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Stevenage BOROUGH COUNCIL

AUDIT COMMITTEE

Date: Monday, 27 March 2023
Time: 6.00pm
Location: Council Chamber, Daneshill House, Danestrete, Stevenage
Contact: Ian Gourlay (01438) 242703
committees@stevenage.gov.uk

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

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 7 FEBRUARY 2023

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 7 February 2023.
Pages 3 – 8

3. 2019/20 STATEMENT OF ACCOUNTS UPDATE

To consider reports from Ernst & Young and the Strategic Director (Section 151 Officer) on the External Audit of the Council's 2019/20 Statement of Accounts.
Pages 9 – 224

4. SHARED ANTI-FRAUD SERVICE (SAFS) PROPOSED ANTI-FRAUD PLAN 2023/24

To consider the Shared Anti-Fraud Service's proposed Anti-Fraud Plan for 2023/24.
Pages 225 – 238

5. SIAS INTERNAL AUDIT PLAN 2023/24

To consider the proposed SIAS Internal Audit Plan for 2023/24.
Pages 239 – 254

6. CORPORATE GOVERNANCE ARRANGEMENTS

To consider an assessment of Corporate Governance arrangements.
Pages 255 – 266

7. URGENT PART I BUSINESS

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

8. 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.

9. STRATEGIC RISK REGISTER

To consider the latest Strategic Risk Register.
Pages 267 - 328

10. URGENT PART II BUSINESS

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

Agenda Published 17 March 2023

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE
MINUTES

Date: Tuesday, 7 February 2023
Time: 6.00pm
Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present:	Councillors: John Gardner (Vice-Chair in the Chair), Myla Arceno, Stephen Booth, Alex Farquharson, Jackie Hollywell, Graham Lawrence CC, Loraine Rossati and Tom Wren. Mr Geoff Gibbs (Independent Co-opted Non-voting Member)
Start / End Time:	Start Time: 6.00pm End Time: 6.52pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were submitted on behalf of Councillors Teresa Callaghan (Chair) and Maureen McKay.

There were no declarations on interest.

2 MINUTES - 9 NOVEMBER 2022

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 9 November 2022 be approved as a correct record and signed by the Chair.

3 2019/20 EXTERNAL AUDIT UPDATE

The Committee received a verbal update from Karen Cunanan (Ernst & Young) in respect of the 2019/20 External audit of accounts. She advised that there were still five outstanding items in relation to the 2019/20 External audit. The items relating to property, plant & equipment; value for money; and going concern should all be completed in the near future.

Karen commented that the outstanding item relating to Infrastructure assts was a national issue. CIPFA had issued a revised code and the DHLUC was to prepare a Statutory Instrument in respect of this matter, which it was anticipated that SBC would adopt.

Karen explained that the final item related to non-compliance with the minimum Decent Homes standards – a provision needed to be made in the 2019/20 accounts for this item.

Karen stated that Ernst & Young was working with the SBC Finance Team and valuers to resolve the outstanding issues, and March 2023 had been agreed as the target date for completion/sign off of the audit.

The Strategic Director (CF) advised that some of the above issues had arisen because the audit had been open for a protracted amount of time. She had initially been prepared to agree to an audit limitation for the 2019/20 accounts, but that this would now be superseded by the CIPFA Code/DHLUC Statutory Instrument.

The Strategic Director (CF) explained that the alleged non-compliance with the Decent Homes standards issue had been referred to the Housing Regulator, but the allegation had not been upheld. The Council had been voluntarily reporting to the Regulator on good practice methods relating to Decent Homes. She added that housing valuations for stock-holding authorities were discounted as those councils provided social housing.

In reply to a Member's question, the Strategic Director (CF) commented that the issue with the Council not always meeting the Decent Homes standards could be due to access to properties and the timing of works. The Council had invested significantly in the stock via the Decent Homes and Major Works contracts. The level of decency was monitored via a Corporate Key Performance Indicator.

The Strategic Director (CF) agreed to provide the information on Decent Homes to the Committee as had been provided to Ernst & Young.

Karen Cunanan confirmed that there were risks associated with the completion of all 5 outstanding areas of the 2019/20 audit, which all required finishing before the audit was signed off (anticipated in March 2023).

The Committee Chair requested the Strategic Director (CF) to advise Members of the Audit Committee as soon as the 2029/20 audit had been completed and signed off.

It was **RESOLVED** that the verbal update from Ernst & Young regarding the 2019/20 External audit of SBC accounts be noted.

4 2020/21 EXTERNAL AUDIT PLAN

The Committee received the proposed External Audit Plan for 2020/21, as submitted by Karen Cunanan (Ernst & Young). She began by drawing attention to the risks/areas of focus included in the Plan as follows:

- Misstatements due to fraud or error (risk of management override);
- Inappropriate classification of revenue spend as capital;
- Incorrect accounting for financing of capital regeneration schemes;
- Valuation of market-based property assets;
- Valuation of property, plant and equipment assets under Depreciated Replacement Cost (DRC) model;
- Queensway lease accounting treatment;
- Pension liability valuation;
- Recognition of grant income associated with Covid-19;
- Going concern disclosures;
- Infrastructure asset accounting; and

- Impact of non-compliance with minimum Decent Homes standards.

The Committee noted that the Preparation of Group Accounts risk/area of focus had been removed for the 2020/21 audit.

Karen referred to the materiality levels; the Audit scope; and the value for money audit arrangements set out in the Plan. In terms of the timeline for the 2020/21 audit, she stated that discussions were ongoing to identify a timescale that would be the most efficient and effective for both the SBC Finance Team and Ernst & Young.

In reply to Members' comments, the Strategic Director (CF) explained that the 2020/21 external audit would be challenging for the SBC Finance Team, especially as work would be happening in tandem regarding the close down of the 2022/23 accounts.

In response to a question, the Strategic Director (CF) confirmed that there had been 20 or so different COVID Grant schemes. Most of these schemes had now ended. The Council had acted as agents on behalf of the Government in distributing these grant funds, and Ernst & Young would need to check, as part of the 2020/21 audit, that these had been properly accounted for in the accounts.

It was **RESOLVED** that the proposed External Audit Plan for 2020/21, as submitted by Ernst & Young, be approved.

5 INTERNAL AUDIT PLAN 2022/23 - PROGRESS REPORT

The SIAS Client Audit Manager presented a progress report with regard to the SIAS Internal Audit Plan 2022/23 (up to 20 January 2023).

The SIAS Client Audit Manager advised that eight final reports had been issued since the last progress report to the Committee, and these were set out in Paragraph 2.2 of the report, together with the assurance levels and number of recommendations.

The SIAS Client Audit Manager stated four audits had been moved the Quarter 4 from dates earlier in 2022/23. This was due to a combination of management requests and work re-allocation by SIAS. The Planned and Response Maintenance to the Council's Estate audit had been cancelled for the reasons set out in the report.

The SIAS Client Audit Manager referred to progress the in respect of the Cyber Security and Environmental Maintenance High Priority Audit recommendations, as set out in Appendix B to the report.

The SIAS Client Audit Manager drew attention to the challenging recruitment and retention issues faced by the service, as outlined in Paragraphs 2.10 to 2.13 of the report

In response to a Member's question, the SIAS Client Audit Manager advised that the two additional external partners appointed to assist in the work of SIAS for 2022/23 were BDO and Mazars. He added that he was confident that SIAS would have the necessary capacity to resource the existing (2022/23) and 2023/24 Internal Audit Plan.

The Committee noted the comment made by the Strategic Director (CF) that the Shared Internal Audit Service provided a greater degree of audit resilience than would be the case should each of the partner authorities operated individual internal audit services.

It was **RESOLVED:**

1. That the SIAS Internal Audit progress report be noted.

2. That the changes to the Internal Audit Plan be approved.

3. That the status of Critical and High Priority Recommendations be noted.

6 ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2023/24

The Strategic Director (CF) presented a report in respect of the Annual Treasury Management Strategy including Prudential Code Indicators for 2023/24.

The Strategic Director (CF) outlined the following points:

- there had been no breaches of the Treasury Management Strategy so far in 2022/23;
- there was a new Prudential Indicator for 2023/24 in respect of a Liability Benchmark;
- the Bank of England Base Rate had increased to 4%, which would impact on borrowing;
- the Base Rate was forecast to peak at 4.5% in June 2023 and was predicted to return to a level nearer 2% by December 2025
- cash balances were gradually reducing and it was estimated would be £48M by the end of the year; and
- the Strategy was complementary to the Council's Capital Strategy, which would be submitted to Council for approval on 23 February 2023.

It was **RESOLVED** that the 2023/24 Treasury Management Strategy be recommended to Council for approval.

7 URGENT PART I BUSINESS

None.

8 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED** that:

1. 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. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

9 PART II MINUTES - AUDIT COMMITTEE - 9 NOVEMBER 2022

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 9 November 2022 be approved as a correct record and signed by the Chair.

10 URGENT PART II BUSINESS

None.

CHAIR

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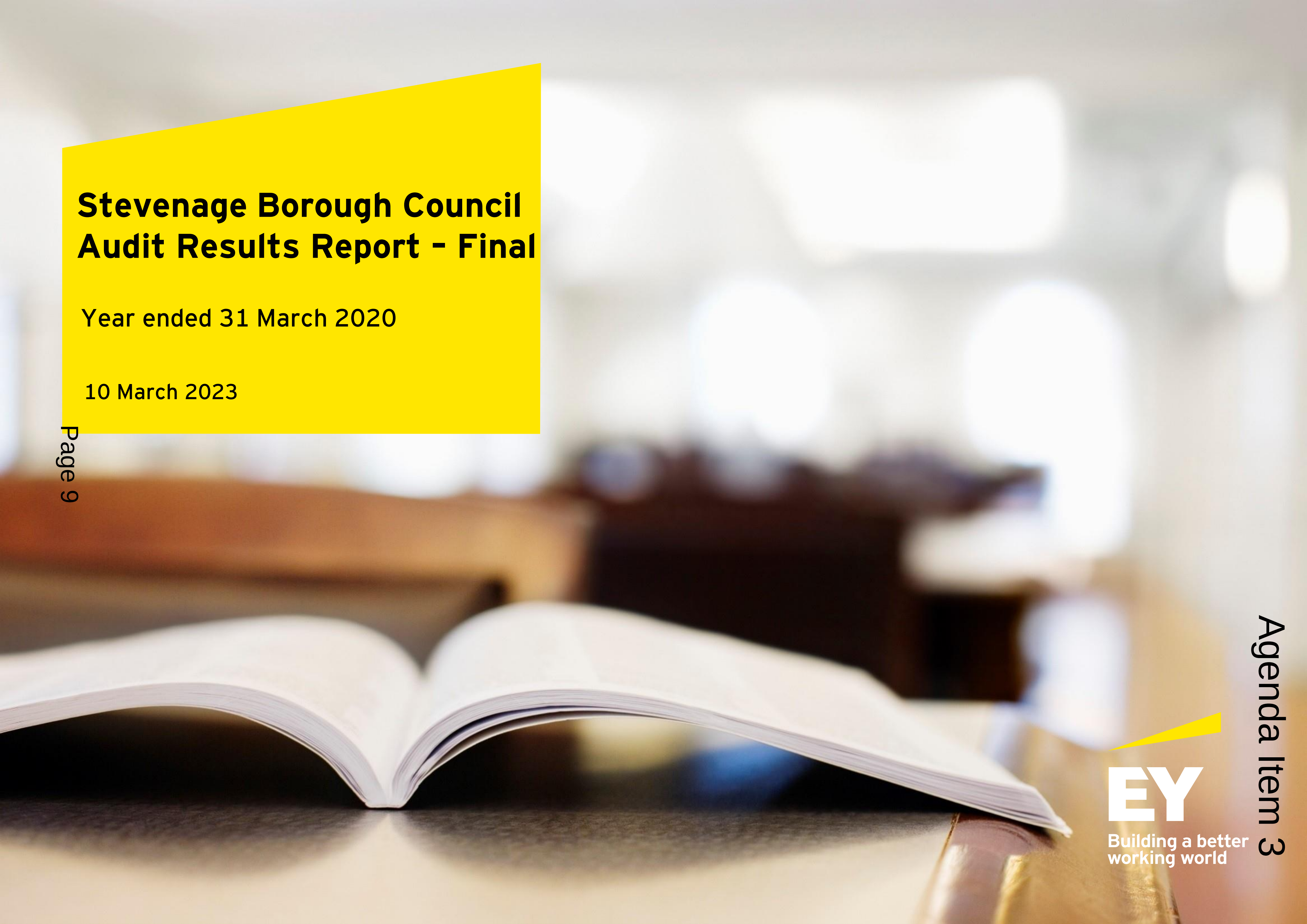

Stevenage Borough Council
Audit Results Report – Final

Year ended 31 March 2020

10 March 2023

Building a better working world

10 March 2023

Stevenage Borough Council
Daneshill House
Danestrete
Stevenage
SG1 1HN

Dear Audit Committee Members

We are pleased to attach our Final Audit Results Report for the forthcoming meeting of the Audit Committee. This report provides an update on our initial Audit Results Report issued in February 2022 and summarises our final audit conclusion in relation to the audit of Stevenage Borough Council (the Council) for 2019/20.

The audit of the 2019/20 audit of Stevenage Borough Council has not been straight forward for 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, as well as the number of issues identified during the 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 difficult 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 the Council's officers who supported the audit process.

We have substantially completed our audit of the Council for the year ended 31 March 2020. Our remaining procedures, which will be completed towards the end of March 2023, mainly consist of the completion of our internal quality assurance review procedures on the final assembly of audit working papers and consultation processes in relation to the Council's non-compliance with the minimum decent home standards and whether we need to include an emphasis of matter in regards to property asset valuation uncertainty. 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 by the 31 March 2023. 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 Council 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 audit. We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 27 March.

Yours faithfully

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

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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:

- The outcome of the internal consultation with EY's professional practice department on the non-compliance with the minimum decent home standards and whether we need to include an emphasis of matter in regards to property asset valuation uncertainty.
- Completion of subsequent events review up the date of our audit report, 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 and the result of our consultation related to emphasis of matter in regards to property asset valuation uncertainty, we expect to issue an unqualified opinion on the Council'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 for a number of reasons:
  - Increased audit risks as the result of the Covid-19 pandemic (as reported in our Audit Plan).
  - Increased audit testing due to the reduced materiality compared to the prior year 2018/19 audit (as reported in out Audit Plan).
  - Multiple changes in the Council's key financial personnel throughout the audit period. This has increased the time taken to resolve audit queries and agree on amendments to the financial statements.
  - The number of audit misstatements identified and the complexity of adjustments required to the financial statements. In particular, the incorrect accounting treatment adopted for Local Enterprise Partnership (LEP) funding as grant income in the draft financial statements.
  - The current challenges in 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 updated our overall materiality assessment to £1.05 million (Audit Plan – £1.11 million). This results in an 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 as a result of Covid restrictions. 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 noted 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.

Audit team changes

Debbie Hanson has taken over as Engagement Partner for the completion of the audit from Neil Harris. Karen Joan Cunanan, Senior Manager, has taken over from Robert Garnett

Executive Summary

Audit differences

<u>Unadjusted audit differences</u>

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. We are, however, required to report all unadjusted audit differences above £53k to the Audit Committee.

The unadjusted audit differences relate to:

- Inappropriate capitalisation of revenue expenditure of £153k (projected misstatement).
- Overstatement of the valuation of property, plant and equipment, £120k (judgemental misstatement).
- Errors in the Queensway lease accounting treatment resulting in an overstatement of the liability and understatement of interest expense of £232k (judgemental misstatement) as well as an understatement of the long term liability and capital contributions of £83k due to the incorrect treatment of a soft loan (factual misstatement).
- Overstatement of the recorded interest income amounting to £362k (factual misstatement).

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

Total impact of the unadjusted difference in the general fund and useable reserves amounted to £283k.

<u>Adjusted audit differences</u>

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

Total impact of the unadjusted difference in the general fund and useable reserves amounted to £514k.

In addition, a number of disclosure differences have been identified and amended for. The most significant of which were 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.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. 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 Council 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 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 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 support the audit.

Please refer to section 5 of this report for the detailed observations and recommendations.

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Executive Summary

Audit Risks and Areas of audit focus

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

Significant risk	Findings and Conclusion
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 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 £4.1 million 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 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 £1.07 million have been corrected by management. However, management did not adjust for a number of the differences identified which had a net impact of £613k (understatement of property, plant and equipment balance).
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 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 Council's financial statements. We summarise below our findings for areas of audit focus:

Area of audit focus	Findings and Conclusion
Valuation of property, plant and equipment assets valued using the 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 amounting to £1.1 million 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 £232k and £83k due to the incorrect treatment of a soft loan . This misstatement has not been corrected 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 £1.5 million. 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	We have completed our procedures on going concern disclosures. We have asked management to update the disclosures which, although appropriate at the time of preparation of the draft financial statements, now need to be updated to consider the period of 12 months from the date of the audit report.

Executive Summary

Audit risk and areas of audit focus (continued)

In addition to the audit and area of focus we have identified in the Audit Plan, there are two subsequent events that were subject of our focus as these have an impact in the 2019/20 financial statements.

Area of audit focus	Findings and Conclusion
Infrastructure assets accounting	We have completed our procedures on this area. The Council has adopted the statutory instruments and CIPFA Code adaptation and infrastructure assets will now be presented at net book value in the statement of accounts.
Non-compliance with the minimum Decent Homes Standards	We have performed our audit procedures in relation to the impact of non-compliance with the minimum Decent Homes Standards in terms of the potential impact on provisions and the valuation of council dwellings. Based on the procedures performed, we are satisfied that no provision is required. We are also satisfied that the non-compliance does not have significant impact on the valuation of dwellings as the quality and condition of the housing stock has been taking into consideration in the valuation undertaken by the Council's valuer (Savills).

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

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

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

Executive Summary

Value for money (VFM)

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 being faced as the result of the Covid-19 pandemic.

We have included in Section 4 the detailed work we have performed in response to this risk.

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 regarding its reserve balances and continues with its 'Making Your Money Count' options programme to ensure it's reserve balances are not reduced to unstainable levels.

During 2022, the Council was subjected to a referral to the Housing Regulator relating to non-compliance with the minimum Decent Homes Standards in a number of areas. We have considered this in our VFM work, particularly in relation to the related governance arrangements (how the Council ensures that is makes informed decisions and properly manages its risks and improves economy, efficiency and effectiveness). Following the referral the Housing Regulator made enquiries of the Council in relation to this matter. As a result, the Council implemented a Compliance Plan and appointed Ridge & Partners (who are an experienced Professional Services consultancy practice, specialising in Housing Management), to conduct a wide ranging audit of all areas of asset compliance across all the Council's housing stock. Although there was no action required of the Council by the Housing Regulator as a result of the referral, the Council has been working actively with the Regulator, sending regular updates on the progress of the Compliance Plan they have put in place.

Considering the above and the actions implemented by the Council to address the non-compliance with the minimum Decent Homes Standards, we expect to issue an unmodified 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

Fraud risk - misstatements due to fraud or error

What is the risk?

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

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

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

What did we do?

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

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

What are our conclusions?

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

Our testing of journal 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 Council's normal course of business.

Significant risk

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

What is the risk?

The Council 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 Council 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;
- Examining 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.
- Reviewing any unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

What are our conclusions?

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

Our sample testing of property, plant and equipment additions identified seven low value items from our representative sample (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 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 £4.1 million 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 (PPE), 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 therefore a significant risk that the valuation of market based property assets may be misstated.

The Council has as significant asset base including:

- £632 million of council dwellings,
- £163 million of property, plant and equipment,
- £24 million of investment properties.

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.

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

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;
- Reviewing assets not subject to valuation in 2019/20 to confirm that the asset base not valued 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.

Significant risk

Valuation of market based property assets

What are our conclusions?

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

Our detailed testing did however identify a number of misstatements as summarised below:

Property, plant and equipment:

- Based on the review conducted by the EY Real Estate valuations team, we identified four properties, from a sample of 8, where the valuation of the asset was outside the reasonable expected range calculated by our experts. This resulted in an audit misstatement of £1.07 million 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 differences identified in relation to a further five property valuations. This misstatement was not amended for by management.
- In addition, a number of assets, total value £1.2 million, 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. The statements of accounts has been amended to reflect the adjustments.

Council dwellings

- 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.

Investment properties

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

Other findings

- 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 economic environment is uncertain 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 £11.73 million.

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. This included 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 asset 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 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 million and £11 million. The value of asset in the Council's accounts was £730k above the maximum reasonable range we calculated. 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 a judgemental 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 (£23.3 million 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 £14.4 million (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. Our conclusions are: 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 , the valuation of the Arts and Leisure Centre at £14.4 million was within a reasonable valuation range. An audit misstatement relating to a judgemental understatement in the valuation of Stevenage Swimming Pool of £822k was identified by the testing undertaken by the audit team. 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.

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 were made to the group financial statements as a result of the audit. As 2019/20 is the first full financial year of operation for Queensway LLP, we need to consider whether these judgements remain appropriate.	We have: ▪ Reviewed the lease accounting treatment adopted during 2019/20; including following 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. <u>Our conclusions are:</u> Based on findings in 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 Council's 2019/20 group financial statements is that the long term lease liability on the balance sheet is overstated by £175k and the interest cost, recognised in the comprehensive income and expenditure statement, is also 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 and will become material to the audit.

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 reviews of this 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 return for the year end 31 March 2020 as estimated by the actuary was different to that reported by the Pension Fund (-3% estimate compared to -1.3% actual). SBC share amounted to £612k. 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. In total, the value of the Council's pension liability on the balance sheet decreased from £40.9 million to £39.4 million 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, as Covid did not have a significant impact until March 2020. 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 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 £10 million. 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.	**We have:** Obtained, reviewed the assessment management's going concern 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. Considered the adequacy of the revised disclosure note and its consistency with the going concern assessment and our audit procedures. **Our conclusions are:** 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. The Council's cash flow modelling through to March 2024 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 £59 million as of 31 March 2024. 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 have however asked management to update the disclosures which, although appropriate at the time of preparation of the draft financial statements, now need to be updated to consider the period of 12 months from the date of the audit report (i.e. to March 2024).

Other areas of audit focus

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

What is the risk/area of focus?

Infrastructure assets

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

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

1) Cipfa have issued an adaptation to the Code of Practice on Local Authority Accounting.

2) DLUHC have issued a Statutory Instrument (SI) (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022).

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

The Council plans to apply both the Code adaptation and SI to the 2019/20 financial statements.

As at 31 March 2020, infrastructure assets were reported with a gross cost of £8.8 million and accumulated depreciation and impairment of £4.2 million.

What did we do?

We have:

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

Findings and conclusion:

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

Our testing of additions, derecognitions and depreciation did not identify any significant differences.

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?
Non-compliance with minimum Decent Homes Standards In 2022, the Council was subject to a referral to the Housing Regulator in relation to non-compliance with the minimum decent home standards in a number of areas. The Council has been working with the regulator since the referral was made and has received a response to the action plan they have put in place to address the areas of non-compliance identified. We have considered the impact of the non-compliance in the following areas: • Valuation of the council's dwellings • Provisions	**We have:** *Valuation of council dwellings:* ▸ Obtained confirmation from Savills (Council's valuer) regarding how the quality of dwellings has been considered in their valuations. ▸ Confirmed the date of the last physical inspection of the council dwellings which is February 2020 ▸ Obtained input from our internal valuers to assess the reasonableness of the responses of the valuer *Provisions:* ▸ Considered the requirements of CIPFA Code of Practice on Local Authority Accounting ▸ Obtained 2019/20 Local Authority Housing Standard return and reviewed the costs to bring council dwellings that do not meet the decent home criteria up to standard ▸ Assessed whether the related cost are revenue or capital in nature. **Findings and conclusion:** Based on the procedures performed, the non-compliance does not have significant impact on the valuation of dwellings, as the quality and condition of the stocks have been considered in the valuation undertaken by the Council's valuer (Savills). In addition, no provision is required as the cost to bring dwellings that do not meet the decent home criteria up to standard are largely capital in nature.

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 not been amended for by management in the 2019/20 statement of accounts:

- Inappropriate capitalisation of revenue expenditure – Based on testing of a representative sample of capital additions we have identified a small number of errors which we have extrapolated to calculate a 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 useable general fund balance.

- 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 £232k which overstates both the long term lease liability on the Council's balance sheet and also the interest cost recognised as expenditure. In addition, an understatement of the long term liability and capital contributions of £83k due to the incorrect treatment of a soft loan.

- Interest income - Overstatement of the recorded interest income amounting to £362k

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 £0.792 million) 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 £1.3 million 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 £4.1 million
  - Long term liabilities increased by £3.2 million
  - Receivables (debtors) decreased by £1.3 million
  - Capital adjustment account (unusable reserve) increase by £0.4 million (Soft-loan element)

- Pension liability – The valuation of the pension liability decreased by £1.56 million 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 £1.56 million. This had no impact on the Council's usable reserves for 2019/20.

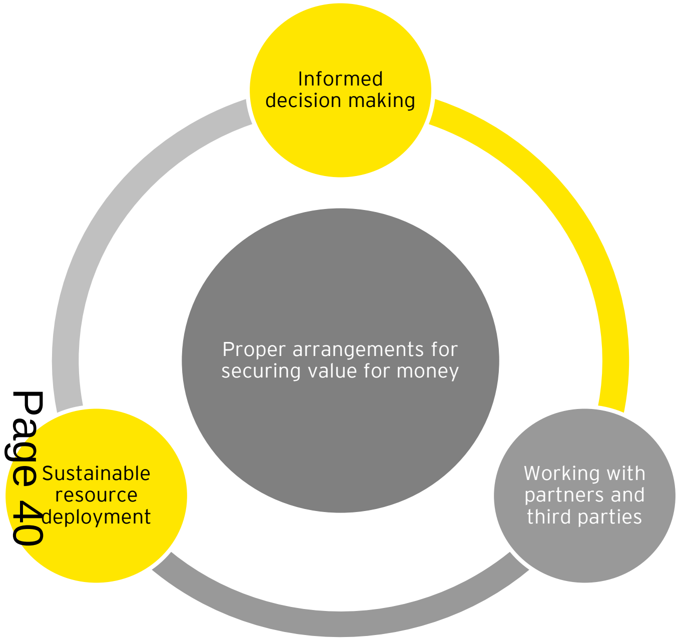
- Property, plant and equipment valuations – Differences in relation to the valuation of properties asset were identified that increased both the value of the property, plant and equipment and the revaluation reserve (unusable reserve) by £1.07 million. This had no impact on the Council's usable reserves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

Other audit differences that were above our reporting threshold of £0.053 million for unadjusted differences, but below our performance materiality threshold of £0.792 million which have been amended for in the 2019/20 statement of accounts include the following areas:
- Valuation of council dwelling properties.
- PPE additions that had not been accrued for as well as 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 numerous disclosure misstatements in the draft 2019/20 statement of accounts that have been corrected for. The significant disclosure differences adjustment for were:
- Clerical casting errors and internal inconsistencies between disclosures in the financial statements.
- Disclosures in the draft statement of accounts itself that had not been updated since the prior year accounts.
- Errors in 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



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Background

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

For 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

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

We identified one significant risk in relation to the Council's arrangements at the planning stage in relation to financial resilience. The table below presents our findings in response to this risk as well as one additional risk identified during the course of our audit. We did not identify any additional risks as a result of Covid.

We have no other matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources and expect to issue an unqualified vfm conclusion.

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 of Covid; 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 was 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 was 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; • Review of the Council's stress testing of these assumptions; sensitivity analysis and mitigating actions. • Developing 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. • Assessing the Council's track record on delivering savings and the robustness of its future savings plans. • Reviewing the process by which the Council risk assesses its minimum required level of reserves. 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:

Modelling undertaken by our Strategy and Transactions team suggests that the Council's forecasts within the 2020/21 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. Our modelling of the the financial challenges that the Council faces over the medium is forecast is however considerably more severe in our more volatile economic conditions scenario (scenario 3 in the table below).

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 regarding its reserve balances and continues with its 'Making Your Money Count' options programme so that 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 are satisfied that the Council's arrangements to ensure financial resilience are adequate for 2019/20. We would however recommend that the Council continues with its 'Making Your Money Count' options programme and ensures its reserve balances is maintained at an appropriate level.

Value for Money Risk (continued)

Other VFM Considerations

Compliance with Minimum Decent Homes Standards

Finding

During 2022, the Council was subjected to a referral to the Housing Regulator relating to non-compliance with the minimum Decent Homes Standards in a number of areas. We have considered this in our VFM work particularly, in relation to the governance arrangements (how the Council ensures that is makes informed decisions and properly manages its risks and improves economy, efficiency and effectiveness).

Following the referral the Housing Regulator made enquiries of the Council in relation to this matter. As a result, the Council implemented a Compliance Plan and appointed Ridge & Partners (who are an experienced Professional Services consultancy practice, specialising in Housing Management), to conduct a wide ranging audit of all areas of asset compliance across all the Council's housing stock. Although there was no action required of the Council by the Housing Regulator as a result of the referral, the Council has been working actively with the Regulator, sending regular updates on the progress of the Compliance Plan they have put in place.

Conclusion

Considering the above and the actions implemented by the Council to address the non-compliance with the minimum Decent Homes Standards, we have not identified significant risk in relation to this issue as the Council has taken appropriate action upon enquiry from the Housing Regulator.

We would however recommend that the Council should continues to closely monitor the implementation and monitoring of its compliance plans and ensures that robust arrangements are put in place to ensure compliance with the standards are in place for future years.

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.

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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 Council'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 the 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 a change in accounting standard or a new source of funding or major Council project. 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 the audit would have been 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 errors as well as 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. There is also an increased risk of error due to the level of manual processes.

- 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 succeeding audits, 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 financial statements in advance of the succeeding audits.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council 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 Council 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.

Commentary for 2020/21 financial statements and audit:

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 took 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 27 March 2023.

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 Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, 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 relation to 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 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**

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.

(all fees exclude VAT)

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 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 financial resilience value for money risk, and
- The increase in expectations of the quality of the audit driven by increased FRC requirements.

(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, and
- 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.

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.

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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 2022: EY UK 2022 Transparency Report | EY UK

08 Appendices

Appendix A

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 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 – March 2023

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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 – March 2023

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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 - March 2023
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 - March 2023
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 - March 2023
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ 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 Council, 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 - March 2023

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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 Council'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 Council	Audit Results Report – March 2023
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 – March 2023

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▸ Details of any inconsistencies between the Ethical Standard and Council'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 – March 2023

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Required communications	What is reported?	Our Reporting to you — 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 – March 2023
Written representations	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – March 2023
Material inconsistencies or misstatements	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – March 2023
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – March 2023
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 – March 2023

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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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Stevenage Borough Council 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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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 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.

Our opinion on the financial statements

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 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Our opinion on the 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.

Certificate

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

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date

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Part I – Release to Press

Meeting: **Audit Committee**

Portfolio Area: Resources

Date: **27 March 2023**

2019/20 STATEMENT OF ACCOUNTS UPDATE

Author – Rhona Bellis
Contributors – Clare Fletcher / Brian Moldon
Lead Officer – Brian Moldon
Contact Officer – Brian Moldon

1 PURPOSE

1.1 To update the Audit Committee of changes to the 2019/20 Statement of Accounts (SoA) since they were reported to this Committee on 28 February 2022 and to confirm that no changes have been made that are material in nature. The changes below have been approved by the Chief Finance Officer (CFO) in accordance with the delegation approved at that meeting.

2 RECOMMENDATIONS

2.1 That the Audit Committee note the changes to the final 2019/20 Statement of Accounts.

3 BACKGROUND

3.1 This report is presented to the Audit Committee in its capacity as the body charged with Governance.

3.2 The General Fund and the Housing Revenue Account outturn position were presented to the Audit Committee / Statement of Accounts Committee on 28 February 2022. The General Fund year end balances were reported as £7.063Million and the HRA £19.819Million and there is no change to these balances.

3.3 Statutory Instrument 2022 No 1232 that came into force on 25 December 2022 and amended The Local Authorities (Capital Finance and Accounting) (England) Regulations 2022 features a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets. The Council has chosen not to disclose this information and has updated the 2019/20 SoA in accordance with CIPFA Bulletin 12 (Jan 2023), Accounting for Infrastructure Assets - Temporary Solution.

This change impacts the disclosures relating to Property, Plant and Equipment (PPE) only and does not change the balance sheet.

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

4.1 Changes to the 1920 Statement of Accounts

4.1.1 **Infrastructure Assets** – as detailed above, changes to the disclosures relating to these assets can be seen in:

- Note 13, a separate table has been included showing the Net Book Value movement of infrastructure assets during the year. This asset group has been removed from the main PPE table and a reconciliation between the PPE note and the Balance Sheet included at the bottom of the table.

- Additional explanations and clarifications have been added to the PPE disclosure narrative (Note 13) and to Note 3 - Critical judgements in applying Accounting Policies, to further explain the impact of this change.

4.1.2 A revised actuarial report received by the Council in April 2022, corrected the council's **Pension Liability** as at 31st March 2020, by excluding liabilities relating to Hertfordshire Building Control Ltd that had been included in the original report in error. The Pension Liability reduced by £612k to £38,801k and the equivalent unusable Pension Reserve was also reduced by an equivalent amount. This has resulted in:

- The Other Comprehensive Income and Expenditure, which is part of the Comprehensive Income and Expenditure Statement has been updated for this reduced liability (p44 in the SoA). The Unusable Reserves Note 9 and the Pensions Note 26 have been updated. There is no impact on useable reserves as a result of this change.

4.1.3 The **Going Concern** Note 32 has been revised to reflect the Council's current financial stability, which has also enabled a reduction in the amount of the information disclosed.

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. The changes made to the 2019/20 Statement of Accounts had no impact on the Council General Fund balances

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

BACKGROUND PAPERS

2019/20 Statement of accounts and External Audit Report - Audit Committee/Statement of Accounts Committee 28 February

APPENDICES

Appendix 1 – Statement of Accounts 2019/20

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APPENDIX 1

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 31 August 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.

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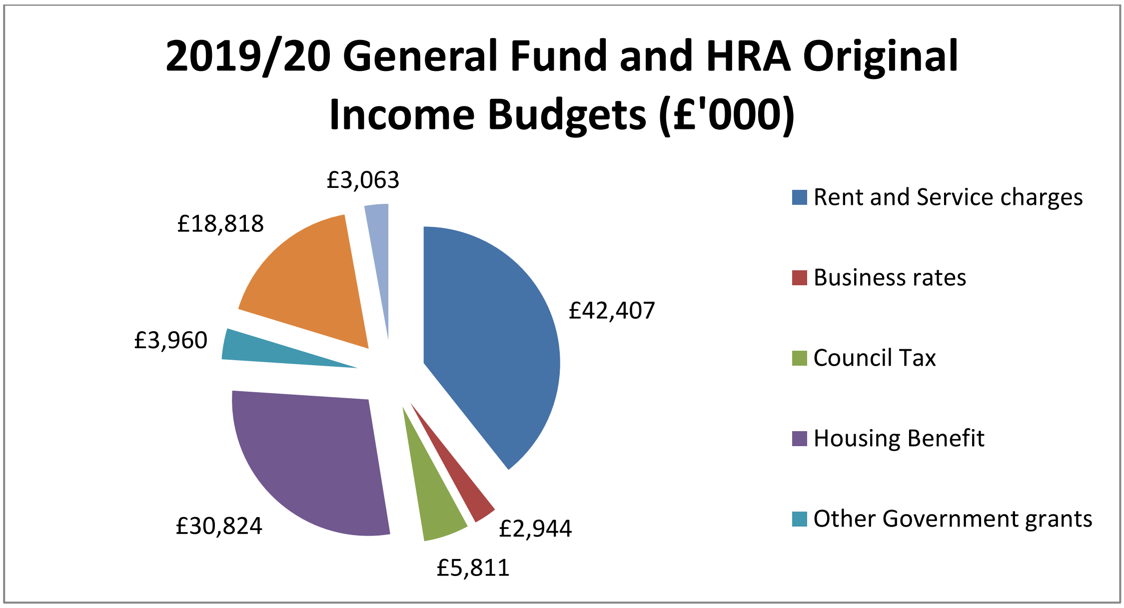
Foreword by Chief Executive

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

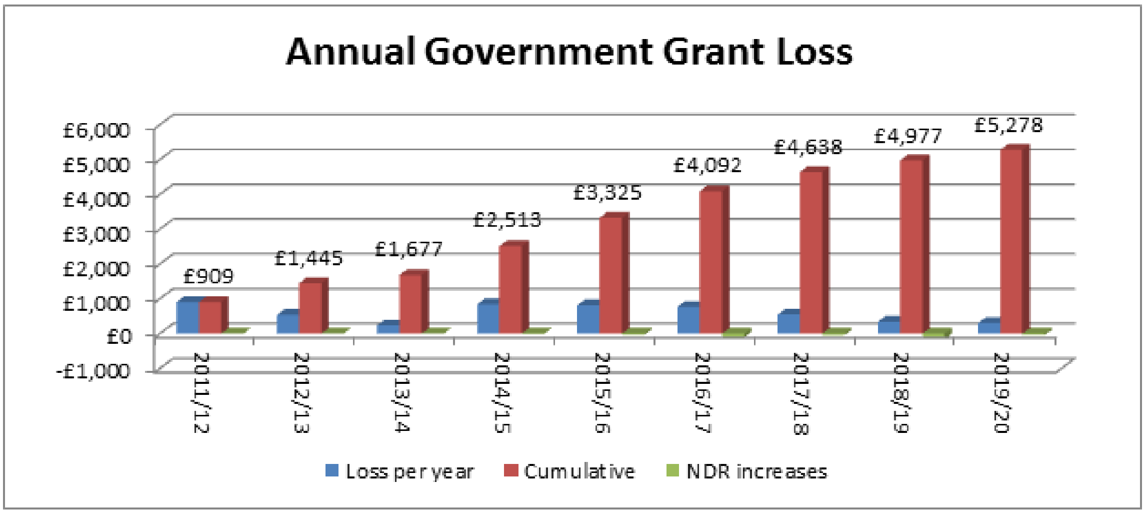
The Council directly employs circa 620 employees across our many services and how we fund those services is shown below.



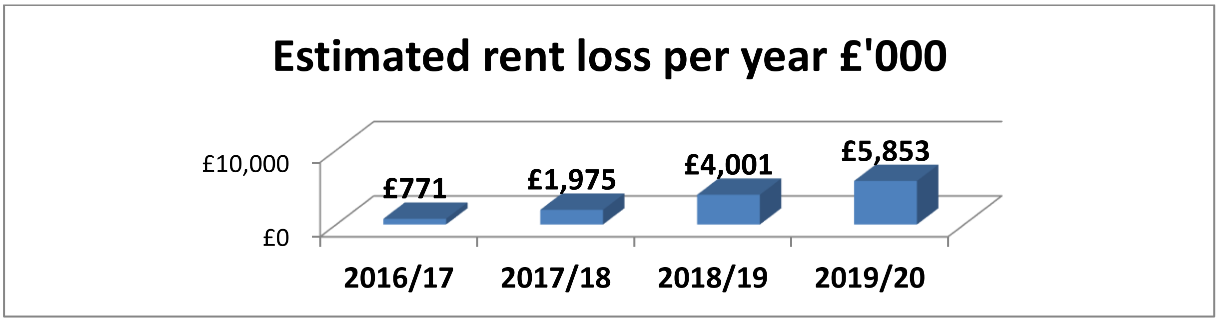
Foreword by Chief Executive

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 publics 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.

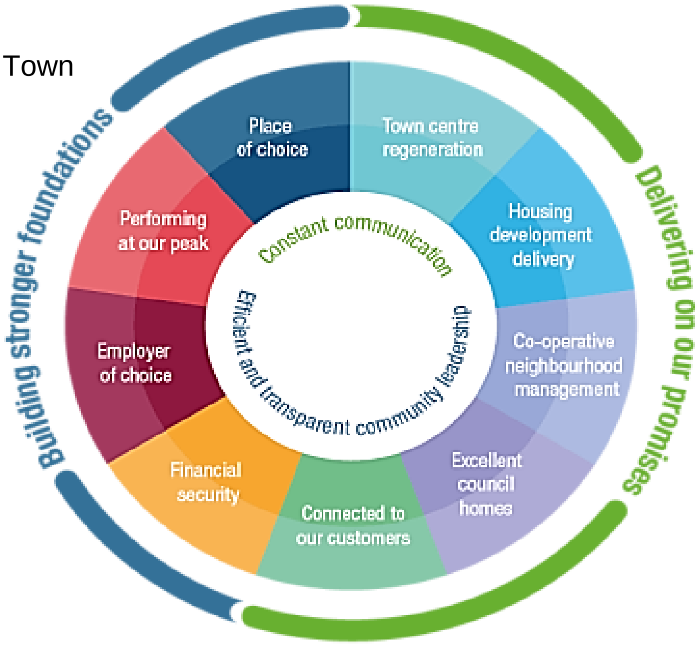
Foreword by Chief Executive

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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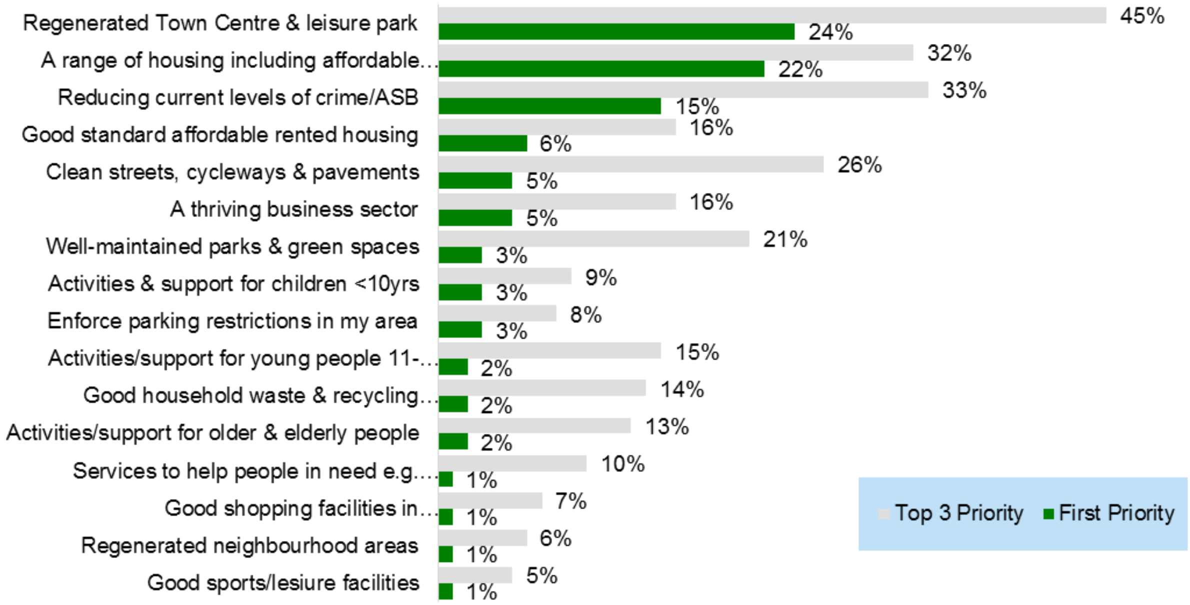
Artist impression of Stevenage town centre

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.

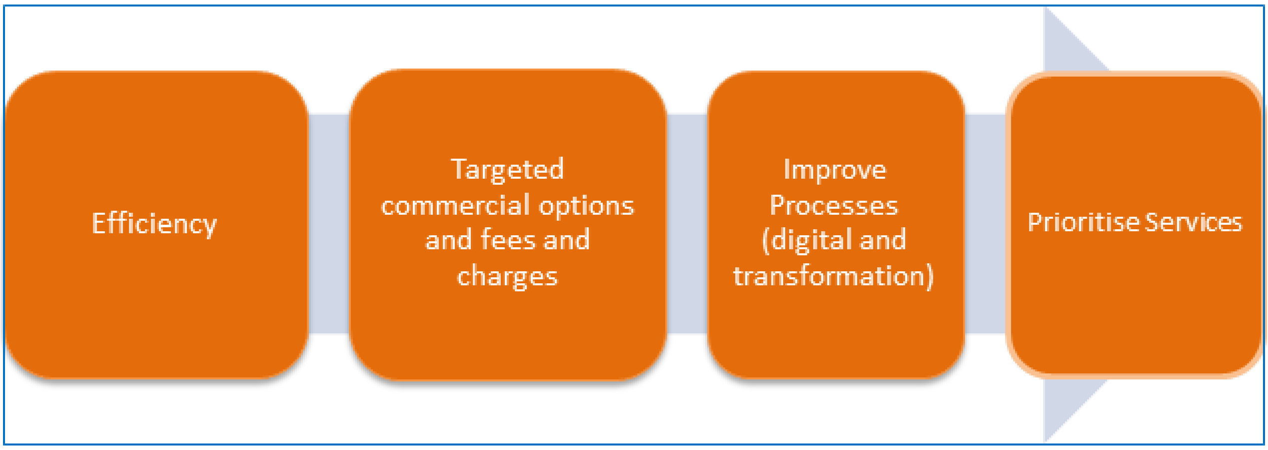
[1] Residents Survey 2017

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:

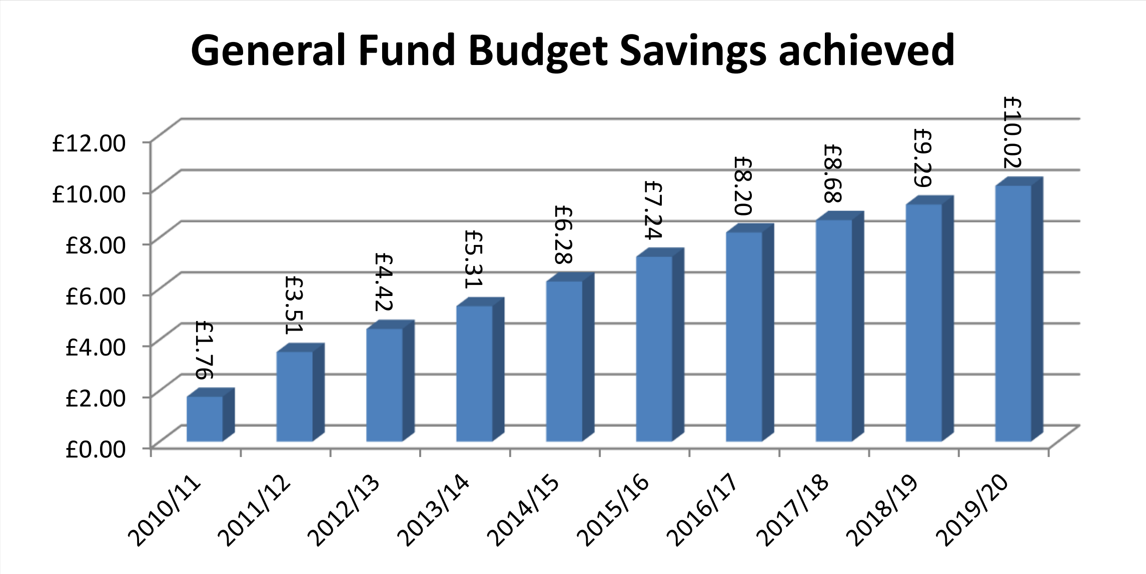
'To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on–going balanced budget by 2022/23 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'

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.

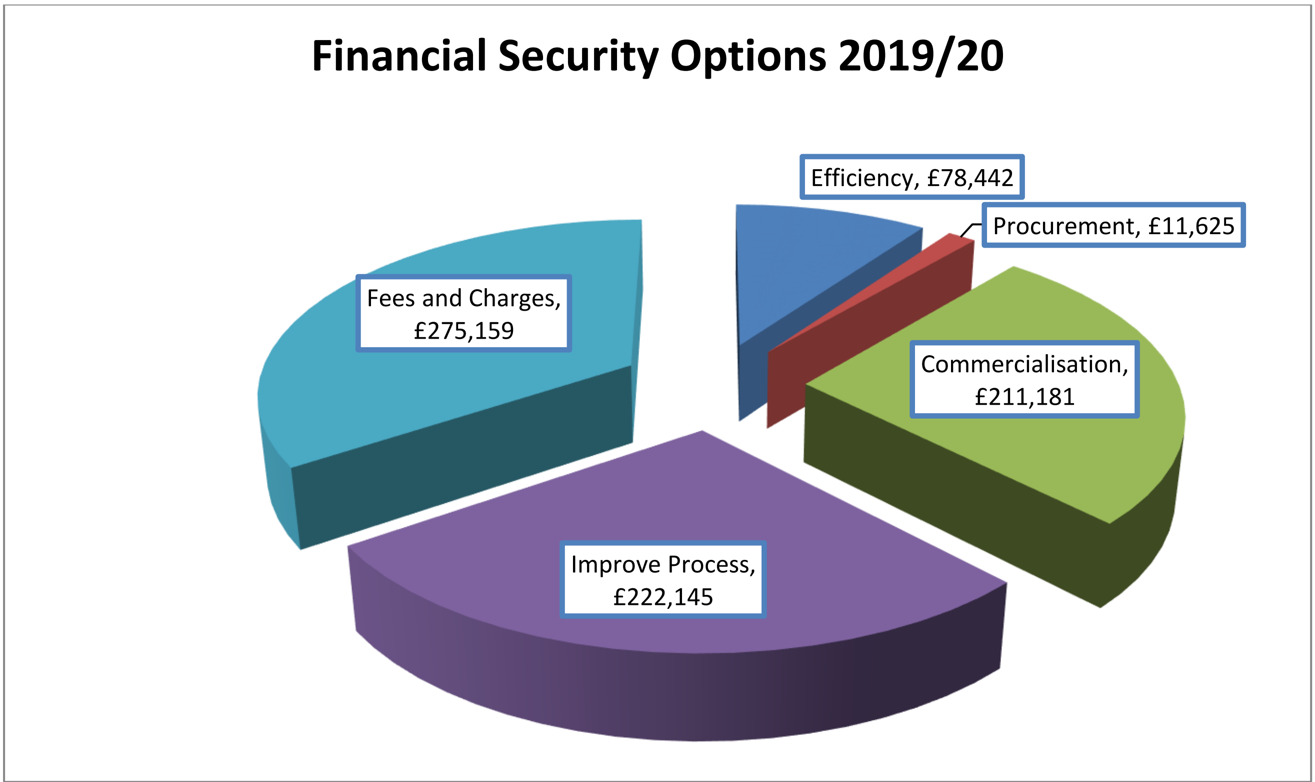
In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring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

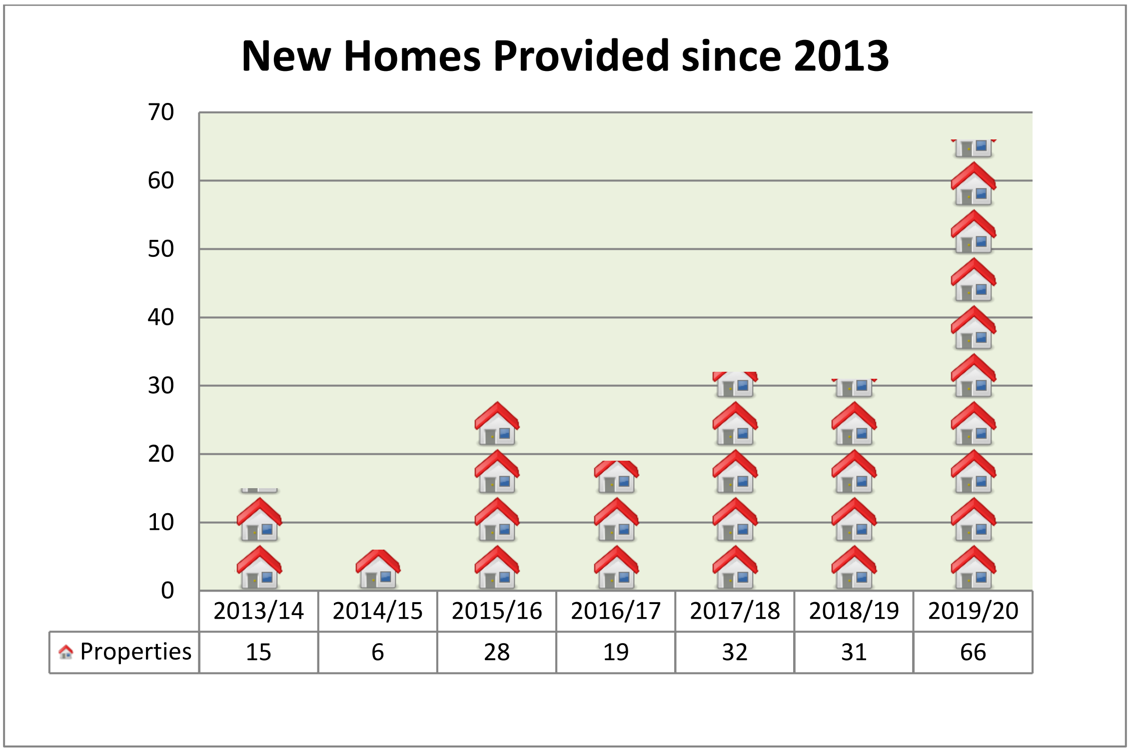
Work is continuing to progress through the recently created Stevenage Development Board on the development of a Town Investment Plan for Stevenage – as part of the Government's Towns Fund Programme. Through this programme the Council, working alongside local partners, has an opportunity to secure up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



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

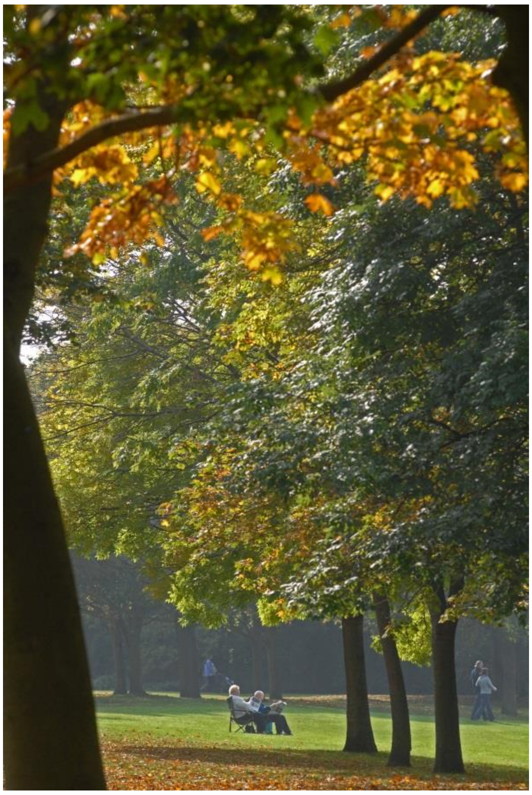
The Accounts of Stevenage Borough Council for the year ended 31 March 2020 are set out on the following pages. The various statements include where relevant, comparative figures relating to the previous financial year and supporting notes. These Accounts are prepared in accordance with the 2019/20 Code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

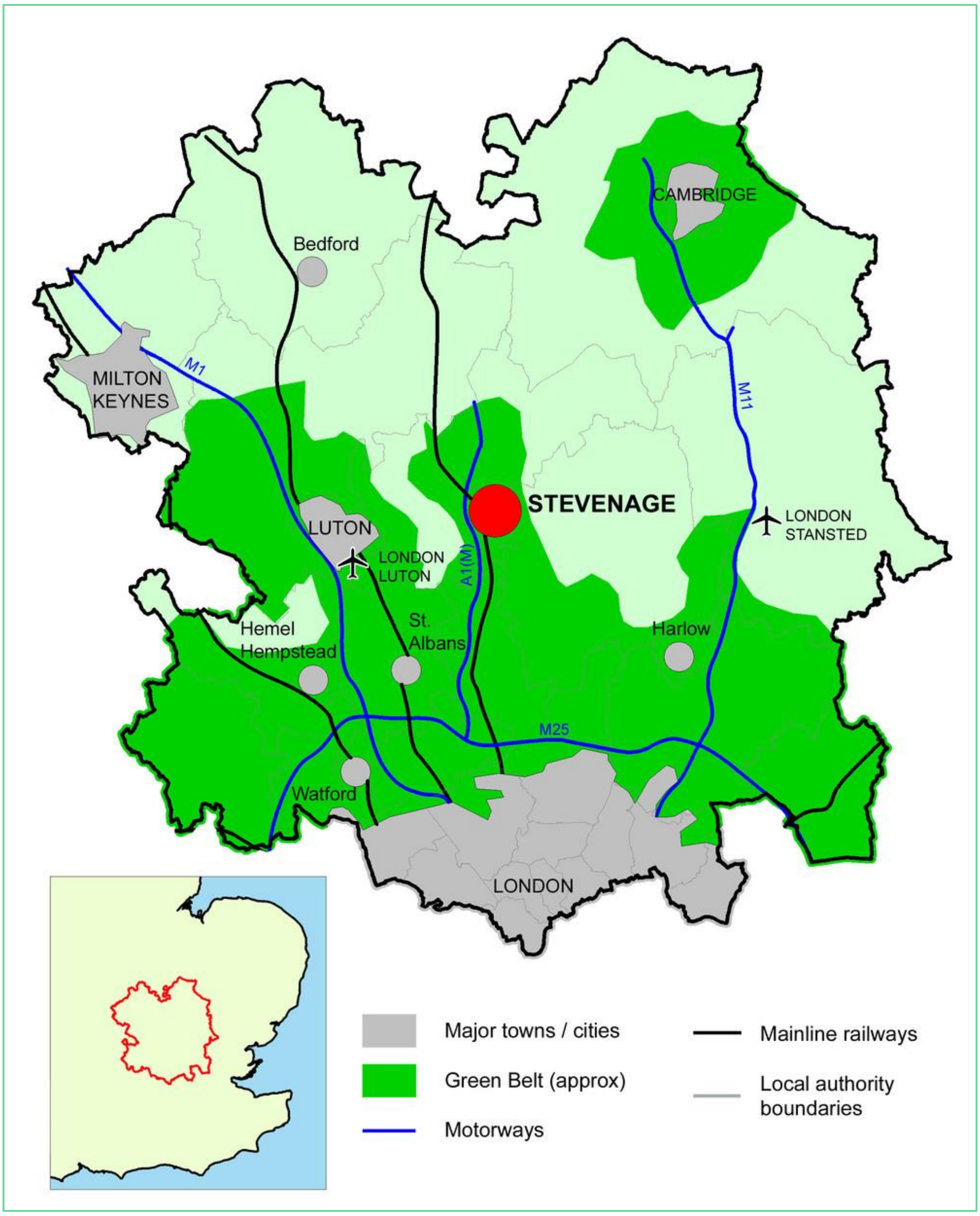
About Stevenage Borough Council

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.

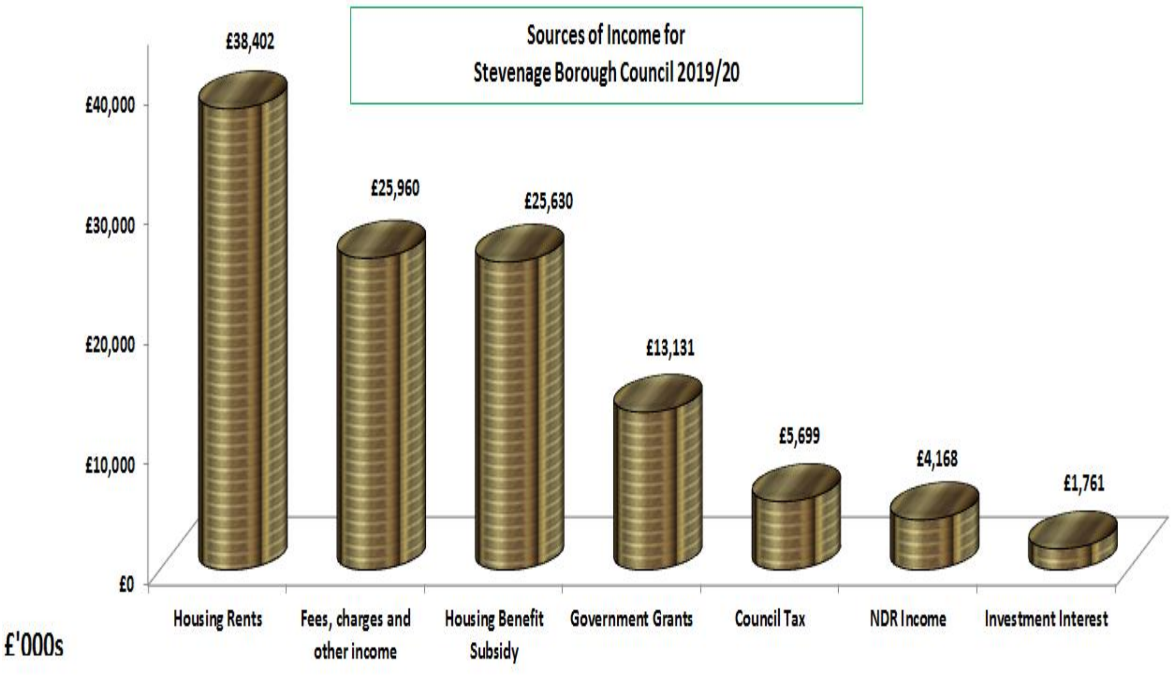
The Council has also entered into a partnership to redevelop part of Queensway in the town centre. The £50M redevelopment will include mixed retail use, housing and leisure facilities, helping to regenerate this area of the town centre.

Queensway: artist's impression

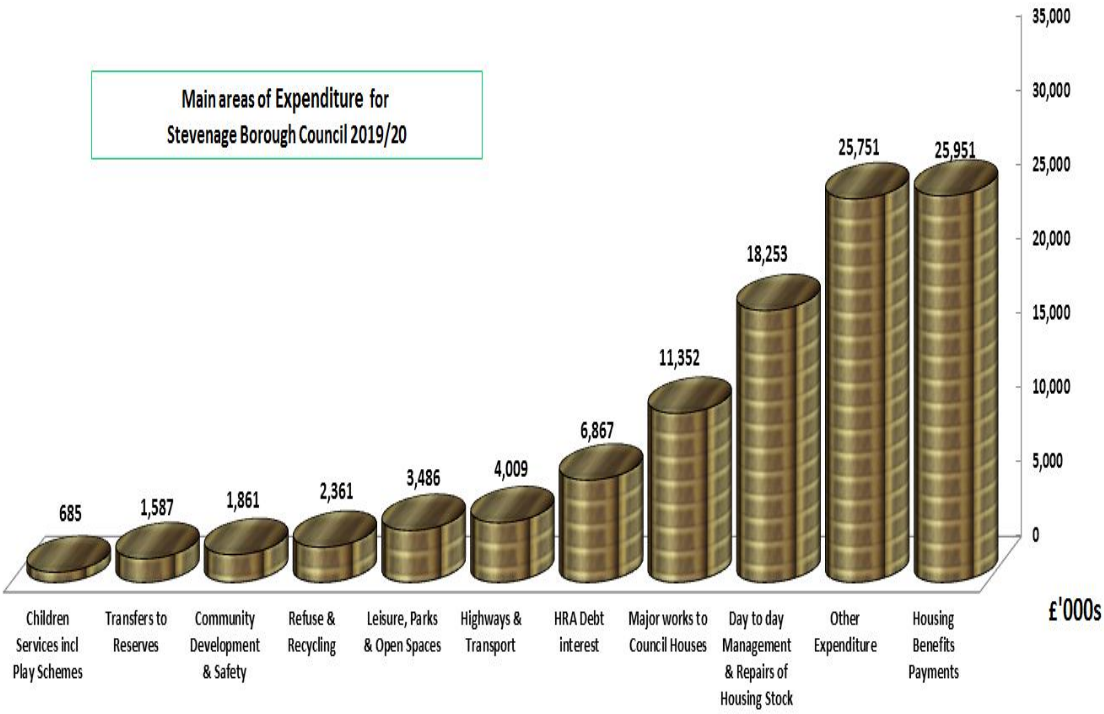
About Stevenage Borough Council

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**	(£27,272)
£26,879	**Total Comprehensive Income and Expenditure**	**(£38,329)**

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	(£270,985)
£535,865	**Net Assets**	**£573,581**
	Fund Balances & Reserves:	
(£57,783)	Usable Reserves	(£59,297)
(£478,082)	Unusable reserves	(£514,897)
(£535,865)	**Total Comprehensive Income and Expenditure**	**(£574,194)**

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:

Directorate:	Original Budget 2019/20 £'000	Working Budget 2019/20 £'000	Actual 2019/20 £'000	Variance to working Budget £'000
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 £2.740M 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)**

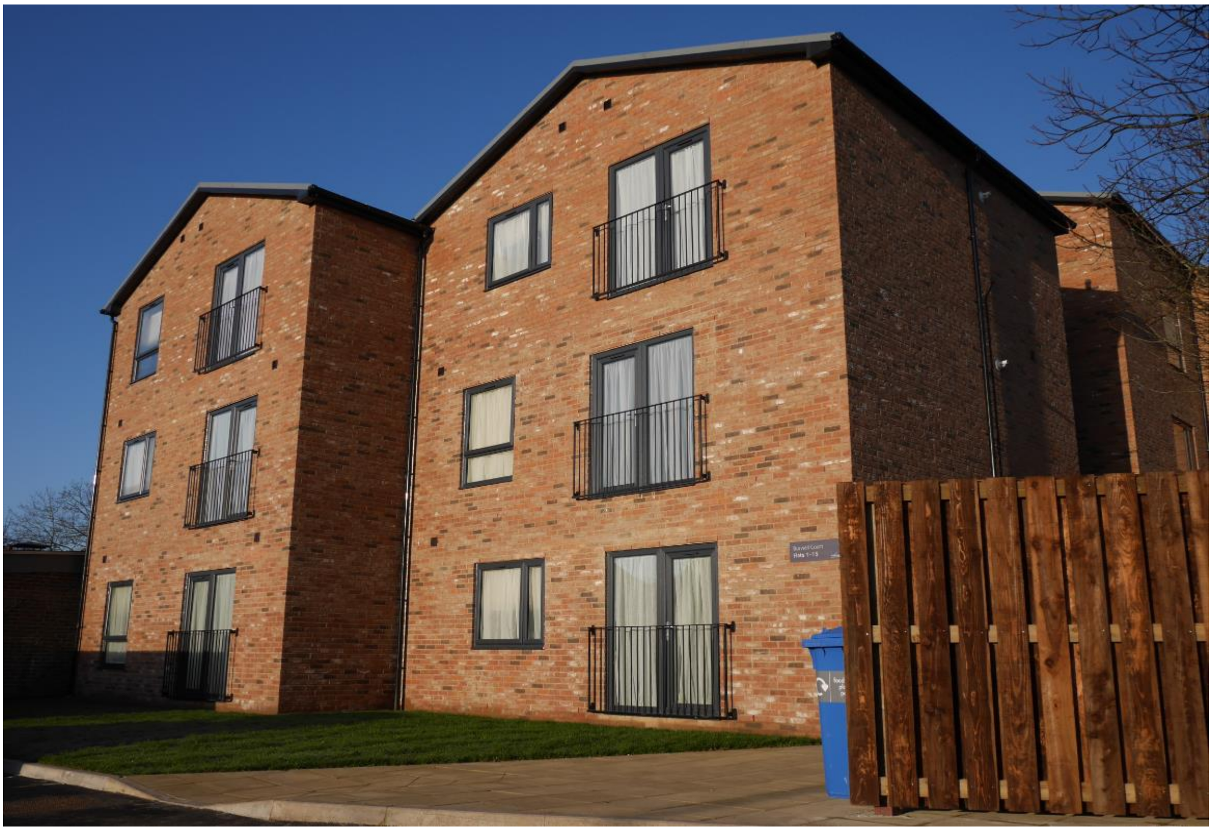
The 2019/20 actual HRA net deficit was £950K lower than the working budgeted deficit. Included within this underspend is £390K relating to projects which have slipped into 2020/21 and for which carry forward of budget has been approved by Executive (8 July 2020). Included within the actual costs is the 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 manage its use of General Fund balances in the short term but may have to review the Council's Financial Security principal 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 £19.893M to £38.8M 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.

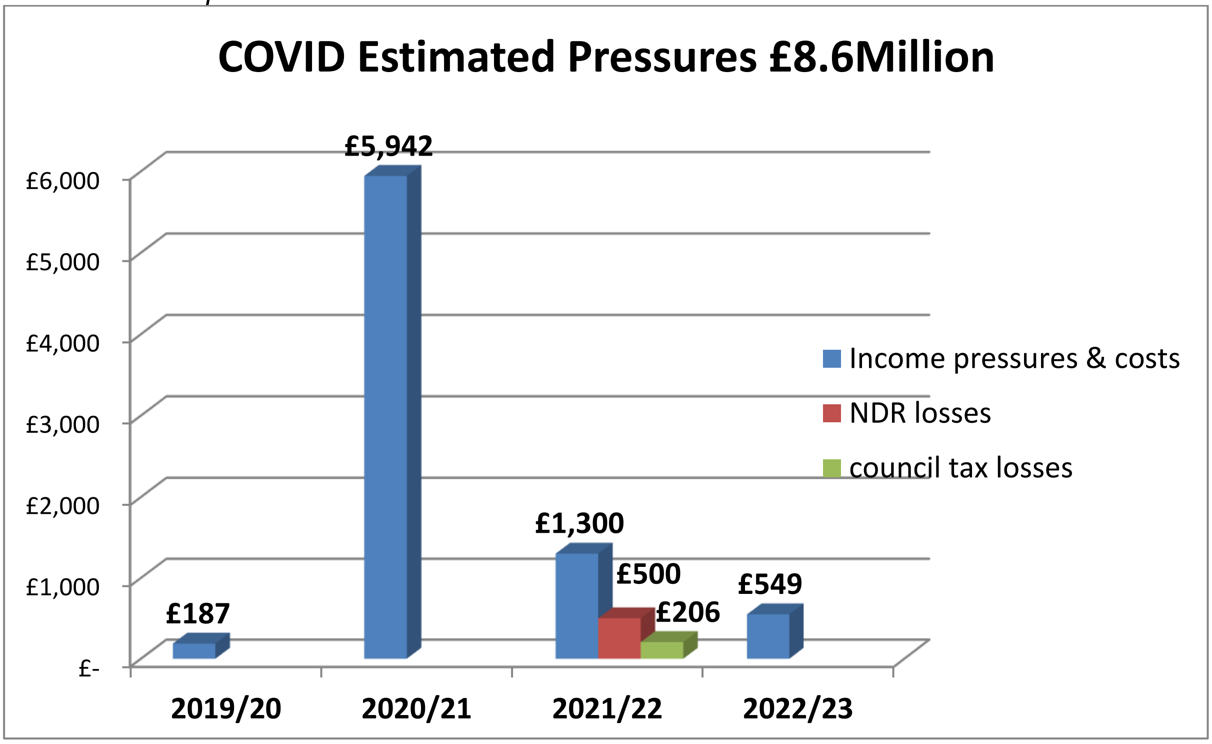
The latest General Fund year end position compared to the prior year and the 2020/21 Original Budget are summarised below.

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 downturn 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

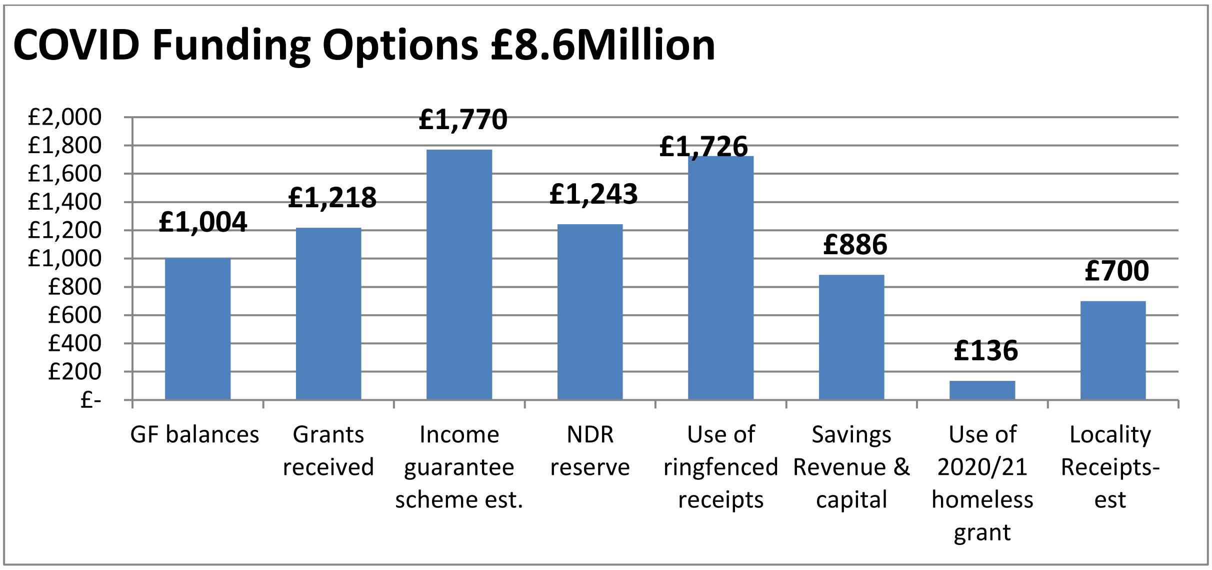
Extract from September 2020 MTFS



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 is not 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



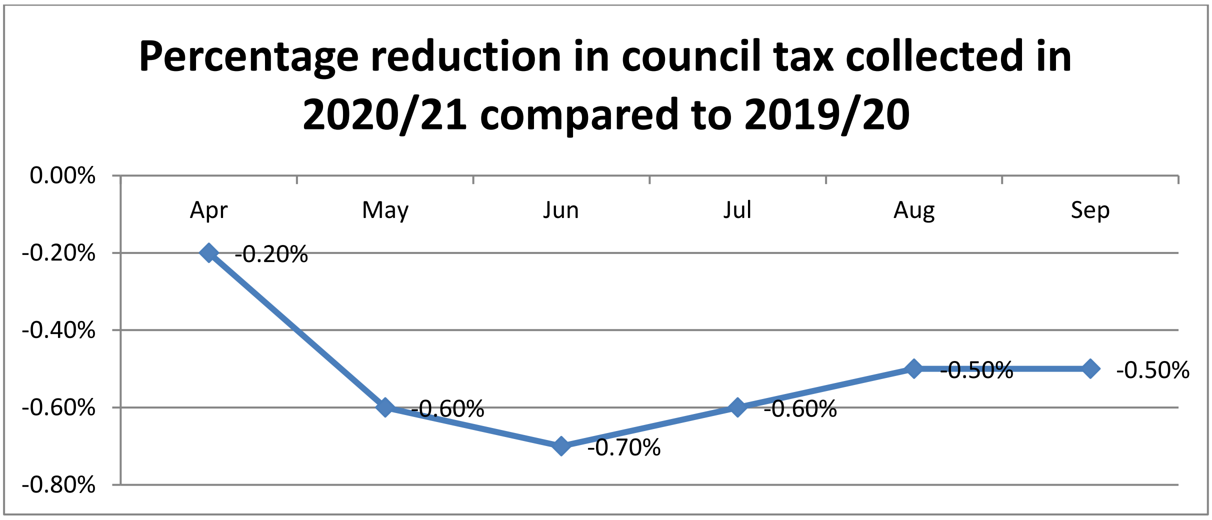
Since the September 2020 MTFS the Council has received a further tranche of government funding totalling £391K in October, which increases the projected losses funded to 39%

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 known.

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.

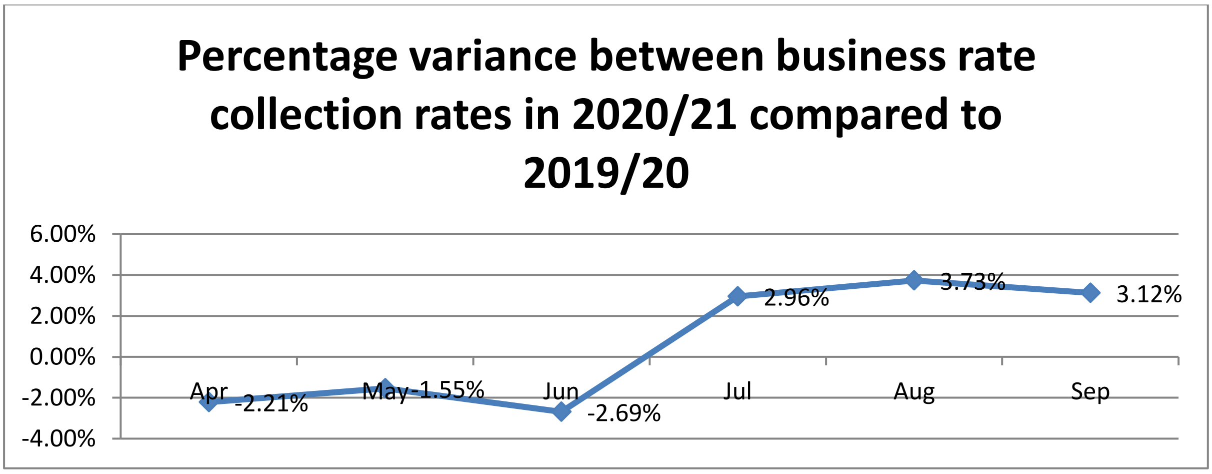
Narrative Statement

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 totalling £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.

Clare Fletcher
Strategic Director (Chief Financial Officer) **XX March 2023**

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Statement of Accounts 2019/20

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	2019/20 Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustment for capital purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	4,365			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)**					

Note to the Expenditure and Funding Analysis – Adjustments

2018/19	Net Expenditure chargeable to the General Fund Balances £'000	Net Expenditure chargeable to the HRA Balances £'000	2018/19 Adjustment for capital purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	5,392		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.

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			(23,703)
		26,516		**Other Comprehensive Income and Expenditure**			**(27,272)**
		26,879		**Total Comprehensive Income and Expenditure**			**(38,329)**

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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	(27,272)	(27,272)
CIES	**Total Comprehensive Expenditure and Income**	**(3,314)**	**-**	**(7,743)**	**-**	**-**	**-**	**-**	**(11,057)**	**(27,272)**	**(38,329)**
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)**	**(36,814)**	**(38,329)**
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)	**(36,814)**	(38,329)
	Balance at 31 March 2020 Carried Forward	**(7,063)**	**(5,492)**	**(19,819)**	**(5,713)**	**(4,746)**	**(14,793)**	**(1,671)**	**(59,297)**	**(514,897)**	**(574,194)**

Stevenage BOROUGH COUNCIL

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)**

Stevenage BOROUGH COUNCIL

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 £632,400k 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 £1,898k.

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	(38,801)
(668)	11	Grants Receipts in Adv - Capital	(317)
(284,719)		**Long Term Liabilities**	**(270,985)**
535,865		**Net Assets**	**574,194**
(57,783)		Usable Reserves	(59,297)
(478,082)	9	Unusable Reserves	(514,897)
(535,865)		**Total Reserves**	**(574,194)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on XX March 2023

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	Cash Flow Statement	Notes	2019/20 £'000
17	Net (Surplus) or Deficit on the Provision of Services		(11,057)
(39,551)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	30	(21,786)
21,565	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		14,674
(17,969)	Net cash flows from Operating Activities		(18,169)
30,681	Investing Activities	31	21,741
(7,096)	Financing Activities	31	(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 period	18	(2,084)
(2,084)	**Cash and Cash Equivalents at the End of 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 to 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.

3. Critical judgements in applying Accounting Policies

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

- There is a degree of uncertainty about the 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. It is too early to be able to measure the impacts on the property market, therefore the measurement of PPE & Investment assets are assumed to be materially accurate as at 31 March 2020. The situation will be closely monitored and any changes in value that take place over the coming months will be reflected in the 2020/21 accounts.
- 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 are prudent and assume:
- No business rate gains (as achieved in previous years) with only the CPI increase in the baseline of business rates retained
- 1.99% increase in council tax
- Achieving a £1M savings target
- 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.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

There is a degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or materially reduce levels of service provision. The Council has identified budget options in its General Fund Medium Term Financial Strategy in anticipation of reduced central government grant funding levels in future years and a methodology to address this via the financial security work stream of the Future Town Future Council priorities.

The Council 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.

- 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.
- 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.
- The council considers that five commercial sites held in the town centre are not classified as "Investment Properties" as they are held for strategic planning purposes and not solely for rental income or capital appreciation. As such they are included under land and buildings on the balance sheet and expenditure and income on these sites is included within cost of services in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

- The uncertainty around the UK's future relationship with the EU continues to cause a 'wait and see' effect.

  In addition, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

  Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

  Our valuation(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of asset/portfolio under frequent review.
- Infrastructure assets are measured on a depreciated historical cost basis. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year.

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

Notes to the Core Financial Statements

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into 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 £383,000 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that all valid claims have yet been received by the Authority relating up to 31 March 2020 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 £38,300 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 -£10.10m). (See also Note 26 Pensions – sensitivity analysis of actuarial assumptions).
Property, Plant and Equipment and Investment assets	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. Where previous market evidence has been used to support valuations, there is no previous market evidence of a Covid-19 pandemic, and therefore the potential impacts on property valuations are currently difficult to quantify.	The council's external valuers reported on the basis of 'material valuations uncertainty' as per the RICS Red Book Global due to the Covid-19 pandemic. Consequently, less certainty – and a higher degree of caution – should be associated with asset valuations. Given the unknown future impact of that Covid-19 might have on the real estate market, it is recommended that the valuation of the asset portfolio is kept under frequent review.

Notes to the Core Financial Statements

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

Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions regarding the level of repairs and maintenance that will be incurred in relation to each individual asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current expenditure on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Housing stock is split into elements including kitchens, bathrooms. The remaining element has an average useful life of 49 years. It is estimated that the annual depreciation charge for this residual element of the Council Houses would increase by approximately £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 XX March 2023 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.

In Note 3 of the statement of accounts, we disclosed as part of our judgements and estimates that our valuation(s) are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global given the unknown future impact of the COVID-19 pandemic in different market and sectors at that time. Based on the signed 2021/22 valuation report certificate, the material valuation uncertainty is not present anymore. In addition, the valuation reports for 2020/21 and 2021/22 shows increase in the total value of the council dwellings of £28M and £10M, respectively.

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	**(7,230)**	**(1,150)**				(8,380)	8,380
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	**4,570**					4,570	(4,570)
						-	-
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)**

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 reserve 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	(97,973)
(428,830)	Capital Adjustment Account	(443,325)
(12,059)	Deferred Capital Receipts Reserve	(12,009)
58,694	Pensions Reserve	38,801
(406)	Collection Fund Adjustment Account	(928)
435	Accumulating Compensated Absences Adjustment Account	535
(478,079)	**Total Unusable Reserves**	**(514,897)**

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	(23,703)
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**	**38,801**

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

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	0
(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
NBV AS AT 31 MARCH 2019	325	20	200	53	598

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 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, this includes computer equipment, infrastructure assets and vehicles plant and equipment*

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where the DRC approach was used it was in accordance with RICS GN 6, titled "Depreciated Replacement Cost (DRC) method of Valuation for Financial Reporting". RICS GN6 requires Modern Equivalent (ME) to be considered if properties are valued using the DRC method and this was applied to last year's review.

Fair Value Hierarchy - To establish the fair value of its surplus assets, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- *Level 1 – quoted prices.*
- *Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.*
- *Level 3 – unobservable inputs for the asset or liability.*

In regard to property assets the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount. Where non-property assets (e.g. vehicles plant and equipment) have short useful lives, low value or both, depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value, but as a minimum every five years. In addition should current valuations of similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be re-valued. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

New council house properties, either constructed or acquired at market value, are re-valued downwards on completion to recognise that Council Dwellings are valued on the balance sheet at existing use value-social housing (38% of the market value).

HRA properties are re-valued 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)*
- *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.*

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

- *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 their useful life.*

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*
Infrastructure assets:	
Short Life Paths and Hardstanding's	*5-10 Years*
Public Realm Works	*30-40 Years*
Other Infrastructure Assets	*20-46 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

Infrastructure Assets – Componentisation – the Council determines that where there is a replacement of a component of infrastructure, the replaced component has a value of nil and that therefore there is no requirement to remove any amount from the balance sheet in respect of the disposal of that component (Cipfa Bulletin 12 – January 2023)

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. The Council's housing stock has been accounted for using componentisation since April 2011.

Charges to Revenue for Non-Current Assets - *Service, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:*

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by

way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Depreciation charged to the Housing Revenue Account (HRA) is not reversed out and is 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.

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this may not faithfully represent the asset position to the users of the financial statements. The council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation may not be measured accurately and may not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movement of Infrastructure Assets in 2019/20

Movements in 2019/20	**2018/19 £'000**	**2019/20 £'000**
Net Book Value at 1 April	**2,906**	**3,837**
Additions	996	270
Assets reclassified	215	0
Other movements in cost or valuation	0	(17)
Depreciation charge	(280)	(583)
Net Book Value at 31 March	**3,837**	**3,507**

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	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost Valuation:							
At 1 April 2019	**651,682**	**97,306**	**24,339**	**3,485**	**984**	**6,430**	**784,226**
Adjustments to opening balance							-
Additions	25,531	2,034	1,255	-	-	13,279	42,099
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,885)	3,284	-	-	-	-	(3,601)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(805)	-	-	-	-	(805)
Derecognition - Disposals	(4,686)	(164)	(493)	-	-	-	(5,343)
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	4,514	(875)	66	-	(500)	(3,296)	(92)
Other movements in Cost or Valuation	(655)	(477)	19	1,138	(94)		(68)
Balance as at 31 March 2020	**669,502**	**100,303**	**25,186**	**4,623**	**390**	**16,412**	**816,416**
Accumulated Depreciation and Impairment:							-
At 1 April 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(865)**	**(35)**	**-**	**(54,558)**
Adjustment to opening balance							
Depreciation charge	(10,515)	(1,700)	(1,631)	(98)	(14)	-	(13,957)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	194	-	-	-	-	194
Depreciation written out to Revaluation Reserve	5,974	1,198	-	-	-	-	7,172
Assets reclassified	-	-	-	-	49	(110)	(61)
Derecognition - Disposals	445	3	399	-	-	-	847
Derecognition - Other	-	-	-	-	-	-	-
At 31 March 2020	**(37,102)**	**(3,306)**	**(18,883)**	**(963)**		**(110)**	**(60,363)**
Net Book Value at 31 March 2020:	**632,400**	**96,997**	**6,302**	**3,661**	**391**	**16,302**	**756,053**
Net Book Value at 31 March 2020 Infrastructure Assets							**3,507**
Net Book Value at 31 March 2020 Total Property Plant and Equipment							**759,560**
Net Book Value at 31 March 2019:	618,676	94,305	6,688	2,620	949	6,429	729,667
Net Book Value at 31 March 2019 Infrastructure Assets							3,837
Net Book Value at 31 March 2019 Total Property Plant and Equipment							733,504

Notes to the Core Financial Statements

Movements in 2018/19	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, & Equipment	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**	**3,485**	**2,008**	**4,695**	**793,961**
Adjustments to opening balance							-
Additions	18,183	14,476	3,193	6	-	3,960	39,818
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)				(2,226)	(314)
Other movements in Cost or Valuation		4					4
Balance as at 31 March 2019	**651,682**	**97,306**	**24,339**	**3,485**	**984**	**6,429**	**784,225**
Accumulated Depreciation and Impairment:							-
At 1 April 2018	**(28,489)**	**(2,821)**	**(16,500)**	**(773)**	**(92)**		**(48,675)**
Adjustment to opening balance							
Depreciation charge	(12,520)	(1,609)	(1,361)	(97)	(27)	-	(15,614)
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)**	**(865)**	**(35)**	**-**	**(54,558)**
Net Book Value at 31 March 2019:	618,676	94,305	6,688	2,620	949	6,429	729,667
Net Book Value at 31 March 2019 Infrastructure Assets							3,837
Net Book Value at 31 March 2019 Total Property Plant and Equipment							733,504
Net Book Value at 31 March 2018:	633,712	96,962	6,289	2,712	1,916	4,695	746,286
Net Book Value at 31 March 2018 Infrastructure Assets							2,906
Net Book Value at 31 March 2018 Total Property Plant and Equipment							749,192

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 has 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 (£11.8M) for these properties, subsequently sublet to Queensway Properties (Stevenage) LLP.

Notes to the Core Financial Statements

21. Assets held for sale

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

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

Disposals and Non-Current Assets Held for Sale: *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 shareholding the Council has not included any further disclosure notes regarding this company.

24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £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

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)	6,263
-	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	(7,130)
-	Other Actuarial gains and losses	(11)
13,129	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**(15,323)**

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	4,581

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	(8,185)
4,487	Contributions from employer	4,581
1,110	Contributions from employees into the scheme	1,121
(6,144)	Benefits paid	(6,454)
168,023	**Closing fair value of scheme assets**	**163,118**

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	(6,454)
226,717	**Closing balance**	**201,919**
58,694	**Net Pension Liability**	**38,801**

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%	3,114	0	3,114	1.9%
Manufacturing	6,515	0	6,515	4.0%	2,486	0	2,486	1.5%
Energy and Utilities	1,734	0	1,734	1.1%				0.0%
Financial Institutions	6,928	0	6,928	4.3%	2,390	0	2,390	1.5%
Health and Care	1,367	0	1,367	0.8%	1,468	0	1,468	0.9%
Information Technology	5,256	0	5,256	3.2%	5,588	0	5,588	3.5%
Other	451	0	451	0.3%	267	0	267	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	4227	4227	2.6%
Private Equity:								
All	0	7,878	7,878	4.9%	0	8,727	8,727	5.4%
Real Estate:								
UK Property	0	5952	5952	3.7%	0	4932	4932	3.1%
Overseas Property	0	6373	6373	3.9%	0	9734	9734	6.0%
Investment Funds and Unit Trusts:								
Equities	42,396	0	42,396	25.2%	50,744	0	50,744	31.5%
Bonds	58,456	0	58,456	35.1%	53,479	0	53,479	33.2%
Commodities	0	0	0	0.0%	0	0	0	0.0%
Infrastructure	0	1629	1629	1.0%	0	150	150	0.1%
Other	1420	8880	10300	6.4%	1376	11086	12462	7.7%
Derivatives:								
Interest Rate	0		0	0.0%	0	0	0	0.0%
Foreign Exchange	0	-200	-200	-0.1%	0	-173	-173	-0.1%
Cash and Cash Equivalents:								
All	5437	0	5,437	3.4%	3523	0	3,523	1.0%
Totals	**137,434**	**30,589**	**168,023**	**100%**	**124,435**	**38,683**	**163,118**	**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	68,652 (34%)
Deferred members	46,441 (23%)
Pensioner members	86,826 (43%)
Total	**201,919 (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)
0.1% decrease in Real Discount Rate	2	3,567
0.1% increase in salary increase rate	0	320
0.1% increase in pension increase rate (CPI)	2	3,252

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 provided 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.

Notes to the Core Financial Statements

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

2018/19 £'000	Operating Activities	2019/20 £'000
3,153	Capital Grants credited to surplus or deficit on the provision of services	6,172
	Net adjustment from the sale of short and long term investments	
	Premiums or Discounts on the repayment of financial liabilities	
18,412	Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,502
	Repayments of capital grants given in previous years & Loans	-
21,565	**Total**	**14,674**

Notes to the Core Financial Statements

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:

2018/19 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	2019/20 £'000
(16,002)	Depreciation of Non-Current Assets	(14,579)
(3,800)	Impairment, Impairment Reversal and Revaluation of Non-Current Assets	(610)
(4,112)	Assets de-recognised during year	(5,285)
(126)	Amortisation of Intangible assets	(288)
	(Increase)/Decrease in impairment for provision of bad debts	
3	Increase/(Decrease) in inventories	(13)
2,600	Increase/(Decrease) in debtors	1,392
(14,289)	(Increase)/Decrease in creditors	77
	(Increase)/Decrease in provisions	
(3,769)	Pension Fund costs adjustment	(3,810)
(56)	Movement in Investment Property Values	1,329
	Other Non-cash items	
(39,551)	**Net cash (inflow)/outflow from operating activities**	**(21,787)**

2019/20 £'000	Investing Activities	2020/21 £'000
43,172	Purchase of property, plant and equipment, investment property and intangible assets	41,217
25,500	Purchase of short-term and long-term investments	20,300
	Other payments for investing activities	
(6,389)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,504)
(28,200)	Proceeds from short-term and long-term investments	(25,100)
(3,402)	Other receipts from investing activities	(6,172)
30,681	**Net cash flows from investing activities**	**21,741**

2019/20 £'000	Financing Activities	2020/21 £'000
(11,364)	Cash Receipts of Short and Long term borrowing	(6,943)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	
3,004	Repayments of short- and long-term borrowing	290
1,264	Repayments of Short and Long term borrowing	(1,095)
(7,096)	**Net cash flows from financing activities**	**(7,748)**

Notes to the Core Financial Statements

32. Going Concern

These accounts have been prepared on a going concern basis and assume 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.

The Council has forecast the expected ongoing losses as the result of covid-19 during the 2022/23 financial year to be £849,000 due to reduced car park and commercial rent income. No additional government funding has been assumed during this period. The Council has built these assumptions into the base budget for the 2022/23 financial year. The Council approved a balanced budget for 2022/23 on 24 February 2022.

Despite the financial impact of COVID on the Council's General Fund the balance as at 31st March 2022 of £6.908Million was higher than the current (2022/23) risk assessed level (£3.65Million). Projections agreed as part of the 2022/23 budget setting process forecast this General Fund to remain above the risk assessed balance as at 31st March 2023. In addition to the General Fund, the Council has forecast a total of £3.2Million earmarked reserves as set out in the February 2022 budget for the 2022/23 year.

The Council had cash and liquid asset made up of Money Market Funds, Call Account and Bank Account as at 31 March 2022 of £68Million. The Treasury Management Strategy to the 2022 February Council projected cash balances reducing, based on current plans, to £47.6Million as of 31 March 2023. The Council will have sufficient liquidity to operate throughout the going concern period to 31 March 2023.

Notes to the Core Financial Statements

32. Going Concern (cont)

The Council has no short term borrowing. The Council could utilise short term borrowing on a temporary basis to aid liquidity in the short term, however, it has no current plans to do so. The short term borrowing referred to in the balance sheet is borrowing due to be repaid within 12 months of the balance sheet date that relates to long term borrowing arrangements.

The CFO is content that the Council's subsidiary companies are not reliant on funding from the parent Stevenage Borough Council during the going concern period to 31 March 2023 due to the subsidiary entities having their own sufficient liquidity and cash balances.

Overall, it is on this basis that management have concluded that the going concern basis of preparation for the financial statements is appropriate. No material uncertainties have been identified in this conclusion.

Housing Revenue Account (HRA) Income & Expenditure Statement

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

2018/19 £000		2019/20 £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			2019/20	
£'000	£'000		£'000	£'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		2019/20
£'000		£'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		19/20
£'000		£'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.

2018/19			Collection Fund	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

Stevenage BOROUGH COUNCIL

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)**

Stevenage BOROUGH COUNCIL

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, i.e. 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			**-**	(27,272)		(27,272)	(27,272)
Total Comprehensive Expenditure and Income	**(11,057)**	**659**	**(10,398)**	**(27,272)**	**142**	**(27,130)**	**(37,528)**
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)**	**(36,814)**	**142**	**(36,672)**	**(37,528)**
Transfer to/from Reserves	-					-	-
(Increase)/Decrease in Year 2019/2020	**(1,515)**	**659**	**(856)**	**(36,814)**	**142**	**(36,672)** -	**(37,528)** -
Balance at 31 March 2020 Carried Forward	**(59,297)**	**1,349**	**(57,948)**	**(514,896)**	**142**	**(514,754)**	**(572,702)**

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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					2019/2020		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note		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			(23,703)
		26,516		**Other Comprehensive Income and Expenditure**			**(27,272)**
		27,570		**Total Comprehensive Income and Expenditure**			**(37,528)**

Stevenage BOROUGH COUNCIL

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	(38,801)
(668)		Grants Receipts in Adv - Capital	(317)
(284,719)		**Long Term Liabilities**	**(270,985)**
535,174		**Net Assets**	**572,702**
(57,092)		Usable Reserves	(57,948)
(478,082)		Unusable Reserves	(514,754)
(535,174)		**Total Reserves**	**(572,702)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 31 August 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**

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)**

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 change 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 change 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 significantly curtail 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

Stevenage Borough Council

Audit Committee Report

Anti-Fraud Plan 2023/24

Purpose

1 This report provides members with details of the Councils Anti-Fraud Plan for 2023/24.

Recommendations

2 **The Committee is RECOMMENDED to:**

I. Review and approve the Anti-Fraud Plan 2023/24.

Background

3 Recent reports have been provided to officers and are being used by SAFS to ensure that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. The strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.

Tackling Fraud in the Public Sector 2020. In 2019 CIPFA commissioned a survey and several round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA and MHCLG.

The Public Sector Fraud Authority 2022/23: Building for Success. The government has created the Public Sector Fraud Authority to transform the way that the government manages fraud. The PSFA works with departments and public bodies to better understand and reduce the impact of public sector fraud.

4 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England exceeds £2billion each year, with some more recent reports indicating levels considerably above this.

5 The Cabinet Office, Department for Levelling Up Housing and Communities (DLUHC), NAO, and CIPFA have issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.

6 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.

7 Stevenage Borough Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution, working with services and Council staff at all levels.

Report

Anti-Fraud Plan 2023/24

8 The reports and papers mentioned at section 3 above and guidance from the NAO, DLUHC and the Local Government Association (LGA) recommend that organisations have effective and robust counter fraud and corruption measures. These measures require the acknowledgement of fraud as a tangible risk, policies, and procedures to deter and prevent fraud and the provision of sufficient resources to investigate fraud and recover losses caused by fraud. Above all an organisation should have a plan to protect itself against fraud.

9 Council officers and SAFS management develop and agree an **Anti-Fraud Plan** each year and the proposed plan for 2023/24 is presented at **Appendix A**.

The Plan and Fighting Fraud and Corruption Locally

10 The Anti-Fraud Plan for 2023/24 has been designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue.

11 The Plan identifies officers/members who will have a role in delivering it and SAFS will work with all concerned to ensure they understand their role both in delivering the Plan and supporting the FFCL strategy.

12 Members will note that this Committee has a role in ensuring key elements in the Plan are implemented and in monitoring the Councils anti-fraud work.

13 We have also included new areas of work for SAFS working with senior managers including Fraud Risk Assessments, and a review of the Councils procurement/contact management processes.

Counter Fraud Funding and Resources 2023/24

14 At pages 4 – 6 of the main body of the Plan (**Appendix A)** details are provided of funding on counter fraud in 2023/24.

15 Page 7 of the Plan includes reference to the SAFS KPIs for 2023/24 and the SAFS Standards of Service agreed.

16 SAFS has changed the way it will deliver its services to all of its Partners in 2023/24 with a measurable number of service/workdays which will include staff training, investigation capacity, access to SAFS management, intelligence & fraud alerts, and data-analytics. The days, allocation across service areas, and programmes of work, have all been agreed with senior officers across the Council.

17 SAFS will maintain its relationship with third party specialist providers and national networks to keep the Council informed of new and emerging fraud threats or changes to best practice that assist in deterring/preventing fraud and corruption.

18 SAFS will continue to work closely with Council officers working in those services mentioned in the Plan.

19 Regular reports will be provided to senior manager and this Committee on progress delivering the Plan for 2023/24.

Appendices

20 The following appendices are attached to this report: -

Appendix A – Stevenage Borough Council - Anti-Fraud Plan 2023/24.

List of Background Papers - Local Government Act 1972, Section 100D

21 (a) International Public Sector Fraud Forum guidance 2022
(b) Fighting Fraud and Corruption Locally a Strategy for the 2020s.
(c) Fraud and Corruption Tracker 2019.
(d) UK Annual Fraud Indicator 2017.
(e) A Councillors Workbook on Bribery and Fraud Prevention.
(f) Local Government Transparency Code (February 2015).
(g) The National Fraud Strategy: Fighting Fraud Together.
(h) CIPFA Red Book 2 – Managing the Risk of Fraud – Actions to Counter Fraud and Corruption.

APPENDIX A

Stevenage Borough Council
Anti-Fraud Plan 2023-2024

In partnership with

The Hertfordshire Shared Anti-Fraud Service

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SAFS KPIs 2023-2024	B.

Introduction

This plan supports the Councils **Anti-Fraud and Corruption Policy** by ensuring that Stevenage Borough Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Councils published Anti-Fraud and Corruption Policy states;

The Council is committed to the prevention and detection of fraud and corruption, whether from within or outside the organisation and the aims of this document are to:

Be clear that the Council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.

Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.

Detail the responsibilities of employees, management and Members with regard to fraud and corruption.

Assist the relevant Strategic Directors in fulfilment of their roles as the Council's S151 Officer and as the Council's Monitoring Officer.

Explain the role of Council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all its dealings and has adopted Codes of Conduct for Members and officers.

This plan includes objectives and key performance indicators that support the Councils Policy and follows the latest best practice/guidance/directives from the Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), Local Government Association (LGA), Public Sector Fraud Authority (PSFA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

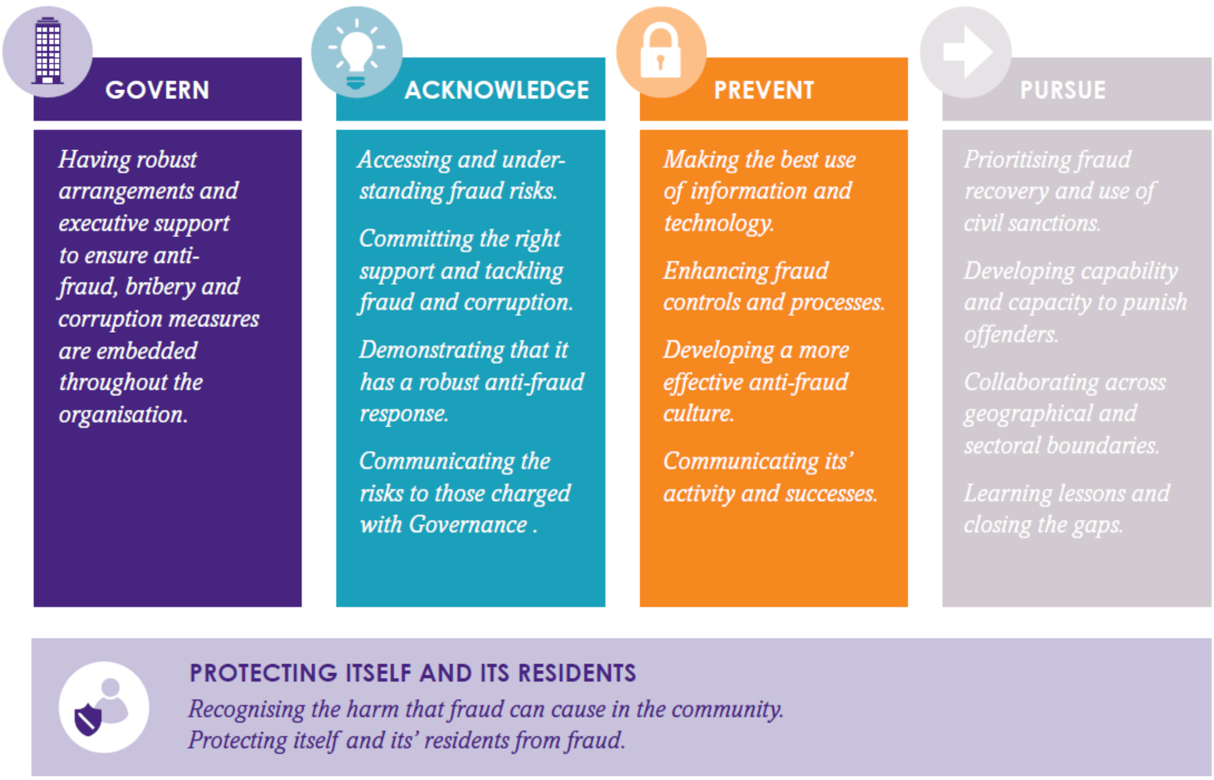
In 2013 the National Fraud Authority stated that the scale of fraud against local government "is large, but difficult to quantify with precision". Since 2013 a number of reports have been published including by CIPFA, NAO and DLUHC indicating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs.

In 2022 the Public Sector Fraud Authority (Cabinet Office) published a report stating that in 2021/22 the public sector had experienced more than 5 million acts of fraud, that more than £33bn in public money was lost to fraud each year and that fraud against the Covid-19 Financial Support packages alone had cost £19bn.

The *Fighting Fraud and Corruption Locally, A Strategy for the 2020's*, published in March 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity and this Anti-Fraud Plan follows the guidance and recommendations of the *Strategy*. A copy of the *Strategy* can be found at https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fighting-fraud-and-corruption-locally

The new *Strategy* compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 including the four 'Pillars' of ***Govern Acknowledge, Prevent, Pursue*** with an overarching aim of ***Protect***:

For the Council this includes protecting public funds it administers and protecting the Council and its residents against fraud and cybercrime.



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Anti-Fraud Plan 2023-2024

The Councils Anti-Fraud Plan will be managed by the Hertfordshire Shared Anti-Fraud Service (SAFS), but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services and in particular by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels.

The Anti-Fraud Plan for 2023-2024 follows the guidelines and checklists contained in the *Fighting Fraud and Corruption Locally Strategy* and progress against this will be reported to senior management and the Councils Audit Committee. A break-down of work included in the Plan can be found at **Appendix A** and the officers with responsibility for ensuring the plan is delivered is included as well.

SAFS Resources 2023-2024

Anti-Fraud Arrangements

Stevenage Borough Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. The SAFS Partnership, as well as Stevenage Borough Council, includes Broxbourne Borough Council, Hertsmere Borough Council, Hertfordshire County Council, Luton Borough Council, North Herts Council, East Herts Council and from April 2023 Welwyn and Hatfield Council. The SAFS also provides services to other public sector bodies across Hertfordshire.

The SAFS Team is made up of 21.5 full time equivalent staff in 2023/24. All staff are fully trained and accredited (or working towards this) specialising in fraud prevention, fraud investigation, fraud awareness, fraud risk assessment as well as proceeds of crime, anti-bribery and anti-money laundering.

Since 2019 the SAFS Team has been nominated for and/or won awards for the services it provides including the ***Tackling Economic Crime Awards*** (TECAS), the ***Institute of Revenue Rating and Valuation Awards*** (IRRV), the ***Public Finance Awards*** (PFA), and most recently in February 2023 the ***Public Sector Counter Fraud Awards.***

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council for a contracted service for all Partners. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the Stevenage Borough Council the Strategic Director (CFO) is the Board representative and the Assistant Director of Finance acts her deputy.

Although SAFS will provide much of the Councils operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In December 2022 the SAFS Board agreed fees for all Partners from April 2023. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for at least the next three years.

Fees for Stevenage Borough Council for 2023-2024 have been agreed at £164,231+ VAT.

Staffing

The full complement for SAFS in 2023-2024 is planned to be 21.5 FTE.

The Council will have access to 450 days of counter fraud work, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. An Accredited Financial Investigator is available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP) and the National Anti-Fraud Network (NAFN).

Workplans & Projects 2023-2024

As well as an agreed programme of work (see **Appendix A**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Cross Cutting Corporate Initiatives	**General Support.** Three Reports to Audit and Governance Committee. SAFS attendance at Corporate Governance Groups and management meetings. Assisting with the review of the Councils existing anti-fraud policies. Money Laundering Reporting Officer (MLRO) role Assist with NFI Output and FraudHub. Assisting with Payroll fraud matters including disciplinary investigations. Identify new fraud risks and fraud alerts. **Training.** Ten fraud training/awareness events for staff/members in year delivered face to face/virtually/hybrid. Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering – accessible via the Councils intranet. Roll out of NAFN training and registration for appropriate services/officers. **Procurement.** Work with internal procurement service developing a bespoke risk assessment for fraud in procurement/contract.
Revenues and Benefits	This work will be arranged with the Shared Revenue and Benefit Service hosted by East Herts Council. Proactive training and awareness for management and front-line staff. Reactive investigations for housing benefit, council tax support/discount and business rate fraud. Support for single person discount review utilising 3rd party framework. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Use of data-analytics to identify fraud/evasion of business rate liability and collection. Joint working with DWP where council tax support and other 'national' benefits are in payment.
Housing Services	This work will be arranged with the Councils housing services and in partnership with Clarion Housing Group, Catalyst Housing (now part of Peabody), B3Living and other housing providers with stock within the Councils area. Proactive training and awareness for senior leadership and front-line staff. Reactive investigations for Housing Application, Tenancy fraud and support for RTB process. Targets include: • 12 social homes secured from sub-letting, or other unlawful tenancy breaches, or acts of fraud against the housing application/homelessness process. • Programme of work to support the Councils plans to improve the use of Tenancy Audits, through improved use of intelligence/data analytics and the sharing of fraud trends around misuse of social housing. • 100% review of RTB & Succession applications. Review housing register to identify fraud risks and, where appropriate, investigate these.

<u>SAFS KPIs & Standards of Service.</u>

SAFS will work to a set of KPIs agreed with senior officers and these targets will assist in delivering the Councils Anti-Fraud Plan. The KPI's can be found at **Appendix B** and will be reported to senior officers and Audit Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS via email/phone/weblinks.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Money Laundering.
4. A Money Laundering Reporting Officer service as laid out in the relevant Council policies.
5. Assistance in the design/review of Council policies, processes, and documents to deter/prevent fraud.
6. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
7. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
   - The FraudHub will be funded by the Council.
   - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
   - Data will be collected and loaded in a secure manner.
   - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
   - SAFS will work with Council officers to identify datasets (and frequency) of the upload of these.
   - SAFS will work with Council officers to determine the most appropriate data-matching.
8. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
9. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and relevant Council policies.
10. Reactive fraud investigations.
   - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt.
   - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation, or referral to 3rd parties including police, DWP, Action Fraud.
   - The Council will be informed of all reported fraud affecting its services.
   - SAFS will allocate an officer to each case.
   - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
   - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
   - Where criminal offences are identified SAFS will draft a report for Council officers to decide on any further sanctions/prosecutions.
11. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
12. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
13. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
14. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

Appendix A.

SBC / SAFS Action Plan 2023/2024			
FFCL Pillars	**Objectives**	**Activities**	**Responsible Officer**
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	Ensure the Councils Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption are reviewed against latest best practice. Review and update the Councils Money Laundering/ Bribery/ Cyber-Crime Policies	Chief Executive / Borough Solicitor / Strategic Director (CFO)
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	Strategic Director (CFO) /Head of SAFS
		Audit and Governance Committee and its Chairman, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chairman/ Strategic Director (CFO) / Borough Solicitor
		System/process weaknesses or risks revealed by instances of actual fraud will be fed back to departments/services with recommendations to manage/mitigate these risks. Reports will be shared with senior managers or Internal Audit to review outcomes and management response to recommendation.	Head of SAFS/ Head of SIAS
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Strategic Director (CFO) / Head of Human Resources
ACKNOWLEDGE	Accessing and under-standing fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with	Inclusion of Fraud Risks and actions to manage/mitigate/reduce this in its Annual Governance Statement.	Risk Manager / Strategic Director (CFO)
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications & Marketing Mgr
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and implement E-Learning modules available for staff that is mandatory.	Head of HR / Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Strategic Director (CFO) or the Assistant Director of Finance will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	Strategic Director (CFO) / Assistant Director of Finance
		Audits conducted by the Shared Internal Audit Service will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior management and SAFS to review.	Head of SIAS
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts *FraudHub* and support Council officers with the output from NFI 2022/2023 Exercise	Head of SAFS/ Assistant Director of Finance
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ Assistant Director of Finance
		The SAFS Mgt will provide reports to the SAFS Board quarterly on anti-fraud activity across the Partnership and any learning to be shared with all Partners	Head of SAFS
		The Council will review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Borough Solicitor
		SAFS will work with the LGA and Cabinet Office to support the work of the Public Sector Fraud Authority.	Head of SAFS
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. SAFS will work with officers to promote the reporting of suspected fraud by officers and the public.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service and HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Borough Solicitor/ Head of HR/ Assistant Director of Finance
		SAFS and the Councils R&B Service will work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Head of R&B Shared Service
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	Head of SAFS
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	SAFS will provide reports and data to Fraud Champions on all anti-fraud activity as required by Council officers.	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity (Incl HB OP and recovery) at the Council 3 times in 2023-2024	Head of SAFS / Strategic Director (CFO)
		The Council has in place measures to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure, with training for staff and elected members	Asst Director Chief Technology Officer
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

Appendix B.

SAFS KPIs - 2023/ 2024 (SBC)

KPI	Measure	Objectives	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Assistant Director of Finance, quarterly. B. Strategic Director (CFO) or deputy will attend SAFS Board meetings quarterly. C. Regular meetings to take place with Directors/Service Leads to agree and update local work plans. D. Reports on progress with any area of work covered by the SAFS Partnership Agreement will be provided on request.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 450 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management). B. 3 Reports to Audit Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts/trends/best practice C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year. (To be agreed with Directors/ Service leads and HR)	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. C. 12 Social homes secured from unlawful use or sub-letting. D. 100% Review of all Right to Buy and 'Succession' applications.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the output from NFI 2022/23 across all Council services. B. Membership of the Herts FraudHub in 2023/24.	Develop a 'data-hub' that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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INTERNAL AUDIT PLAN 2023/24

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE
27 MARCH 2023

RECOMMENDATION: **MEMBERS ARE RECOMMENDED TO APPROVE THE PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN FOR 2023/24**

Contents

1. Introduction and Background

2. Audit Planning Process
   - 2.1 Planning Principles
   - 2.2 Approach to Planning
   - 2.10 Planning Context
   - 2.13 Internal Audit Plan 2023/24

3. Performance Management
   - 3.1 Update Reporting
   - 3.3 Performance Indicators

Appendices

A Proposed Stevenage Borough Council Internal Audit Plan 2023/24

B Proposed Audit Start Dates

1. Introduction and Background

1.1 The mission of Internal Audit is "to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The SIAS Board has approved the SIAS Internal Audit Strategy in December 2021 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.

1.2 The PSIAS set out how SIAS must approach audit planning. The specific standards that SIAS must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and Internal Audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members, and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit's resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

1.3 The Council's Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive's Annual Opinion Report.

1.4 The Shared Internal Audit Service's (SIAS) Audit Charter was presented to the June 2022 meeting of this Committee, and it shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2023 Audit Committee meeting for Member approval.

1.5 Section 2 of this report details how SIAS complies with these requirements.

2. Audit Planning Process

Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.

c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.

d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.

e) Identification of responsibilities where services are delivered in partnership.

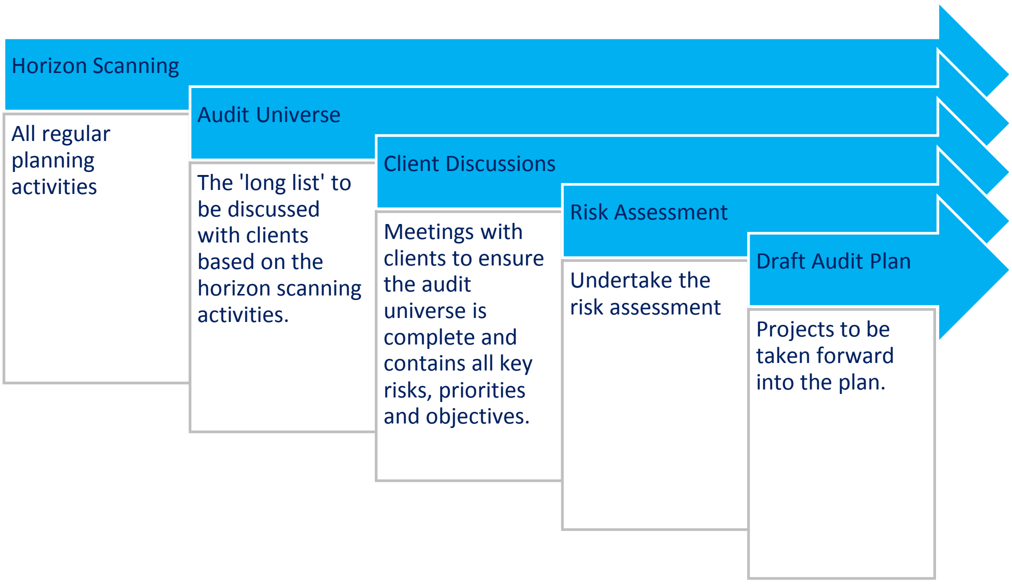
f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.

g) Capacity to deliver key commitments including governance work.

h) Capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

Approach to Planning

2.2 SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:



Horizon Scanning and Audit Universe

2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:

2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with senior managers.

Client Discussions

2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the gathering of information to inform the risk assessment phase of audit planning.

Risk Assessment

2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.

2.7 The risk assessment behind the development of the 2023/24 Internal Audit Plan was strongly correlated to the Council's plans and associated monitoring through risk assessments, KPI's and project progress.

2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

Draft Audit Plan

2.9 The results of the risk assessment and discussions with senior managers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the Senior Leadership Team to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2023/24.

The Planning Context

2.10 The context within which local authorities provide their services remains challenging:

- Covid-19 will continue to have an impact in future years. Whilst the longer-term impact of the pandemic remains speculative, the current challenges and risks relate to public health, economic impact, growth, and equality for local authorities.

- The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK

- Latest forecasts show a mixed outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact on their local economies, services, and any direct investments of their own.

- Demand is still rising, driven by complex needs, an ageing population, and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.

- Cyber security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber-attacks. Continued vigilance and awareness remain key to protecting the information assets of local authorities.

- Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.

- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become an increasing concern.

- Many local authorities have declared a Climate & Ecological Emergency in the past couple of years and made commitments to become Net Zero. Whilst the pandemic has distracted some from this priority, it cannot be ignored and is now a greater challenge to maintain focus and deliver the necessary carbon reductions.

2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.

- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.

- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve ‘whole population testing’ and new insights over sampling or ‘continuous assurance’ where appropriate.

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks and the impact this has had on audit activity.

Internal Audit Plan 2023/24

2.13 The draft plan for 2023/24 is included at Appendix A and contains a high-level proposed outline scope for each audit; Appendix B details the likely start months. The number of days commissioned in 2023/24 has been reduced from 315 days to 300 days.

2.14 The table shows the estimated allocation of the total annual number of purchased audit days for the year.

	2023/24 Days	%
Key Financial Systems	**57**	**19**
Other Audits	**147**	**49**
IT Audits	**12**	**5**
Corporate Governance / Risk Management	**20**	**7**
Strategic Support*	**47**	**15**
Contingency and other	**10**	**3**
Carry forward work 2022/23	**7**	**2**
Total allocated days	**300**	**100%**

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2023/24

2.15 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle. The cancellation of any audits will require approval from the Strategic Director (CFO).

2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2022/23. The structure of Internal Audit’s programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing demands on their time, e.g. year-end closure procedures.

2.17 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Strategic Director (CFO).

Resources

2.18 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.

2.19 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.

2.20 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.

2.21 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has three team members studying towards their professional qualifications.

2.22 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by Stevenage Borough Council. There are currently no limitations on the adequacy of resources in place to deliver the Stevenage Borough Council Internal Audit Plan 2023/24.

3. Performance Management

Update Reporting

3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2023/24 and any proposed changes will be reported to this Committee four times in the 2023/24 civic year.

3.2 SIAS will report on the implementation of agreed critical and high priority recommendations as part of the update reporting process.

Performance Indicators

3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2023/24 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
1. **Public Sector Internal Audit Standards** – the service conforms with the standards	Yes	Annually
2. **Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	Annually
3. **Annual Internal Audit Plan Delivery** – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
4. **Project Delivery** – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
5. **Client Satisfaction*** – percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	TBC*	TBC*
6. **Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year	Yes	Annually

*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise. In the meantime, SIAS continues to send customer satisfaction questionnaires to lead officers at the conclusion of each audit, with any issues identified discussed with the client to support continuous learning and development of the service.

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF KEY FINANCIAL SYSTEMS		
Business Rates (shared with EHC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	49
Council Tax (shared with EHC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	
Housing Benefits (shared with EHC).	An audit covering risks linked to claim submission, assessment, changes in circumstances and payment.	
Creditors Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Debtors Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Housing Rents (Former Tenant Arrears).	An audit covering risks linked to the collection and recovery of former tenant arrears.	
Cash & Banking Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Treasury Management Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Payroll & Expenses.	An audit covering risks linked to starters, leavers, payments to third parties (e.g. HMRC), payroll runs, BACS payments and miscellaneous expenses e.g. mileage allowance.	

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF OPERATIONAL SERVICES		
Housing Regulator Reporting.	An audit covering risks linked to the systems for reporting against the requirements of the housing regulator.	108
Community Grants & Funding.	An audit covering the risks linked to the application of policies and procedures for awarding grant funding to local organisations.	
Communities External Commissions.	An audit covering risks linked to external commissions for other organisations.	
Land Charges.	An audit covering risks linked to processing local land searches, fees & charges.	
S106 Spend Arrangements.	An audit covering risks linked to recording and monitoring S106 contributions, spending contributions due and received.	
Court Cost Tracking.	An audit covering risks linked with payments due to the Council in respect of recovery of court costs.	
Leaseholder Liability & Billing.	An audit covering risks linked to recognising leaseholder liability arising from major works, associated billing, and collection.	
Homeless B & B.	An audit covering risks linked to bed and breakfast placements and the recovery of costs via the welfare benefits system.	
Wholly Owned Company (Decision Making).	An audit covering risks linked to decision making governance and control.	
Leisure Contract Management.	An audit covering risks linked to managing performance within the new leisure contract.	

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF CORPORATE SERVICES/THEMES		
Tender Process.	An audit covering risks linked to tender invitation, receipt, evaluation, and award.	59
Risk Management Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Corporate Governance Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Performance Indicators.	An audit covering risks linked to the completeness and accuracy of data used for reporting against performance metrics.	
Sickness Absence Management.	An audit covering risks linked to complying with sickness absence management policies and procedures.	
Grant Audits.	To provide for auditing external funding arrangements where the funding body attaches associated conditions e.g. Homes England.	
COVERAGE OF INFORMATION TECHNOLOGY		
Mobile Device Security (shared with EHC).	An audit covering risks linked to the framework for mobile device security and safety.	12
IT Project Management (shared with EHC).	An audit covering the risks linked to governance and delivering projects within the IT programme.	

Audit	Proposed Outline Scope	Proposed Days
CONTINGENCY		
Contingency.	To provide for adequate response to risks emerging during the course of the financial year.	10
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2022/23.	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2022/23.	3
Audit Committee & Recommendation Follow Up.	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee. Follow up of Critical and High priority recommendations.	10
Client Liaison, Ad-hoc Advice, including CGG & RMG.	This involves meetings and updates with the Council's Audit Champion and other key officers. Attendance at the Corporate Governance Group (CGG) and Risk Management Group (RMG) is also included.	10
Plan and Progress Monitoring.	To produce and monitor performance and billing information, work allocation and scheduling.	12
SIAS Development.	Included to reflect the Council's contribution to developing and maintain the shared service / partnership through its service plans and corporate activities.	5
Matters Arising From SAFS	To deal with any audit related matters arising from work carried out by the Shared Anti-Fraud Service (SAFS).	2

Audit	Proposed Outline Scope	Proposed Days
2024/25 Audit Planning.	To provide services in relation to preparation and agreement of the 2024/25 Audit Plan.	5
2022/23 projects requiring completion.	Additional time, if required, for the completion of 2022/23 audit work carried forward into the 2023/24 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	7
TOTAL		**300**

APPENDIX B – STEVENAGE BOROUGH COUNCIL PROPOSED AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
	Performance Indicators	Mobile Device Security	Tender Process	Leaseholder Liability & Billing	S106 Spend Arrangements
	Community Grants & Funding	Court Cost Tracking	Homeless Bed & Breakfast	Communities External Commissions	Land Charges
					Payroll & Expenses

Oct	Nov	Dec	Jan	Feb	Mar
Wholly Owned Company (Decision Making)	IT Project Management	Business Rates	Corporate Governance Assurance Mapping	Risk Management Assurance Mapping	
Housing Rents (Former Tenant Arrears)	Housing Benefits	Housing Regulator Reporting	Sickness Absence Management	Leisure Contract Management	
		Debtors Assurance Mapping	Cash & Banking Assurance Mapping Refresh	Treasury Management Assurance Mapping Refresh	
			Council Tax	Creditors Assurance Mapping Refresh	

At this stage, the above is an indicative spread of audits as not all services have specified a preferred start date.

Part I – Release to Press

Stevenage
BOROUGH COUNCIL

Meeting: **Audit Committee**

Portfolio Area: All Portfolio Areas

Date: **27 March 2023**

Corporate Governance Arrangements

Author: Suzanne Brightwell Ext: 2966
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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2022/23 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2023/24, which will be reflected in the Council's 2022/23 Annual Governance Statement.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on corporate governance enhancement activity during 2022/23.
- Corporate governance enhancement activity identified for 2023/24, for inclusion in the Council's 2022/23 Annual Governance Statement.

3. BACKGROUND

3.1. Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to ensure the Council runs effectively and can be held to account for its actions.

3.2. Local Governance Framework

3.2.1. In January 2008, Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector.

The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions an authority needs to follow to:

- Set out its commitment to the principles of good governance
- Determine its own governance structure, or Local Code of Governance.
- Ensure that it operates effectively in practice through the review of arrangements.

3.2.2. The Framework defines the principles that should underpin the governance of each local government organisation and outlines the requirement for authorities to test their governance structures and partnerships against the principles contained in the Framework by:

- Developing and maintaining an up to date Local Code of Governance, including arrangements for ensuring ongoing effectiveness
- Reviewing existing governance arrangements, and
- Reporting publicly on compliance with the Local Code of Governance on an annual basis setting out how they have monitored the effectiveness of their governance arrangements in the year and identify any enhancement required.

3.2.3. The CIPFA/SOLACE seven core principles of good governance are:

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law

B: Ensuring openness and comprehensive stakeholder engagement

(Principles A and B are considered fundamental and applicable through principles C to G)

C: Defining outcomes in terms of sustainable economic, social and environmental benefits

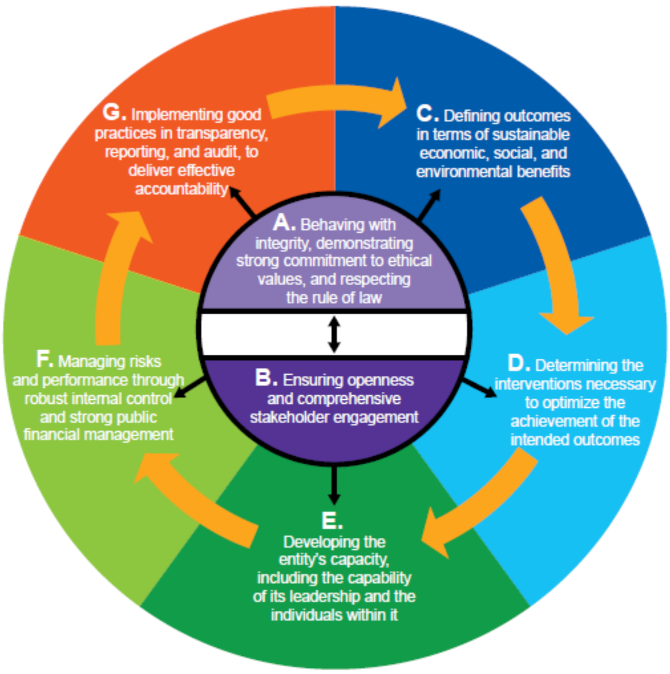
D: Determining the interventions necessary to optimise the achievement of intended outcomes

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

F: Managing risks and performance through robust internal control and strong public financial management

G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The diagram overleaf, taken from the International Framework, Good Governance in the Public Sector (CIPFA/IFAC, 2014) illustrates the above principles of good governance in the public sector and how they relate to each other.



3.2.4 For each of the above core principles, the Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.3 Local Code of Governance

3.3.1 To achieve good governance, a local authority should be able to demonstrate that its governance structures comply with those outlined in the 'Delivering Good Governance' Framework. The Framework states that the authority should develop and maintain a Local Code of Governance which reflects the principles identified in the Framework.

3.3.2 The Council's current Local Code of Governance which is revised annually to enhance the assessment process was last approved by Audit Committee in June 2022 and will be considered by Audit Committee at its meeting in June 2023.

3.4 Legislation and Proper Practice

The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE Framework principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

3.5 Review of Corporate Governance Arrangements

3.5.1 The primary focus of the Council's review of governance arrangements is focused on compliance with the core and sub-principles that form the 'Delivering Good Governance' Framework.

3.5.2 To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to regularly consider the effectiveness of the Council's governance arrangements against the Framework. Each of the seven principles (outlined previously in Paragraph 3.2.3) is reviewed by Corporate Governance Group throughout the year.

3.5.3 Significant enhancement activity identified as a result of these reviews is reflected in Appendix A and Appendix B of this report. To provide Members with a complete picture of governance enhancement carried out in 2022/23 and scheduled for 2023/24, enhancement activity pertaining to best practice has also been reflected in Appendix A and Appendix B.

3.5.4 Enhancement activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review 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 delivery of outcomes should be addressed.

REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' Framework principles and identification of significant governance action to facilitate continued compliance with this Framework, forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

4. IMPLICATIONS

4.1. Financial Implications

There are no direct financial implications arising from this report.

4.2. Legal Implications

The governance enhancements identified inform the Annual Governance Statement which will be reported to Audit Committee in June 2023. It is a requirement for the Council to publish an Annual Governance Statement alongside its Statement of Accounts.

4.3. Risk Implications

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate priorities and statutory requirements. Weakness in corporate governance arrangements can increase risk for the Council. Governance arrangements need to be sound and seen to be sound to mitigate risk.

4.4. Other Corporate Implications

Corporate governance affects all aspects of the work of the Council, as well as partners of the Council contributing to outcome delivery, and other agencies with which the Council shares information. External bodies, in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded and a commitment to ensuring effectiveness.

5.5. Climate Change Implications

Climate change will be considered as part of the Council's governance arrangements.

5. BACKGROUND DOCUMENTS

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance
- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014
- Audit Committee Report: Local Code of Corporate Governance (7 June 2022)

6. APPENDICES

- Appendix A: Corporate Governance Enhancement Activity carried out in 2022/23.
- Appendix B: Corporate Governance enhancement activity planned for 2023/24.

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Corporate Governance Enhancement Activity carried out in 2022/23

Corporate governance activity included in the peach text boxes below are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks. To provide a complete picture of governance enhancement carried out in 2022/23, activity pertaining to best practice has also been reflected below.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- The Member Code of Conduct has been reviewed and approved by Council. The Code now aligns with the LGA's model code.
- The Council's Whistle-Blowing Policy was reviewed and approved by Audit Committee.
- Council agreed the appointment of John Oakley from 1st June 2022, as the Council's new Monitoring Officer in accordance with the Local Government and Housing Act 1989.
- Anti-Money Laundering Training was carried out in December 2022 and January 2023.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Annual Report and Performance Overview highlighting the Council's achievements over the past year and plans for the next twelve months was approved by Executive and published on the Council's website
- A new Complaints Policy was agreed by Executive which incorporates the requirements of the new Housing Ombudsman's Complaints Handling Code as well as fulfilling the guidance of the Local Government and Social Care Ombudsman. The new system will make it easier for customers to log and monitor progress of their complaints as well as for officers to record and track investigations.
- Consultation was carried out in relation to the large neighbourhood centre regeneration scheme at the Oval. There has also been consultation on the proposals for the Station Gateway Area Action plan. The previous round of consultation on the Station Gateway Area Action Plan was carried out in November 2021 and, as a result, new proposals were drawn up based on the feedback received. These new proposals are now being consulted on. There has also been consultation carried out to seek views on proposed new parking controls in the Old Town and revision of the Hackney Carriage and Private Hire Licenses.

Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

General Fund Asset Management Strategy: A new Asset Management system which will be used to manage the Council's commercial assets has now been procured and implementation is scheduled to commence over the next few months.

Making Your Money Count: The Medium-Term Financial Strategy which included potential ongoing Covid impacts, cost of living crisis impacts and inflationary impacts was considered by Executive in September 2022. The report set out a Making your Money Count Target of savings of £3.03 Million for the period 2023/24-2025/25 with a saving of £1.5M being required for 2023/24. Officer and Member meetings were held to consider savings options to ensure the Council could present a balanced budget for 2023/24. The identified and agreed savings have ensured a balanced budget for 2023/24.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Commercialism: To ensure that the Council's ambitious commercial agenda can be achieved, the following action has been carried out: The process of applying for a garage has now been digitised. Digital garage lettings provide customers with a choice of where they would like a garage. It also provides information to help customers find the right garage. Garages Business Case for investment to deal with the backlog of voids was approved at September Executive. Some preliminary work has been undertaken to understand the amount of aged debt and this work will be fed into the wider workstream in the Transformation Programme around income and debt which will also consider processes around debt management. A new skip hire offer was launched in January 2023. A wholescale review of fees and charges was undertaken for 2023/24, starting with a workshop with service managers to discuss inflationary pressures and key considerations when setting charges. This resulted in the development of a number of new income streams and a full set of proposals for the General Fund was presented to the November Executive

COVID-19: The MTFS has been reviewed to reflect the impact of Covid on the Council's finances. The HRA Business Plan is also being reviewed and again the financial impacts of Covid will be included in the revised HRA Business Plan

Socio-Economic Impacts: As a result of the combined socio-economic impacts of welfare reform, the COVID-19 pandemic, and an economic downturn the following actions have been carried out**:**

The Community Renewal Fund bid 'Community Wealth Building Together' which was submitted in collaboration with colleagues from other Districts and Boroughs was approved for delivery by DLUHC and the Hertfordshire LEP on 3rd November 2021. All of the programme's outputs and outcomes have seen significant over achievement against the original targets, with no shortfalls against any indicators. This positive performance resulted in a £60K increase in project budget, to a total of £761,640. All spending is now complete.

An Arrears Action plan has been reviewed and is in place until end of March 2024. The plan is in year 3 and is on schedule to achieve most of the actions.

On 20th July 2022, the Council declared a cost-of-living emergency, with the Council calling on Government and Hertfordshire County Council to do more to help residents most impacted by the crisis. An Executive Member Cost of Living Task Force was set up which is working across the Council and with key local partners to identify the support needed in the community and ensure actions are in place to address the needs identified. Executive approved a draft Cost of Living Crisis Action Plan for Stevenage. The plan sets out how the Council and its partners will continue to respond to the cost-of-living crisis, and mitigate the potential impacts on residents, businesses, council employees and Council finances as much as possible. The Council is continuing to work with key local partners, including through the Stevenage Together Partnership, to develop a co-ordinated response across agencies. Executive received an update on the progress that the Council and partners have made in implementing the action plan in December 2022. The Council continues to monitor the impact of the cost-of-living crisis locally and share this information with partners. A cost-of-living dashboard has been developed jointly with Citizen's Advice Stevenage and includes information from other partners such as Mind in Mid-Herts as well as nationally available data.

Leisure Contract: The Council has entered into a new ten-year Active Communities Leisure Management contract. The new agreement with Everyone Active will begin on 1st April 2023. The UK leisure operator prides itself on being a community-focused organisation and will introduce this approach to residents of the town. Everyone Active aims to support the Council's vision for leisure across Stevenage by producing attractive facilities available to all age groups in the town's community and contribute to the health and wellbeing objectives of the Council.

Council Housing Building and Acquisition: To ensure the Council can deliver new council owned homes as programmed, the following actions have been carried out**:** Viability assessments prior to lending have been carried out. Two potential schemes have been identified. Both schemes have now been approved and are now fully funded. The team is working with Homes England regarding grant funding opportunities. Ongoing governance and review is carried out by the Housing Development and Regeneration Working Group. This group meets once a month. In addition, regular updates are submitted to the FTFC Board. A set of key performance indicators are now being used and need to be met to unlock funding.

Repairs and Voids: A new materials supplier has been appointed. The Repairs Service review is now complete and has been implemented. A new repairs reporting portal is being implemented. A booking hub is also being built so that the CSC only needs to book appointments on one system which will streamline bookings.

- Transformation Programme aimed at improving customer satisfaction, increasing workforce productivity, and delivering savings to sustain services is continuing.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

- The Modern Member Programme recommenced after having been stopped due to Covid.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Cyber Security and IT Resilience: Work is continuing to roll out new VDI and to migrate services over to Windows 10 and Microsoft 365. Cyber Security awareness e-learning has been rolled out to both staff and Members. Work continues to implement the recommendations made by the SOCITM quality assurance review and also the recommendations included in the Cyber Treatment Plan. IT have reviewed and updated the Password Policy in line with guidance from the National Cyber Security Centre to increase the security of IT systems.

Corporate Health and Safety: All high risks are reviewed by the Strategic Health and Safety Group and reported to Corporate Risk Group and the Senior Leadership Team quarterly. The monitor is also reviewed by the Chief Executive at monthly HR meetings.

Compliance of the Council's Non-Housing Property: The service has procured a new computer-aided facilities management system. The system is key to modernising the service and improving efficiency in respect of planning, delivery, and follow-up compliance work. A Stevenage Borough Council Compliance Group meets quarterly to oversee the Council's approach to compliance.

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

- No governance enhancement activity is required.

Governance Enhancement Activity to take place in 2023/24

Corporate governance activity included in the peach text boxes are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks.

To provide a complete picture of governance enhancement planned for 2023/24 activity pertaining to best practice is also reflected.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

To enhance existing governance arrangements the following activity pertaining to best practice has been identified:

- Full review of the Council's Constitution
- IT Acceptable Use Policy to be published

Principle B: Ensuring openness and comprehensive stakeholder engagement

To enhance existing governance arrangements the following activity pertaining to best practice has been identified

- New Resident Engagement arrangements to be implemented.

Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

Annual Governance Statement Action: **To ensure that the General Fund Asset Management Strategy can deliver an effective mechanism to manage incoming investment as well as disposal of the Council's assets, the following activity is planned:**

- Installation and Implementation of new property data management software to manage the Council's assets
- Continue the review of the council's commercial portfolio
- Deliver the Corporate Landlord function

Annual Governance Statement Action: Making Your Money Count: To ensure that the Council has sufficient resources to fund its medium and long-term service plans and corporate priorities the following activity is planned:

- Complete the refresh of the Housing Revenue Account Business Plan
- Carry out a review of the Council's reserves
- Develop a Capital Funding Plan to identify and progress funding sources to ensure suitable capital funding is in place to deliver the Council's priorities
- Continue to find savings as part of the 2024/25 budget setting process, incorporating the work around the four transformation themes
- Robustly undertake budget monitoring to ensure all costs are accurately forecasted and profiled
- Continue to look for new revenue streams

To enhance governance further the following activity pertaining to best practice has been identified:

- Development of a new five-year Corporate Plan

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Annual Governance Statement Action: Commercialisation: To ensure that the Council's ambitious Co-operative Commercial and Insourcing Strategy can be achieved, the following programme of work is planned:

- The Co-operative Commercial and Insourcing Strategy is due for review in August 2023, and it is predicted that as part of the plan for financial sustainability there will be a greater focus on income generating services across the Council. This is likely to involve the setting of commercial Key Performance Indicators (KPIs) for key income generating services across the Council and developing plans for growth and marketing. Work will continue with the Garage Services team to protect and enhance this crucial revenue stream.
- The Commercial team will play a key role in setting fees and charges for 2024/25 and will continue to focus on identifying new income streams, with particular focus on opportunities in planning and grounds maintenance.
- With the Council's offer for filming in the borough and for advertising and sponsorship of both assets and events firmly established, growing the income in these areas will be a priority.
- Aligned with the Council's commitment to insourcing, work will continue to assess the options outlined on the Insourcing Roadmap for 2022-24, with particular attention being paid to opportunities around void clearances and property management services.
- The Commercial team will continue their work supporting the Housing team and consequently, the Housing Revenue Account (HRA). This will be through support with the review of the recharging procedure for tenants and the exploration of opportunities around the expansion of Careline and Community Support services.

Annual Governance Statement Action: COVID-19: 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, the following action is planned:

- Continue to review the General Fund and HRA Medium Term Financial strategies in light of the financial pressures arising from COVID-19 and the impact this had on key income streams.

Annual Governance Statement Action: Council Housebuilding and Acquisitions Programme: To ensure the Council can deliver new council owned homes as programmed the following action is planned:

- To prioritise work with partner SMEs and existing main contractors that have evidenced reliable delivery and can demonstrate ongoing value for money through procurement or market testing
- Carry out viability assessments prior to lending being approved for the Wholly Owned Company to demonstrate they meet key targets as outlined in the Business Plan
- Activate redesign where value enhancement can be delivered in consultation with expert advice on market trends
- Explore grant funding opportunities with Housing Associations in the local area to secure nomination rights to properties or directly with Homes England
- Ongoing governance and review by the Housing Development Working Group
- Identify future schemes for development of varying sizes so that they can be tailored to programme resource capacity

Annual Governance Statement Action: As a result of the combined socio-economic impacts of welfare reform, the Covid-19 pandemic, and an economic downturn the following action is planned:

- Continue to develop and update the online Cost of Living information hub on the Council's website, covering Council support and signposting to other support including government and local grants, advice about avoiding scams, and support with household costs such as school uniforms.
- Continue to work with partners including Citizen's Advice and the Money Advice Unit to offer residents a comprehensive advice and support service
- Continue to operate and promote the Warm Spaces scheme, utilising public, community, and other buildings to offer comfort during the winter months
- Offer advice to help people with cooking on a budget, including links to Step to Skills to develop learning opportunities
- Continue to promote availability of local employment opportunities and skills and training courses (including funding available to support access) to help raise awareness and confidence for people to increase income and improve their financial wellbeing.
- Develop and implement decarbonisation schemes to reduce Council and tenant costs. To include a bid to Round 2.1 of the Government's Social Housing Decarbonation Fund targeting properties with an EPC D rating or below.
- Modelling the impact of energy increases in the charges to tenants and leaseholders to consider how best to support people with managing costs.
- Continue to work through the Stevenage Together partnership to share learning and best practice and to co-ordinate activity where appropriate.
- Continue to work with the County and district and borough councils in Hertfordshire to share learning and best practice and to co-ordinate activity where appropriate.
- Further develop the use of the Social Value Portal to divert funding from Council contractors to local skills development and key local investment priorities.

Annual Governance Statement Action: Repairs and Maintenance: To reduce the backlog in repairs due to the impact of the Covid-19 pandemic and the damage caused by the recent storms the following action is planned:

- Complete the mobilisation of new fencing and guttering programmes and embedding of new Repairs Supervisors who are responsible for ensuring repairs are undertaken in an efficient, timely and effective way.
- Launch of a new online reporting repairs service which will allow customers to select their own repair appointment times
- Appointment to vacant repairs posts to increase the capacity and performance of the Repairs service

Annual Governance Statement Action: Environmental Maintenance Strategy: To ensure that best practice and statutory compliance is achieved in relation to the Environmental Maintenance service the following action is planned:

- Produce an Environmental Maintenance strategy that includes detailed guidance on the dangers of fly-tipping, removal of graffiti and other environmental matters.

Annual Governance Statement Action: Leisure Provision:

- A programme of work will continue to ensure the smooth transition to a new leisure service provider.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Annual Governance Statement Action: Corporate Capacity To ensure the Council has the capacity to carry out all of its priorities as well as provide its core services and implement new government requirements as they arise the following actions are planned:

- Implementation of service planning in all service areas to improve resource planning
- HR team to continue working with service leadership teams to prioritise recruitment and associated support plans
- Regular review of capacity to deliver FTFC priorities via FTFC Board

Principle F: Managing risks and performance through robust internal control and strong public financial management

Annual Governance Statement Action: IT Resilience and Cyber Security: The Shared IT Service to continue to implement the IT Strategy and Action Plan to enhance IT infrastructure, cyber security, IT resilience by:

- Create a new Target Operating Model for the ICT service (the new structure and roles and governance structure).
- Agree a 3–5-year ICT roadmap
- Network Project - Appoint a Cyber Specialist to assure the end-to-end design of the Council's network, Desktop and VDI environments
- Network Project – Further develop draft Security Policies
- Network Project - Procure replacement firewalls
- Complete the Windows 7 replacement and roll out of M365
- Adopt ITL standards
- Apply for PSN certification once the roll out of Windows 7 and M365 is complete
- Design into the structure a Development and Integration capability
- Fill vacancies in the structure to address single points of failure where only one individual has very specific system knowledge
- Cyber Treatment plan – Back Up upgrade
- Cyber Treatment Plan – Implementation of Security Information and Event Management
- Cyber Treatment Plan – WiFi Technology replacement
- Cyber Treatment Plan – Implement new Network security, Firewall, Switches and Bandwidth
- Cyber Treatment Plan – Replacement of Windows 2008 servers

Annual Governance Statement Action: Health and Safety: Continue to enhance and embed health and safety compliance and performance by:

- Continue the rolling programme of internal and external audits for medium and high-risk services
- Complete the implementation of health and safety enhancements for the Council's identified health and safety risks

Annual Governance Statement Action: Social Housings Regulation Bill: To deliver the proposals set out in the Social Housing White Paper which will give tenants greater powers, improve access to swift and fair redress and enhance the powers of the Social Housing Regulator, the following action is planned:

- Development and implementation of a resident/tenant engagement proposal to enable the tenants voice to influence Council policies and decision making and develop a governance structure for this
- Ensure Members and Boards are fully aware of their responsibilities for consumer standard compliance
- Develop and implement a breach self-referral process
- Carry out a gap analysis exercise once new consumer standards are shared
- Implement the required new Tenant Satisfaction Measures which local authorities will be required to report on from April 2023.
- Implement the process for capturing the 12 Tenant Perception measures which local authorities will be required to report on from March 2024.
- Commence a stock condition survey. This will run for the next 5 years.
- Develop and publish a new Communications Plan

Annual Governance Statement Action: Building Management – General Fund Assets: To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property the following action is planned:

- Appointment of a Facilities Manager
- Embedding the new Facilities Management System to integrate operational compliance work within a single system
- Implementation of the Corporate Landlord Function
- Procurement of compliance services, covering Fire, Gas/Water and Electrical contracts

Annual Governance Statement Action: Building and Fire Safety Acts: To deliver the proposals set out in the new Building Safety/Fire Safety Acts which have established new legal duties for landlord and building owners of higher-risk residential buildings to keep their buildings safe, the following actions is planned:

- Emergency evacuation training for residents of buildings in scope of the Acts
- Inspect and develop a remedial programme of work for buildings in scope
- Carry out fire door inspection programme
- Develop floor and building plans for all housing stock within scope.
- Implementation of a new Fire Risk Assessment Prioritisation Tool
- Develop and install signage in buildings within scope

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

Governance for this principle is currently considered robust and no further governance activity is scheduled at this stage.

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