to increase balances in March by reducing revenue capital contributions. The CFO estimated in the September MTFS that COVID could have a financial impact of £8.6M over the period 2019/20-2022/23, with the biggest potential loss in 2020/21 of £5.9M as summarised in the chart below

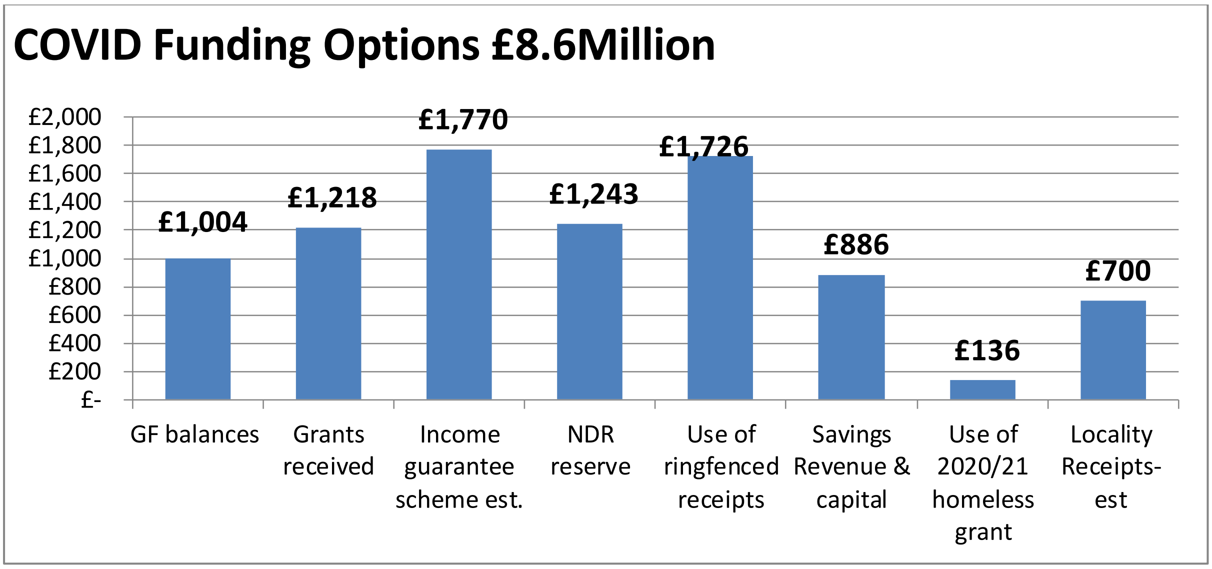
Extract from September 2020 MTFS



Narrative Statement

This shows that the Council's MTFS assumes income losses beyond 2020/21 as car parking income slowly returns to pre-COVID levels. The September MTFS identifies a mechanism to meet the cost should more government funding not be forthcoming. This is a combination of government funding and projections around the income guarantee scheme for services like car parks, (where after deduction of the first 5% the Council will be reimbursed for 75% of the income), reducing revenue contributions to capital and the use of General Fund balances. Total government funding assumed was £2.98M or 34% of the losses projected, with the remaining funding from options included in the June MTFS and projected use of General Fund balances.

Extract from September 2020 MTFS



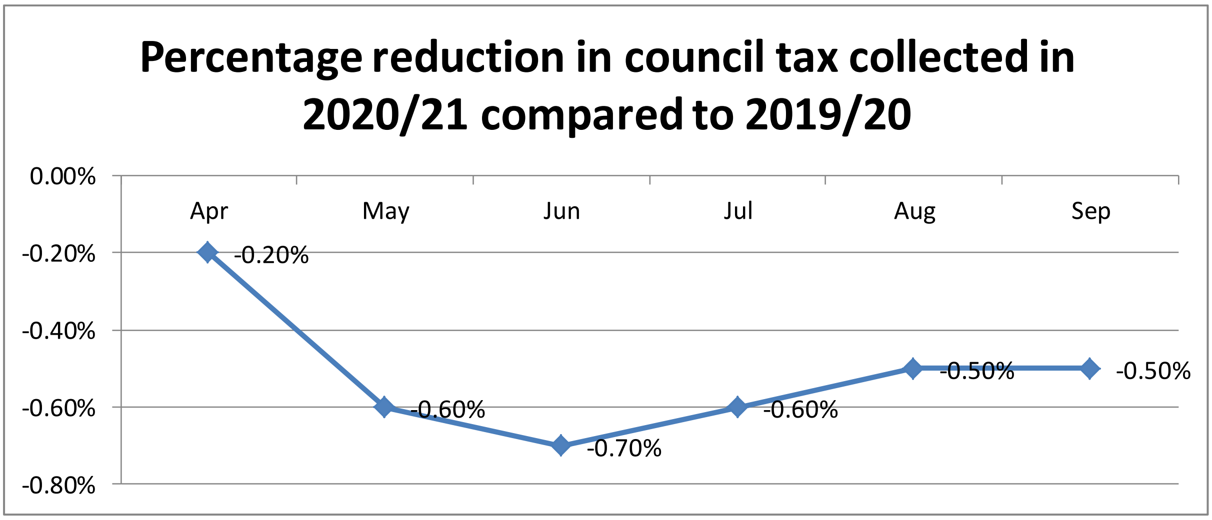
Since the September 2020 MTFS the Council has received a further tranche of government funding totalling £391K in October, which increases the projected losses funded to 39%

The figures contained above are for some of the costs projections only and it is only when say arrears become uncollectable that the true position will be know.

Council Tax collection rates are below the expected level for the first few months of 2020/21, as shown in the chart below. This peaked in June when 0.8% less had been collected compared to 2019/20, however the gap has narrowed and by September 0.5% less had been collected compared to 2019/20 and some of this shortfall will be the result of deferrals. A shortfall of 0.5% would equate to £257K of which Stevenage's share would be £30K.

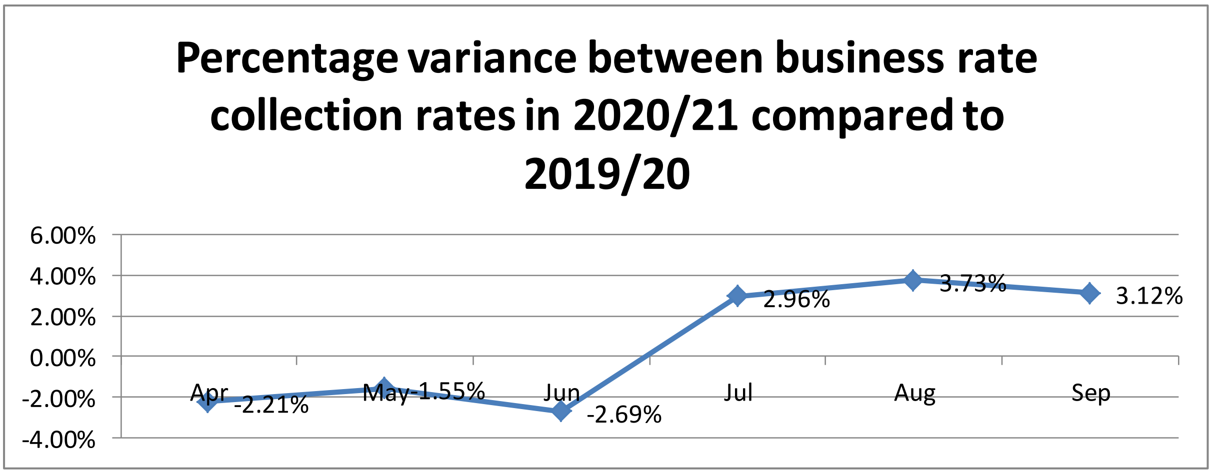
Narrative Statement

It is difficult to forecast collection rates over the next few months but it is hoped that any further reductions due to adverse economic circumstances will be partly offset by the reinstatement of recovery procedures and the allocation of the remainder of the hardship fund.



Business Rate collection rates were lower than 2019/20 for April and May but have exceeded 2019/20 for July to September as shown in the chart below. However prior year collection rates are not as helpful for Business Rates as they are for Council Tax as the net collectable debit for the current year is only half of last year's due to expanded retail relief and the Nursery discount. As at 1 October 32.9% of business rates for the whole year remained unpaid and with 3% of businesses having made no payment in year.

The Council had assumed business rate gains of £1.28M but the Council has £1.24M in an earmarked NDR reserve which will be returned to the General Fund in 2021/22 to mitigate any business rate losses that might be realised.



Narrative Statement

The Council's commercial rent arrears on the directly managed portfolio were £487K at 30 September. However the Council has a rent policy which aims to work with commercial tenants to reduce their arrears over the next 12 months.

The September MTFS identified a Financial Security Target of £1M for 2021/22 and the Senior Leadership Team and the Executive Portfolio holders are considering a package of options to deliver this, which will be presented to the December Executive. Due to the considerable uncertainty around further government funding and the impact of COVID and indeed BREXIT on-going, the Executive agreed to deliver a one year saving package (for 2021/22) rather than the usual three year savings options.

Cash position

The Council had cash balances made up of Money Market Funds, Call Account and Bank Account of £56.6M at the end of September 2020. This included £41M invested in term deposits, of which only £2.3M had a maturity date beyond 31 March 2021 and £8.56M in instant access accounts. The Mid Year Treasury Management Review to the November Executive projects cash balances reducing based on current plans but still at £44.5M by 31 March 2024. Throughout the medium term the Council remains confident in its ability to maintain enough cash for its services.

In the unlikely event the Council did run in to cash flow problems, the current cash balances are net of under borrowing not yet taken totaling £9.5M at the 30 September 2020, which could be borrowed and in addition the Council is able to borrow money from its bank over the short-term.

Further Information

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

Email: clare.fletcher@stevenage.gov.uk

Statement of Responsibilities for the Statement of Accounts

Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

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

The Strategic Director (Chief Financial Officer) Responsibilities

The Strategic Director (Finance and Estates) (Chief Financial Officer) is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2019.

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

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

The Strategic Director (Chief Financial Officer) has also:

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

Certificate of Chief Financial Officer

I certify that this Statement of Accounts has been prepared in accordance with Regulation 8 of the Accounts and Audit Regulations (England) 2015 and presents a true and fair view of the financial position of the Authority as at 31 March 2019 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2019.

CD Fletcher

Clare Fletcher
Strategic Director (Chief Financial Officer) **28 February 2022**

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Statement of Accounts 2019/20

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Expenditure and Funding Analysis

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

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

2019/20	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustment for capital purposes	2019/20 Net Change for Pension Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	4,365			133	(2)	131	4,496
Housing Services	2,724			41	473	514	3,238
Environmental Services	6,089			882	220	1,102	7,191
Local Community Budgets	92			-	-	-	92
Resources	(7,287)		5,651	73	3,226	8,950	1,663
Resources - Support	563			727	263	990	1,553
Housing Revenue Account		1,483	(5,599)	775	(9,778)	(14,602)	(13,124)
Net Cost of Services	**6,546**	**1,483**	**52**	**2,631**	**(5,598)**	**(2,915)**	**5,109**
Other Operational Expenditure				(2,856)			(2,501)
Financing & Investment Income and Expenditure				1,443	4,375	5,818	5,843
Taxation and other non-specific grant inc and exp	(9,102)				(14,065)	(14,065)	(19,508)
Surplus or Deficit	**(2,556)**	**1,483**	**52**	**1,218**	**(15,288)**	**(11,162)**	**(11,057)**
Opening General Fund balance	(4,794)						
Opening HRA balance		(21,302)					
Less/plus (surplus) or deficit on General Fund	(2,269)						
Less/plus (surplus) or deficit on HRA		1,483					
Closing General Fund Balance	**(7,063)**						
Closing HRA Fund Balance		**(19,819)**					
Closing General Fund and HRA Balances		**(26,882)**					

Stevenage BOROUGH COUNCIL

Note to the Expenditure and Funding Analysis – Adjustments

2018/19	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustment for capital purposes	2018/19 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		-	-	-	-	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	-		(1,809)			(1,809)	(1,809)
Financing & Investment Income and Expenditure	-		-	1,331	4,551	5,882	5,882
Taxation and other non-specific grant inc and exp	(8,592)				(4,366)	(4,366)	(12,958)
Surplus or Deficit	**671**	**2,813**	**1,126**	**2,373**	**(6,620)**	**(3,121)**	**363**
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 HRA		2,813					
Closing General Fund Balance	**(4,794)**						
Closing HRA Fund Balance		**(21,302)**					
Closing General Fund and HRA Balances		**(26,096)**					

Stevenage BOROUGH COUNCIL

Comprehensive Income & Expenditure Statement for the year ended 31 March 2020

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

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

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

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

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

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Comprehensive Income and Expenditure Statement

2018/2019			Note		2019/2020		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,824	(325)	5,499		Community Services	4,837	(341)	4,496
34,864	(32,297)	2,567		Housing Services	30,566	(27,328)	3,238
16,849	(7,322)	9,527		Environmental Services	16,084	(8,893)	7,191
101	-	101		Local Community Budgets	92	-	92
7,870	(5,877)	1,993		Resources	7,615	(5,952)	1,663
2,523	(1,840)	683		Resources - Support	3,670	(2,118)	1,553
31,903	(43,025)	(11,122)		Housing Revenue Account	29,990	(43,115)	(13,124)
99,934	**(90,686)**	**9,248**		**Cost of Services**	**92,855**	**(87,746)**	**5,109**
		(1,809)	10	Other Operational Expenditure			(2,501)
		5,882	10	Financing & Investment Income and Expenditure			5,843
		(17,428)		Taxation & Non-Specific Grant Income: Retained Business rates			(17,466)
		14,842		Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)			12,968
		(10,372)	11	Taxation & Non-Specific Grant Income: Other			(15,010)
		363		**(Surplus)/Deficit on Provision of Services**			**(11,057)**
		21,553		Deficit/(Surplus) on revaluation of fixed assets			(3,569)
		4,963		Actuarial (gains)/losses on pensions assets/liabilities			(23,091)
		26,516		**Other Comprehensive Income and Expenditure**			**(26,660)**
		26,879		**Total Comprehensive Income and Expenditure**			**(37,717)**

Stevenage BOROUGH COUNCIL

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).

Note	Movements in Reserves during 2019/2020	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA Reserve £'000	Major Repairs Reserve Earmarked HRA Reserves £'000	Usable Capital Receipts £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Balance at 1 April 2019 Brought Forward	**(4,794)**	**(3,905)**	**(21,302)**	**-**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,782)**	**(478,082)**	**(535,864)**
CIES	(Surplus)/Deficit on Provision of Services	(3,314)		(7,743)			-	-	(11,057)	-	(11,057)
CIES	Other Comprehensive Expenditure and Income	-	-				-	-	0	(26,660)	(26,660)
CIES	**Total Comprehensive Expenditure and Income**	**(3,314)**	**-**	**(7,743)**	**-**	**-**	**-**	**-**	**(11,057)**	**(26,660)**	**(37,717)**
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(543)		3,513		6,173	398		9,542	(9,542)	0
	Net (Increase)/Decrease before Transfers to Reserves	**(3,857)**	**-**	**(4,230)**	**-**	**6,173**	**398**	**-**	**(1,515)**	**(36,202)**	**(37,717)**
8	Transfer to/from Reserves	1,587	(1,587)	5,713	(5,713)		-	-	0	-	0
	(Increase)/Decrease in Year 2019/2020	**(2,269)**	**(1,587)**	**1,483**	**(5,713)**	**6,173**	**398**	**-**	(1,515)	**(36,202)**	(37,717)
	Balance at 31 March 2020 Carried Forward	**(7,063)**	**(5,492)**	**(19,819)**	**(5,713)**	**(4,746)**	**(14,793)**	**(1,671)**	**(59,297)**	**(514,284)**	**(573,581)**

MIRS Comparator - Prior year 2018/19

Note	Movements in Reserves during 2018/2019	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA Reserve £'000	Major Repairs Reserve Earmarked HRA Reserves	Usable Capital Receipts £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	Balance at 1 April 2018 Brought Forward	**(5,465)**	**(2,850)**	**(24,115)**	**-**	**(9,264)**	**(15,423)**	**(1,729)**	**(58,846)**	**(503,897)**	**(562,743)**
CIES	(Surplus)/Deficit on Provision of Services	7,593	0	(7,230)	-	-	-	-	363		363
CIES	Other Comprehensive Expenditure and Income								0	26,516	26,516
CIES	**Total Comprehensive Expenditure and Income**	**7,593**	**-**	**(7,230)**	**-**	**-**	**-**	**-**	**363**	**26,516**	**26,879**
7	Adjustments between Accounting Basis and Funding Basis under Regulations	(7,977)	-	10,043	-	(1,655)	232	58	701	(701)	0
	Net (Increase)/Decrease before Transfers to Reserves	**(384)**	**-**	**2,813**	**-**	**(1,655)**	**232**	**58**	**1,064**	**25,815**	**26,879**
8	Transfer to/from Reserves	1,055	(1,055)	-	-	-	-	-	0	-	0
	(Increase)/Decrease in Year 2018/2019	**671**	**(1,055)**	**2,813**	**-**	**(1,655)**	**232**	**58**	1,064	**25,815**	26,879
	Balance at 31 March 2019 Carried Forward	**(4,794)**	**(3,905)**	**(21,302)**	**0**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,782)**	**(478,082)**	**(535,864)**

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 £632,400,000 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 24 properties could be sold in 2020/21. This would equate to an estimated balance sheet valuation of £1,897,745,000.

Balance Sheet

31-Mar-19 £'000	Note		31-Mar-20 £'000
733,504	13	Property, Plant and Equipment	759,560
598	12	Heritage Assets	560
24,988	14	Investment Property	24,024
781	15	Intangible Assets	835
10,010	18	Long Term Investments	9,710
266	19a	Long Term Debtors	266
18,043	19a	Long Term Debtor - Queensway	18,009
788,190		**Long Term Assets**	**812,964**
43,034	18	Short Term Investments	38,495
0	21	Assets Held for Sale	563
142		Inventories	129
10,327	19	Short Term Receivables	13,245
2,084	18	Cash and Cash Equivalents	6,260
55,587		**Current Assets**	**58,692**
(263)	18	Short Term Borrowing	(407)
(18,290)	20	Short Term Creditors	(22,554)
(4,640)	22	Provisions	(3,518)
(23,193)		**Current Liabilities**	**(26,478)**
(11,788)	20a	Queensway Finance Lease	(11,824)
(2,094)	20a	Long term creditors	(4,833)
(205,220)	19b	Long term borrowing	(208,966)
(6,255)	19b	Long term borrowing (Queensway)	(6,243)
(58,694)	26	Pension Liability	(39,413)
(668)	11	Grants Receipts in Adv - Capital	(317)
(284,719)		**Long Term Liabilities**	**(271,597)**
535,865		**Net Assets**	**573,581**
(57,783)		Usable Reserves	(59,297)
(478,082)	9	Unusable Reserves	(514,284)
(535,865)		**Total Reserves**	**(573,581)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 28 February 2022.

Clare Fletcher

Cash Flow Statement for the year ended 31 March 2020

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.

2018/19 £'000	Note		2019/20 £'000
17	CIES	Net Surplus or (Deficit) on the Provision of Services	(11,057)
(17,986)		Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements	(21,786)
		Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	14,674
(17,969)		**Net Cash flows from Operating Activities**	**(18,169)**
30,681		Investing Activities	21,741
(7,096)		Financing Activities	(7,748)
5,616		**Net Increase or Decrease in Cash and Cash Equivalents**	**(4,176)**
(7,700)		Cash and Cash Equivalents at the beginning of the Reporting Period	(2,084)
(2,084)		**Cash and Cash Equivalents at the End of the Reporting Period**	**(6,260)**

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 2019/20 financial year and its position as at the year end of 31 March 2020. 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 2019/20 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 Statements

1. **Cross Cutting Accounting Policies (Cont)**

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 (2019/20)*

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies (contd.)

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.*

*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 2021.
- IFRS 19 Employee benefits will require the re -measurement of net pension asset/liability following plan amendments, curtailments ot settlements to be used to determine current service cots and net interest for the remainder of the year after

Notes to the Core Financial Statements

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

- the change to the plan The updating of these assumptions only applies to changes from 1st April 2020 and since this could result in positive, negative or nil movement on the pension liability it is not possible to predict the impact of this accounting change.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies

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

4. There is a degree of uncertainty about the financial impacts if the Covid 19 Pandemic, In June 2020 Executive Members approved a Medium Term Financial Strategy to mitigate the immediate cash flow implications of the lost income and additional spending pressure brought on by the pandemic. The Council valuers have considered the impact of Covid19 on the Council assets.
5. These accounts have been prepared on a going concern basis, the 2020/21 General Fund projected year-end balance in the September 2020 MTFS was £3.9M including the COVID pressures as set above. The Council took early action to ensure that the General Fund reserves would be financially resilient by implementing the June MTFS recommendations.

The 2020/21 projected year end balances are £1M above the level of risk assessed General Fund useable reserves of £2.9M for 2020/21.

A risk assessment for 2021/22 assumes a need for minimum General Fund revenue balances of £3.41M, with a projected 2021/22 yearend balance of £3.7M. The 2021/22 projection \re prudent and assume:

6. No business rate gains (as achieved in previous years) with only the CPI increase in the baseline of business rates retained
7. 1.99% increase in council tax
8. Achieving a £1M savings target
9. No further government funding received

There is an allowance in the 2021/22 risk assessment of balances for further COVID losses of £1M than that included in the September MTFS and the 2021/22 projected year end balances are a further £300K above the minimum level set by the CFO.

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.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

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).

10. 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.

11. From 1st April 2015 the Hertfordshire CCTV Partnership Ltd started trading. The new company for the year ended 31st March 2020 produced a loss before tax of £9,5K. The SBC share of the loss is £3.5K 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.

12. 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 2019/20, however it is not expected that SBC's share of the profit/loss will be material.

13. 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 24 properties could be sold. This would equate to an estimated balance sheet valuation of £1,898,000.

14. The council considers that five commercial sites held in the town centre are not classified as "Investment Properties" as they are held for strategic planning purposes and not solely for rental income or capital appreciation. As such they are

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

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 2020 for which there are significant risk of material adjustments in the forthcoming financial year are shown on the following pages:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions - Insurance	The Authority has a provision of £383K 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 £38K to the provision needed.
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% (£6.062M-£10.104M). (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 and was estimated at £2.4M higher. This would increase the value of assets and increase the balance on the Revaluation reserve- an unusable reserve. 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)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £230K 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 2020, the Authority had a balance of housing overpayment debtors of 2.980M. 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 £1.273M would be required, returning this money back to the General Fund.
Provisions – NDR Appeals	The Authority has a provision of £2.837M for its share of the expected outcome of NDR appeals outstanding with the VOA as at 31 March 2020.	If 10% of the appeals that we have provided for were unsuccessful this would mean a reduction of £284K in the provision.
Trade Debtors and Arrears	At 31 March 2020, the Authority had a balance of trade debtors of £2.389M of which £880K 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 £330K 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.*

2018/19 £'000	Nature of Income or Expenditure	2019/2020 £'000
	Income	
(16,733)	- Fees, charges and other service income	- 15,737
(775)	- Interest and Investment Income	- 1,847
(23,390)	- Income from Council Tax & Non Domestic Rates (before tariff)	- 23,384
(2,938)	- Government Grants and Contributions	- 9,231
	Material Items of Income	-
(38,782)	- Housing Rents	- 38,402
(4,581)	- Car Parks	- 4,857
(12,995)	- Rent Allowances Subsidy	- 10,649
(17,309)	- Rent Rebate Subsidy	- 14,981
(3,108)	- Garage Rental Income	- 3,149
(3,570)	- Commercial Property Rent	- 3,830
(124,181)	**Total Income**	**- 126,068**
	Expenditure	
29,779	- Employee Benefits Expenses	31,268
22,895	- Other Services and Support Recharges Expenses	21,765
16,129	- Depreciation, Amortisation, Impairment	15,247
7,645	- Interest Payments	9,493
14,842	- NDR Tariff	12,968
1,211	- Payments to Housing Capital Receipts Pool	865
3,506	- (Gain)/ Loss on the Revaluation of assets	441
(2,914)	- (Gain)/Loss on the Disposal of Assets	- 3,720
	Material Items of Expenditure	-
864	- Stevenage Leisure Limited Contract Payment	733
13,125	- Rent Allowances	10,825
17,462	- Rent Rebates	15,127
124,544	**Total Expenditure**	**115,011**
363	**Surplus/Deficit on the Provision of Services**	**- 11,057**

Notes to the Core Financial Statements

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

Material items of capital income and expenditure:

The Council spent £43.5M on its capital programme in 2019/20, this included £18.4M on roofing and external works to its housing stock, £11.5M on providing new homes, £8.2M on the town centre and regeneration projects, and £5.3M on other General Fund and HRA capital projects.

6. Events after the Balance Sheet Date

***Events after the Balance Sheet date**, both favourable and unfavourable, that occurs between the end of the reporting period and the authorised for issue 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 28 February 2022 by the Strategic Director (Chief Financial Officer). Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 (£10,364,075) can only be used towards the provision of additional council homes schemes and is restricted to a maximum of 30% of scheme costs, this has subsequently changed to 40% in 2021/22.

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

Notes to the Core Financial Statements

Adjustments between Accounting Basis and Funding Basis under Regulations

2019/20	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
Adjustments Involving the Capital Adjustment Account							
Reversal of items Debited/(Credited) to the CIES:							
Charges for Depreciation and Impairment of Non-Current Assets	(3,719)	(10,854)				(14,573)	14,573
Revaluation Losses on Property, Plant and Equipment	(611)					(611)	611
Movements in the Market Value of Investment Properties	230					230	(230)
Reverse Impairments in the year from Revaluation Increase						-	-
Amortisation of Intangible Assets	(155)	(132)				(288)	288
Revenue Expenditure Funded from Capital under Statute	(848)					(848)	848
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(1,044)	(4,241)				(5,285)	5,285
Soft Loans – Adjustments	455					455	(455)
Capital Grants and Contributions Applied	5,611	1				5,612	(5,612)
						-	-
Insertion of items not Debited/(Credited) to the CIES						-	-
Statutory Provision for the Financing of Capital Investment	634	1,811				2,445	(2,445)
Capital Expenditure charged against the General Fund						-	-
						-	-
Adjustment primarily involving the Capital Grants Unapplied Account						-	-
Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	96				(96)	()	
Capital Grants & Contributions unapplied credit to the Comp I & E					96	96	(96)
						-	-
Adjustment Primarily Involving the capital Receipts Reserve						-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement #	1,878	6,627	(8,502)			2	(2)
Use of the CRR to finance new capital expenditure			8,038			8,038	(8,038)
Contribution from CRR to finance the payments to the Government capital receipts pool	(865)		865			-	-
Transfer from Deferred Capital Receipts Reserve upon cash receipt			(2)			(2)	2
Adjustments primarily involving the Major Repairs Reserve (MRR):						-	-
Reversal of the MRR credited to the HRA		11,484		(11,484)			()
Use of the MRR to Finance new capital expenditure				17,657		17,657	(17,657)
Adjustments Involving the Pensions Reserve:						-	-
Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(2,660)	(1,150)				(3,810)	3,810
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year						-	-
						-	-
Adjustments Involving the Collection Fund Adjustment Account:						-	-
Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	57					57	(57)
Amount by which Non-Domestic Rates Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	466					466	(466)
						-	-
Adjustment Involving the Accounting Compensated Absences Adjustment Account:						-	-
Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements)	(68)	(32)				(100)	100
Total Adjustments	**(543)**	**3,513**	**398**	**6,173**	**0**	**9,542**	**(9,542)**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

2018/19	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
Adjustments Involving the Capital Adjustment Account							
Reversal of items Debited/(Credited) to the CIES:							
Charges for Depreciation and Impairment of Non-Current Assets	(3,222)	(12,701)	-	-	-	(15,923)	15,923
Revaluation Losses on Property, Plant and Equipment	(3,801)	-	-	-	-	(3,801)	3,801
Movements in the Market Value of Investment Properties	295	-	-	-	-	295	(295)
Reverse Impairments in the year from Revaluation Increase						-	-
Amortisation of Intangible Assets	(127)	(79)	-	-	-	(206)	206
Revenue Expenditure Funded from Capital under Statute	(861)	-	-	-	-	(861)	861
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(2,136)	(1,976)	-	-	-	(4,112)	4,112
Soft Loans – Adjustments						-	-
Capital Grants and Contributions Applied	1,801	-	-	-	-	1,801	(1,801)
						-	-
Insertion of items not Debited/(Credited) to the CIES						-	-
Statutory Provision for the Financing of Capital Investment	661	1,241	-	-	-	1,902	(1,902)
Capital Expenditure charged against the General Fund	1,012	6,770	-	-	-	7,782	(7,782)
						-	-
Adjustment primarily involving the Capital Grants Unapplied Account						-	-
Application of Grants to Capital financing transferred to the Capital Adjustment Account for Revenue Expenditure Funded from Capital under Statute	-	-	-	-	144	144	(144)
Capital Grants & Contributions unapplied credit to the Comp I & E	86	-	-	-	(86)	-	-
						-	-
Adjustment Primarily Involving the capital Receipts Reserve						-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement #	2,467	4,923	(7,390)	-	-	-	-
Use of the CRR to finance new capital expenditure	-	-	6,413	-	-	6,413	(6,413)
Contribution from CRR to finance the payments to the Government capital receipts pool	(1,210)	-	1,210	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon cash receipt	-	-	(1)	-	-	(1)	1
Adjustments primarily involving the Major Repairs Reserve (MRR):						-	-
Reversal of the MRR credited to the HRA	-	12,780	-	(12,780)	-	-	-
Use of the MRR to Finance new capital expenditure	-	-	-	11,125	-	11,125	(11,125)
						-	-
Adjustments Involving the Pensions Reserve:						-	-
Reversal of items relating to Post-Employment Benefits Debited/(Credited) to the (Surplus)/Deficit on the Provision of Services in the CIES	(7,264)	(921)	-	-	-	(8,185)	8,185
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	4,491	-	-	-	-	4,491	(4,491)
						-	-
Adjustments Involving the Collection Fund Adjustment Account:						-	-
Amount by which Council Tax Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)	(116)	-	-	-	-	(116)	116
Amount by which Non-Domestic Rates Income Credited to the CIES is different from Council Tax Income Calculated for the Year (in accordance with statutory requirements)						-	-
						-	-
Adjustment Involving the Accounting Compensated Absences Adjustment Account:						-	-
Amount by which Officer Remuneration charged to the CIES on an Accruals basis is different from Remuneration Chargeable in the Year (in accordance with statutory requirements)	(53)	6	-	-	-	(47)	47
Total Adjustments	**(7,978)**	**10,043**	**232**	**(1,655)**	**58**	**702**	**(702)**

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Stevenage BOROUGH COUNCIL

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. One new earmarked reserves was established in 2019/20 - **Homelessness Prevention Reserve** to fund preventative homelessness schemes in future years. All other 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.

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

- **Insurance Reserve -** This reserve was set up in 2016/17 to fund proactive works to reduce insurance claims against the Council.
- **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.. There have been no defaults on the scheme since inception and lending under the scheme is now closed. The balance was transferred to General Fund balances in 2019/20.
- **Capital Reserve -** This reserve was set up in 2013/14 as part of the Council's Integrated Financial Planning Process and funds capital projects. It was set up to reduce the Council's use of prudential borrowing to fund capital projects and the associated borrowing costs.
- **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. This reserve also now includes monies to cover any NDR losses as a result of Covid-19 impact on the Council's 2020/21 business rate gain.

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

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000
General Fund:				
Regeneration SG1	724	(164)	267	827
Housing & Planning Delivery Grant	61	(21)		40
New Homes Bonus	728	(98)		630
Regeneration Assets	1,343	(220)		1,122
Town Centre	55	(21)		34
LAMS (Local Authority Mortgage Scheme)	61	(61)		0
Capital Reserve	594		500	1,094
Insurance Mitigation	113	(10)		103
Future Town Future Council	54	(54)		0
NNDR Collection Fund	172		1,063	1,235
Homelessness			347	347
Transformation			60	60
Total	**3,905**	**(650)**	**2,237**	**5,493**

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

- **Interest Equalisation Reserve -** This reserve was set up in 2019/20 to mitigate any impact on interest changes that would impact on the HRA's planned use of borrowing to finance the HRA capital programme.

	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000
HRA:				
Interest equalisation	0		5,713	5,713
Total	**0**	**-**	**5,713**	**5,713**

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.*

2018/19 £'000		2019/20 £'000
(95,913)	Revaluation Reserve	(97,974)
(428,830)	Capital Adjustment Account	(443,325)
(12,059)	Deferred Capital Receipts Reserve	(12,009)
58,694	Pensions Reserve	39,413
(406)	Collection Fund Adjustment Account	(928)
435	Accumulating Compensated Absences Adjustment Account	535
(478,079)	**Total Unusable Reserves**	**(514,287)**

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)

2018/19 £'000	Revaluation Reserve Movements in Year	2019/20 £'000
(118,594)	**Balance at 1 April**	(95,914)
0		
(4,394)	Upward Revaluation of Assets	(8,240)
25,821	Downward Revaluation of assets	4,671
21,427	In Year surplus on revaluation of non-current assets	(3,570)
(611)	Difference between Fair Value Depreciation and Historical Cost Depreciation	1,147
1,864	Accumulated Gains on Assets Sold or Scrapped written off to the Capital Adjustment Account	365
1,253	In Year amounts written out to the Capital Adjustment Account	1,512
(95,914)	**Total Revaluation Reserve end of year**	**(97,973)**

9.2 The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation reserve to convert fair value figures to a historic cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised as donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

Note 9 provides further details on the source of all transactions, other than those involving the Revaluation Reserve, to the Capital Adjustment Account.

2018/19 £'000	Capital Adjustment Account Movements in year 2019- 20	2019/20 £'000
(435,032)	**Balance as at 1 April**	(428,830)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement	
16,002	Charges for depreciation & impairment of non-current assets	14,579
3,801	Revaluation losses on Property, Plant & Equipment	611
127	Amortisation of Intangible Assets	288
861	Revenue expenditure funded from capital under statute	848
4,112	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	5,285
11,875	Queensway Deferred Capital Receipt	
(1,253)	Adjusting amounts written out of the Revaluation Reserve	(1,512)
35,525	**Net written out amount of the cost of non-current assets consumed in the year**	20,097
	Capital financing applied in the year	
(6,418)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8,038)
(11,124)	Use of the Major Repairs Reserve to finance new capital expenditure	(17,657)
(1,801)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(6,076)
(1,241)	Self Financing Debt repayment	(1,811)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	(95)
(661)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(685)
(7,783)	Capital expenditure charged against the General Fund and HRA balances.	
(29,028)		(34,362)
(295)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(230)
(428,830)	Closing Balance 31st March	(443,325)

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.

2018/19 £'000		2019/20 £'000
(188)	**Balance at 1 April**	**(12,061)**
(11,875)	Queensway	51
2	Amounts received in year & available for funding	1
(12,061)	**Balance at 31 March**	**(12,009)**

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).-

2018/19 £'000		2019/20 £'000
50,052	**Balance at 1 April**	**58,694**
4,944	Actuarial (Gains)/Losses on Pensions Assets and Liabilities	(23,091)
8,185	Reversal of items relating to Retirement Benefits on the Provision of Services in the CIES	8,380
(4,487)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(4,570)
58,694	**Balance at 31 March**	**39,413**

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.

2018/19 Total £'000		2019/20 Council Tax £'000	2019/20 NNDR £'000	2019/20 Total £'000
(522)	**Balance at 1 April**	(50)	(355)	(405)
116	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(57)		(57)
				-
-	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements		(466)	(466)
(405)	**Balance at 31 March**	(107)	(821)	(928)

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.

2018/19 £'000		2019/20 £'000
388	**Balance at 1 April**	435
(388)	Settlement or cancellation of accrual made at the end of the preceding year	(435)
-		
435	Amounts accrued at the end of the current year	535
47	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	100
435	**Balance at 31 March**	535

Notes to the Core Financial Statements

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

What is in the TB		
2018/19 £'000		2019/20 £'000
864	Payments to the Government Housing Capital Receipts Pool	865
346	Payments to the Government Housing Capital Receipts Pool return of 1 for 1 receipts	
(3,019)	Gains/losses on the disposal of non current assets	(3,366)
(1,809)	**Total**	**(2,502)**

2018/19			2019/20	
	7,193	Interest payable & similar charges		7,612
	1,331	Pensions interest cost & expected return on pensions assets		1,443
	(825)	Interest receivable & similar income		(1,363)
	1,033	Expenditure in relation to investment properties and changes in their fair value		1,416
	(2,861)	Income in relation to investment properties and changes in their fair value		(3,263)
		Trading Operations - Indoor Market:		
(403)		Income from stall holders	(389)	
-		Income from rent in kind	(33)	
414		Expenditure	421	
	11	Surplus taken to General Fund		(1)
	5,882	**Total**		**5,844**

Notes to the Core Financial Statements

11 Taxation and Non Specific and Specific Grant Income

Government Grants and Contributions

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

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

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

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

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

Notes to the Core Financial Statements

11 Taxation and Non Specific and Specific Grant Income (cont)

2018/19 £'000		2019/20 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
5,611	Council Tax	5,868
17,428	NNDR Retained income	17,465
(14,842)	NNDR Tariff payment	(12,968)
351	Revenue Support Grant	
109	Council Tax Reform	
1,096	New Homes Bonus	865
-	Apprenticeship Levy paid	
297	Homelessness prevention grant	404
107	NDR administration Grant	110
769	s31 Grant	926
232	Disabled Facilities Grant	
1,655	Other Capital Contributions	6,172
145	Other Government grants	666
12,958	**Total Grants, Contributions credited to Taxation and Non Specific Grant Incom**	**19,508**
	Credited to Services	
30,304	Department of Work and Pensions Grants for rebates	25,630
249	Discretionary Housing Payments	202
547	Other	105
31,100	**Total Grants, Contributions credited to Services**	**25,937**

The Council has not received any material donations in 2019/20

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

2019/20	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
Cost or Valuation					
Balance at start of year	**833**	**53**	**200**	**53**	**1,139**
Additions					-
Revaluation Increase/ (Decrease)					-
Recognised in the CIES					-
	833	**53**	**200**	**53**	**1,139**
Accumulated Depreciation and Impairment					
Balance at start of year	(508)	(33)	-	-	(541)
Charge for the year	(33)	(5)	-	-	(38)
Balance at end of year	**(541)**	**(38)**	-	-	**(579)**
NBV AS AT 31 MARCH 2020	**292**	**15**	**200**	**53**	**560**

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	**1,139**

Notes to the Core Financial Statements

13. Property, Plant and Equipment

Property, Plant and Equipment (PPE)

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

Recognition: *expenditure on the acquisition, creation or enhancement of tangible non current assets is capitalised on an accruals basis, provided that the future economic benefits or service potential will flow to the Council and that the cost can be measured reliably. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.*

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

Valuations of the Council's freehold and leasehold properties are co-ordinated by the Council's In-House Valuer in accordance with International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and interpreted by the current CIPFA Code of Practice for Local Authority accounting. The valuations are made in accordance with the RICS Valuation – Professional Standards, January 2014 as published by the Royal Institution of Chartered Surveyors, in so far as that is consistent with the IFRS standards and CIPFA interpretation with the exception that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. 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 2020 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 M Sullivan.

***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.*

- *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)*

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

- *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 2019/20 (as in 2018/19) 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.

Fairlands Valley lake

Notes to the Core Financial Statements

13. **Property, Plant and Equipment** (contd).

Movement of Property, Plant and Equipment in 2019/20

Movements in 2019/20	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost Valuation:								
At 1 April 2019	**651,682**	**97,306**	**24,339**	**7,783**	**3,485**	**984**	**6,430**	**792,009**
Adjustments to opening balance								-
Additions	25,531	2,034	1,255	270	-	-	13,279	42,369
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,885)	3,284	-	-	-	-	-	(3,601)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(805)	-	-	-	-	-	(805)
Derecognition - Disposals	(4,686)	(164)	(493)	-	-	-	-	(5,343)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	4,514	(875)	66	-	-	(500)	(3,296)	(92)
Other movements in Cost or Valuation	(655)	(477)	19	(18)	1,138	(94)		(86)
Balance as at 31 March 2020	**669,502**	**100,303**	**25,186**	**8,035**	**4,623**	**390**	**16,412**	**824,451**
Accumulated Depreciation and Impairment:								-
At 1 April 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(3,945)**	**(865)**	**(35)**	-	**(58,503)**
Adjustment to opening balance								
Depreciation charge	(10,515)	(1,700)	(1,631)	(583)	(98)	(14)	-	(14,540)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	194	-	-	-	-	-	194
Depreciation written out to Revaluation Reserve	5,974	1,198	-	-	-	-	-	7,172
Assets reclassified	-	-	-	-	-	49	(110)	(61)
Derecognition - Disposals	445	3	399	-	-	-	-	847
Derecognition - Other	-	-	-	-	-	-	-	-
At 31 March 2020	**(37,102)**	**(3,306)**	**(18,883)**	**(4,528)**	**(963)**		**(110)**	**(64,891)**
Net Book Value at 31 March 2020:	**632,400**	**96,997**	**6,302**	**3,507**	**3,661**	**391**	**16,302**	**759,560**
Net Book Value at 31 March 2019:	618,676	94,305	6,688	3,838	2,620	949	6,430	733,506

Notes to the Core Financial Statements

Movements in 2018/19	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost Valuation:								
At 1 April 2018	**662,201**	**99,783**	**21,789**	**6,571**	**3,485**	**2,008**	**4,695**	**800,532**
Adjustments to opening balance								-
Additions	18,183	14,476	3,193	996	6	-	3,960	40,814
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(28,920)	(829)						(29,749)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(4,036)			(6)	6		(4,036)
Derecognition - Disposals	(1,909)	(11,877)	(643)			(1,030)		(15,459)
Derecognition - Other								-
Assets reclassified (to)/from Assets Under Construction	2,127	(215)		215			(2,226)	(99)
Other movements in Cost or Valuation		4						4
Balance as at 31 March 2019	**651,682**	**97,306**	**24,339**	**7,782**	**3,485**	**984**	**6,429**	**792,007**
Accumulated Depreciation and Impairment:								-
At 1 April 2018	**(28,489)**	**(2,821)**	**(16,500)**	**(3,665)**	**(773)**	**(92)**		**(52,340)**
Adjustment to opening balance								
Depreciation charge	(12,520)	(1,609)	(1,361)	(280)	(97)	(27)	-	(15,894)
Depreciation written out to the Surplus/Deficit on the Provision of Services		226						226
Depreciation written out to Revaluation Reserve	7,121	1,203			5	4		8,333
Assets reclassified								-
Derecognition - Disposals	882		210			80		1,172
Derecognition - Other								-
At 31 March 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(3,945)**	**(865)**	**(35)**	**-**	**(58,503)**
Net Book Value at 31 March 2019:	**618,676**	**94,305**	**6,688**	**3,837**	**2,620**	**949**	**6,429**	**733,504**
Net Book Value at 31 March 2018:	633,712	96,962	5,289	2,906	2,712	1,916	4,695	**748,192**

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Stevenage BOROUGH COUNCIL

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 £10K) 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)

	2018/19 £'000	2019/20 £'000
Balance at Start of the Year	**24,212**	**24,988**
Net Gains / (Losses) on Revaluation	295	230
Write Out of Impairments on Revaluations		
Net Gains / (Losses) from Movements in the Market Value of Investment Properties	**295**	**230**
Opening Balance Adjustment		5
Additions	481	
Impairment		
Disposals	-	(789)
Derecognition		
Reclassifications		(410)
Balance at Year End	**24,988**	**24,024**

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

Valuation Techniques Used to Determine Level Two Fair Values for Investment Properties:

The values have been derived from a desktop valuation taking into account existing lease terms and rentals, market rentals and yields, and then adjusted to reflect the nature and profile of the particular asset valued.

The Council's commercial property portfolio located within the Borough boundary are measured using the income approach, where the expected cash flows from the property are discounted at an appropriate discount rate (reflecting the nature and risk profile of the particular asset valued), to establish the present value of the net income stream.

The Council's commercial property portfolio is therefore categorised as Level Two in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Notes to the Core Financial Statements

14. Investment Property (contd)

Valuers

The investment property portfolio has been valued at 1 April 2020 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.

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.

	2018/19 £'000	2019/20 £'000
Rental Income from Investment Property	2,414	2,501
Direct Operating Expenses/(Income) Arising from Investment Property	(882)	(883)
Direct cost of Investment Properties	**1,532**	**1,618**
Other Net Operating Costs		
Net (Gain)	**1,532**	**1,618**

Notes to the Core Financial Statements

15. Intangible Assets

Intangible Non Current Assets *- Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised on a straight line basis to the Information Communications Technology (ICT) service revenue account and then recharged out across the service headings in the Comprehensive Income and Expenditure Statement over the economic life of the asset to reflect the pattern of consumption of benefits. All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Council - usually five years*

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

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

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 £251K for all intangible assets charged to revenue in 2019/20 (2018/19 - £200K). 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:

Notes to the Core Financial Statements

15. Intangible Assets (cont)

	2018/2019	2019/2020
	Total	Total
	£'000	£'000
Balances at start of the year		
Gross Carrying Amount	1,065	1,307
Accumulated Amortisation	(325)	(526)
Net Carrying Amount at Start of Year	**740**	**781**
Additions:		
Purchases	144	251
Transfer In and Out	98	91
Amortisation for the Period	(201)	(288)
Net Carrying Amount at End of Year	**41**	**835**
Comprising:		
Gross Carrying Amounts	1,307	1,650
Accumulated Amortisation	(526)	(815)
	781	**835**

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.

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd)

Service Area	£'000
Decent Homes and major repairs	£22,920
Housing Regeneration	£29,469
Town Centre Regeneration	£11,970
Garage Strategy	£3,582
Total	**£67,941**

As at 31 March 2020 significant commitments for major projects already underway included:-

Demolition and site clearance for new homes at Kenilworth (Stirling Close)

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd)

	2018/2019 £'000	2019/2020 £'000
Opening Capital Financing Requirement	**221,877**	**233,796**
Capital Investment:		
Land and Buildings	32,276	27,565
Other Plant and Equipment	4,339	1,525
Investment Property	480	
Assets under construction	4,342	13,279
Revenue expenditure funded from Capital under statute	861	848
Sources of Finance:		
Capital Receipts - general	(3,739)	(3,939)
Capital Receipts - New Build	(2,679)	(4,099)
Government Grants & Other Contributions	(3,133)	(4,795)
Major Repairs Reserve	(11,124)	(17,657)
Sums set aside from revenue:		
- Direct revenue contributions	(7,783)	-
- MRP	(1,921)	(2,495)
Closing Capital Financing Requirement	**233,796**	**244,027**
Explanation of movements in year:		
Increase in underlying need to borrow (supported by government financial assistance)	63	-
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-	10,231
Asset aquired under finance lease	11,856	-
Increase/(Decrease) in Capital Financing Requirement	**11,919**	**10,231**

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 2019/20 the Council had use of multi-functional printing devices and four vehicle leases. The annual amount charged under these arrangements in 2019/20 was £28K (2018/19 £59K). Future lease payments due are shown in the table below:

31/03/2019 Printers £'000	31/03/2019 Assigned Vehicles £'000	31/03/2019 Total £'000	*Operating Lease Payments*	31/03/2020 Printers £'000	31/03/2020 Assigned Vehicles £'000	31/03/2020 Total £'000
9	13	22	Not later than one year	14	4	18
37	-	37	Later than one year and not later than five years	53	-	53
-	-	-	Later than five years	-	-	-
46	**13**	**59**	**Total**	**67**	**4**	**71**

Property: Council as Lessor - the authority currently leases 345 premises which include 177 shops, 35 workshops, 11 public houses, 10 surgeries and 112 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2019/20 was £3.357M, (2018/19 £3.433M).

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

31/03/2019 £'000	Future Minimun Payments	31/03/2020 £'000
3,317	Not later than one year	3,009
13,267	Later than one year and not later than five years	12,036
46,842	Later than five years	43,044
63,426	**Total**	**58,089**

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).

31/03/2019 £'000	Future minimum lease from Queensway	31/03/2020 £'000
508	Not later than one year	278
2,082	Later than one year and not later than five years	1,249
22,415	Later than five years	15,657
25,005	**Total**	**17,184**

Notes to the Core Financial Statements

18. Financial Instruments

Financial Assets

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

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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.

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

Notes to the Core Financial Statements

18. Financial Instruments (contd)

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.

The Council's Treasury Management Strategy applicable from 1 April 2019 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.

Notes to the Core Financial Statements

18. Financial Instruments (contd)

	Estimated maximum exposure to default & uncollectability 31 March 2019	Amount at 31 March 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default & uncollectability 31 March 2020
	£'000	£'000	%	%	£'000
Financial Institutions		A	B	C	(AxC)
Banks & Building Societies	0	26,092	0	0	
Other Local Authorities	0	5,077	0	0	
Other Counter parties	0	23,109	0	0	
Trade Debtors	302	2,389	15%	18%	441
Total	**302**	**56,667**			**441**

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 2020. 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 £880K of the £2.389M 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;

Age of Sundry Debt	Estates Services	Direct Services (incl Recycling)	Planning	Other	Total Trade Debtors
	£'000	£'000	£'000	£'000	£'000
less than 3 months	550	154	20	785	1,509
Over Term:					
3-6 months	82	3	0	36	121
6 months - 1 year	52	0	0	299	351
over 1 year	235	0	22	151	408
Total trade debtors over term	369	3	22	486	880
Total Trade Debtors 31 March 2020	919	157	42	1,271	2,389

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from a finance lease to Queensway LLP (see also Group Accounts). As at 31 March 2020 Deferred Capital Receipts were £12.009M (31 March 2019 £12.061M).

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.

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 2020), the financial effect would be:

	£'000
Increase in interest receivable on investments	(636)
Impact on Comprehensive Income & Expenditure Statement	(636)
Share of overall impact credited to the HRA	405
Impact on Movement in Reserves Statement	231

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.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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 (£10K) 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:
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.)

	Long Term		Current	
	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000
Investments				
Investment (LGA Municipal Bond)	10	10	0	0
Loans and Receivables	10,000	9,700	43,034	38,495
Total Investments	**10,010**	**9,710**	**43,034**	**38,495**
Debtors (including Cash, Cash equivalents and Bank)				
Loans and Receivables comprising:				
Mortgages	159	159	13	13
Queensway LLP Lease	18,043	18,009	133	89
Housing Rents Leaseholders	0	0	509	1,198
Other debtors	107	107	9,672	11,941
Cash held by the Authority	0	0	11	11
Bank Current Accounts	0	0	738	166
Investment Cash Equivalents	0	0	1,335	6,087
Local Authority Mortgage Scheme	0	0	0	0
Total Debtors	**18,309**	**18,275**	**12,411**	**19,505**
Borrowings				
Queensway Aviva Borrowing	6,255	6,243	46	31
Financial liabilities at amortised cost	205,220	208,966	263	376
Total Borrowings	**211,475**	**215,209**	**309**	**407**
Creditors				
Receipts in Advance	0	0	2,225	3,179
Sundry Creditors	2,094	4,833	15,932	19,317
Queensway Aviva Lease	11,788	11,824	87	58
Total Creditors	**13,882**	**16,657**	**18,244**	**22,554**

Schedule of PWLB loan repayments	£
less than one year	£263,158
1-2 years	£263,158
2-5 years	£263,158
6-10 years	£39,155,950
10 -15 years	£81,400,000
15 -20 years	£87,374,000
20-25 years	£510,000
Total	**£209,229,424**

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:

31st March 2019				31st March 2020		
Financial Liabilities Measured at Amortised Cost £0	Financial Assets: Loans and Receivables £0	Total £0		Financial Liabilities Measured at Amortised Cost £0	Financial Assets: Loans and Receivables £0	Total £0
7,193	0	7,193	Interest Expense	7,652	0	7,652
7,193	**0**	**7,193**	**Total expense in Surplus or Deficit on the Provision of Services**	**7,652**	**0**	**7,652**
0	(825)	(825)	Interest income	0	(1,399)	(1,399)
0	**(825)**	**(825)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(1,399)**	**(1,399)**
7,193	**(825)**	**6,368**	**Net gain/(loss) for the year**	**7,652**	**(1,399)**	**6,253**

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 Two 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.)

31st March 2019			31st March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
		Long Term Investments		
10,007	10,062	Long term loans & receivables	9,764	9,871
10,007	**10,062**	**Total**	**9,764**	**9,871**
		Loan Debt		
0	0	Market Debt	0	0
205,483	237,586	PWLB Debt	209,342	232,918
205,483	**237,586**	**Total**	**209,342**	**232,918**

Valuation Techniques Used to Determine Level Two Fair Values for Public Works Loan Board (PWLB) Loans:
The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £232.918M 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 £291.619M, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

The fair value of loan debt is higher than the carrying amount because the council's portfolio of loans includes fixed rate loans where the prevailing rates at the Balance Sheet date are lower than the interest rate payable. The fair value includes the premium that would be payable should the council reschedule its debt.

Notes to the Core Financial Statements

19. Debtors

The Council's debtors (net of the provision for bad and doubtful debts) are as follows:

31-Mar-19 £'000		31-Mar-20 £'000
2,209	Central Government Bodies	1,585
177	Other Local Authorities	210
509	Housing Rents & Leaseholders	1,198
699	Collection Fund	379
133	Queensway Lease	89
6,733	Other Debtors	9,784
10,327	**Total**	**13,246**

The Council has two long term debtors:

Hertfordshire Building Control – This relates to a two year loan (£107K). An extension to the loan was granted in 2019/20.

Queensway Properties (Stevenage) LLP –This relates to a 37 year lease and borrowing (£18.009M) for properties 85-100 Queensway and 24-26 The Forum. (see also Note 17 and the Group Accounts section of the statement)

20. Creditors and Receipts in Advance

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

Payables and Receipts in Advance

31-Mar-19 £'000		31-Mar-20 £'000
	Creditors:	
6,451	Central Government Bodies	5,169
8	Other Local Authorities	3,447
298	Collection Fund	-
436	Accumulated leave	535
8,872	Other Entities & Individuals	10,224
16,065	**Total Creditors**	**19,375**
	Receipts in Advance:	
1,094	Housing	1,205
562	Collection Fund	270
569	Other Entities & Individuals	1,702
2,225	**Total Receipts in Advance**	**3,177**
18,290	**Total Short Term Payables**	**22,552**

The Council has long term creditors (£24.148M) comprising principally:

Local Enterprise Partnership (LEP) – this relates to loans for land assemble to facilitate the town centre regeneration project (£6.139M)

85-100 Queensway and 24-26 The Forum This relates to a 37 year finance lease (£18.009M) for these properties, subsequently sublet to Queensway Properties (Stevenage) LLP.

Notes to the Core Financial Statements

21. Assets held for sale

Disposals and Non-Current Assets Held for Sale: *Where it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued use, it is reclassified as an asset held for sale. The asset is revalued at that point. Any subsequent gains and losses are posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probable sale within 12 months of the balance sheet date.*

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

Disposals and Non-Current Assets Held for Sale: *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. *Fair value gains are only recognised up to the amount of any previously recognised losses, recognised in the revenue account.*

Notes to the Core Financial Statements

21. Assets held for sale (cont)

Disposals and Non-Current Assets Held for Sale *(contd)*

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 £10K 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

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.*

Notes to the Core Financial Statements

21. Assets held for sale (contd)

31-Mar-19 £'000		31-Mar-20 £'000
1,700	**Balance Outstanding at Start of the Year**	-
	Additions	
	Other movements	
	Assets newly classified as Held for Sale	
	Transfer from surplus assets	153
	Transfer from investment property	410
(1,700)	Assets sold	
-	**Balance at End of Year**	563

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).

Notes to the Core Financial Statements

22. Provisions (cont)

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.

Other Provisions: All other provisions are individually insignificant.

Provisions	**Insurance Provision** £'000	**Organisation change** £'000	**Municipal Mutual Insurance** £'000	**NDR Appeals** £'000	**Water rates** £'000	**Other** £'000	**Total** £'000
Balance at the 1 April 2019	**(658)**	**(219)**	**(51)**	**(3,300)**	**(412)**	**-**	**(4,640)**
Additional Provisions made in 2019/20	(241)	(152)	-	-	(30)	(94)	(517)
Amounts Used in 2019/20	250	206	-	-	-	-	456
Unused Amounts reversed in 2019/20	266	13	-	463	442	-	1,184
Balance at the 31 March 2020	**(383)**	**(152)**	**(51)**	**(2,837)**	**-**	**(94)**	**(3,517)**

Provisions	**Insurance Provision** £'000	**Organisation change** £'000	**Municipal Mutual Insurance** £'000	**NDR Appeals** £'000	**Water rates** £'000	**Other** £'000	**Total** £'000
Balance at the 1 April 2018	**(621)**	**(203)**	**(51)**	**(3,354)**	**-**	**(60)**	**(4,289)**
Additional Provisions made in 2018/19	(359)	(221)	-	-	(412)	-	(992)
Amounts Used in 2018/19	322	201	-	-	-	-	523
Unused Amounts reversed in 2018/19	-	4	-	54	-	60	118
Balance at the 31 March 2019	**(658)**	**(219)**	**(51)**	**(3,300)**	**(412)**	**-**	**(4,640)**

Notes to the Core Financial Statements

23. Hertfordshire CCTV Partnership Ltd and Hertfordshire Building Control Ltd.

The Council has one jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council (SBC), North Hertfordshire District Council, East Hertfordshire District Council and 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 2020 the company produced a loss before tax of £9.5K. SBC's share of the loss is £3.5K. Due to the de minimis size of the new company, group accounts have not been completed.

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service and in August 2017, **Hertfordshire Building Control Ltd**, started trading. In 2019/20 Decorum Borough Council joined the integrated service. The council holds 12.5% of the share capital and is represented on the board. In August 2016 the council made a loan to the company of £107K 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.

24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £464K in 2019/20, (£461K in 2018/19). Payments made outside the scheme for Mayoral Allowances totalled £18K in 2019/20 (£19K in 2018/19).

Notes to the Core Financial Statements

25. Officers Remuneration

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

2019/20	Salary, Fees and Allowances £	Expenses Allowance £	Other Emoluments* £	Total Remuneration (excluding pension contributions) £	Pension Conts. £	Total Remuneration Incl Pension Contributions £
						0
Chief Executiveto 7 April 2019	2,368	99	12,509	14,976	663	15,639
Chief ExecutiveFrom 8 April 2019	111,069	1,225	9,160	121,454	33,664	155,118
Strategic Director and Deputy Chief Executive	101,657	330	2,041	104,028	28,465	132,493
Strategic Director (s151 Officer) From 12 February 2020	12,576	40	0	12,616	3,522	16,138
Strategic Directorto 7th April 2019	1,980	28	0	2,008	554	2,562
Strategic DirectorFrom 13 May 2019	76,163	265	684	77,112	21,325	98,437
Assistant Director Finance & Estates (s151 Officer) 1 April 2019 to 11 February 2020	70,993	30	630	71,653	19,878	91,531
Total	**376,806**	**2,017**	**25,024**	**403,847**	**108,071**	**511,918**

2018/19	Salary, Fees and Allowances £	Expenses Allowance £	Other Emoluments* £	Total Remuneration (excluding pension contributions) £	Pension Conts. £	Total Remuneration Incl Pension Contributions £
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
Assistant Director Finance & Estates(s151 Officer)	80,470	9	140	80,619	22,578	103,197
	390,453	2,035	5,075	397,563	110,781	508,344

** "Other emoluments" includes election duty payment and accrued annual leave 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 including Borough Solicitor services*

The number of Council employees receiving more than £50K 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.

Notes to the Core Financial Statements

25. Officers Remuneration contd.

Remuneration band	2018/19 Number of Employees	2019/20 Number of Employees
£50,000 - £54,999	9	15
£55,000 - £59,999	4	6
£60,000 - £64,999	1	4
£65,000 - £69,999	-	2
£70,000 - £74,999	-	1
£75,000 - £79,999	6	3
£80,000 - £84,999	4	2
£85,000 - £89,999	-	1
£90,000 - £94,999	1	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
Total of Employees	**27**	**36**

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 2019 the Chief Executive was paid 6.74 times the lowest paid member of staff and 3.91 times the mean average (£31K).

Further information can be found in the annual pay policy statement published on the website:
https://democracy.stevenage.gov.uk/documents/s18261/Item%2015%20-%20Pay%20Policy%20Statement%202019-20.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.

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.

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £39,999	2	3	0	0	2	3	11,195	78,136
£40,000 - £49,999	3	0	0	0	3	0	110,503	-
£50,000 - £149,999	3	2	0	1	3	3	205,585	162,553
Total	**8**	**5**	**0**	**1**	**8**	**6**	327,283	240,689

Stevenage BOROUGH COUNCIL

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 .*

Notes to the Core Financial Statements

26. Pension contd.

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*

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

Participation in Pension Schemes

The Council participates in the Local Government Pension Scheme administered by Hertfordshire County Council. As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not be payable until the employees retire, the Council has a commitment to make payments which need to be disclosed at the time these benefits are earned.

Notes to the Core Financial Statements

26. Pension contd.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

31-Mar-19 £'000		31-Mar-20 £'000
-		-
	Cost of service	
6,303	Current service costs	7,149
551	Past service costs	(212)
	Financing and Investment Income & Expenditure	
5,416	Interest costs	5,475
(4,085)	Interest income on plan assets	(4,032)
8,185	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	**8,380**
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
(6,995)	Return on plan assets (excluding the amount included in the net interest expense)	8,786
-	Actuarial gains and losses arising on changes in demographic assumptions	(5,213)
11,939	Actuarial gains and losses arising on changes in financial assumptions	(17,612)
-	Other Actuarial gains and losses	(9,052)
13,129	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**(14,711)**

31-Mar-19 £'000		31-Mar-20 £'000
	Movement in Reserves Statement	
(8,185)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	**(8,380)**
		-
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	-
4,487	Employer's contributions payable to the scheme	4,570

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

26. **Pension** contd.

31-Mar-19 £'000		31-Mar-20 £'000
157,490	**Opening fair value of Scheme assets**	**168,023**
4,085	Interest Income	4,032
	Remeasurement gain/(loss)	
6,995	The return on plan assets, excluding the amount included in the net interest expense	(8,797)
4,487	Contributions from employer	4,581
1,110	Contributions from employees into the scheme	1,121
(6,144)	Benefits paid	(7,076)
168,023	**Closing fair value of scheme assets**	**161,884**

31-Mar-19 £'000		31-Mar-20 £'000
207,542	**Opening Balance of Obligations**	**226,717**
6,303	Current Service Cost	7,149
5,416	Interest Cost	5,475
1,110	Contributions from Scheme participants	1,121
	Remeasurement gain/(loss)	
-	Acturial gains/(losses) arising from changes in demographic assumptions	(5,213)
11,939	Acturial gains/(losses) arising from changes in financial assumptions	(17,612)
-	Other	(9,052)
551	Past service costs	(212)
(6,144)	Benefits paid	(7,076)
226,717	**Closing balance**	**201,297**
58,694	**Net Pension Liability**	**39,413**

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 2020.

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 2019				Period Ended 31 March 2020			
	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
Equity Securities:								
Consumer	7,474	0	7,474	3.6%	3,128	0	3,128	1.9%
Manufacturing	6,515	0	6,515	4.0%	2,497	0	2,497	1.5%
Energy and Utilities	1,734	0	1,734	1.1%	0	0	0	0.0%
Financial Institutions	6,928	0	6,928	4.3%	2,400	0	2,400	1.5%
Health and Care	1,367	0	1,367	0.8%	1,474	0	1,474	0.9%
Information Technology	5,256	0	5,256	3.2%	5,612	0	5,612	3.5%
Other	451	0	451	0.3%	268.2	0	268.2	0.2%
Debt Securities:								
Corporate Bonds (investment grade)	0	0	0	0.0%	0	0	0	0.0%
UK Government	0	0	0	0.0%	0	0	0	0.0%
Other	0	77	77	0.0%	0	4245.5	4245.5	2.6%
Private Equity:								
All	0	7,878	7,878	4.9%	0	8,764	8,764	5.4%
Real Estate:								
UK Property	0	5952	5952	3.7%	0	4953.3	4953.3	3.1%
Overseas Property	0	6373	6373	3.9%	0	9776.3	9776.3	6.0%
Investment Funds and Unit Trusts:								
Equities	42,396	0	42,396	25.2%	50,964	0	50,964	31.5%
Bonds	58,456	0	58,456	35.1%	53,710	0	53,710	33.2%
Commodities	0	0	0	0.0%	0	0	0	0.0%
Infrastructure	0	1629	1629	1.0%	0	151	151	0.1%
Other	1420	8880	10300	6.4%	1381.8	11133.7	12515.5	7.7%
Derivatives:								
Interest Rate	0		0	0.0%	0	0	0	0.0%
Foreign Exchange	0	-200	-200	-0.1%	0	-173.2	-173.2	-0.1%
Cash and Cash Equivalents:								
All	5437	0	5,437	3.4%	1598.1	0	1,598	1.0%
Totals	**137,434**	**30,589**	**168,023**	**100%**	**123,033**	**38,851**	**161,884**	**100%**

Notes to the Core Financial Statements

26. Pension contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

2018/19	Mortality Assumptions:	2019/20
	Longevity at 65 for current pensioners:	
22.5	Men	21.9
24.9	Women	24.1
	Longevity at 65 for future pensioners:	
24.1	Men	22.8
26.7	Women	25.5
	Other Assumptions:	
2.50%	Rate of pension inflation	1.90%
2.60%	Rate of increase in salaries	2.30%
2.40%	Rate for discounting scheme liabilities	2.30%
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 2020 (%)
Active members	68,441 (34%)
Deferred members	46,298 (23%)
Pensioner members	86,558 (43%)
Total	**201,297 (100%)**

Notes to the Core Financial Statements

26. Pension contd.

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.

Change in assumptions at year ended 31 March 2020	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	9	18,586
0.5% increase in salary increase rate	1	1,623
0.5% increase in pension increase rate (CPI)	8	16,824

The total contributions for current service cost expected to be made to the Pension Scheme in the year to 31 March 2021 is estimated at £4.613M.

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)

Notes to the Core Financial Statements

27. Related Parties

The Council is required to disclose material transactions with related parties. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government: Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in Note 11 Taxation and Non Specific and Specific Grant Income.

Other Public Bodies: Payments between the Council and Hertfordshire County Council (HCC) amounted to £1.061M (2018/19, £856K). 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 £487K in 2019/20 (£476K in 2018/19).
A legal shared service is provide to Stevenage BC by HCC for which the council paid £480K (2018/19 £408K).

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 2019/20 is shown in Note 24 Members Allowances.
A contract payment of £961K was paid to Stevenage Leisure Limited (SLL) (2018/19 £857K) and £37K was paid to Hertfordshire Building Control Limited (£45K in 2018/19). Also £1.517M was paid to other organisations (2018/19 £1.302M), either as grants or services received. With reference to all of these organisations, of the 39 Members, 38 Members declared interests through either the Register of Interests or completed related party transactions' forms. As at 31 March 2020 SBC had paid SLL nil amounts (March 2019 £157K) for management costs relating to 2020/21.

27. Related Parties (cont)

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 2019/20 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 2019/20, 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 five contingent liabilities 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 2019-21 is scheduled for 10 September 2020. 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.
- 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

28. Contingent Liabilities and Assets (cont)

- There continues to be uncertainty as to the speed of recovery following the Covid-19 Pandemic and its impacts on a number of significant income streams to the Council including rent from tenants and carpark income. Central Government total funding to reimburse local authorities for additional costs incurred during the pandemic has yet to be confirmed and evaluated.

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 2019/20 financial year are shown in the table below. The appointed auditor for 2019/20 is Ernst & Young LLP.

	2018/19 £'000	2019/20 £'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year.	49	49
Fees payable to External Auditor for the certification of grant claims and returns for the year.	9	25
Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor	-	(6)
Fees payable to former External Auditors for other services during the year.	-	2
Total	**58**	**70**

30. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

31 March 2019 £000		31 March 2020 £000
(745)	Interest received	(1,427)
7,326	Interest paid	7,539
6,581	**Total**	**6,112**

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

The surplus or deficit on the provision of services has been adjusted for the following non cash movements:

31 March 2019 £000		31 March 2020 £000
(27,703)	Purchase of property, plant and equipment, investment property and intangible assets	(41,217)
(7,121)	Purchase of short-term and long-term investments	(20,300)
70	Other payments for investing activities	-
19,695	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,504
(169)	Proceeds from short-term and long-term investments	25,100
1,554	Other receipts from investing activities	6,172
(13,674)	**Net cash flows from investing activities**	**(21,741)**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

32. Going Concern

Section 1 – Basis of preparation

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

Section 2 – current & historical financial position

The COVID pandemic has caused adverse financial impacts for the Council, such as:
- Stevenage's businesses and residents may not or are unable to make payments due for items such as commercial rents, business rates and council tax.
- A number of the Council's income streams such as parking seeing a significant reduction in revenues
- The need to support the Council's leisure provider with emergency funding
- The increased cost of PPE and remote working equipment

The Council has identified the potential cost of COVID through regular updates of the Medium Term Financial Strategy (MTFS) over the course of 2020, with the first report in June 2020 recommended putting in place a number of precautionary measures to reduce General Fund net expenditure totaling £3.5M and then latterly the draft 2021/22 General Fund budget presented to the Executive in January 2021.

The 2020/21 and 2021/22 budget approved at Council in February 2021 projected General Fund balances to be £544K higher than the minimum level recommended for 2021/22.

The General Fund projections have been revised further as part of the MTFS update to the September 2021.

The latest MTFS General Fund projections are shown below are higher than the minimum balances estimated for 2021/22 and 2022/23

General Fund balances	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Opening Balance	(£6,401)	(£4,932)	(£3,701)	(£3,421)	(£3,475)
In Year	£1,469	£1,232	£280	(£53)	(£126)
Closing Balance	(£4,932)	(£3,701)	(£3,421)	(£3,475)	(£3,601)

Notes to the Core Financial Statements

32. Going Concern (cont)

Section 3 & 4 – Impact of Covid

The 2020/21 budget was approved in February 2020, and required a contribution of £149K from General Fund reserves. However, since the budget was set, the projected impact of COVID on the Council's General Fund has been significant, with increasing arrears, increase in costs and a significant down turn in fees and charges.

The Council proactively sought to increase revenue balances in March 2020 by reducing the use of revenue capital contributions, with a similar approach in 2020/21 and following years. This has been achieved by a combination of unused capital receipts £1.7M and the identification of small land sales as part of the Locality Reviews of £4M.

In addition a number of financial resilience measures were taken at the June 2020 Executive committee, to increase General Fund balances and these included reducing some revenue and capital spend.

The Council's January 2021 Executive committee approved a further package of 2021/22 Financial Security savings totaling £1.704M which was General Fund Options totaling £1.462M plus a further £131K of proposed fee increases which enabled a 2021/22 General Fund budget with estimated year end reserves of £4.194M, considered to be above minimum balances as set out in section two above and therefore financially resilient.

The General Fund yearend position for 2020/21 was reported at the August 2021 Executive projecting that in 2020/21 there was an estimated:

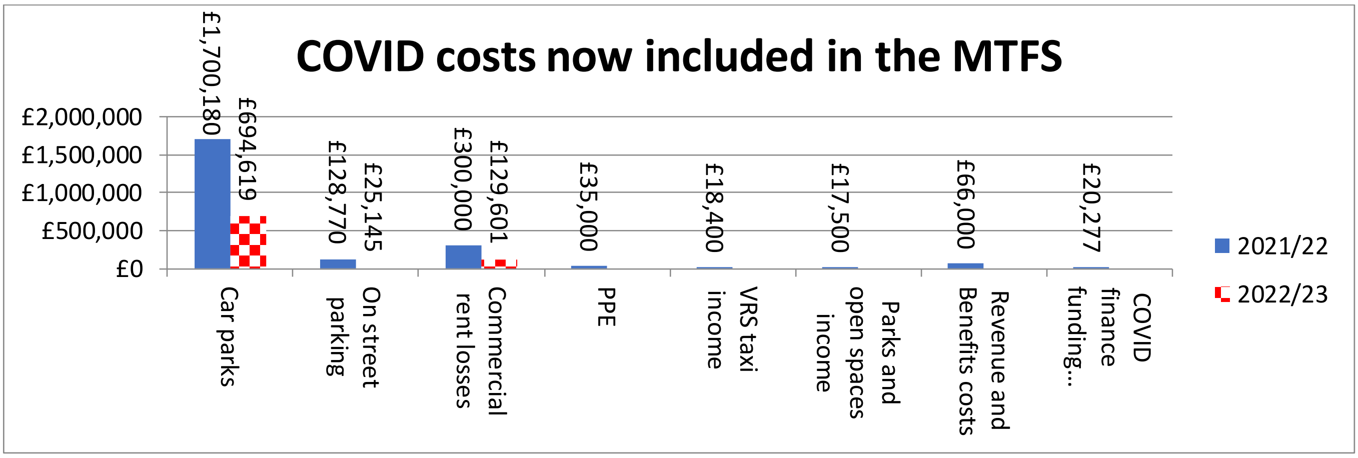
- £6.584M of additional spend or income foregone as a result of COVID during 2020/21.
- Business Rates losses of £1.164M
- Government grant funding of £5.269M including £2.453M from the income guarantee scheme, £1.422M across tranches 2-4 of the Government support package and £886K Tax Income Guarantee support (TIG)

This meant a net cost to the Council arising from COVID of £2.478M funded from the mitigation measures included in the June 2020 MTFS report, (with £1.218M of the measures were realised in 2019/20).

The revised costs for 2021/22 and 2022/23 projections for this and next year have been revised and included in the September 2021 MTFS update, based on lower projected income levels predominately relating to parking income. This is shown in the chart below and total £3.13M over the two financial years.

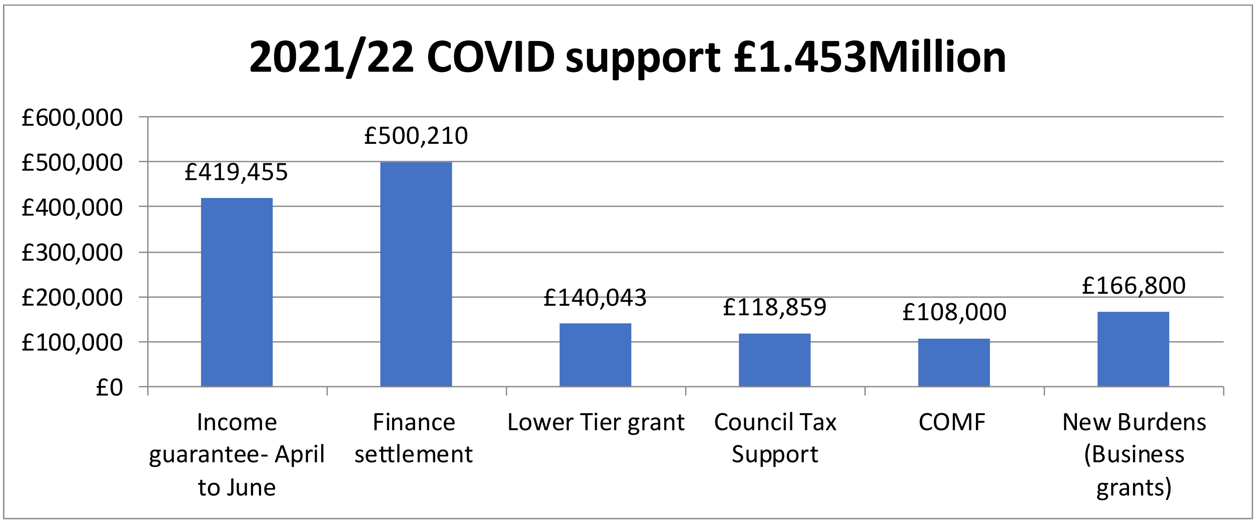
Notes to the Core Financial Statements

32. Going Concern (cont)



In addition to these costs homeless costs of £506K are projected for 2021/22, although £100K was added to the £80K budget for 2021/22 for assumed COVID impact on homeless or bed and breakfast costs. Funding has been identified from government funding included in the finance settlement but there is a further 2022/23 pressure estimated at £200K higher than the base budget.

To fund some of these costs some government funding is projected or already received. A summary of the COVID grants included in the MTFS for 2021/22 are shown below, however no funding is anticipated beyond 2021/22.

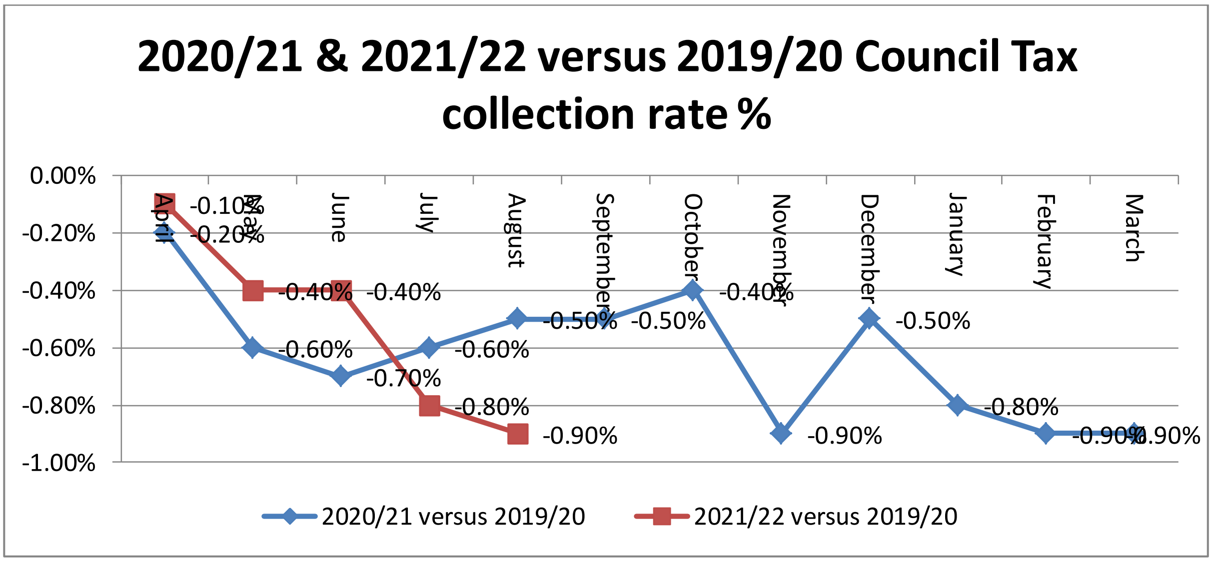


Council Tax collection rates for 2020/21 were below the expected profile and were 0.9% lower than 2019/20, as shown in the chart below. However during 2020/21 a number of payment arrangements have been made, (5,764 April 2020-January 2021 as reported in COVID losses return to the government in January 2021). The 2020/21 tax base assumption is that 98.25% of council tax will be collected and of which 95.1% was actually achieved. However, any loss on collection will only be realised if the debt is deemed uncollectable.

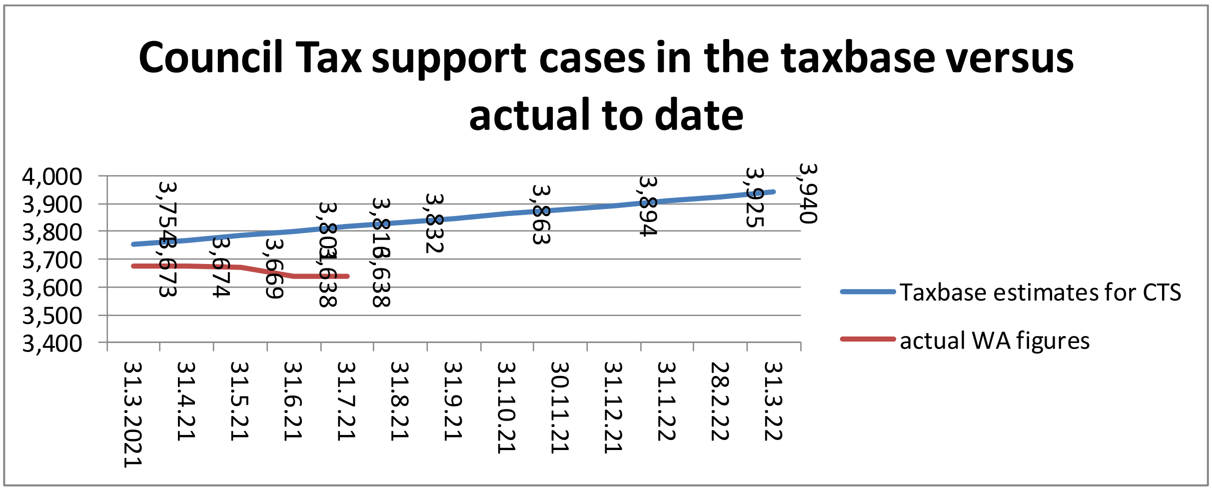
The collection rate as at the 31 August 2021 was 0.9% lower than compared to 2019/20, which would equate to a £55K loss for Stevenage Borough Council. The position for 2021/22 looks slightly worse than 2020/21, however this will be impacted by the hardship scheme payments made in 2020/21.

Notes to the Core Financial Statements

32. Going Concern (cont)



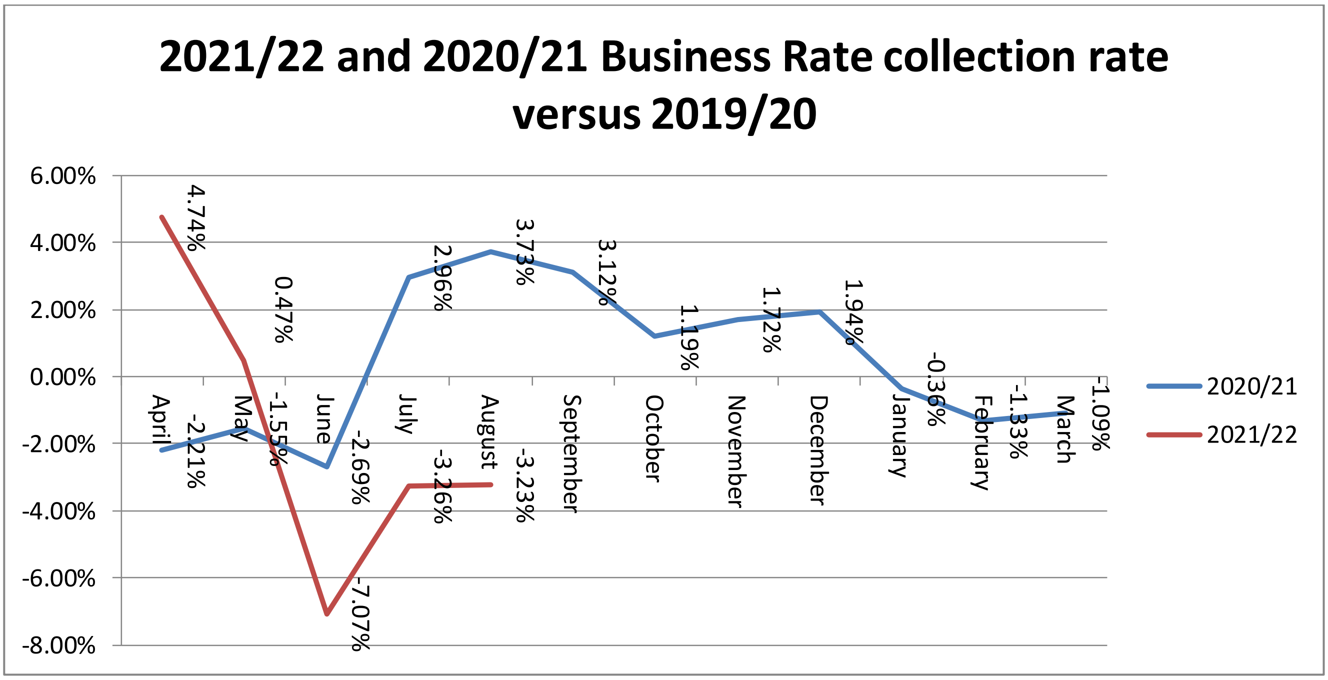
This is partly offset by the projected current taxbase, (the net number of properties on which council tax is raised), which is already higher than the estimated for 2021/22 as the anticipated rise in council tax support case for working age claimants has not yet materialised as shown below. The taxbases as at 1 September 2021 is 44 properties higher than estimated yearend taxbase and before new properties are included for the rest of the year. This equates to an additional £9.8K council tax income.



Business Rate 2020/21 collection rates were 1.09% lower than 2019/20 and as at 1 September were 3.23% lower than 2019/20 , but 0.5% higher than the same point in 2020/21. However, there is likely to be a distortion in the collection profile in both 2020/21 and 2021/22, due to the significant level of business rate reliefs granted. Furthermore, the 2021/22 reliefs, are more complex in calculation (than in 2020/21) and this has meant system changes for the July payment not being set up until August 2021 in some cases. Arrears reports are run monthly and reviewed by the CFO and will continue to be for the remainder of the year. The General Fund is forecasting business rate gains for 2021/22, however the majority of this (£474K) has been transferred to an earmarked reserve with no assumptions about the resources being utilised by the General Fund. If the collection rate for 2021/22 is also 1.09% lower (as in 2020/21), this would equate to £178K loss for Stevenage, if not collected in subsequent years.

Notes to the Core Financial Statements

32. Going Concern (cont)



The Council's **commercial rent** arrears as at the 31 March 2021 for the commercial shops over 30 days was £609K. However the Council has a rent policy which aims to work with commercial tenants to reduce their arrears over an 18 month period and has provided a bad debt provision of £426K or 70%. As at the 1 July 2021, commercial arrears were £411K for arrears over 32 days.

In summary, despite the financial impact of COVID on the Council's General Fund, the current projections give General Fund reserves of £3.7M as at 31 March 2023 and a total of £3.1M earmarked reserves as set out in the September 2021 MTFS update.

The CFO is content that the Council's subsidiary companies are not reliant on funding from the parent Stevenage Borough Council, other than that included in the Council's 2021/22 estimates.

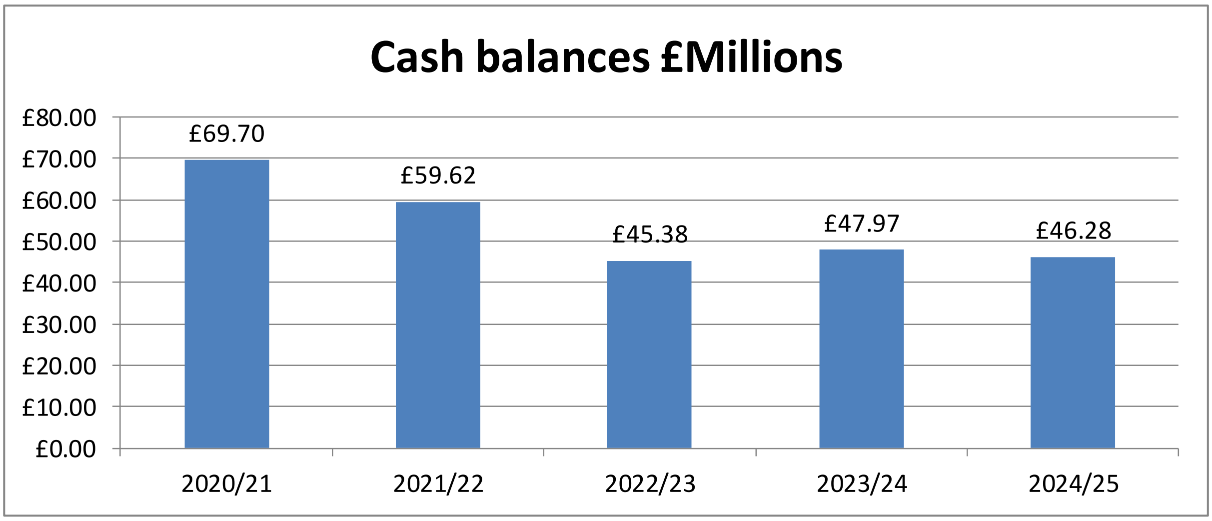
Section 5 – cash position

The Council had cash balances made up of Money Market Funds, Call Account and Bank Account as at 31 March 2021 of £69.7M.This included £41M invested in term deposits, of which only £2.3M had a maturity date beyond 31 December 2021 and £21.7M in instant access accounts. The Treasury Management Strategy to the 2021 February Council, projected cash balances reducing based on current plans but still significantly levels at £41.75M by 31 March 2025.

The Council has undertaken further cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework in addition there is headroom within the operational borrowing boundary of £5M for the General Fund and further £2Million for the HRA to fund capital expenditure. The projected cash balances (net of internal borrowing) are shown in the chart below.

Notes to the Core Financial Statements

32. Going Concern (cont)



Throughout the medium term the Council remains confident in its ability to maintain enough cash for its services.

In the unlikely event the Council did run in to cash flow problems, the current cash balances are net of under borrowing not yet taken totaling £7.8M for the General Fund and £3M for the HRA , which could be borrowed and in addition the Council is able to borrow money from its bank over the short-term.

This together with the cash and short term investment balances demonstrates that the Council has sufficient liquidity over the same period. As at the balance sheet date the Council held no short term borrowing.

Section 6 – Conclusion

These accounts have been prepared on a going concern basis, the 2020/21 General Fund yearend balance was £6.7Million and the projected 2021/22 year end reserves are estimated to be £4.9Million as set out in the Final General Fund budget report to the February 2022 Executive. The Council took early action to ensure that the General Fund reserves would be financially resilient despite projecting COVID pressures by implementing the June 2020 MTFS recommendations and also having under review continuing COVID pressures, with the last revision in September 2021. In addition the Final General Fund budget report to the February 2022 Executive recommended that the CFO reports to the June Executive with an update on the Council's MTFS, together with savings options up to £500K.The CFO considered this essential as a further financial resilience measure if the impact of COVID or other pressures worsen the Council's General Fund position.

The 2022/23 projected year end balances are £425K above the level of risk assessed general Fund useable reserves of £3.47illion for 2022/23. The 2022/23 budgets assume COVID losses of £849K, plus a further £1.086Million in the minimum level of balances assessment.
There are resources the General Fund can access to increase minimum balances which include the return of any business rate gains to the General Fund when realised and return monies from the equalisation reserve.

The following steps have also been taken to ensure financial resilience in setting the General Fund budget and in the MTFS update:

Notes to the Core Financial Statements

32. Going Concern (cont)

- 2021/22 Business Rate gains of £586K of which £542K has been transferred to an allocated reserve until realised, limiting the Council's exposure to a reduction in collectable income and no gains have been assumed in the MTFS 2022/23 onwards.
- 2022/23 Business Rate gains of £619K of which £619K has been transferred to an allocated reserve until realised, limiting the Council's exposure to a reduction in collectable income and meaning that over a £1Million of gains will be available to improve financial resilience if achieved and required.
- In calculating total 2021/22 business rate gains the bad debt provision has been increased to £750K before any income is distributed
- A 2.26% increase in council tax for 2022/23 and 1.99% thereafter
- A lower projected 2021/22 council tax base on which to raise council tax (0.17% reduction on the 2020/21 tax base) to reflect a higher level of discounts such as council tax support which did not materialize as at 11 February 2022.
- A deliverable £1.5Millionsavings package to be implemented in 2021/22 and a savings package of £780K for 2022/23 in line with the target required.
- 2021/22 General Fund balances assume the transfer of £250K to an income equalisation reserve to fund further fluctuations in fees and charges, with a further contribution of £150,000 in 2022/23 and a MTFs assumption of £100K in 2023/24
- A built in assumption of COVID loses in the General Fund budget as set out above.
- Further government funding of only £120K in 2023/24 and 2024/25 based on a minimum lower tier grant or similar funding.
- The 2022/23 level of General Fund minimum balances has been increased to £3.47Million to allow for further COVID losses above that included in the General Fund budget set by the CFO.
- The Council has set up a Transformation programme as part of the 'Making Your Money Count' Council priority to deliver savings for the General Fund and HRA from 2023/24 onwards.

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.

2018/19		2019/20	
£000		£000	
	Expenditure		
6,823	Repairs & Maintenance	7,246	
10,917	Supervision & Management	11,186	
207	Rents, Rates, Taxes & Other Charges	266	
12,520	Depreciation & Impairment of Non-Current Assets - HRA Dwellings	10,514	
260	Depreciation & Impairment of Other Non-Current Assets	472	
0	Revaluation gains/losses	0	
156	Movement in the allowance for bad debts	306	
30,883	**Total Expenditure**		**29,991**
	Income		
(38,782)	Dwelling rents	(38,402)	
(251)	Non-dwellings rents	(289)	
(3,517)	Charges for Services & Facilities	(3,944)	
(497)	Contributions towards expenditure	(480)	
(43,047)	**Total Income**		**(43,115)**
(12,164)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**		**(13,124)**
1,043	HRA Services share of Corporate & Democratic Core		944
(11,121)	**Net income for HRA services**		**(12,180)**
(2,947)	Gain on sale of HRA Non-Current Assets		(2,387)
6,514	Interest payable (PWLB loans - Self financing)		6,514
407	Interest payable (Decent Homes borrowing)		353
(405)	Interest recievable on revenue balances		(398)
0	Interest recievable on mortgages		0
0	Apprentice levy		(19)
(52)	Capital grants & Contributions receivable		0
374	Pension Interest and expected return on pension assets		374
(7,230)	**(Surplus)/Deficit for the year on HRA services**		**(7,743)**

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.

2018/19			2019/20	
£000			£000	£000
(24,115)	**Balance on the HRA at the end of the previous year**			(21,302)
(7,230)	Deficit for the year on the HRA Income & Expenditure Statement		(7,743)	
10,043	Adjustment between accounting basis and funding basis under statute		3,513	
0	Transfer to Earmarked Reserves		5,713	
2,813	(Increase)/Decrease in year on the HRA			1,483
(21,302)	**Balance on the HRA at the end of the year**			**(19,821)**

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 0.8% of let-able properties were vacant (in 2018/19 figure was 0.75%). Average rents - excluding service charges - were £94.79 a week in 2019/20 (£95.72 in 2018/19).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2019/20 rent arrears as a proportion of gross rent income were 3.07% (2.49% in 2018/19).

2018/19		2019/20
£'000		£'000
1,083	Arrears at 31 March	**1,349**
190	Amounts written off during the year	**106**

The bad debts provision stood at £786K at 31 March 2020 (£586K at 31 March 2019).

Notes to the Housing Revenue Account (HRA)

HRA 3. Housing Stock Numbers

The stock movement can be summarised as follows:-

2018/19 £000		2019/20. £000
7,997	Stock as at 1st April	7,965
	Opening balance adjustment	5
(32)	Less Right to Buy Sales	(42)
31	New Build acquisitions	64
(31)	Demolitions	0
0	Conversions/other	2
7,965	**Stock at 31st March**	**7,994**
5,151	Houses	5,140
2,814	Flats	2,854
7,965	**Total**	**7,994**

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

New homes at Blackwell Close completed in October 2019

Notes to the Housing Revenue Account (HRA)

HRA 4. Non Current Asset Valuations

Housing Stock

The total balance sheet value (£’000’s) of the dwellings within the HRA can be summarised as follows:-

	£’000’s
As at 31 March 2019	£618,675
As at 31 March 2020	£632,400
The Vacant Possession value of the dwellings as at 31 March 2020 was	£1,662,513

The valuation of the dwellings in the Balance Sheet is on the basis of fair value, which is the market value on the assumption that the property is sold as part of the continuing enterprise in occupation. The difference between the Balance Sheet valuation and the higher valuation on the basis of Vacant Possession shows the economic cost of providing Council housing at less than open market rents.

Other non current assets held by the HRA are detailed below

31-Mar-19 £’000		31-Mar-20 £’000
2,846	Assets Under construction	5,025
1,296	Vehicles Plant & Equipment	1,188
4,142	**Total**	**6,213**

:

Notes to the Housing Revenue Account (HRA)

HRA 5. Major Repairs Reserve (MRR)

2018/19 £'000	2018/19 £'000		2019/20 £'000	2019/20 £'000
	(9,264)	**Opening Balance as at 1st April**		(10,920)
		Transfers to the MRR -		
(12,520)		Depreciation of HRA Dwellings	(10,515)	
		Voluntary contribution in year	(498)	
(260)		Depreciation of other HRA Assets	(472)	
	(12,780)			(11,484)
		Transfers from MRR -		
	11,124	Financing of HRA Capital Expenditure		17,657
	(10,920)	**Closing Balance as at 31 March**		**(4,746)**

HRA 6. Capital Expenditure, Financing & Receipts

2018/19 £'000		2019/20 £'000
	Capital Expenditure:	
13,067	Major Repairs & Improvements	24,889
3,604	New Council Housing	3,665
768	Disabled Adaptations	650
1,644	Equipment	346
3,283	Assets under construction	463
22,366		**30,013**
	The Capital Expenditure was financed as follows:	
697	Capital Receipts	1,325
1,964	Retained 1 for1 receipts	3,270
11,124	Major Repairs Reserve	17,657
6,770	Contributions	705
1,811	New Borrowing	7,056
22,366		**30,013**

Total Capital Receipts in 2019/20 from the sale of property within the HRA can be summarised as follows:-

2018/19 £'000		19/20 £'000
(4,910)	Right to Buy Sales	(6,932)
(1)	Right to Buy Mortgage Repayments	(2)
(103)	Other Land & Property *	(104)
(5,014)		(7,038)

*Includes repayment of Right to Buy discounts

Collection Fund Statement 2019/20

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.

			Collection Fund			
2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			Income			
(46,590)		(46,590)	Council Tax Receiveable	(49,235)		(49,235)
	(45,047)	(45,047)	Business Rates Receivable		(48,477)	(48,477)
	1,625	1,625	Transitional Payment Protection receiveable		342	342
(46,590)	(43,422)	(90,012)	**Total income**	(49,235)	(48,135)	(97,370)
			Expenditure			
			Precepts, Demands and Shares			
35,730	4,371	40,101	Hertfordshire County Council	37,167	18,146	55,313
4,438		4,438	Hertfordshire Police Authority	5,138		5,138
5,532	**17,483**	**23,015**	**Stevenage Borough Council**	**5,755**	**15,877**	**21,632**
	21,854	21,854	Central Government		11,341	11,341
			Charges to Collection Fund			
	107	107	Costs of collection		110	110
183	200	383	Write offs of uncollectable amounts	241	284	525
57	(396)	(339)	Increase/(decrease) for impairment	(15)	103	88
	(134)	(134)	Increase/(decrease) in provision for appeals		(143)	(143)
876	8	884	Hertfordshire County Council	359	95	454
107		107	Hertfordshire Police Authority	45		45
140	**30**	**170**	**Stevenage Borough Council**	**56**	**381**	**437**
	38	38	Central Government		476	476
47,063	**43,561**	**90,624**	**Total expenditure**	**48,746**	**46,670**	**95,416**
473	**139**	**612**	**Movement on fund balance (deficit/(surplus))**	**(489)**	**(1,465)**	**(1,954)**
(886)	**(1,028)**	**(1,914)**	**Balance at beginning of year**	**(413)**	**(889)**	**(1,302)**
(413)	**(889)**	**(1,302)**	**Balance at end of year**	**(902)**	**(2,354)**	**(3,256)**

Notes to the Collection Fund Statement 2019/20

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; (27K for 2019/20, 27K for 2018/19). The basic amount of council tax for a band D property £1,758.51 for 2019/20 (£1,688.92 for 2018/19) 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	1,640.84	6,623.59	21,477.46	3,305.64	3,172.26	918.9	429.5	15	37,583.19
Exemptions		-38	-136	-153	-34	-22	-3	-4	-5	-395
Disabled Relief	1	8	74	-68	14	-24	2	-5	-2	0
Discounts (25%)	0	1,181.78	3,944.33	6,356.72	787.49	529.21	121.65	57.74	0	12,978.92
Discounts (50%)	0	1	7	15	0	2	5	7	5	43
Council Tax Support Scheme	0.69	357.7	1,312.66	2,298.55	211.94	48.95	11.56	2.77	0	4,244.82
Empty Homes Premium	0	4	14	15	4	4	2	0	0	43
Effective Properties	0.31	959.2	4,266.35	17,368.71	2,878.83	2,946.01	874.43	399.8	5.5	29,699.14
Proportions	05-Sep	06-Sep	07-Sep	08-Sep	09-Sep	11-Sep	13-Sep	15-Sep	18-Sep	
Band D Equivalents	**0.17**	**639.46**	**3,318.27**	**15,438.88**	**2,878.83**	**3,600.67**	**1,263.06**	**666.33**	**11**	**28,816.67**
Council Tax Base	Band D equivalent multiplied by collection rate of 98.25%									27,329.90

Notes to the Collection Fund Statement 2019/20

CF 1. Council Tax (cont)

The income chargeable of £60.712M in 2019/20 is from the following sources:

2018/19 £		2019/20 £
£46,407,418	Billed to Council Tax Payers	£48,993,784
£0	Council Tax Benefits	£0
£5,935,068	Local Council Tax Scheme	£5,779,821
£5,573,702	Exemptions, Discounts, etc.	£5,937,929
£57,916,188		**£60,711,534**

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 50.4p in 2019/20 (49.3p in 2018/19) by which local businesses pay rates calculated by multiplying their rateable value by this amount (subject to the effects of transitional arrangements). The equivalent amount for small businesses was 49.1p in 2019/20 (48.0p in 2018/19). The rateable value for the Council's area is £109.559M at 31 March 2020 (£110.353M at 31 March 2019). 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%.

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(£ 323,317)	(£ 88,912)	(£ 412,229)	Hertfordshire County Council	(£697,831)	(£960,900)	(£1,658,431)
(£ 39,651)		(£ 39,651)	Hertfordshire Police Authority	(£96,934)		(£96,934)
(£ 50,062)	**(£ 355,649)**	**(£ 405,711)**	**Stevenage Borough Council**	**(£107,417)**	**(£820,747)**	**(£928,164)**
	(£ 444,561)	**(£ 444,561)**	Central Government		(£572,688)	(£572,688)
(£ 413,030)	**(£ 889,122)**	**(£ 1,302,152)**	**Total**	**(£902,182)**	**(£2,354,335)**	**(£3,256,217)**

Group Accounts 2019/20

These Group Accounts include the consolidation of:

Queensway Properties (Stevenage) LLP
Company number: OC424782

The Members of Queensway Properties (Stevenage) LLP have taken the exemption from having an audit of its financial statements for the year ended 31 March 2020. This exemption is taken in accordance with Companies Act Section 479A.

Stevenage Borough Council also has a 100% holding of

Marshgate PLC
Company number: 11649451

The Director of Marshgate PLC has taken the exemption from having an audit of its financial statements for the year ended 31 March 2020. This exemption is taken in accordance with Companies Act Section 477 relating to small companies. Due to the deminimus size of Marshgate PLC they have not been consolidated within these group accounts

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Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk the accounting 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 Note 3 –Critical judgements in applying Accounting Policies and Note 23 – Hertfordshire CCTV Limited and Hertfordshire Building Control Ltd).

On 7 November 2018 Stevenage BC formed a limited Liability Partnership called Queensway Properties (Stevenage) LLP (further referred to as Queensway LLP). The Council holds 99.9% of the partnership with the remaining 0.1% held by Marshgate Ltd, a company wholly owned by Stevenage Borough Council (incorporated on 30 October 2018). The purpose for establishing Queensway LLP was to facilitate the regeneration of 85-100 Queensway and 24-26 The Forum, a large element of the new town centre. The Council has entered into a partnership with REEF and Aviva (the funding partner) to deliver a mixed use redevelopment of the site including commercial, residential, and leisure uses. The Council has taken the head lease of the property from Aviva and sublet to Queensway LLP over a 37 year period.

Accounting Policies

Queensway LLP has its first year end as 31 March 2020. As such accounts have been prepared for the first 15 months of trading and these accounts have not been subject to their auditors (yet to be appointed). In compiling the Group Accounts the first accounting period has been split to match the Councils accounting period, ie the first three months trading in 2018/19 and 12 months to 31 March 2020. The Council has reviewed the accounting policies applied to Queensway LLP and has concluded that there is no material adjustments required to align accounting policies of both entities.

As a subsidiary, the accounts have been consolidated with those of the Council on a line by line basis and any balances and/or transactions between the parties have been eliminated in full in both the Comprehensive Income and Expenditure account and Balance sheet.

Group Accounts – Movement in Reserves Statement

Movements in Reserves during 2019/2020	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2019	**(57,782)**	**690**	**(57,092)**	**(478,082)**	**-**	**(478,082)**	**(535,174)**
Group (Surplus)/Deficit	(11,057)	659	**(10,398)**	-	142	142	(10,256)
Other Comprehensive Expenditure and Income			-	(26,660)		(26,660)	(26,660)
Total Comprehensive Expenditure and Income	**(11,057)**	**659**	**(10,398)**	**(26,660)**	**142**	**(26,518)**	**(36,916)**
Adjustments between Accounting Basis and Funding Basis under Regulations	9,542		**9,542**	(9,542)		- (9,542)	- -
Net (Increase)/Decrease before Transfers to Reserves	**(1,515)**	**659**	**(856)**	**(36,202)**	**142**	**(36,060)**	**(36,916)**
Transfer to/from Reserves	-					-	-
(Increase)/Decrease in Year 2019/2020	**(1,515)**	**659**	**(856)**	**(36,202)**	**142**	**(36,060)**	**(36,916)**
Balance at 31 March 2020 Carried Forward	**(59,297)**	**1,349**	**(57,948)**	**(514,284)**	**142**	**(514,142)**	**(572,090)**

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2018/19 Movement in Reserves Statement

Movements in Reserves during 2018/2019	Council's Usable Reserves £'000	Subsidiary Usable Reserves £'000	Total Group Usable Reserves £'000	Council's Unusable Reserves £'000	Subsidiary Unusable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance at 1 April 2018	**(58,846)**	**-**	**(58,846)**	**(503,897)**		**(503,897)**	**(562,743)**
Group (Surplus)/Deficit	363	690	- **1,053**			- -	- 1,053
Other Comprehensive Expenditure and Income	-		**-**	26,516		26,516	26,516
Total Comprehensive Expenditure and Income	**363**	**690**	**1,053**	**26,516**	**-**	**26,516**	**27,569**
Adjustments between Accounting Basis and Funding Basis under Regulations	701		**701**	(701)		- (701)	- -
Net (Increase)/Decrease before Transfers to Reserves	**1,064**	**690**	**1,754**	**25,815**	**-**	**25,815**	**27,569**
Transfer to/from Reserves	-					-	-
(Increase)/Decrease in Year 2018/2019	**1,064**	**690**	**1,754**	**25,815**		**25,815**	**27,569**
Balance at 31 March 2019 Carried Forward	**(57,782)**	**690**	**(57,092)**	**(478,082)**		**(478,082)**	**(535,174)**

Group Accounts – Comprehensive Income & Expenditure Statement

2018/2019			Note		2019/2020		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,824	(325)	5,499		Community Services	4,837	(341)	4,496
34,864	(32,297)	2,567		Housing Services	30,566	(27,328)	3,238
16,849	(7,322)	9,527		Environmental Services	16,084	(8,893)	7,191
101	-	101		Local Community Budgets	92	-	92
7,870	(5,860)	2,010		Resources	7,615	(5,952)	1,663
2,523	(1,840)	683		Resources - Support	3,670	(2,097)	1,574
31,903	(43,025)	(11,122)		Housing Revenue Account	29,990	(43,115)	(13,124)
598	(208)	390		Queensway Properties LLP	475	(342)	133
100,532	**(90,877)**	**9,655**		**Cost of Services**	**93,330**	**(88,067)**	**5,263**
		(1,809)	10	Other Operational Expenditure			(2,501)
		6,163	10	Financing & Investment Income and Expenditure			6,490
		(17,428)		Taxation & Non-Specific Grant Income: Retained Business rates			(17,466)
		14,842		Taxation & Non-Specific Grant Income: NNDR expenditure (tarriff to DCLG)			12,968
		(10,372)	11	Taxation & Non-Specific Grant Income: Other			(15,010)
		1,054		**(Surplus)/Deficit on Provision of Services**			**(10,256)**
		21,553		Deficit/(Surplus) on revaluation of fixed assets			(3,569)
		4,146		Actuarial (gains)/losses on pensions assets/liabilities			(23,091)
		26,516		**Other Comprehensive Income and Expenditure**			**(26,660)**
		27,570		**Total Comprehensive Income and Expenditure**			**(36,916)**

Group Accounts – Group Balance Sheet

31-Mar-19 £'000	Note		31-Mar-20 £'000
745,378		Property, Plant and Equipment	771,294
598		Heritage Assets	560
24,988		Investment Property	24,024
781		Intangible Assets	835
10,010		Long Term Investments	9,710
266		Long Term Debtors	266
18,043	18	Long Term Debtor - Queensway	
782,021		**Long Term Assets**	**806,689**
43,034		Short Term Investments	38,495
-		Assets Held for Sale	563
142		Inventories	129
10,016		Short Term Debtors	13,230
7,888		Cash and Cash Equivalents	10,873
61,080		**Current Assets**	**63,290**
(263)		Short Term Borrowing	(407)
(18,305)		Short Term Creditors	(22,369)
(4,640)		Provisions	(3,517)
(23,208)		**Current Liabilities**	**(26,292)**
(11,788)		Queensway Finance Lease	(11,824)
(2,094)		Long term creditors	(4,833)
(205,220)		Long term borrowing	(208,966)
(6,255)		Long term borrowing (Queensway)	(6,243)
(58,694)		Pension Liability	(39,413)
(668)		Grants Receipts in Adv - Capital	(317)
(284,719)		**Long Term Liabilities**	**(271,597)**
535,174		**Net Assets**	**572,090**
(57,092)		Usable Reserves	(57,948)
(478,082)		Unusable Reserves	(514,142)
(535,174)		**Total Reserves**	**(572,090)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 28 February 2022

CD Fletcher

Clare Fletcher

Group Accounts – Cash Flow Statement

2018/19 £'000	Note		2019/20 £'000
(1,054)	CIES	Net Surplus or (Deficit) on the Provision of Services	10,256
39,793		Adjust to Surplus or Deficit on the Provision of Services for Non Cash Movements	21,768
(21,219)		Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(16,058)
17,520		**Net Cash flows from Operating Activities**	**15,966**
(30,681)		Investing Activities	(20,097)
13,349		Financing Activities	7,116
188		**Net Increase or Decrease in Cash and Cash Equivalents**	**2,985**
7,700		Cash and Cash Equivalents at the beginning of the Reporting Period	7,888
7,888		**Cash and Cash Equivalents at the End of the Reporting Period**	**10,873**

Artist impression of Queensway redevelopment

Group Accounts - Notes to the Group Accounts

The following notes are given below on areas that have materially changed in consolidating the accounts.

G1. Accounting Policies

The Accounting policies of the group are the same as those applied to the Council's single entity accounts.

G2. Leases

Queensway Properties LLP has entered into a 37 year lease for properties 85 Queensway and 89-103 Queensway and 24-26 The Forum, Stevenage, Hertfordshire. This long term liability and long term borrowing has been recognised on the balance sheet with corresponding land and building and cash balances. Paid and future expected lease payments (including interest) are detailed in the following table;

	Land £'000	Borrowing £'000	Total £'000
Paid in year	£327	£648	**£975**
Due less than one year	£278	£526	**£804**
Due in 1-5 years	£1,583	£2,693	**£4,276**
Due in 6-35 years	£15,232	£15,120	**£30,352**
Total	**£17,093**	**£18,339**	**£35,432**

G3. Group short term Debtors

31-Mar-19 £'000		31-Mar-20 £'000
2,209	Central Government Bodies	1,679
177	Other Local Authorities	210
509	Housing Rents & Leaseholders	1,198
699	Collection Fund	379
6,422	Other Debtors	9,764
10,016	**Total**	**13,231**

Group Accounts - Notes to the Group Accounts

G4. Group short term Creditors

31-Mar-19 £'000		31-Mar-20 £'000
	Creditors:	
6,451	Central Government Bodies	5,169
8	Other Local Authorities	3,447
298	Collection Fund	-
436	Accumulated leave	535
8,887	Other Entities & Individuals	10,224
16,080	**Total Creditors**	**19,376**
	Receipts in Advance:	
-	Other Local Authorities	0
1,094	Housing	1,205
562	Collection Fund	270
569	Other Entities & Individuals	1,517
2,225	**Total Receipts in Advance**	**2,992**
18,305	**Total**	**22,368**

G5. Queensway Properties LLP Summary Profit and Loss Account for 1st April 2019 – 31 March 2020

2018/19 7-11-18 to 31-3-19 Net Expenditure £'000		2019/20 Net Expenditure £'000
(208)	Turnover	(341)
286	Cost of Sales	107
78	**Gross (Profit)/ Loss**	**(234)**
23	Other operational costs	102
290	Support Costs (incl set up costs)	145
-	Financing costs	647
300	Other Costs	-
-	Revaluation deficit on assets	142
691	**Loss for the period**	**802**

Stevenage BOROUGH COUNCIL

Group Accounts - Notes to the Group Accounts

G6. Queensway Properties LLP Summary Balance Sheet

31-Mar-19 £'000		31-Mar-20 £'000
11,875	Land & Buildings	11,733
11,875	**Total Long Term Assets**	**11,733**
75	Short Term Debtors	293
5,804	Cash and Cash Equivalents	4,613
5,879	**Current Assets**	**4,906**
(402)	Creditors due in less than one year	(31)
-	Provisions	(92)
(402)	**Current Liabilities**	**(123)**
(11,788)	Finance Lease	(11,766)
(6,255)	Long term Borrowing	(6,243)
(18,043)	**Long Term Liabilities**	**(18,009)**
(691)	**Net Assets**	**(1,493)**
(691)	Profit and Loss account	(660)
	Partnership funds bfwd	(691)
	Revaluation Reserve	(142)
(691)	**Total Reserves**	**(1,493)**

G7. Queensway Debtors and Creditors

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

31-Mar-19 £'000	Queensway Debtors due in less than 1 year	31-Mar-20 £'000
0	Stevenage Borough Council	199
75	Other Debtors	94
75	**Total**	**293**

31-Mar-19 £'000	Queensway Creditors due in less than 1 year	31-Mar-20 £'000
(387)	Stevenage Borough Council	(77)
(15)	Other Creditors	(15)
(402)	**Total**	**(92)**

Stevenage BOROUGH COUNCIL

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

Glossary of Terms

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.

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

Glossary of Terms

applied where dwellings are occupied by only one adult. Rebates are available to those Council Tax payers meeting the Government's criteria.

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

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

Depreciation
The measure of the cost or revalued amount of benefits of the 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.

Glossary of Terms

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.

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

Glossary of Terms

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.

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

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Stevenage Borough Council's
Annual Governance Statement 2019/20

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

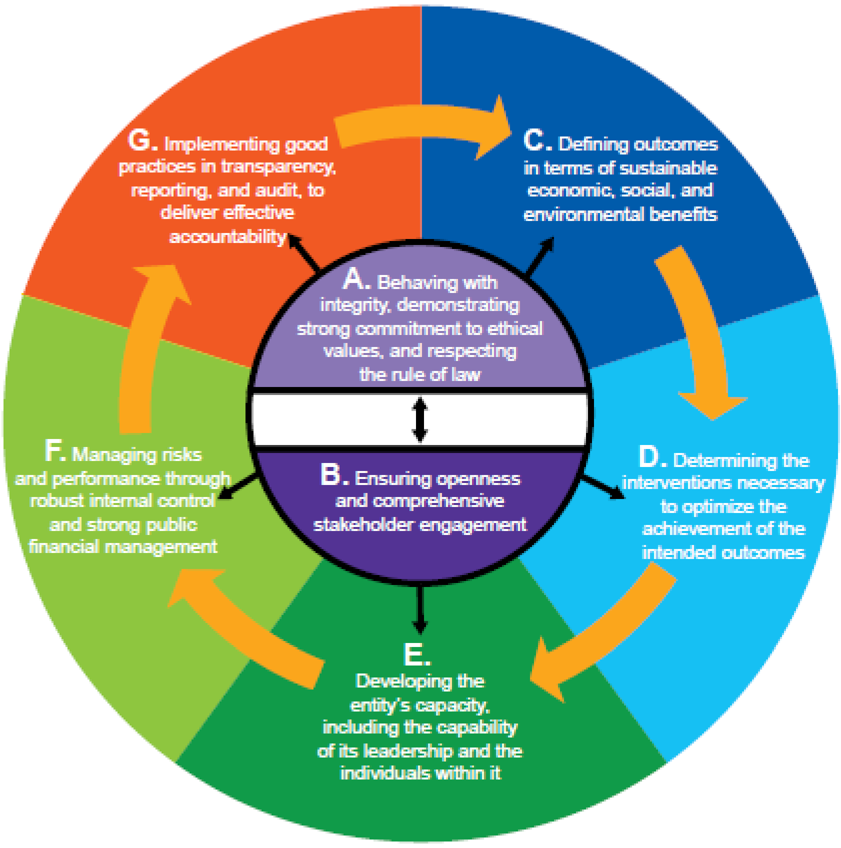


Figure 1: International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) '**Achieving the Intended Outcomes While Acting in the Public Interest at all Times' – The International Framework**

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. The Code has recently been reviewed and Audit Committee will be considering the revised Code at its meeting on 9 June 2020. 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 Assurance's Annual Report, and also by comments made by external auditors and other review agencies and inspectorates.

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

- A Corporate Governance Group 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 seven.

- 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.

- 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.

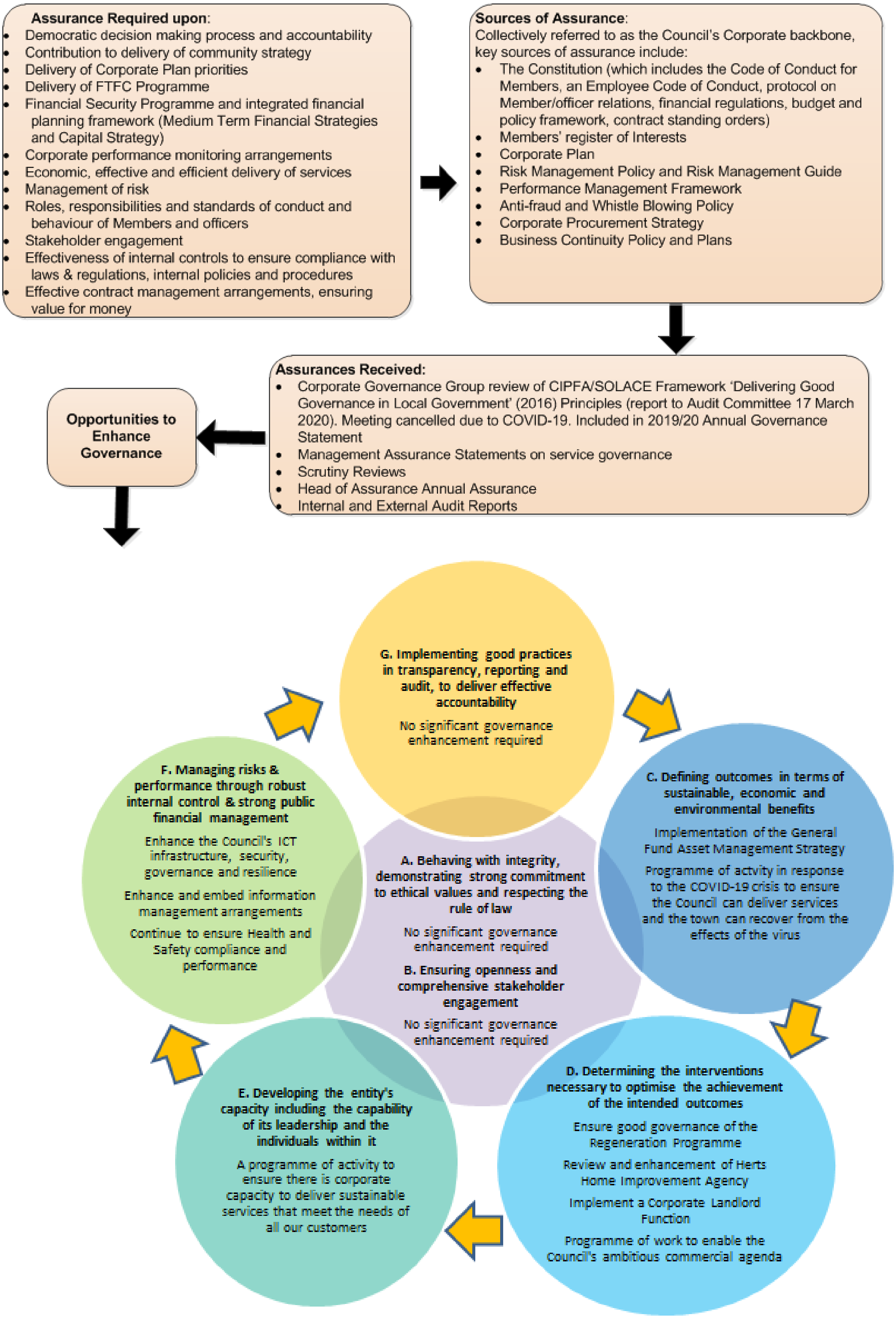
- Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates), and the Head of Assurance Annual Report, require inclusion in the Statement.

All of these mechanisms of review contribute to overall assurance for the 2019/20 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 2020 and up to the date of approval of the Statement of Accounts. The date for approval of the 2019/20 Statement of Accounts has been extended to November 2020 to allow extra time due to COVID-19.

Figure 2: Overview of sources of assurance to inform review of effectiveness and identification of governance enhancements for 2019/20



The Action Plan outlined on pages 31 to 34 of this document provides more detail in relation to the action required and timescales to deliver the above enhancement activity

Assurance: Internal Audit Arrangements

Annual Audit Coverage

Delivery of the Council's Internal Audit is carried out by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council and managed by the Head of Assurance. Annual audit coverage is determined through a risk assessment, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control, risk management and governance in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework.

The SIAS operates to defined professional standards, i.e. the Public Sector Internal Audit Standards (PSIAS) and the Head of Assurance reports to the Council's Strategic Director (Chief Finance officer and Section 151 Officer) providing updates on internal audit progress and issues at regular liaison meetings. The Head of Assurance provides an independent opinion on the adequacy and effectiveness of the system of internal control and this is reported annually to Audit Committee. The main responsibility of 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.

2019/20 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement is being reported to the Audit Committee in June 2020. From the internal audit work undertaken in 2019/20, 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 **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.

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.

The Satisfactory assurance opinion overall on financial systems has been concluded from ten financial systems audits. Seven received Good assurance and three 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 18 audits. Nine audits received Good assurance, eight received Satisfactory assurance and one received Limited assurance. Only five high priority recommendations were made across these audits.

A summary of the High Priority Audit Recommendations made by the SIAS from the twenty-eight audits carried out during 2019/20 is shown below:

High Priority Audit Recommendation	Governance Enhancements
Facilities Management: Three recommendations to strengthen the control environment in relation to written procedures and contracts as well as annually renewing contracts to ensure best value	**All three recommendations are complete.** A full suite of procedural documents have now been produced and are available in a Facilities Management Procedure Manual. In relation to the management of contracts, the compliance function will be evolving with the implementation of the Corporate Landlord model. Contract arrangements have been reviewed, and as and when new contracts are procured, the Facilities Management Team will ensure the required forms are completed and stored within the central procurement register.
Stevenage Museum: Two recommendations to further strengthen the control environment and relate to addressing outstanding actions in the Museum Operational Management Risk Reduction Plan and restrict access to the safe and petty cash	**Both recommendations have been implemented.** All actions in the Museum Operational Management Risk Reduction Plan are now complete and new petty cash arrangements are now in place.

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.

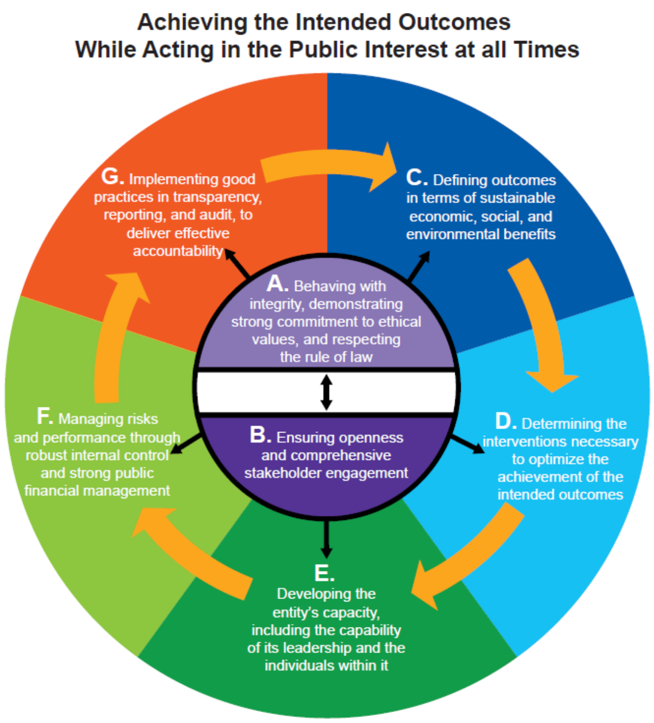
The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS performance against the performance indicator relating to planned days delivery.

Area of Activity	Target	2016/17	2017/18	2018/19	2019/20
Planned Days percentage of actual billable days against planned chargeable days completed	**95%**	99%	95%	99%	98%

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 9 June 2020.

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 2019/20 against each of the principles is set out on the following pages identifying opportunities for governance enhancements.

Arrangements are monitored throughout the year as set out on page 3. Progress against the delivery of actions identified in the 2018/19 Annual Governance Statement is reflected in the green boxes throughout this Annual Governance Statement.

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

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

Summary of 2019/20 Review of Effectiveness:

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

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

The Council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Authority's Code of Conduct and sets out how the authority will deal with such allegations. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. The Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

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

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

Figure 4: Organisational Values

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

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

The Council has a Whistle-blowing Policy which is based on the Public Interest Disclosure Act 1998 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.

During 2019/20, the Council carried out one instance of directed covert surveillance in accordance with the Regulation of Investigatory Powers Act 2000.

The following governance activity pertaining to best practice has been delivered in 2019/20:

- The Council's Financial Regulations have been reviewed. Approval by Council of the revised Regulations has however been delayed due to COVID-19.
- New Anti-Money Laundering and Anti-Bribery Policies have been produced and will be publicised to staff by September 2020.
- Fraud information for staff is now available on the Council's intranet
- Fraud e-learning is now available to staff

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 2019/20 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.

A new Community Engagement Framework has been prepared and agreed. A customer friendly version of the Framework is being produced which will be available on the Council's website. Toolkit development will be ongoing as resources are created for Council teams moving forward.

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

Figure 5: Residents' Newsletter

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

In November 2017 a LGA Peer Review of the Council's communications arrangements was carried out. The review has informed a restructure of the Communications Team and how the Council communicates with its stakeholders.

In response to the COVID-19 public health emergency, the Council has played an active role in promoting and signposting residents and businesses to the Government's package of guidance and support measures. The Council's website has lots of information and links and these have also been publicised on social media.

The Council has also engaged with businesses and voluntary sector organisations in relation to a potential no-deal Brexit, promoting and signposting them to government information and guidance.

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

As part of its response to COVID-19, the Council has worked closely and collaboratively with its partners to respond to the crisis. The Council has been working in partnership with the Hertfordshire

LEP, Chamber of Commerce, Wenta and the Hertfordshire Growth Board to ensure that businesses in the town are supported and informed.

The Council has also been working with the voluntary sector, Police, Citizens Advice Stevenage, British Red Cross, Foodbanks and other voluntary services in Stevenage as well as a range of local charities to provide help and advice to those who are particularly vulnerable and are facing hardship during the COVID-19 crisis.

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

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.

The following governance activity pertaining to best practice has been delivered in 2019/20:

- 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.
- New Customer Feedback Policy approved and published.
- New Freedom of Information e-learning launched.
- Mace held a public consultation to get feedback on the latest proposals for the regeneration of SG1. The event was well attended with over 500 people engaging in the process.
- People in the town were asked for their views about the plans to relocate and improve the bus interchange to improve transport and connectivity links in the town.
- Consultation was carried out to seek residents' views about the Council's proposals to improve the Old Town and Roebuck Play Areas.
- Consultations regarding current and future community centre use and facilities took place with over 340 responses recorded and 42 focus group consultations. Executive approved a set of recommendations as part of the Community Centre Review in December 2019.
- Consultation was carried out to inform the creation of both the new Housing Older People Strategy and the Homeless Strategy. There has also been consultation to inform the development of the Climate Change Strategy, including piloting a new engagement tool via social media.
- The Major Refurbishment Contract has promoted social value by utilising local employment, with over 40% of materials and subcontract labour being supplied by local supply chain partners.
- Proposals on a Community Wealth Building approach were agreed by Council.
- Approval was given by Executive to the establishment of six Co-operative Neighbourhood areas. The six teams will form the basis of the Council's strategic approach to delivering localised, responsive, coordinated and collaborative services; working with partners, and engaging with the different communities of Stevenage.
- A series of ward walkabouts with elected members and relevant officers took place. This has informed future projects and celebrated recent successes.

- The procurement process for an integrated digital solution provider was concluded and the supplier has commenced work on the replacement of the existing Customer Relationship Management system. The new software will enable integration between systems, to join up Council service delivery and provide better customer facing online service channels.
- A Customer Charter developed in conjunction with the Stevenage Direct Services Change and Action Team was agreed and adopted. Built on the Council's values, the charter sets out how the service will conduct its operations and business and details what customers can expect. The charter also explains how customers can help to deliver effective services.
- The Community Select Committee's review of resident involvement is now complete with clear actions defined in the development of a wider Community Engagement Framework and toolkit for the Council. This will also help to inform the development of existing resident involvement groups linked to Housing and Investment.

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 2019/20 Review of Effectiveness:

The Council's vision:

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

Working in partnership

Stevenage Together, Stevenage's local strategic partnership includes a range of diverse partner agencies. Its ethos is to foster innovative ways of working together, to improve the lives of people who live, 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 three themed groups: Social Inclusion Partnership (SIP), Community Safety Partnership (SoSafe), Health and Wellbeing Partnership.

The aims of the partnership are to generate pride in the borough, develop communities, help people feel safe 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 three 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

The focus and scopes of programmes is monitored to ensure that the FTFC Programme continues to deliver the Council's priorities.

Figure 7: Future Town Future Council

Work is progressing on scoping a new FTFC programme called 'Place of Choice'. It has been agreed that this will incorporate the activities associated with a number of existing and emerging strategies that focus on improving the quality of life of residents and visitors. This programme is intended to provide overarching governance, to ensure that these strategies are well aligned, and that the FTFC Board are tracking key deliverables and priorities for each year. The following existing and emerging strategies/plans are included in the scope of the programme:

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

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

There will however be an impact on the FTFC programme as a result of COVID-19 and Officers have therefore conducted a review of the FTFC programme for 2020/21 to help identify which planned projects can be delivered or where necessary adapted, noting the FTFC programme will be a key element of the Council's COVID-19 recovery programme. Officers have engaged with Executive Members and the Opposition Group Leaders to help shape the direction of this programme for 2020/21, to identify priorities and test the progress and deliverability of key projects.

This process has set out a range of programmes that the Council will continue to prioritise during the crisis and in the recovery phase, including the continuation of Town Centre Regeneration projects and the SG1 scheme and the Stevenage Development Board which is working up the bid for the Towns Fund and unallocated Growth Deal monies, the delivery of high quality affordable housing projects, the work underway to create a new and effective online customer service offer to adapt to the current environment, investment to enhance the current housing stock and improve the offer to residents and tenants, and the continued delivery of Cooperative Neighbourhood Management arrangements. Officers will also continue to prepare strategies and action plans for key objectives such as Community Wealth Building, Climate Change and the next phase of the Future Town Future Transport programme. These projects and strategies will be brought together as part of the emerging COVID-19 recovery plan for Stevenage.

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

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 Council's Medium Term Financial Strategy (MTFS) was reported to Executive in September 2019, updated in the November 2019 Executive Financial Security report and as part of the General Fund budget report to the January 2020 Executive.

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 HRA Business Plan has recently been reviewed to reflect legislative changes which have impacted on HRA finances. The revisions were agreed at Executive in December 2019 and ensure there are sufficient HRA funds to support the Council's Housebuilding and Acquisitions Programme and Housing Asset Management programme. The Council's HRA Medium Term Financial Strategy looks at these plans over a five year horizon in greater detail setting out the principles which generates the need for Financial Security targets.

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

The Council also has a five year Capital Strategy. The purpose of the Capital Strategy is to show how the Council determines its priorities for capital investment, how much it can afford to borrow and sets out any associated risks. As a result of changes to the Prudential Code, this Strategy now shows how capital financing and treasury management activity contribute to the provision of services and implications for future financial sustainability. All capital schemes are regularly reviewed and prioritised to determine whether they should be included in the Capital Strategy. The

Officers' Capital Group ensures that effective arrangements are in place for the design and delivery of capital projects.

Revision to the 2019/20 General Fund and Housing Revenue Account Capital Programme and approval of the draft Capital Programme for 2020/21 was considered by Executive and then by Overview and Scrutiny Committee in January 2020 and the final Capital Programme was approved by Council in February 2020

After over a decade in the making and over a year being held by the Secretary of State, in May 2019 the Council proudly adopted its new Local Plan for Stevenage. The Plan sets the planning policies up until 2031 for 7600 new homes and space for over 2000 new jobs; a revitalised town centre, 3 new sustainable neighbourhoods with the protection of our green infrastructure.

An updated Local Development Scheme was agreed by Executive in April 2019. The Scheme sets out milestones for the examination of the Local Plan and its adoption. It also sets out timeframes for the adoption of the Community Infrastructure Levy and a new Area Action Plan relating to the Railway Station area.

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

The General Fund Asset Management Strategy and rolling five year action plan 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 local asset reviews to identify new opportunities to release surplus land and buildings for sale and opportunities to generate new sustained revenue income as well as improving efficiency and utilisation of assets with partners. The Strategy will remain in place until 2023 and the Action Plan is the key change document and main focus, to be updated annually. A Local Asset Review 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.

As a result of COVID-19 and the government restrictions there has been significant impact on the Council's income, expenditure and cash flow. There has been a loss of income from parking fees, use of leisure facilities, Council Tax as well as other sources of income. The Council has incurred additional expenditure in relation to its response to the crisis and there has been an impact on the Council's cashflow.

A return was submitted to the MHCLG on 15 May 2020 which estimates potential losses for the Council of £5.4 Million for the General Fund and up to £2 Million for the HRA in 2020/21. The Government allocated an additional £1.6B in March and a further £1.6B in April to support local government finances. Stevenage Borough Council's share of this allocation has been £917K. The Council has been engaging with MHCLG to highlight the significant financial implications of COVID-19 on the Council's finances. The information submitted to MHCLG on 15 April estimated that the adverse impact on the Council's finances just for March and April 2020 was £1M, more than the grant received.

There will be an update on the MTFS to the June Executive; setting out plans to ensure the General Fund balances are resilient enough should no further government be forthcoming.

The Council has also submitted information regarding the impact of COVID-19 on the capital programme and to ask for a number of initiatives such as retaining right to buy pooling receipts longer and lower borrowing rates via PWLB.

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Housing Asset Management Strategy: A new five year Housing Asset Management Strategy (2019-2024), with an action plan for implementation of the strategy over the next five years was approved by Executive in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management for the Council and the key strategic projects and programme to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenants.

Progress against the five year action plan during 2019/20 is as follows:

- A stock condition survey of the Council's housing stock, including tower blocks, is underway and will help inform the HRA Business Plan.
- The Major Refurbishment Contract is underway for flat blocks and is now entering into Phase 3, along with a number of other significant programmes such as communal heating refurbishment; sprinkler retrofitting and reviewing the compliance contract and lift replacement/refurbishment.
- A new contractor is being procured to deliver the Decent Homes Standard
- Development of effective programmes to deliver the objectives of the Housing Asset Management Strategy and wider Council strategies is complete.
- The Council has agreed to review its acceptable SAP rating in response to the climate change emergency and to understand the associated cost.
- The Aids and Adaptations Policy has been reviewed and was approved by Executive in March 2020.
- The Repairs and Voids service and the Lettings Team are working closely to carry out a review and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.

Delivery of the Housing Asset Management Strategy is now ongoing and has not been included as an AGS action for 2020/21.

General Fund Asset Management Strategy: The General Fund Asset Management Strategy had a key action for the Council to undertake Local Asset reviews of its current land and buildings.

Progress against this key action during 2019/20 is as follows:

- Local Asset reviews for three wards have now taken place
- A Local Asset Review Board which includes officers from different business units and is currently sponsored by AD (Finance and Estates) has been established and now meets monthly.
- Planning colleagues have been consulted to determine viable asset management options and the Local Asset Review Board have recommended options which merit further work.
- New property data management software has been installed.
- Local Asset Review work will continue during 2020/21. The outcome should be a list of high level opportunities to be consulted on and a site disposal list

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 31).

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. In December 2019 Executive approved revisions to the Business Plan to ensure there are sufficient HRA funds to support the Council's Housebuilding and Acquisitions Programme and Housing Asset Management Programme. The HRA Business Plan will need to be reviewed as a result of the review of the HRA Medium Term Financial Strategy to assess the impact of the COVID-19 crisis on the strategy.

In addition, the following governance activity pertaining to best practice has been delivered in 2019/20:

Hertfordshire Growth Board commissioned a development programme to help consider the implications of growth in Hertfordshire. This six month supported programme explored how issues relating to housing, infrastructure and funding can be jointly addressed in future and a forward work programme and memorandum of understanding for this has been approved.

Principle D: Determining Intervention

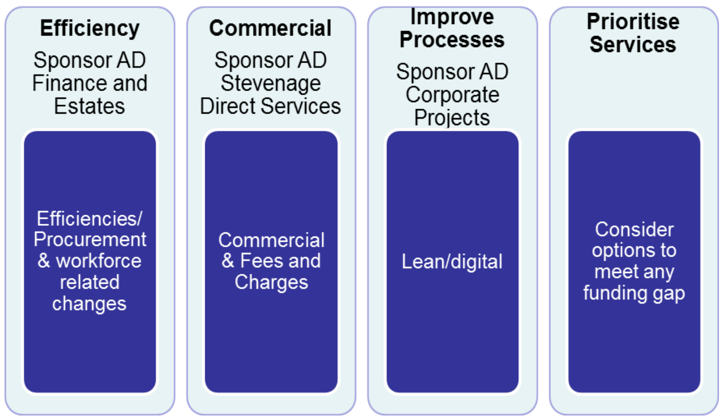
Principle D: Determining the interventions necessary to optimise the achievement of outcomes requires robust monitoring and decision-making mechanisms to ensure that actions identified are sustainable within available resources.

Summary of 2019/19 Review of Effectiveness:

Financial Governance Arrangements:

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

Figure 9: Financial Security Work Streams



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).

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

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

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

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

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

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

Housing Development Programme

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

The Housing Development and Regeneration Executive Committee receives updates on the Housing Development Programme. During 2019/20 reports have been considered by the Executive as required. Progress of the programme and against key milestones is reported each month to the FTFC programme board. Budgets are also monitored by the Assets and Capital Board which meets bi-monthly to ensure spend is in line with predictions. New build schemes within the HRA form part of the HRA Business Plan, and the General Fund schemes are reported to Executive as part of the Capital Strategy updates.

On 19 July 2019, the Executive approved the procurement approach for the Kenilworth Housing Development Scheme. An internal audit of the procurement process was carried out in March 2020 and advised they were satisfied the decision to appoint the developer was made in line with internal procurement rules, there is good evidence to demonstrate the rationale for the procurement approach and SIAS were able to confirm that elected members were consulted and kept informed as the process evolved. SIAS advised that the procurement process had been subject to and passed several stages of extensive internal scrutiny from elected members

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

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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.

On 1st November 2019, the government issued the Town Fund prospectus inviting 100 towns to develop proposals to benefit from up to £25M funding. The objective of the fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through: regeneration, planning and land use; skills and enterprise infrastructure and connectivity. In December, Executive agreed the approach and governance arrangements to enable the Council to make a Town Fund bid. A Stevenage Development Board has been set up which meets monthly and its terms of reference have been agreed.

Local Government Reform and Devolution

The Government announced plans to publish a White Paper on devolution and local recovery. The paper was originally due to be published for September 2020 but was subsequently delayed until 2021. It was anticipated that the White Paper would set out the Government's thoughts regarding local government reorganisation. Locally Hertfordshire County Council announced its preference for a move to a single unitary governance model. There was cross-authority consensus amongst the ten district and borough councils in Hertfordshire that a single unitary authority was the wrong plan at the wrong time. Concerns were raised regarding the need to focus on covid recovery related activities as well as the potential for a democratic deficit to occur if such a model was pursued. The District & Borough Leaders highlighted a preference to continue to work together through the established Herts Growth Board to ensure that Herts is as well positioned as possible to secure the vital infrastructure funding that it needs to meet the future growth challenges. Survey results from renowned pollsters Survation showed the importance that local people placed on local governance with 80% not being in favour of a single unitary council option. Hertfordshire is not amongst the areas which the Government has invited new governance proposals from. However until the White Paper is published the Governments intentions with regard to reforming Local Government cannot be confirmed.

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Governance of Key Regeneration Projects: The Housing Development and Regeneration Executive Committee receives updates on both the Housing Development Programme and an overview of the Regeneration Programme. Integrating regeneration into this existing meeting to become a joint meeting has been very positive and enabled Councillors to have sight of emerging opportunities. During 2019/20 regular reports have been considered by the Executive as required. Progress of the programme and against key milestones is reported each month to the FTFC programme board. Monthly and quarterly reporting with Hertfordshire LEP takes place, together with Stevenage Borough Council financial reported to track LEP related expenditure.

Board-level meetings are held with two of our key partners, Mace and Reef, on a monthly and quarterly basis respectively. This is supported by regular operational meetings. The strength of these partnerships has been vital in preparing COVID-19 mitigation measures in March 2020.

Good progress has been made towards implementing the recommendations of a recent internal audit. Key actions completed to date include the streamlining of governance functions to ensure a single highlight report is used to update multiple meetings, and a shift in emphasis towards empowering project managers and project sponsors to operate more autonomously within established criteria.

The Council also opened the Stevenage Regeneration Visitor Centre where visitors can learn more about the town's regeneration plans in an informative and interactive exhibition and a specialist officer is on site to answer questions. Thousands of residents have visited the centre and the feedback has been overwhelmingly positive, both towards the proposals and the way in which we are engaging in a transparent and co-operative way

The Council launched Stevenage Even Better. Stevenage Even Better is the result of work from a number of organisations, including Stevenage Borough Council, Hertfordshire Local Enterprise Partnership, Hertfordshire County Council and Hertfordshire Chamber of Commerce. Stevenage Even Better launched its own interactive website this year and has received positive engagement with residents through social media.

The terms of reference for the new Stevenage Development Board which is working up the bid for the Towns Fund and unallocated Growth Deal monies, have been agreed and monthly meetings are now being held of the Board to progress the Town Investment Plan. Information about the Board will soon be added to the Stevenage Even Better website.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 32).

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Community Safety: Changes to procedures to enhance document retention arrangements in relation to the enforcement of anti-social behaviour action have been implemented. This action is therefore now complete and will not be carried over to 2020/21.

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework and SBC Local Code of Governance:

Shared Hertfordshire Home Improvement Agency (HHIA) service: In 2017, Hertfordshire County Council created the HHIA as a specific model for collaborative working between the upper and lower tiers of local government in Hertfordshire, with the aim of providing a centralised service to assist residents to improve or adapt their home for continued independent and safe living. Stevenage Borough Council joined this centralised service in April 2018. In In response to an internal audit of the new shared service, the following action has been taken to ensure that the Service can deliver its financial targets in the medium term, as well as ensure that minimum key standards are being met, enhance its governance structure and ensure the HHIA Board is offering value for money the following activity is planned by Hertfordshire County Council:

- A new senior management team is now in place and a new Business Analyst has been appointed to provide strategic and operational statistics alongside case monitoring.
- A new Case Worker and Technical Officer have also been appointed.
- Standard Operating Procedures have been produced and a review of the service's team structure is taking place.
- The Customer Management System has been reviewed and process mapping is complete. A report is to be submitted to the HHIA Board regarding potential options which could include replacing the CMS system when the current contract ends in September 2020.
- All HHIA staff have undertaken training to ensure all staff are 'up skilled''.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 32).

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 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

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

- A new ICT Programme Management Office has been established and is implementing procedures to ensure that ICT projects are delivered to a consistent standard with appropriate governance arrangements.
- A new Data Analyst is working with performance measure owners to review the potential to extract performance data automatically from systems and to input it directly into the Council's performance management system.

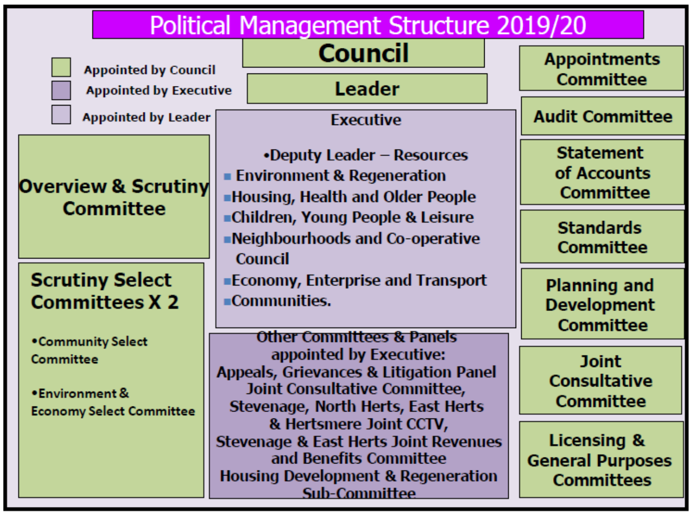
Principle E: Leadership capacity and capability

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 2019/20 Review of Effectiveness:

The Council's Political Management Structure:

Figure 10: Political Management Structure 2019/20



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

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

In response to the COVID-19 crisis, the government has recently brought in new arrangements for meetings to be held remotely. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ('the Regulations') came into force on 4 April 2020 and apply to local authority and police and crime panel meetings that are required to be held, or held before 7 May 2021. The Council has therefore put in place arrangements for meetings to be held remotely in line with these new regulations. A protocol has been written for the management and conduct for remote meetings. Meetings can be viewed by the public via YouTube.

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

The Council has structured its processes and procedures for the Executive and Scrutiny Committees plus other Committees such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. The Council also appoints officers qualified to undertake statutory responsibilities, such as:

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

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

The Council's Officer Structure:

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

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

A number of key appointments to strategic posts have taken place this year. The Council appointed its new Chief Executive in July 2019. This led to the appointment to the roles of Deputy Chief Executive and Strategic Director.

An additional Strategic Director (Chief Finance Officer) role was created to ensure the Council can meet future financial challenges and opportunities and this role has recently been appointed to. This has led to the post of Assistant Director (Finance and Estates) becoming vacant and an appointment to this post has been made.

The roles of Assistant Director Digital and Transformation and Assistant Director Stevenage Direct Services have both now been appointed and they will both be taking up their new roles in May 2020.

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 Council's Competency Framework provides a map of the behaviours, as well as the skills, that are valued and recognised by the Council.

The Council has a staff Performance and Improvement Policy and Manager Toolkit, as well as associated policies (Absence Management, Dignity at Work, Disciplinary, Grievance and Appeals policies, Organisational Change Policy, 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 has a rolling appraisal process called REAL Conversations with regular meeting arrangements providing a framework for achieving the best performance on a day to day basis. These conversations typically include objectives, development, engagement and wellbeing, but they are also tailored to individuals.

Progress of significant governance actions (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Corporate Capacity: Activity to ensure the Council has corporate capacity to deliver its FTFC aims as well as deliver sustainable services that meet the needs of customers the following activity has taken place:

- There has been a significant amount of work on Future Council Business Unit Reviews. The Fourth Tier (roles reporting to Assistant Directors) review is now almost complete across the whole Council.
- Work has commenced to establish a Manager's Leadership forum and work is underway to develop a leadership vision and an aligned development programme to support and empower manager's to deliver that vision. Wider business unit skill gaps will be assessed once business unit reviews are complete and staff have been recruited for the posts.
- The Council introduced a new Managing Organisational Change policy which is more holistic and considers how to manage change and the impact on our people. Managers also received training on this at the time of launching the new policy.
- A Manager and Senior Leadership Team Development Programme was agreed and is now in place.
- The Leadership Competency Framework was developed and implemented during 2016 to signal to the organisation the expected behaviours and skills that would be valued. The Competency Framework has now been extended for all staff. A communications plan to publicise the Competency Framework to staff has been developed and agreed and will link to the Council's employer brand.
- As part of the Council's response to COVID-19 we have prioritised key roles for recruitment and these processes are continuing remotely with interviews taking place through video conferencing.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 33).

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

- The Council adopted the charity Mind's Wellbeing Action Plan which helps individuals manage their mental health
- The Council's approach to sickness management was enhanced with the launch of First Care. This nurse led service provides advice and guidance on health concerns and informs managers of any sickness absence
- Council staff attended fraud awareness training in areas such as procurement and contract fraud, housing/tenancy fraud and identity fraud.
- An e-learning package for staff and Members to raise awareness of fraud as a risk is now available

- Stevenage Anti-Fraud Service Managers now form part of the Council's Corporate Governance Group and also sit on the Joint Action Group, which is a partnership of police and the Council, set up to tackle various low level but prolific or persistent offending
- A newly developed Learning and Development Module for staff is now available on the MyView system.
- A new Learning and Development Policy has been produced and a map of Learning and Development is currently being developed. Work is currently underway on a new Learning and Development Strategy.

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

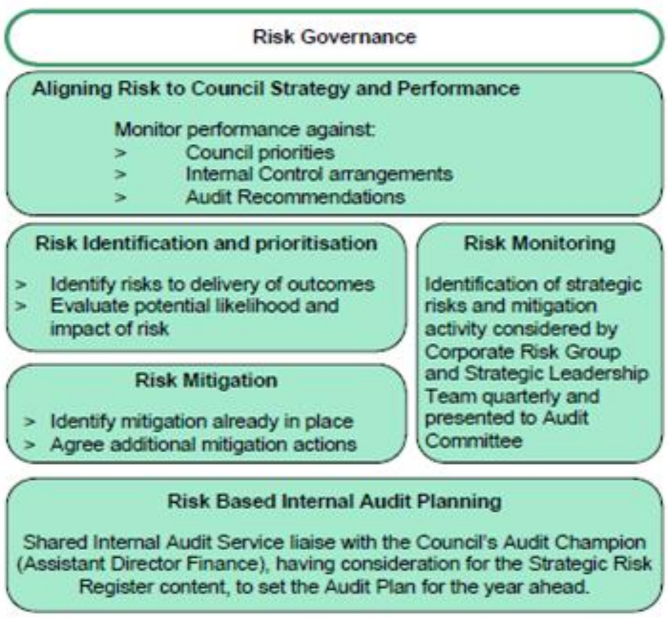
Principle F: Managing risks and performance through robust internal control and strong public financial management. Risk management, together with a strong system of financial management are integral parts of a performance management system and are crucial to the achievement of outcomes.

Summary of 2019/20 Review of Effectiveness:

Risk Management

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

Figure 13: Risk Management Arrangements



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

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

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

Information Technology

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

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

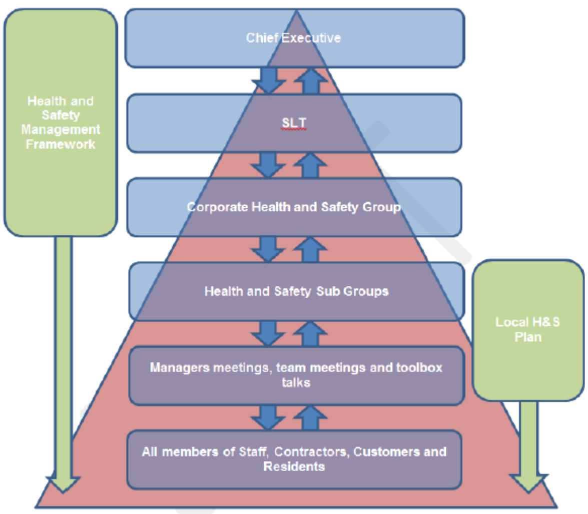
The IT Steering Group and the IT Programme Management Office function facilitates delivery of the projects that supports the Council's Future Town, Future Council programme and the Council's Business Unit reviews alongside the day to day IT service.

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

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

Health and Safety

Figure 14: Council's Health and Safety Framework



To ensure and maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a new corporate health and safety governance structure is in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed. Assistant Directors have ensured that health and safety responsibilities at each level of management within their business units are clear. An ongoing schedule of review by Assistant Directors and internal/external peers is providing assurance that key health and safety risks are being suitably controlled while identifying areas where improvements can be made and including these into the ongoing action plan. Senior management representation on the Corporate Health and Safety Group ensures the group is providing senior management with the assurances that are required. The Council has a complete database of health and safety risk assessments for all services and all Assistant Directors have carried out self-audits of their services.

The COVID-19 emergency, the most serious public health crisis in the UK for over a Century, has and will continue to present a challenge for the Council to ensure the health and safety of its staff, Members and customers. Risk assessments and appropriate measures and changes to service delivery arrangements have been put in place to ensure that the government restrictions and guidelines are adhered to throughout the crisis. This has included closure of buildings, cessation/limiting of services, provision of PPE to appropriate frontline staff, as well as other measures. Further work will be required to ensure that future Government guidance is reflected in the Council's working arrangements as the national and local position changes.

Business Continuity

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

Information and Records Governance

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

Overall responsibility for information management at the Council has been assigned to the Council's Information and Records Governance Manager, who is also the joint Data Protection Officer for both Stevenage and East Herts Councils since December 2019. The Council has a Corporate Information Governance Group in place, which oversees the Council's information governance arrangements.

The Council has identified and documented its information assets and data flows and developed an information asset register. The Council has an Information Management Policy and a Security Incident Management Policy which define the Council's procedures with regards to information governance and the management of data security incidents. Both of these policies are currently under review. Specific guidance on records management with defined responsibilities of information asset owners is also in development which will apply to all staff across the organisation. Document retention guidance has been produced and communicated to all members of staff, which includes a defined and enforced corporate records retention schedule in line with the requirement of the GDPR and good practice. There are also defined procedures in place for the disposal and destruction of information.

Progress of significant governance actions (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Cyber Security and IT Resilience: Improvement activity has continued to ensure the Council's ICT and telephone systems continue to provide a secure and high performing ICT environment:

- A new ICT strategy and road map was approved by both Stevenage Borough Council and East Herts District Council.
- Migration of the Council's telephone system is now complete.
- A Security and Network Team has now been established.
- New email and website security software has been implemented to ensure outgoing emails are being encrypted.
- The shared service storage hardware has been replaced and 99% of the Council's systems and data are running on it. The remainder is scheduled to be transferred shortly.
- Work has commenced to upgrade from Windows 7 to Windows 10 on the latest version and VMware Horizon on new hardware. This will increase performance, in particular login times, and due to changes in the software structure will enable ICT to update systems with less impact on the entire Council.
- A project to install new network security and reporting tools has commenced.
- Microwave (resilient link) implementation is underway, which on completion will give a secondary link alongside a cable connection between both datacentres, meaning that if one of the connections is disrupted there will be no reduction in provision.
- Upgrading of Horizon VDI desktops has started and the project to install a microwave link between the data centres at Daneshill House and Cavendish Road is nearing completion.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 33-34).

Progress of significant governance action (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Information and Records Governance: Improvement activity has continued to enhance and embed information and records governance to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed.

- Progress has been made with completion of third party information sharing agreements with over 80% of agreements completed.
- The GDPR team are continuing to work with SBC service teams and the Shared Legal Services in requiring lead partners to update relevant protocols and framework that involve the sharing of information to reflect GDPR requirements
- As part of the wider ICT Improvement Strategy, recent notable developments in GDPR related security have taken place regarding emails and internet security to protect Council data.
- Work has commenced to produce a suite of ICT Data Security Policies.
- The Council's Information Governance Manager is working in liaison with the HR team to review the next offering of mandatory e-learning GDPR training to ensure the content is relevant to Council services.
- GDPR tailored bitesize sessions were held for staff covering key topics affecting staff in their everyday working practices.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 34).

Progress of significant governance action (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Corporate Health and Safety: Health and safety arrangements have been enhanced by:

- Training requirements appropriate to role have been identified and training is being carried out as required.
- The Health and Safety Team have delivered the IOSH Managing Safety Course for Managers.
- Alongside e-learning health and safety packages there is now a range of tool box talks available, plus courses on Risk Assessment, Construction, Design and Management Regulations, Manual Handling, COSHH, Hand Arm Vibration, Legionella, Needle sticks, Sharps and Diseases, Hot Works and Noise.
- Embedding of the Health and Safety framework is being achieved by a process of internal and External audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans
- Twenty-one Health and Safety policies were updated during 2019/20.
- SIAS Health and Safety Audit achieved a Good assurance opinion. SIAS concluded that monitoring and recording compliance with health and safety policies is in place. In addition, this has created action plans for teams across the Council to complete. These action plans include controls put in place to mitigate risks identified through the Council's annual risk assessment process. The Health and Safety Team take on board any lessons learnt. Induction and training arrangements are provided to help ensure all processes run smoothly.
- Governance mechanisms, risk assessment and working practices have been reviewed at the Cavendish Road Depot. This work has been informed by independent external audits of the main work streams in the unit. Follow up external audits have confirmed the improvement made and compliance with assessment thresholds for all areas audited. Ongoing monitoring and action plans are now implemented to ensure this position is maintained.
- Work is underway to procure a new digital Health and Safety System.
- Health and safety goals and priorities were agreed with the Council's Senior Leadership Team

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 34).

Progress of significant governance actions (2018/19 AGS action) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

CCTV Partnership: A thorough review of the governance framework of the CCTV Partnership was carried out and a new suite of governance arrangements, including refreshed company business plan were approved by the CCTV Joint Executive and Company Board of Directors. A follow-up SIAS audit signed all of these actions as complete in November 2019. This action is therefore not being carried over to 2020/21

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 2019/20 Review of Effectiveness:
Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

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

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

The Council's internal audit provision is delivered by the Shared Internal Audit Service hosted by Hertfordshire County Council. A summary of 2019/20 arrangements is set out on pages 5 to 7 of this Statement outlining assurance for both financial and non-financial systems.

For 2019/20 the Shared Internal Audit Service assigned 'satisfactory' assurance for financial systems and 'satisfactory' assurance to non-financial systems. Actions to enhance governance for the areas highlighted have been identified and prioritised.

The Council's External Auditors, Ernst and Young, advised Audit Committee in March 2020 in their Annual Audit Letter for 2018/19 that the Council's financial statements give a true and fair view of the financial position of the Council at 31 March 2019 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 2018/19 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 2019/20

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

Corporate Governance Calendar April 2019 – September 2020

Apr 2019

- Internal Audit of **Corporate Governance** arrangements achieves **'Good'** assurance for areas assessed
- Internal Audit of **Risk Management** arrangements achieves **'Good'** assurance for areas assessed
- **Corporate Governance Group** carried out a **review of Principle E** of the CIPFA/SOLACE Framework
- New **Local Development Scheme** agreed by Executive

May 2019

- **Annual Council** agree the political management structure of the Council
- **New Members** attend **induction programme**
- **Local Plan (2011-2031)** adopted **on 22 May 2019**

June 2019

- **Audit Committee** recommended the **2018/19 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 2019/20
- **Twelve month review of shared Herts Home Improvement Agency** considered by Executive
- Executive receives an update on the **Town Centre Regeneration Programme**

July 2019

- **Annual Scrutiny Report** submitted to Council
- **Council** appoints its new **Chief Executive**
- **2018/19 Annual Report and Performance Review** approved by Executive
- **Corporate Governance Group** carried out a **review of Principles C and G** of the CIPFA/SOLACE Framework
- **Q4 Financial Monitoring reports** considered by **Executive**

Aug 2019

Sep 2019

- Executive approves **General Fund and HRA MTFS 2019/20-2022/2023**
- Annual report of Shared **Anti-Fraud Service for 2018/19** to Audit Committee
- Annual report of **Shared Internal Audit Service** for 2018/19 to Audit Committee
- Audit Committee consider **HHIA Audit report**
- **Executive** consider **Q1 Performance and Financial Monitoring reports**

Corporate Governance Calendar October 2019 - March 2020

Oct 2019

- Council approves the **Annual Treasury Management Review of 2019/120 including prudential code**
- **Corporate Governance Group** carried out a **review of Principles A and B** of the CIPFA/SOLACE Framework
- **Executive** approves the **ICT Joint Strategy and Action Plan (2019/20 – 2021/22)**

Nov 2019

- New **Strategic Director** appointed
- **Audit Committee** considered the six month progress review of AGS and Service Governance actions
- **Executive** considers **Q2 financial monitoring reports**

Dec 2019

- **Executive** consider the **Q2 Corporate Performance** report
- **Executive** approves **the Hertfordshire Growth Board's Memorandum of Understanding**
- **Executive** receives a report in relation to the **Towns Fund**
- **Executive** approves changes to the **HRA Business Plan**

Jan 2020

- Council approve the **Housing Revenue Account Final Budget Proposals, Rent Setting and Draft Council Tax Support Scheme 2020/21**
- Overview and Scrutiny Committee consider the **2020/21 Draft Capital Forward Plan, Five Year Capital Strategy Update and 2020/21 Council Tax setting and General Fund** Budget for submission to Executive and Council

Feb 2020

- **Council** approves the **2020/21 Council Tax, General Fund and Capital budgets, and the Annual Treasury Management Strategy including Prudential Code Indicators 2020/21**
- **Members' Allowances Scheme 2020-21** approved at **Council**
- **Pay Policy Statement for 2020/21** approved by **Council**
- Appointment Committee appoints new **Strategic Director (Chief Finance Officer)**

Mar 2020

- **Quarter 3** Performance and Financial Monitoring reports considered by Executive
- **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 2019 and of its expenditure and income for the year then ended

Planned Improvement Activity for 2020/21:

Significant internal control and governance issues identified as part of the 2019/20 review of the Governance Statement are summarised on page 4, identified in the relevant section throughout this Statement and set out in the following Action Plan.

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

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

- The Housing Revenue Account (HRA) Business Plan, (agreed by Executive November 2018 and reviewed and updated in December 2019) is under ongoing review to ensure a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to support the Council's Housebuilding and Acquisitions Programme and the Housing Asset Management Strategy.

  The HRA and General Fund Medium Term Financial Strategies and Capital Programme are under ongoing review to ensure finances remain robust in the long term and ensure the Council can deliver the ambitions set out in its Future Town Future Council Programme; deliver a once in a generation investment in the town, through town centre regeneration, housing development and investment in neighbourhoods and become financially self-sufficient. The General Fund and HRA Medium Term Financial Strategies and Capital Programme will need to be urgently reviewed to reflect the significant impact on the Council's financial situation as a result of the COVID-19 crisis.

- 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.

Action Ref	Action	Target Date
1	**To implement the General Fund Asset Management Strategy the following activity is planned** • Continue the review of the Council's commercial portfolio • Complete Local Asset reviews of the Council's current land and buildings to identify new opportunities for better use of existing buildings • Identify potential sites for release for sale and identify land for the Council's own house building programme	August 2020 December 2020 March 2021

Action Ref	Action	Target Date
2	**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 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	Ongoing to March 2021 March 2021 Ongoing to March 2021 September 2020 Ongoing to March 2021 Ongoing to March 2021
3	**To ensure that the Shared Hertfordshire Home Improvement Agency (HHIA) service, operated by Hertfordshire County Council, can deliver its financial targets in the medium term, as well as ensure that minimum key standards are being met, enhance its governance structure and ensure the HHIA Board is offering value for money, the following, the following activity is planned by Hertfordshire County Council:** • Review the current business continuity and succession planning arrangements to ensure the service can continue to function in the absence of key officers • Further training to be provided to HHIA staff to ensure the case management system is completed and updated and carry out regular data quality checks to obtain assurance that records are updated in an accurate and timely manner • Enhance financial monitoring and reporting • Enhance performance monitoring and reporting	March 2021 March 2021 March 2021 March 2021
4	**New for 2020/21: To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property, a review of the current arrangements and responsibilities for managing non-housing property is required. This will be achieved by:** • Implementation of the new action plan (informed by a recent CIPFA review) to implement a new Corporate Landlord function. • Produce a preferred model for provision of the compliance contract	December 2020 September 2020

Action Ref	Action	Target Date
5	**New for 2020/21: To ensure that the Council's ambitious commercial & Insourcing agenda can be achieved, a programme of work is required to enhance the capacity, information, financial and legal skills of those involved in complex investment or commercial decision making. This will be achieved by:** • Development and approval of a Commercial Strategy • Implement a programme of training	September 2020 November 2020
6	**New for 2020/21: In response to the challenges which could result from the Government's Local Government Reform and Devolution White paper which is now due to be published in the Spring of 2021, the following action is proposed:** • Undertake a review of the White Paper and its implication once it has been published • Engage with other Hertfordshire District and Borough councils to consider a response to the White Paper	TBC 2021 TBC 2021
7	**New for 2020/21: In response to the COVID-19 crisis and to ensure the Council can reinstate and continue to deliver services, continue to meet its FTFC ambitions and enable recovery from the effect of the virus in the town, the following action is planned:** • Carry out a review of the General Fund and HRA Medium Term Financial strategies in light of the financial pressures arising from the COVID-19 emergency • Carry out a review of the FTFC Programme to help identify which planned projects can be delivered in the year or where necessary adapted. • Produce and implement a town wide Recovery Plan • Produce and implement an internal Stevenage Borough Council Recovery Plan	June 2020 June 2020 Sept 2020 Aug 2020
8	**To ensure there is corporate capacity to deliver sustainable services that meet the needs of customers, the following activity is planned:** • Through strategic workforce planning, undertake skills/capacity gap analysis and put in place targeted management and staff development activity in response. • 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 • Continue to implement the restructure of services through Future Council Business Reviews • Recruit to a number of key posts across the Council to enhance capacity and key skill requirements	December 2020 September 2020 December 2020 December 2020 March 2021

Action Ref	Action	Target Date
9	**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:** • Horizon VDI Upgrade to be carried out to improve resilience resulting in 100% of desktops being available at each data centre, allowing the ability to resolve issues without down time. • Update the ICT Disaster Recovery Plan to reflect new infrastructure and arrangements • Install a secondary microwave link between the Council's two data centres to almost eliminate chances of link breakage and therefore ICT interruption. • Replacement of the Council's firewalls • Implementation of controls and management tools to monitor and control the ICT network • Replace Windows 2008 to Windows 2019	December 2020 December 2020 December 2020 September 2020 September 2020 September 2020
10	**To continue to enhance and embed information and records governance 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:** • Use of data discovery tool to identify all relevant personal data and allow decisions to be made regarding the processes and procedures for teams handling this data. • Continue the review of data sharing arrangements with local authority partners and public agencies to reflect GDPR requirements on information sharing obligations • Update supplier agreement which involve the processing of personal data in line with GDP requirement	Currently on hold June 2020 June 2020
11	**To continue to ensure health and safety compliance and performance across the Council the following activity is planned:** • A monitor of all corporate high health and safety risks to be produced for review by the Strategic Health and Safety Group and monthly HR meetings • The Council's Senior Leadership Team to receive Institution of Occupational Safety and Health training • Implement revised health and safety arrangements in line with COVID-19 Government guidelines and restrictions for staff, Members and customers	March 2021 November 2020 July 2020

Approval of Statement:

Approval of Statement by Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Leadership Team, relevant officers and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Areas to enhance the governance framework already addressed are summarised in this Annual Governance Statement. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 31-34.

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

Signed …………………………………
Date ……………………………………
Cllr Sharon Taylor
Leader of Stevenage Borough Council

Signed …………………………………
Date …………………………………..
Matthew Partridge
Chief Executive of Stevenage Borough Council

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