2017/18
Financial Report including Statement of Accounts

IN AUDIT

Stevenage
BOROUGH COUNCIL

The 2017/18 Pre Audit Statement of Accounts was certified as presenting a true and fair view of the financial position of Stevenage Borough Council by the Chief Financial Officer on 31 May 2018.

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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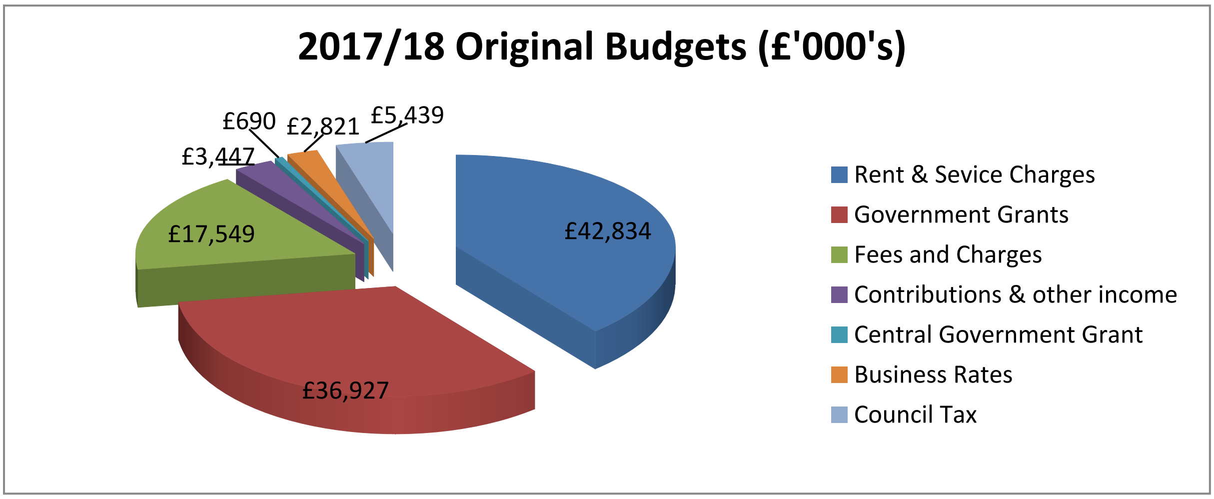
Foreword by Chief Executive

Welcome to Stevenage Borough Council's Statement of Accounts for 2017/18. As a co-operative council we aim to work alongside residents and partners to improve the lives of all those people that live and work in the town. To enable this, it's important that we maintain a high degree of openness around our spending and our decision making. The timely publication of our accounts is a key part of our commitment to this transparency.

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

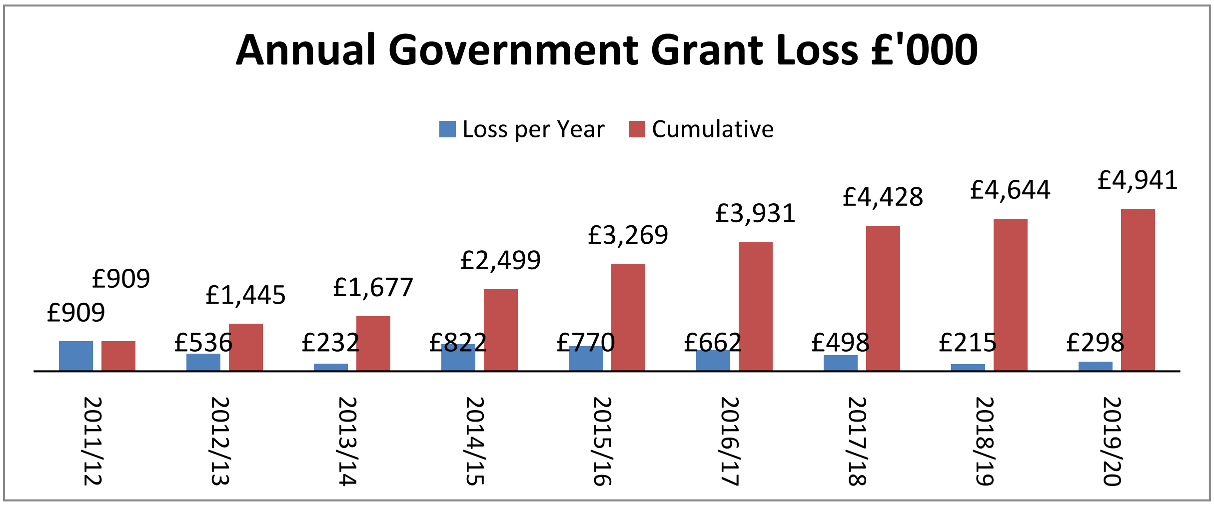
- Shared Revenues and Benefits service (hosted by East Hertfordshire Council)
- Shared ICT service with East Hertfordshire District Council (EHC) hosted by Stevenage Borough Council.
- Shared Internal Audit Service (SIAS) and Shared Anti-Fraud Service (SAFS) with other Hertfordshire Councils hosted by Hertfordshire County Council
- Shared CCTV service (partnership and company) with EHC and Hertsmere Borough Council, hosted by Stevenage Borough Council.
- Shared Legal service hosted by Hertfordshire County Council (implemented 2017).
- Shareholder in Building Control company with six other Hertfordshire Councils

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

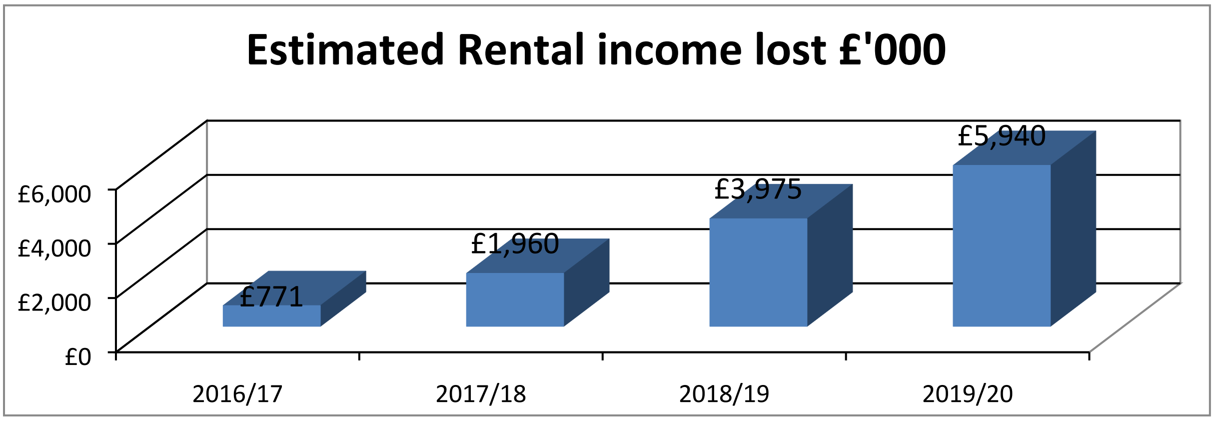


The financial environment in which the Council is operating has been challenging for a number of years. Since 2011/12 government funding for our services has been cut. This has meant our General Fund services will have seen £5Million of government grant removed between 2011/12-2019/20. We will have had to absorb an estimated £4.8Million of inflation increases and pressures in addition to the cuts while at the same time limited by legislation on the amount of council tax that can be raised, (without a local referendum vote).

Foreword by Chief Executive



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



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

The impact of grant reductions and legislation changes has meant that we have needed a plan to fund our services and at the same time ensure that any scarce funding is directed to our top priorities. But we are an ambitious council and in addition to our 120 services we have set out our top or key priorities which are encompassed within the 'Future Town Future Council' (FTFC) work programme. There are six themes, which includes the Council's and our residents' top priority (Residents survey 2017) regeneration of the town centre. Other priorities include Housing Development and Excellent Council Homes for Life and Financial Security. Members approved the programme at the March 2016 Executive.

Foreword by Chief Executive

But how we do we deliver all this with the financial challenges we face? The Council's Financial Strategies (MTFS)*1, highlighted the need for on-going savings to fund inflation and service pressures. We aim to ensure we can deliver our priorities even though our resources are reducing through our 'Financial Security' work stream. The Council's priority 'Financial Security' helps us to deliver this through, efficiencies, procurement, smarter ways of working, income options and new and innovative transformation of our services, prioritising where we spend our money before reductions in services. This will help us maintain our priority services while still meeting our 'Future Town Future Council' ambitions for Regeneration, Housing delivery and Co-operative Neighbourhood Management in Stevenage.

The five strands of the financial security priority are set out in the Council's Medium Term, Financial Strategy (MTFS)*1 and is the enabler to delivering the MTFS objectives which includes:

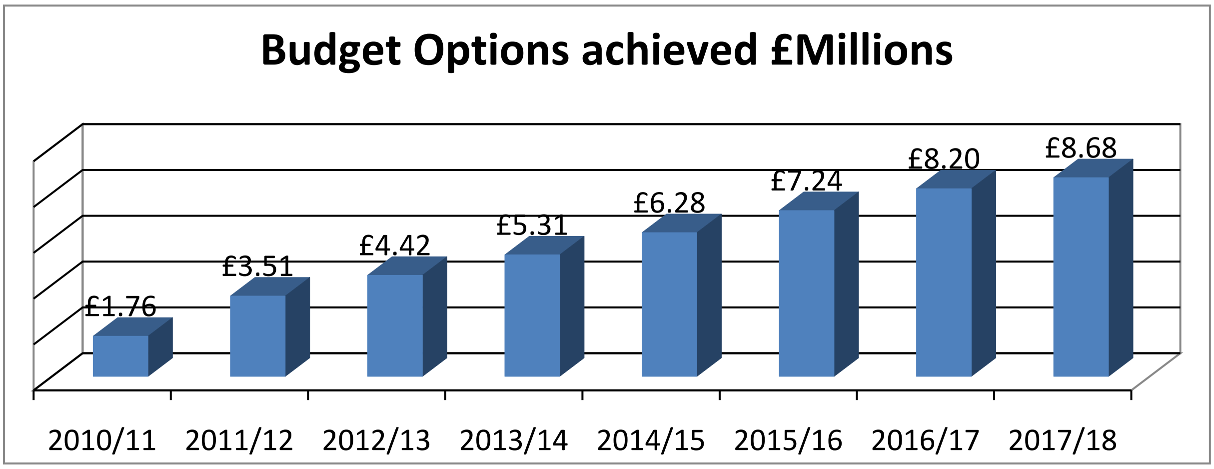
'To remove the General Fund's reliance on RSG by 2019/20 when the funding is removed and achieve an on–going balanced budget by 2021/22 by ensuring inflationary pressures are matched by increases in fees and income or reductions in expenditure'.

Foreword by Chief Executive

The delivery of FTFC priorities against a backdrop of funding cuts will necessitate that growth should only be to approved which meet the outcomes of the FTFC priorities.

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

In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring Financial Security targets to be set and implemented. But we do have a track record in achieving savings and during the period 2010/11-2017/18 Members have approved a total £8.68Million net cost reductions for General Fund services.



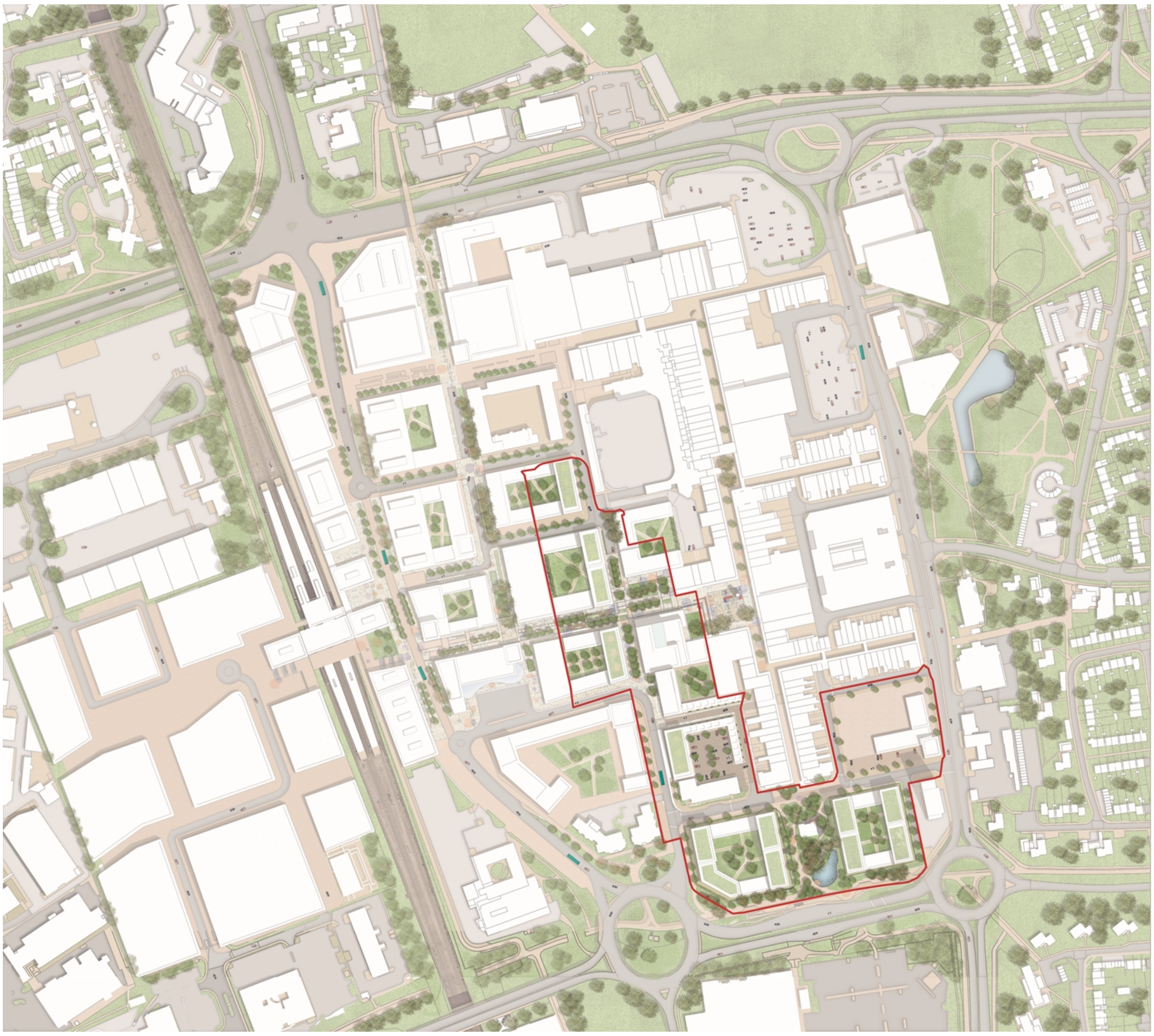
Specifically for 2017/18, Members approved a total of £901,500 options for the General Fund and HRA. Looking to the future, the Financial Security Target for the General Fund and HRA for 2019/20-2021/23 is estimated to be £2.72Million (including £1.12Million fees and charges increases) and £977,000 respectively*2.

In addition to the Financial Security options identified in the Council's annual budget reports, Members have also approved the first major 'targeted commercialisation' option in 2017*3. This was a £15Million investment in commercial property predominately in Stevenage to promote economic investment for the town and give an estimated net £200,000 contribution to the General Fund for 2018/19 onwards. In 2017/18 one property has been acquired which is estimated to give a £44,000 contribution to the General Fund and other opportunities are currently being explored.

Foreword by Chief Executive

The Council's top priority "Town Centre regeneration" has been progressing during 2017/18 and in January 2018 the Council appointed Mace the international development and construction company behind some of the world's landmark developments to undertake the first phase of town centre regeneration, called SG1. This ambitious scheme will bring £350million of private investment into our town centre and will see the area covering our offices here at Daneshill House, the Plaza, bus station and some of the adjacent car parks redeveloped with new shops, bars and restaurants, homes, new public spaces, and a central public sector hub accommodating our offices, a library, exhibition space, and health services.

We're hopeful that, following the planning process, construction work will start during next year, and it will then take several years to complete. Of course, this is just the start. But since 2017 we have had a programme of improving our public realm in the town centre, making it a better place to come to.

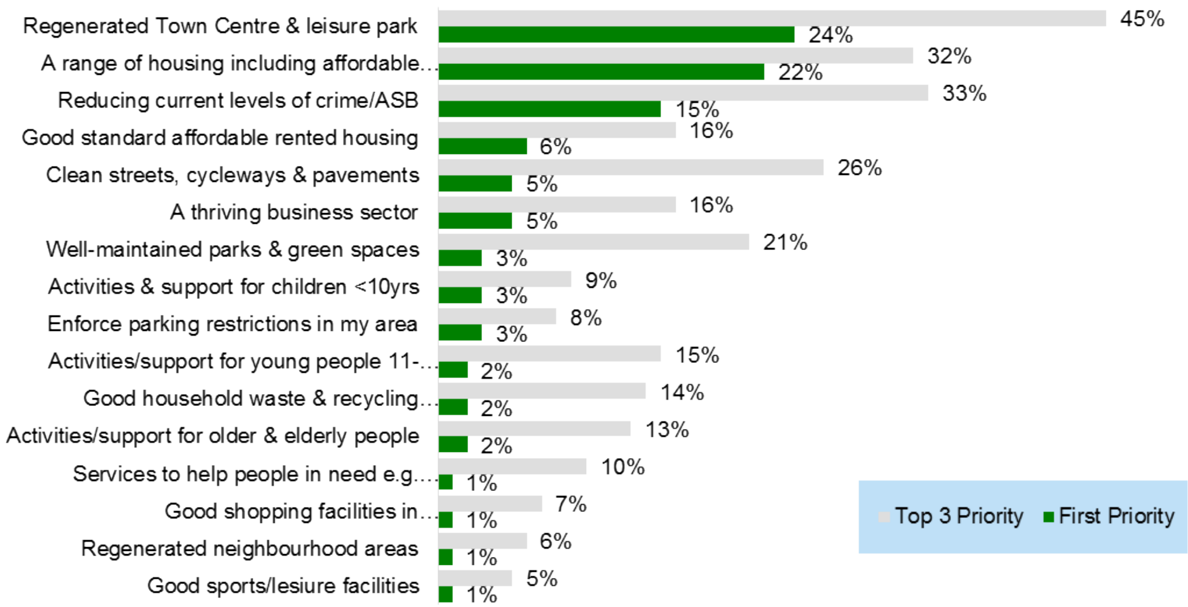


SG1 redevelopment site.

Foreword by Chief Executive

We are a co-operative council and as such we take decisions with our residents and one of our top priorities is the Co-operative Neighbourhood programme. This includes neighbourhood garage and play refurbishments, improvements to public realm and landscaping as well as employing our neighbourhood wardens to work with residents in the town to improve our Town. In 2017/18 we allocated £590,700 from New Homes Bonus to help fund this programme with a further £531,600 in 2018/19. This funding is in addition to the capital funding we have already approved.

When we asked our residents what their top priorities were in 2017/18 *4 they said their top priorities were regenerating the town centre and affordable housing, these match the council's top FTFC priorities.



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

We ensure that we deliver the services and priorities our Members have approved by reporting quarterly using some key measures to see how we are doing. Some of the measures relate to the FTFC programme and the remainder to key performance indicators that check how well we are providing our services and meeting our targets. These are reviewed by the senior management team and we look at any mitigation we can implement if our targets are not being met. The performance measures are then approved by our Members with any additional action we are recommending we take. At the time the Statement of Accounts was published the 4th quarter results had not been published (July 2018 Executive). Not all our measures are on target and we have put plans in place to achieve them and we recognise we can always improve.

Foreword by Chief Executive

Not all our measures are on target and we have put plans in place to achieve them and we recognise we can always improve.

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

We have started to implement our Business Unit Reviews in 2017/18 and continuing in 2018/19, to enhance our workforce capacity and skills to meet the increasing and changing demand for services over the next 5 years. This will strengthen our organisation, so that we deliver the changes we need to make, meet our challenges and realise our ambitions as a Council and as a Town.

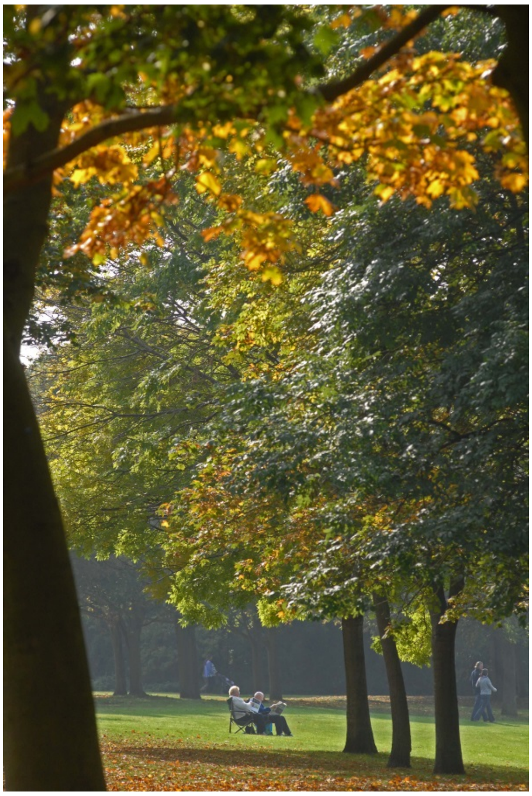
We have attempted to prepare these accounts in a style to enable readers to understand and interpret the various financial statements. I aim to give electors, local residents, Council Members, partners, and other interested parties confidence that public money which has been received and spent, has been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

The Accounts of Stevenage Borough Council for the year ended 31 March 2018 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 2017/18 Code of Practice on Local Authority Accounting.

Scott Crudgington
Chief Executive

About Stevenage Borough Council

Background



Stevenage was designated Britain's first new town in 1946 and in 2016 Stevenage celebrated its 70th anniversary year with a number of community events.

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

2016/17		2017/18
	Area and Population	
2,596	Area (hectares)	2,596
86,470	Population	87,080
33.31	Population per Hectare	33.54
	Council Tax	
28,163	Number of Chargeable Dwellings	29,017
	Council Tax per Property in Band D	
£193.52	- Stevenage Borough Council	£198.52
£1,186.62	- Hertfordshire County Council	£1,245.83
£147.00	- Hertfordshire Police Authority	£152.00
£1,527.14	**Total Council Tax**	£1,596.35

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

About Stevenage Borough Council

General information

Geography

Stevenage is strategically located within Hertfordshire 30 miles north of London.
Having a major station on the East Coast Main Line, Srevenage offers superb connectivity with it only taking **19 minutes** to Kings Cross and less than 40 minutes to Cambridge. Thameslink services giving **direct connections** to **Farringdon, London Bridge** and **Gatwick** have begun operating in May 2018.
Stevenage is also situated on the A1 (M) allows access to Cambridge, Peterborough, Northampton and Milton Keynes in less than one hour by road.
In addition, two international airports are within easy reach of Stevenage: London Luton (14 miles) and London Stansted (29 miles)

Business

Many of the world's most innovative companies as well as numerous exciting start-up businesses have chosen Stevenage to base their operations. Whether it is creating a new drug, driving on Mars or building a successful technology business, **Stevenage is the place to do business**. Our business base has a rich history and diversity that spans a wide range of sectors including aerospace, information technology, pharmaceuticals, advanced engineering and media. Our major employers include:

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

Living

Stevenage offers a fantastic balance of life with a strong mix of urban and rural life. There is a great mix of housing in and around the town at reasonable prices. Schools and colleges provide an excellent education offer, with many exceptional schools situated throughout Hertfordshire. It has a **strong culture and leisure offer** within the town centre with major retailers present within the Borough. The Old Town provides a pleasant contrast with the High Street popular for cafes, pubs and independent retailers. There are over **300 acres of public park** within the Borough that provide a wide range of recreational activity that can be accessed via an extensive, safe cycle network.

About Stevenage Borough Council

General information

Opportunity

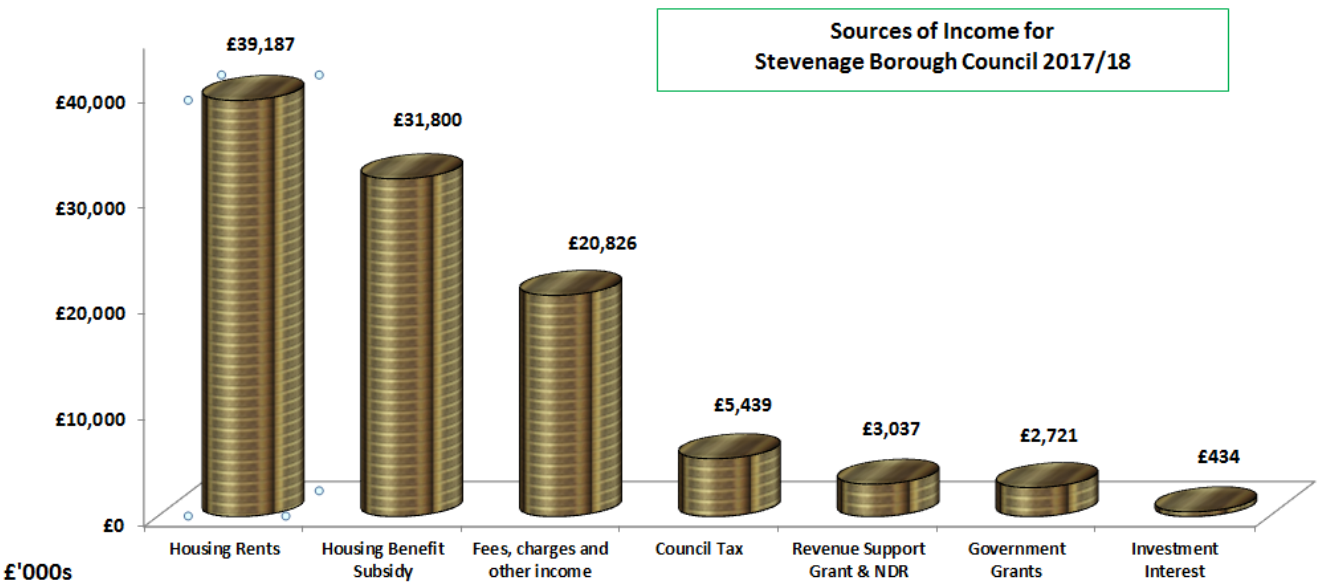
Stevenage is planning on delivering over 7500 new homes over the coming 20 years with half of these to be delivered in the Town Centre. The Stevenage Central Framework sets out our ambitious regeneration programme for the town centre and having just announced Mace as our development partner for the first phase, called SG1, construction is another step closer. SG1 will see over 1000 new homes, shops, public spaces and a new community hub delivered. A masterplan for the scheme is currently being further developed with a planning appliciton due to be received by the end of the financial year.

SG1 redevelopment: artist's impression

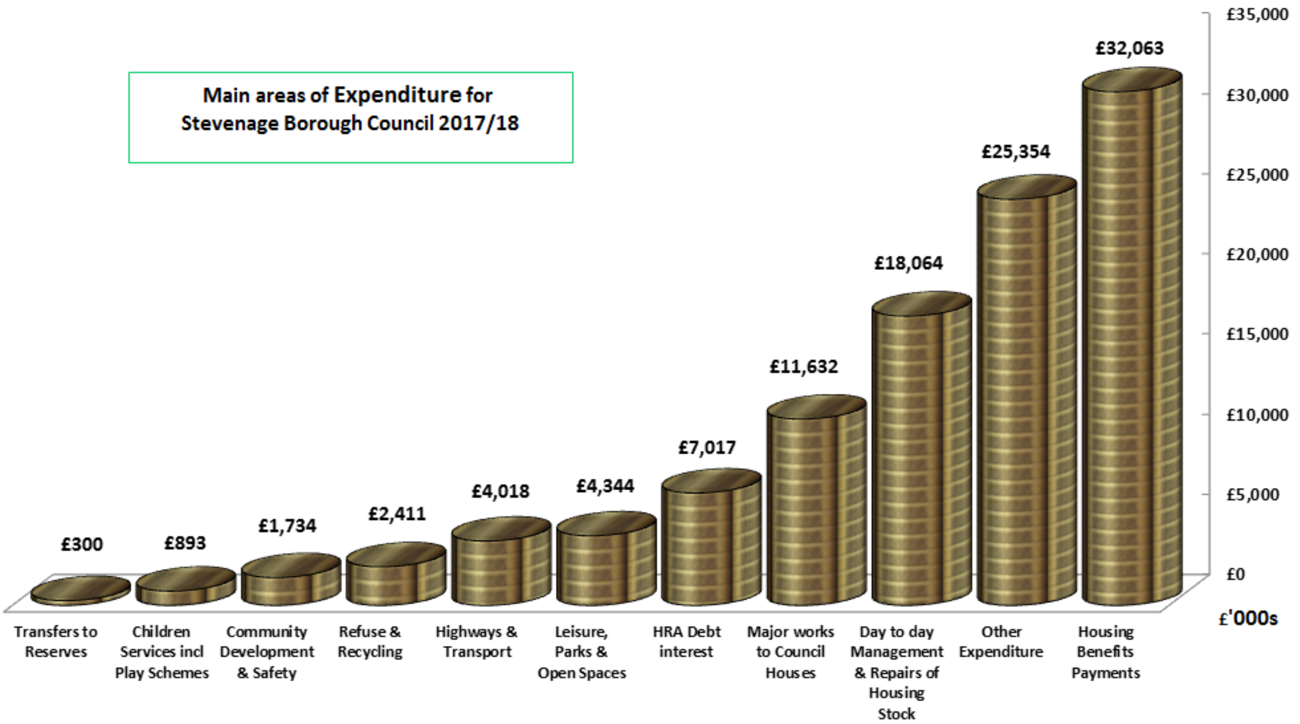
About Stevenage Borough Council

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 2018

(full statement on page 35)

2016/17 £'000		2017/18 £'000
15,254	**Cost of Services**	**3,314**
(6,258)	Other Operating Expenditure	(1,350)
3,532	Financing & Investment Income & Expenditure	6,636
(12,227)	Taxation & Non-Specific Grant Income	(12,990)
301	**Deficit/(surplus) on Provision of Services**	**(4,390)**
(39,524)	Other Comprehensive Income & Expenditure	(32,565)
(39,223)	**Total Comprehensive Income & Expenditure**	**(36,955)**

** the large variance in cost of services from 2016/17 to 2017/18 has arisen due to revaluation changes charged to cost of services. These costs are then reversed out in Movement in Reserves Statement in accordance with statutory provisions and CIPFA guidance to negate any impact on the council tax payer.*

Balance Sheet

(full statement on page 41)

31 March 2017 £'000		31 March 2018 £'000
	Assets:	
749,918	Long Term Assets	784,069
62,691	Current Assets	62,215
(25,209)	Current Liabilities	(26,652)
(261,612)	Long Term Liabilities	(256,890)
525,788	**Net Assets**	**562,742**
	Fund Balances & Reserves:	
58,896	Usable Reserves	58,846
466,892	Unusable Reserves	503,896
525,788	**Total Fund Balances & Reserves**	**562,742**

Narrative Statement

Revenue Budget and Outturn

The original General Fund net budget of £9,382,220 was agreed at Full Council on 28 February 2017. 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 £10,126,440 approved on 13 March 2018 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget 2017/18	Working Budget 2017/18	Actual 2017/18	Variance to Working Budget
	£'000	£'000	£'000	£'000
Directorate:				
Community Services	4,915	4,598	5,481	883
Housing Services	1,948	2,013	3,856	1,843
Environmental Services	6,501	7,174	7,584	410
Local Community Budgets	101	101	101	0
Resources*	(4,430)	(4,879)	(7,100)	(2,221)
Resources - Support	347	1,119	216	(903)
Total Net General Fund Expenditure	**9,382**	**10,126**	**10,138**	**12**
Income:				
Council Tax	(5,299)	(5,299)	(5,299)	0
Transfers to/from collection fund	(617)	(617)	(617)	0
Revenue Support Grant (RSG)	(690)	(690)	(690)	0
Retained business rates	(2,570)	(2,570)	(2,570)	0
NDR Pooling Levy*	226	226	0	(226)
Total Income from taxation and RSG	**(8,950)**	**(8,950)**	**(9,176)**	**(226)**
Net underspend/transfer to balances	**432**	**1,176**	**962**	**(214)**
General Fund Balance Brought Forward	(5,275)	(6,427)	(6,427)	
Balance Carried forward	**(4,843)**	**(5,251)**	**(5,465)**	

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

The 2017/18 actual net spend on the General Fund was £11,789 higher than the working budget. Included within this small overspend is a pressure of £582,000 relating to the timing of the NDR levy payment shown in net cost of services (£226,000 levy had been budgeted and shown in core resources – total levy adverse variance was £356,000) plus £338,100 relating to projects which have slipped into 2018/19 and for which a carry forward of budget has been requested. The large variance in Housing Services is due to capital charges that are then reversed out as a credit entry within Resources in accordance with statutory provisions and CIPFA guidance.

Narrative Statement

Budget – Housing Revenue Account (HRA)

The original HRA budget of £2,790,940 (surplus) was agreed at Council on 31 January 2017. Subsequently, Members have approved various budget amendments to take into account service pressures and budget options arising in the year resulting in a revised budget of £3,020,120 surplus approved on 13 March 2018 (third quarter budget monitoring report). The final out-turn position for the year against the revised budget is set out below:

	Original Budget	Working Budget	Actual	Variance to Working Budget
	2017/18	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000
Expenditure:				
Supervision & Management	9,135	8,865	8,406	(459)
Repairs & Maintenance	5,844	5,645	5,828	183
Other expenditure	5,074	5,326	5,280	(46)
Total Expenditure	**20,053**	**19,836**	**19,514**	**(322)**
Income:				
Dwelling Rents	(40,134)	(39,740)	(39,680)	60
Other income	(4,935)	(5,291)	(5,375)	(84)
Total Income	**(45,069)**	**(45,031)**	**(45,055)**	**(24)**
Other charges to the HRA				
Depreciation	11,357	11,357	11,599	242
Interest	7,017	7,017	7,017	0
Other	3,851	3,801	2,560	(1,241)
Total Other charges to the HRA	**22,225**	**22,175**	**21,176**	**(999)**
(Surplus) / Deficit for the year	**(2,791)**	**(3,020)**	**(4,365)**	**(1,345)**
Balance brought forward	(18,579)	(19,750)	(19,750)	0
Balance Carried forward	**(21,370)**	**(22,770)**	**(24,115)**	**(1,345)**

The 2017/18 actual HRA net surplus was £1,344,973 more than the working budgeted surplus. Included within this underspend is a £1,241,000 debt repayment budgeted to be paid 31 March 2018 but due to the Easter holidays was physically paid on 3rd April and £82,270 relating to projects which have slipped into 2018/19 and for which a carry forward of budget has been requested subject to approval at the Executive in July 2018.

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 and if necessary, capital borrowing up to a borrowing cap set by the government. At the time of the Self Financing settlement the HRA took loans totalling £196,911,000 (an amount determined by and payable to The Secretary of State). The balance of HRA surpluses £24,114,664 at 31 March 2018 is required to repay the loans taken out as part of the self-financing deal.

During the financial year 2017/18, 37 council homes were sold under the Right to Buy scheme and 34 new homes were acquired. Of these, the Council's new build schemes delivered 22 homes at Archer Road, and four homes at Vincent Court. A further eight homes were acquired through open market purchases. The council's closing stock of housing at 31 March 2018 was 7,997 properties.

New homes at Vincent Court

Narrative Statement

Material Assets Acquired or Liabilities Incurred during 2017/18.

During 2017/18 the Council acquired the property Essex House, an office complex, to enhance and promote economic opportunities in Stevenage in line with the Council's Future Town Future Council ambitions. In addition 34 residential properties were acquired to increase the Council's social housing stock.

Economic Significant Provisions, Contingencies and Write offs

There were no significant provisions or write offs in 2017/18.

Council Reserves

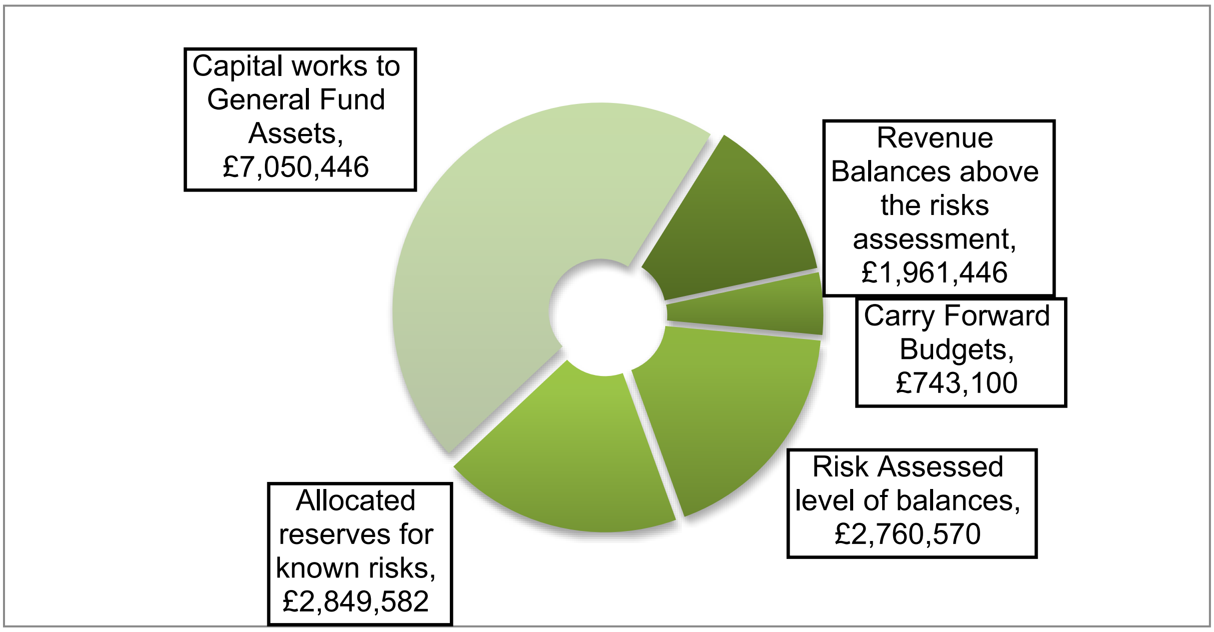
The Council operates two main funds or accounts; a 'General Fund' for services such as refuse, grass cutting etc. and a 'Housing Revenue Account' which manages the Council's housing stock. Each fund has its own reserves for capital and revenue expenditure – General Fund balances can not be used for HRA expenditure and vice versa. As at the 31 March 2018 the General Fund had total reserves of £15,365,000 and the HRA had total reserves of £43,481,000 (HRA reserves include £10.1 million that can only be used on new social housing with significant restrictions and if not spent must within three years must be returned to the Government). Although the balances may appear relatively high the medium term financial strategy (for the General Fund) and Business Plan (for the HRA) have identified the need to draw down a proportion of these balances in the future. HRA balances are required to fund future loan repayments due over the 30 years of the Business Plan. In addition these balances include specific reserves that can only be used for capital expenditure.

New homes at Archer Road

Narrative Statement

General Fund Reserves

The Reserves which can be used for "one-off" funding of day to day General Fund services total £8,315,000, this includes £743,000 identified for carry forward spend from 2017/18 to 2018/19 and £1.15Million ring fenced to regeneration projects. The General Fund also has reserves it can use to fund major works to assets such as buildings and equipment, which cannot be spent on revenue services. As at 31 March 2018 the General Fund had capital resources of £7,050,000. These reserves are summarised below:



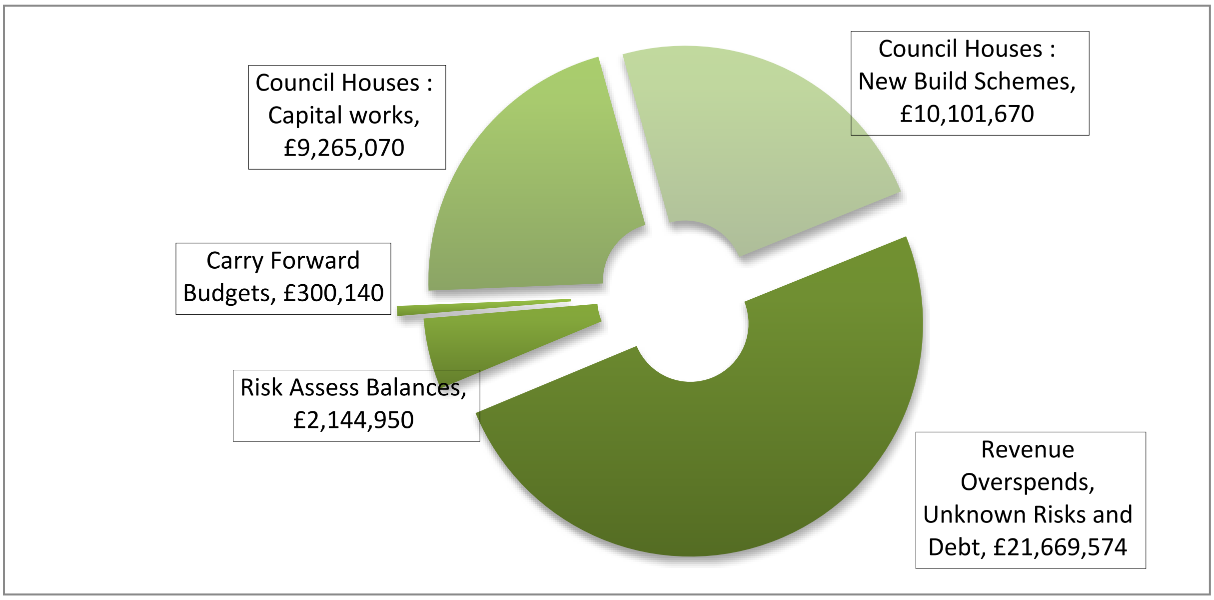
As part of the budget setting process the Council undertakes a risk assessment to determine the level of balances required in 2017/18. The risk assessment identified General Fund balances of at least £2,760,570 are required, (at the 31 March 2017, £2,656,938). In setting a minimum balance it ensures that there are reserves available to meet unforeseen expenditure and/or income losses arising in the year and to meet expenses arising before income is received. The Council's Medium Term Financial Strategy includes a managed use of General Fund balances to allow for the impact of the reduction in central government funding to meet the Council's Financial Security objective of funding expenditure pressures in year by 2022/23.

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

Narrative Statement

Housing Revenue Account Reserves

HRA reserves are ring fenced and cannot be used for General Fund expenditure. The Reserves which can be used to support Housing Revenue Account (HRA) total £43,481,000 and these are summarised below:



As with the General Fund a risk assessment is undertaken on the HRA to determine the level of balances required in 2017/18. The risk assessment identified HRA balances of at least £2,144,950. As at 31 March 2018, the HRA had loans of £204Million, 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 2018 were £24,114,664 and higher than the risk assessment of balances for 2017/18, however the HRA is subject to significant financial risks including;

- A number of legislative changes may have the effect of increasing the levels of RTB sales over and above those anticipated in the HRA Business Plan.
- A decision as to the detail about the sale of High Value void properties has yet to be made by Government. This may require the Council to sell or pay a levy when high value properties become vacant. Currently this policy is being piloted in the Midlands.
- The maximum level of discount available to tenants under RTB has been increased and the level of RTB sales may be higher than anticipated. The business plan currently assumes a reduction in the number of sales in later years.

Narrative Statement

Housing Revenue Account Reserves (contd)

- Central Government rent policy has been updated so that formula rents will be reduced by 1% per annum for four financial years beginning April 2016, before reverting back to CPI+1% rent increase. The impact of this change over a 30 year planning horizon is to reduce revenue by an estimated £225 million – more than the initial debt taken on at the outset of self- financing. The government has indicated that the rents will return to the CPI+1% formula from 2020/21.

The HRA also has reserves it can use to fund capital works to Council houses. As with all capital cash balances this money cannot be spent on revenue services; of the £19,367,000 available £10,102,000 must be used for the provision of new housing (funding up to a maximum of 30% of the build costs, the remainder being funded by other HRA capital resources) or repaid to the Government if not spent within three years. These receipts are generated from right to buy sales of which the government takes a proportion up to an annual fixed amount.

Borrowing and Capital

As at the 31 March 2018 the Council had external borrowing of £208.621 million (£209.629million at 31 March 2017). 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 2017/18 the Council spent £26,035,577 on capital projects, of which £17,022,272 was spent on our housing stock and other housing related assets and a further £9,013,305 on General Fund assets.

The Council funded £14,796,730 of its capital programme from the sale of assets, (land and Council house sales), which equates to 57%, (11.5% 2016/17) of the total funding. Another main source of funding (41%) of the HRA capital programme in 2017/18 was the Major Repairs Reserve. The depreciation charge made to the HRA (£11,675,369 for 2017/18) is transferred to the Major Repairs reserve to finance future capital investment.

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 2018 the pension liability decreased by £4,956,000 to £50,052,000 (£9,119,000, increase in 2017/18).

Narrative Statement

Significant changes in accounting policy in 2017/18

There have been no significant changes in accounting policies in 2017/18. The reader should note that policies specific to a Note to the Core Statement are shown at the start of the note that they relate to (in a green text box).

Significant changes in estimation techniques in 2017/18

The Council has engaged external valuers, Wilks Head and Eve, to provide Balance Sheet valuations as at 1 April 2018 for General Fund Assets. This is the second year that Wilks Head and Eve have provided these valuations. The additional resources and experiences available to Wilks Head and Eve has enabled them to value a number of community assets based on expected rental incomes and hence the estimation technique used for the valuation of these assets is Existing use value (EUV) as used for the valuations published in last year's accounts.

Other significant events during the financial year 2017/18

In February 2018 the Council announced the appointment of Mace as the developer for the first phase of town centre regeneration. Mace (https://www.macegroup.com/projects) the international development and Construction Company - behind some of the world's landmark developments – will be undertaking the first phase of regeneration, called SG1. The Council's Regeneration team are now working with Mace on various complex legal and planning matters that need to be completed before construction starts in Spring 2019.

This ambitious scheme will bring £350million of private investment into the town centre and will see the area covering Council offices at Daneshill House, the Plaza, bus station and some of the adjacent car parks redeveloped with new shops, bars and restaurants, homes, new public spaces, and a central public sector hub accommodating our offices, a library, exhibition space, and health services. All schemes of this type are subject to economic market conditions and should there be a major downturn in the local economy due to Brexit or other factors, then the Council and Developer would be unable to fulfil their joint plans and will have to scale back the redevelopment.

Introduction to the Statement of Accounts

The Accounts and Audit Regulations (England) 2015 require the Council to produce a “Statement of Accounts” each financial year. Stevenage Borough Council’s accounts for the year 2017/18 are set out from page 31 onwards. These accounts have been prepared on an International Financial Reporting Standards basis and may, by necessity, contain technical terminology. To aid the reader the core statements are supported by explanatory notes and a glossary of terms has been included from page 121 onwards.

Core Financial Statements

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.

Comprehensive Income & Expenditure Statement shows the “accounting” cost of providing services in year in accordance with International Reporting Standards. The accounting cost of providing services in year differs from the amount “funded” from council tax, government grants and housing rents. The Movement in Reserves Statement shows the adjustments between funding basis and accounting basis.

Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council analysed into “usable” reserves (those that can be used to fund future expenditure) and “unusable” reserves. The surplus/deficit on the provision of services line shows the true economic cost of providing the Council’s services. This is different to the statutory amounts that should be charged to the General Fund and Housing Revenue Account i.e. the amounts needed to be recovered through council tax and housing rents. The difference is reversed out on the “adjustment between accounting basis and funding basis under regulations” line. Further detail of these adjustments is given in Note 7.

Balance Sheet shows the value of the Council’s assets and liabilities as at the Balance Sheet date. These are matched by the Council’s usable and unusable reserves.

Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the reporting period. The statement shows how the Council generates cash and cash equivalents by classifying cash flows as operating, investing and financial activities.

Notes to Core Financial Statements provide additional information in support of the Core Financial Statements listed above.

Introduction to the Statement of Accounts

Supplementary Statements

Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost of providing the Council's housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and other income. The difference in accounting and funding basis is shown in the Movement in Reserves Statement.

Collection Fund Account & Notes shows the collection of council tax and retained non-domestic rates (NDR) and payments to Stevenage Borough Council, Hertfordshire County Council, Police and Crime Commissioner for Hertfordshire and Central Government.

Further Information

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

Email: clare.fletcher@stevenage.gov.uk

Statement of Responsibilities for the Statement of Accounts

Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

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

The Assistant Director (Finance and Estates) (Chief Financial Officer) Responsibilities

The Assistant Director (Finance and Estates) (Chief Financial Officer) is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparation of this statement of accounts, the Assistant Director (Finance and Estates) (Chief Financial Officer) has:

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

The Assistant Director (Finance and Estates) (Chief Financial Officer) has also:

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

Certificate of Chief Financial Officer

I certify that this Statement of Accounts has been prepared in accordance with Regulation 8 of the Accounts and Audit Regulations (England) 2015 and presents a true and fair view of the financial position of the Authority as at 31 March 2018 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2018.

CD Fletcher

Clare Fletcher
Assistant Director (Finance and Estates) (Chief Financial Officer)

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Statement of Accounts 2017/18

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.

2016/17

	Net Expenditure chargeable to the General Fund Balances £'000	Net Expenditure chargeable to the HRA Balances £'000	Adjustment for capital purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	10,035		0	0	4	4	10,039
Housing Services	2,407		0	0	3	3	2,410
Environmental Services	8,815		0	0	19	19	8,834
Local Community Budgets	98		0	0	0	0	98
Resources	(12,510)		21,972	(1,551)	379	20,800	8,290
Resources - Support	113		0	0	11	11	124
Housing Revenue Account		(2,795)	(5,069)	0	(6,677)	(11,746)	(14,541)
Net Cost of Services	**8,958**	**(2,795)**	**16,903**	**(1,551)**	**(6,261)**	**9,091**	**15,254**
Other Operational Expenditure	0		(6,258)			(6,258)	(6,258)
Financing & Investment Income and Expenditure	0		(4,727)	1,551	6,708	3,532	3,532
Taxation and other non-specific grant income and expenditure	(7,497)				(4,730)	(4,730)	(12,227)
Deficit/(surplus) on Provision of Services	1,461	(2,795)				**1,635**	**301**
Opening General Fund balance	**(7,888)**						
Opening HRA balance		**(16,955)**					
Less/plus surplus or (deficit) on General Fund	1,461						
Less/plus surplus or (deficit) on Housing Revenue Account		(2,795)					
Closing General Fund Balance	**(6,427)**						
Closing HRA Fund Balance		**(19,750)**					
Closing General Fund and HRA Balances		**(26,177)**					

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

General Fund Adjustment (as per MiRS and Note 7)	(7,216)
Housing Revenue Account Adjustment (as per MiRS and Note 7)	7,283
Transfers to/ from Earmarked Reserves	(1,702)
	(1,635)

Expenditure and Funding Analysis

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

	2017/18						
	Net Expenditure chargeable to the General Fund Balances £'000	Net Expenditure chargeable to the HRA Balances £'000	Adjustment for capital purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services	5,481		0	99	1	100	5,581
Housing Services	3,856		213	31	3	247	4,103
Environmental Services	7,584		(19)	652	(28)	605	8,189
Local Community Budgets	101		0	0	0	0	101
Resources	(7,326)		3,834	81	1,200	5,115	(2,211)
Resources - Support	216		(86)	538	(31)	421	637
Housing Revenue Account		(4,365)	(57)	573	(9,237)	(8,721)	(13,086)
Net Cost of Services	**9,912**	**(4,365)**	**3,885**	**1,974**	**(8,092)**	**(2,233)**	**3,314**
Other Operational Expenditure	0		(1,350)			(1,350)	(1,350)
Financing & Investment Income and Expenditure	0		3	1,398	5,235	6,636	6,636
Taxation and other non-specific grant income and expenditure	(8,950)				(4,040)	(4,040)	(12,990)
Deficit/(surplus) on Provision of Services	962	(4,365)				(987)	**(4,390)**
Opening General Fund balance	**(6,427)**						
Opening HRA balance		**(19,750)**					
Less/plus surplus or (deficit) on General Fund	962						
Less/plus surplus or (deficit) on Housing Revenue Account		(4,365)					
Closing General Fund Balance	**(5,465)**						
Closing HRA Fund Balance		**(24,115)**					
Closing General Fund and HRA Balances		**(29,580)**					

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

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

Stevenage BOROUGH COUNCIL

Comprehensive Income & Expenditure Statement for the year ended 31 March 2018

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. Group accounts are not completed due to the small size of these trading companies (see also note 3 – Critical Judgements in applying accounting policies).

* the large variance in cost of services from 2016/17 to 2017/18 has arisen due to revaluation changes charged to cost of services. These costs are then reversed out in Movement in Reserves Statement in accordance with statutory provisions and CIPFA guidance to negate any impact on the council tax payer.

Comprehensive Income and Expenditure Statement

2016/17 Gross Expenditure £'000	2016/17 Gross Income £'000	2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000
10,438	(399)	10,039	Community Services	5,856	(275)	5,581
37,973	(35,563)	2,410	Housing Services	38,006	(33,903)	4,103
17,259	(8,425)	8,834	Environmental Services	16,752	(8,563)	8,189
98	0	98	Local Community Budgets	101	0	101
10,712	(2,422)	8,290	Resources	3,642	(5,853)	(2,211)
2,096	(1,972)	124	Resources - Support	2,589	(1,952)	637
29,129	(43,670)	(14,541)	Housing Revenue Account	30,034	(43,120)	(13,086)
107,705	**(92,451)**	**15,254**	**Cost of Services***	**96,980**	**(93,666)**	**3,314**
				Note		
		(6,258)	Other Operational Expenditure	10		(1,350)
		3,532	Financing & Investment Income and Expenditure	10		6,636
		(18,873)	Taxation & Non-Specific Grant Income: Retained Business rates	11		(16,756)
		16,568	Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)	11		14,409
		(9,922)	Taxation & Non-Specific Grant Income: Other	11		(10,643)
		301	**Deficit/(surplus) on Provision of Services**			**(4,390)**
		(47,488)	Surplus on revaluation of Property, Plant and Equipment assets		(24,318)	
		7,964	Actuarial (gains)/losses on pension assets/liabilities	26	(8,247)	
		(39,524)	**Other Comprehensive Income and Expenditure**			**(32,565)**
		(39,223)	**Total Comprehensive Income and Expenditure**			**(36,955)**

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Movement in Reserves Statement

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

Movement in Reserves Statement

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016 carried forward		**(7,888)**	**(4,252)**	**(16,955)**	**(4,652)**	**(15,995)**	**(304)**	**(50,046)**
Movement in reserves during 2016/17								
Total Comprehensive Expenditure and Income		**10,379**		**(10,078)**		**0**	**0**	**301**
Adjustments between accounting basis & funding basis under regulations	**7**	(7,216)		7,283	145	(9,523)	161	**(9,150)**
Net Increase/Decrease before Transfers to Earmarked Reserves		**3,163**	**0**	**(2,795)**	**145**	**(9,523)**	**161**	**(8,849)**
Transfers to/from Earmarked Reserves	**8**	(1,702)	1,702	0	0	0	0	0
(Increase)/Decrease in Year		1,461	1,702	(2,795)	145	(9,523)	161	**(8,849)**
Balance at 31 March 2017 carried forward		**(6,427)**	**(2,550)**	**(19,750)**	**(4,507)**	**(25,518)**	**(143)**	**(58,895)**
Movement in reserves during 2017/18								
Total Comprehensive Expenditure and Income		**3,430**		**(7,820)**				**(4,390)**
Adjustments between accounting basis & funding basis under regulations	**7**	(2,768)		3,455	(4,757)	10,095	(1,586)	**4,439**
Net Increase/Decrease before Transfers to Earmarked Reserves		**662**	**0**	**(4,365)**	**(4,757)**	**10,095**	**(1,586)**	**49**
Transfers to/from Earmarked Reserves	**8**	300	(300)					**0**
(Increase)/Decrease in Year		**962**	**(300)**	**(4,365)**	**(4,757)**	**10,095**	**(1,586)**	**49**
Balance at 31 March 2018 carried forward		**(5,465)**	**(2,850)**	**(24,115)**	**(9,264)**	**(15,423)**	**(1,729)**	**(58,846)**

Movement in Reserves Statement

	Note	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	**£000**	**£000**
Balance at 31 March 2016 carried forward		**(50,046)**	**(436,518)**	**(486,564)**
Movement in reserves during 2016/17				
Total Comprehensive Expenditure and Income		**301**	**(39,525)**	**(39,224)**
Adjustments between accounting basis & funding basis under regulations	**7**	(9,150)	9,150	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(8,849)**	**(30,375)**	**(39,224)**
Transfers to/from Earmarked Reserves	**8**	0	0	**0**
(Increase)/Decrease in Year		**(8,849)**	**(30,375)**	**(39,224)**
Balance at 31 March 2017 carried forward		**(58,895)**	**(466,893)**	**(525,788)**
Movement in reserves during 2017/18				
Total Comprehensive Expenditure and Income		**(4,390)**	**(32,565)**	**(36,955)**
Adjustments between accounting basis & funding basis under regulations	**7**	**4,439**	(4,439)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**49**	**(37,004)**	**(36,955)**
Transfers to/from Earmarked Reserves	**8**	**0**	0	**0**
(Increase)/Decrease in Year		**49**	**(37,004)**	**(36,955)**
Balance at 31 March 2018 carried forward		**(58,846)**	**(503,897)**	**(562,743)**

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).

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 £633,712,000 there are a number of properties which are likely to be sold within the next 12 months under the Right to Buy Scheme. As at the balance sheet date these properties were not actively marketed and nor is there any certainty as to which properties will be sold. However based on the number of successful applications made last year it is estimated that 50 properties could be sold in 2018/19. This would equate to an estimated balance sheet valuation of £3,962,000.

Balance Sheet

31 March 2017			31 March 2018		
£'000		**Note**	**£'000**	**£'000**	**£'000**
607,236	- Council Dwellings	13	633,712		
95,286	- Other Land & Buildings	13	96,962		
4,618	- Vehicles, Plant & Equipment	13	5,289		
13,025	- Other	13	12,229		
720,165	Total Property, Plant & Equipment			**748,192**	
676	Heritage Assets	12		637	
23,270	Investment property	14		24,212	
533	Intangible Assets	15		740	
5,010	Long Term Investment	18		10,017	
264	Long Term Debtors	18		271	
749,918	**Total Long Term Assets**				**784,069**
39,745	Short Term Investments	18		45,647	
0	Assets Held for Sale	21		1,700	
161	Inventories			139	
9,434	Short Term Debtors	19		7,029	
13,351	Cash and Cash Equivalents	18		7,700	
62,691	**Current Assets**				**62,215**
(4,139)	Short Term Borrowing	18		(3,138)	
(17,218)	Short Term Creditors	20		(19,225)	
(3,852)	Provisions	22		(4,289)	
(25,209)	**Current Liabilities**				**(26,652)**
(770)	Long term creditors	20		(762)	
(205,490)	Long term borrowing	18		(205,483)	
(55,008)	Pension Liability	26		(50,052)	
(344)	Grants Receipts in Adv - Capital	11		(593)	
(261,612)	**Long Term Liabilities**				**(256,890)**
525,788	**Net Assets**				**562,742**
6,427	General Fund Balance			5,465	
19,750	HRA Balance			24,115	
32,719	Other Usable Reserves	8		29,266	
58,896	**Total Usable Reserves**				**58,846**
466,892	Unusable Reserves	9			503,896
525,788	**Total Reserves**				**562,742**

These financial statements are authorised by Clare Fletcher – Assistant Director (Finance and Estates) (Chief Financial Officer) on 26th July 2018 and replace the unaudited financial statements issued on 31 May 2018.

CD Fletcher

Clare Fletcher

Cash Flow Statement for the year ended 31 March 2018

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

2016/17			**2017/18**	
£'000		**Note**	**£'000**	**£'000**
301	Net (surplus) or deficit on the provision of services			(4,390)
(30,270)	Adjustments to net surplus or deficit on the provision of services for non cash movements	30		(23,572)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
13,743	Transfer of sale proceeds included in the Comprehensive Income & Expenditure Statement		5,556	
1,492	Capital Grants received or applied to meet financing		2,354	
0	Other payments in respect of property		0	
				7,910
(14,734)	**Net Cash flows from Operating Activities**	31		(20,052)
	Investing Activities:			
24,187	Purchase of property, plant & equipment, investment property & intangible assets		24,821	
31,900	Purchase of short term & long term investments		38,500	
107	Other payments for investing activities		0	
(10,667)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		(8,132)	
(24,200)	Proceeds from short-term & long-term investments		(27,600)	
(3,071)	Other receipts from investing activities		(2,622)	
18,256	**Net cash flows from investing activities**			24,967
	Financing Activities:			
0	Cash receipts of short & long term borrowing		(1,756)	
(2,236)	Other receipts from financing activities		2,763	
263	Repayments of short and long term borrowing		(271)	
0	Other payments for financing activities		0	
(1,973)	**Net cash flows from financing activities**			736
1,549	**Net increase or decrease in cash and cash equivalents**			**5,651**
(14,900)	Cash & Cash Equivalents at the beginning of the reporting period			(13,351)
(13,351)	**Cash & Cash Equivalents at the end of the reporting period**	**18**		**(7,700)**

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 2017/18 financial year and its position as at the year end of 31 March 2018. 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 2017/18 supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the 2003 Act.*

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

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

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

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

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

Notes to the Core Financial Statement

1. Cross Cutting Accounting Policies (contd.)

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

- *Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits of service potential associated with the transaction will flow to the Authority.*
- *Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.*
- *Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption and the value is considered material, they are carried as inventories on the balance sheet.*
- *Expenses in relation to the services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.*
- *Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.*
- *Where revenue and expenditure have been recognised but the cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.*
- *Revenue relating to council tax and non-domestic rates (NDR) shall be measured at the full amount receivable (net of any impairment losses).*
- *Staff expenses are recognised in the year that they are paid.*
- *A deminimus limit of £1,000 has been established for all accruals (2017/18)*

Value Added Tax (VAT) - *Income and expenditure excludes any amounts that relate to VAT, except where the VAT element is not recoverable from HM Revenue and Customs.*

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies (contd.)

The Local Authority Mortgage Scheme *This scheme closed in 2017/18 and funds were returned to the Council. In the comparator year 2016/17 expenditure is classified as a capital cost, and not as an investment. It is therefore excluded from the Council's non-specified investments. This is because the deposit is for the purposes of service delivery, and not for treasury management. The deposits were classified as a short term debtor, and a short term creditor is also recognised for the contribution received from Hertfordshire County Council towards the Local Authority Mortgage Scheme. The Council has an earmarked reserve set aside to help meet the cost of any future defaults in the mortgage scheme – there have been no defaults since the scheme started up to the publication date of this document.*

The costs of ***overheads and support services*** *are charged to those services that benefit from the supply or service provided. The total absorption costing principle is used with the basis for internal charging, wherever possible, on a unit basis appropriate for the service provided, e.g. office accommodation by floor area, Human Resources (HR) charges by number of employees etc. Other categories of internal charge are apportioned on an appropriate percentage basis based on staff time.*

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

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

2. Accounting Standards issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost and fair value through other comprehensive

Notes to the Core Financial Statements

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

income based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (as disclosed on page 42) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

3. Critical judgements in applying Accounting Policies

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

- There is a degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or materially reduce levels of service provision. The Council has identified budget options in its General Fund Medium Term Financial Strategy in anticipation of reduced central government grant funding levels in future years and a methodology to address this via the financial security work stream of the Future Town Future Council priorities.
- Following a review of leases under the stricter IFRS categorisation the Council is of the judgement that no material finance leases are in existence.
- The Council considered that the partnership arrangements of the CCTV control room constitute a jointly controlled operation and as such each authority accounts for its share of the liabilities and assets of the partnership. (See also Note 23 CCTV Partnership and Hertfordshire Building Control Ltd).

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies (contd)

- From 1st April 2015 the Hertfordshire CCTV Partnership Ltd started trading. The new company for the year ended 31st March 2018 produced a profit after tax of £12,000. The SBC share of the profit is £4,400 with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts Council and Hertsmere Borough Council). Due to the small size of the new company group accounts have not been completed.
- In August 2016 the Hertfordshire Building Control Ltd started trading. The company was set up to deliver the building control function for the council and is jointly owned with six other local authorities in Hertfordshire. Due to 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 2017/18, 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 50 properties could be sold. This would equate to an estimated balance sheet valuation of £3,962,000.
- The council considers that three commercial sites held in the town centre are not classified as "Investment Properties" as they are held for strategic planning purposes and not solely for rental income or capital appreciation. As such they are included under land and buildings on the balance sheet and expenditure and income on these sites is included within cost of services in the Comprehensive Income and Expenditure Statement.

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

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

The items in the Council's Balance Sheet as at 31 March 2018 for which there are significant risk of material adjustments in the forthcoming financial year are shown on the following pages:

Notes to the Core Financial Statements

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions - Insurance	The Authority has a provision of £621,000 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that the all valid claims have yet been received by the Authority relating up to 31 March 2018 or that the estimated reserve levels will be sufficient.	An increase in the forthcoming year of 10% in either total number of claims or the estimated average settlement would each have the effect of adding £62,100 to the provision needed.
Provisions – NDR Appeals	The Authority has a provision of £3,354,000 for the expected outcome of NDR appeals outstanding with the VOA as at 31 March 2018.	If 10% of the appeals that we have provided for were unsuccessful this would mean a reduction of £335,345 in the provision.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect of the pension liability for changes in individual assumptions can be measured. For instance, a one year increase in member life expectancy would approximately increase the employer's defined benefit obligation by around 3-5% (£6,226,000-£10,377,000). (see also Note 26 Pensions – sensitivity analysis of actuarial assumptions).
Property, Plant and Equipment	To ascertain the balance sheet valuation of buildings and land held by the Council various estimation techniques can be used. The estimation technique used must be compliant with RICS standards and will be dependent on information available to the valuer.	In preparing the balance sheet valuations as at 31 March 2018 of community assets exiting use values (EUV) based on rental value (known and estimated) has been used by the Council's external valuers (Wilks Head and Eve (WHE)) as they have extensive experience of valuing local authority assets. Where this information is not known Depreciated Replacement Cost (DRC) is used. The DRC technique is known to return high current values. If updated DRC had been used on community centres and pavilions the balance sheet valuation would be approximately £2.4 million higher. This would increase the value of other land and buildings shown on the balance sheet by £2.4 million and increase unusable reserves by £2.4million. (It should be noted that Balance sheet valuations are not used when determining the sale price of council assets).

Notes to the Core Financial Statements

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

Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions regarding the level of repairs and maintenance that will be incurred in relation to each individual asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current expenditure on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Housing stock is split into elements including kitchens, bathrooms. The remaining element has an average useful life of 50 years. It is estimated that the annual depreciation charge for this residual element of the Council Houses would increase by approximately £135,000 if the useful life decreased by one year. This depreciation charge does affect the in year surplus of deficit of the HRA.
Fair Value valuations	The Authority owns a number of properties that have been valued based on rental yields.	If the Authority were to assess the security of the income streams more favourably, then the yield would increase giving a higher balance sheet valuation. The valuation would depend on the time of the expected rental income flows and rent increases specific to each asset.
Benefit Overpayments	At 31 March 2018, the Authority had a balance of housing overpayment debtors of £3,635,000. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 85% 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 £951,100 would be required, returning this money back to the General Fund.
Trade Debtors and Arrears	At 31 March 2018, the Authority had a balance of trade debtors of £1,089,000 of which £492,000 was older than 3 months. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 34% 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 £157,000 in provision.

Notes to the Core Financial Statements

5. Expenditure and Income Analysis by Nature

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

2016/17 £'000		2017/18 £'000
	Expenditure	
26,073	- Employee Benefits Expenses	29,030
7,023	- Other Services Expenses	1,510
22,619	- Support Service Recharges	23,347
16,394	- Depreciation, Amortisation, Impairment	14,934
7,399	- Interest Payments	7,371
16,569	- NDR Tariff	14,409
874	- Payments to Housing Capital Receipts Pool	865
10,395	- (Gain)/ Loss on the Revaluation of assets	(1,909)
(6,984)	- (Gain)/Loss on the Disposal of Assets	(2,104)
	Material Items of Expenditure	
1,029	- Stevenage Leisure Limited Contract Payment	1,039
14,192	- Rent Allowances	13,587
19,362	- Rent Rebates	18,476
134,945	**Total Expenditure**	**120,555**
	Income	
(22,623)	Fees, charges and other service income	(16,762)
(394)	Interest and Investment Income	(434)
(24,062)	Income from Council Tax & Non Domestic Rates (before tariff)	(22,158)
(3,886)	Government Grants and Contributions	(3,411)
	Material Items of Income	
(39,975)	Housing Rents	(39,187)
(4,414)	Car Parks	(4,720)
(13,921)	Rent Allowances Subsidy	(13,440)
(19,045)	Rent Rebate Subsidy	(18,360)
(2,919)	Garage Rental Income	(3,012)
(3,405)	Commercial Property Rent	(3,461)
(134,644)	**Total Income**	**(124,945)**
301	**Deficit / (Surplus) on the Provision of Services**	**(4,390)**

Notes to the Core Financial Statements

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

Material items of capital income and expenditure:

The Council spent £26.1million on its capital programme in 2017/18, this included £12.2million on roofing and external works to its housing stock, £4.6million on providing new homes, £0.5million on the town centre and regeneration projects, and £8.8million on other General Fund and HRA capital projects.

6. Events after the Balance Sheet Date

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

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

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

Events after the Balance Sheet date are reflected up to the 'authorised for issue'date. These accounts have been authorised for issue on 26 July 2018 by the Assistant Director (Finance and Estates) (Chief Financial Officer). Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Core Financial Statements

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

Notes to the Core Financial Statements

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

The **Housing Revenue Account Balance** reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function. The Localism Act 2011 (Part VII) introduced the self-financing regime with Councils now able to keep the rent they collect and use it locally to maintain their social homes. As part of the new regime depreciation is now a real cost to the HRA and is transferred to the Major Repairs Reserve to finance future capital investment.

The Council is required to maintain the **Major Repairs Reserve** (MRR), which holds the depreciation and revenue contributions to capital (RCCO) from the HRA and is limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. 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 (£10,102,000) can only be used towards the provision of additional council house schemes and has further restrictions on its use in that it can only be used for 30% of scheme costs.

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

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

Comparator Year 2016/17 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves						
	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 or credited to the Comprehensive Income & Expenditure Statement (CI&E)							
Charges for depreciation & impairment of non current assets	(5,104)	(11,197)				**(16,301)**	**16,301**
Revaluation on Property, Plant & Equipment	(13,494)	0				**(13,494)**	**13,494**
Movements in the market value of Investment Property	3,099	0				**3,099**	**(3,099)**
Amortisation of intangible assets	(62)	(29)				**(91)**	**91**
Capital Grants & Contributions	570	692				**1,262**	**(1,262)**
Revenue expenditure funded from capital under statute	(592)	0				**(592)**	**592**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the (CI&E)	(2,443)	(4,315)				**(6,758)**	**6,758**
Insertion of items not debited or credited to the CI&E							
Statutory provision for the financing of capital investment	654	0				**654**	**(654)**
Capital Expenditure charged against General Fund and HRA balances	3,355	5,069				**8,424**	**(8,424)**
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Capital grants & contributions unapplied credited to the CI&E Statement	(161)	0			161	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0			0	**0**	**0**
Adjustments involving the Capital Receipts Reserve (CRR):							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	6,300	7,439	(13,739)			**0**	**0**
Use of the CRR to finance new capital expenditure	0	0	3,347			**3,347**	**(3,347)**
Contribution from CRR to finance the payments to the Government capital receipts pool	(873)	0	873			**0**	**0**
Transfer from Deferred Capital Receipts Reserve upon cash receipt	0	0	(3)			**(3)**	**3**
Adjustments involving the Major Repairs Reserve (MRA):							
Reversal of the MRA credited to the HRA		11,227		(11,227)		**0**	**0**
Use of the MRA to Finance new capital expenditure		0		11,371		**11,371**	**(11,371)**
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 26)	(3,826)	(1,564)				**(5,390)**	**5,390**
Employer's pension contributions & direct payments to pensioners payable in year	4,166	0				**4,166**	**(4,166)**
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council tax income credited to the CI&E Statement is different from Council tax income calculated for the year in accordance with statutory requirements	1,231					**1,231**	**(1,231)**
Adjustments involving the Accumulated Absences Adjustment Account							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirement	(36)	(39)				**(75)**	**75**
TOTAL ADJUSTMENTS	**(7,216)**	**7,283**	**(9,522)**	**144**	**161**	**(9,150)**	**9,150**

Notes to the Core Financial Statements

8. Other Usable 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 usable reserves, for capital projects and revenue projects. Earmarked reserves identified for specific purpose are detailed below:

- **Regeneration Reserve**
  This reserve has been established to help fund the regeneration plans for Stevenage.
- **Housing and Planning Delivery Grant Reserve**
  The Council received monies from the Government designed to incentivise housing growth and the underlying planning requirement to allocate land and put development plans in place. Due to the nature of the work the expenditure is often not aligned to the pattern of grant received.
- **New Homes Bonus Reserve**
  The New Homes Bonus scheme commenced in April 2011. The scheme gives Councils a financial reward for new homes and properties brought back into use. The grant may be used to fund any General Fund expenditure. This reserve has been established to mainly fund one off schemes approved by Members.
- **Regeneration Assets Reserve.**
  This reserve contains the ring fenced surplus/deficit from the management and maintenance of the regeneration assets held in the town centre and will be used to cover any future fluctuations in costs or rental stream, any balances remaining will be used to help repay any debt outstanding and/or contribute towards the regeneration costs for the Town Centre.
- **Town Centre Reserve**
  This reserve contains the ring fenced surplus/deficit from the Town Centre management service and will be used fund activities and management in the Town Centre.
- **Local Authority Mortgage Scheme (LAMS) Reserve**
  This reserve was set up to cover the potential for any mortgage defaults on the Local Authority Mortgage Scheme introduced in 2012. The reserve contains investment income generated from the deposits placed over and above the Council’s average interest rate earned for the year. There have been no defaults on the scheme since inception and lending under the scheme is now closed.

Notes to the Core Financial Statements

8. Other Usable Reserves (contd)

- **Capital Reserve**
  This reserve was set up in 2013/14 as part of the Council's Integrated Financial Planning Process and funds capital projects. It was set up to reduce the Council's reliance on borrowing to fund capital projects.
- **Insurance Reserve**
  This reserve has been set up in 2016/17 to fund proactive works to reduce insurance claims against the Council.
- **Future Town Future Council Reserve**
  The Council has identified nine strands as part of the Future Town Future Council agenda and this reserve has been allocated to support this programme.
- **NDR Collection Fund Reserve**
  This reserve has been set up in 2013/14 to meet any adverse impact on the General Fund arising from any losses in NDR income above the government's safety net rules.

Movements in the Council's usable reserves are shown in the Movement in Reserves Statement.

A more detailed breakdown showing the amounts set aside from the General Fund balances to specific earmarked reserves is shown below. This sets out amounts used to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

Earmarked Reserve: General Fund	31 March 2017 £'000	Transfer to Reserve (to fund future years expenditure) £'000	Transfer from Reserve (to fund in year expenditure) £'000	Net movement in year £'000	31 March 2018 £'000
Regeneration SG1	0	300	0	300	**300**
Housing & Planning Delivery Grant	170	0	(109)	(109)	**61**
New Homes Bonus	1,073	0	(383)	(383)	**690**
Regeneration Assets	749	200	(102)	98	**847**
Town Centre	54	1	(27)	(26)	**28**
LAMS (Local Authority Mortgage Scheme)	54	7	0	7	**61**
Capital Reserve	0	1,073	(1,073)	0	**0**
Insurance Mitigation	98	50	(24)	26	**124**
Future Town Future Council	180	83	0	83	**263**
NNDR collection Fund	172	303	0	303	**475**
Total Earmarked Reserves	**2,550**	**2,017**	**(1,718)**	**299**	**2,849**

Notes to the Core Financial Statements

9. Unusable Reserves

*The Council has a number of **Unusable Reserves** that are required for statutory reasons, to comply with proper accounting practice. As such these reserves are unavailable to fund expenditure. They include reserves kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.*

31 March 2017 £'000		31 March 2018 £'000
(95,782)	Revaluation Reserve	(118,594)
(425,607)	Capital Adjustment Account	(435,032)
(191)	Deferred Capital Receipts Reserve	(188)
55,008	Pension Reserve	50,052
(679)	Collection Fund Adjustment Account	(522)
359	Accumulated Absences Account	388
(466,891)	**Total Unusable Reserves**	**(503,896)**

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

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

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

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

The Revaluation Reserve:

2016/17 £'000		2017/18 £'000	£'000
(50,550)	**Balance as at 1 April**		**(95,782)**
(69,195)	Upward revaluation of assets	(31,954)	
21,706	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,637	
(47,489)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(24,317)
1,158	Difference between fair value depreciation and historic cost depreciation	1,237	
1,099	Accumulated gains on assets sold or scrapped	268	
2,257	Amount written off to the Capital Adjustment Account		1,505
(95,782)	**Balance as at 31 March**		**(118,594)**

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

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

The Account contains accumulated gains and losses on Investment Property and gains recognised as donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.
Note 7 provides further details on the source of all transactions, other than those involving the Revaluation Reserve, to the Capital Adjustment Account.

Notes to the Core Financial Statements

9. Unusable Reserves (contd)

Capital Adjustment account

2016/17 £'000		£'000	2017/18 £'000	£'000
(432,497)	**Balance as at 1 April**			**(425,607)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement			
16,302	Charges for depreciation & impairment of non-current assets	14,813		
13,494	Revaluation losses on Property, Plant & Equipment	(1,894)		
0	Self Financing Debt repayment	(2,500)		
91	Amortisation of Intangible Assets	121		
592	Revenue expenditure funded from capital under statute	2,772		
6,759	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,717		
37,238			17,029	
(2,258)	Adjusting amounts written out of the Revaluation Reserve		(1,505)	
34,980	Net written out amount of the cost of non-current assets consumed in the year			15,524
	Capital financing applied in the year			
(3,118)	Use of the Capital Receipts Reserve to finance new capital expenditure		(14,797)	
(11,372)	Use of the Major Repairs Reserve to finance new capital expenditure		(6,940)	
(1,263)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		(738)	
(161)	Application of grants to capital financing from the Capital Grants Unapplied Account		0	
(654)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(654)	
(8,423)	Capital expenditure charged against the General Fund and HRA balances.		(1,805)	
(24,991)				(24,934)
(3,099)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement			(15)
(425,607)	**Balance as at 31 March**			**(435,032)**

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.

2016/17 £'000		2017/18 £'000
(194)	**Balance as at 1 April**	**(191)**
3	Amounts received in year & available for funding	3
(191)	**Balance as at 31 March**	**(188)**

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).

2016/17 £'000		2017/18 £'000
45,889	**Balance as at 1 April**	**55,008**
7,965	Remeasurements of the net defined benefit liability/(asset)	(8,247)
5,390	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	7,735
(4,236)	Employers' pension contributions and direct payments to pensioners payable in the year	(4,444)
55,008	**Balance as at 31 March**	**50,052**

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.

2016/17 £'000		2017/18 £'000
552	**Balance as at 1 April**	**(679)**
(1,231)	Amount by which council tax-income and non domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	157
(679)	**Balance as at 31 March**	**(522)**

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.

2016/17 £'000		2017/18 £'000	£'000
283	**Balance as at 1 April**		**359**
(283)	Settlement or cancellation of accrual made at the end of the preceding year	(359)	
359	Amounts accrued at the end of the current year	388	
76	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		29
359	**Balance as at 31 March**		**388**

Notes to the Core Financial Statements

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

2016/17 £'000		2017/18 £'000
873	Payments to the Government Housing Capital Receipts Pool	865
(7,131)	Gains/losses on the disposal of non current assets	(2,215)
(6,258)	**Total**	**(1,350)**

2016/17	2016/17 £'000		2017/18 £'000	2017/18 £'000
	7,028	Interest payable & similar charges		7,017
	1,551	Pensions interest cost & expected return on pensions assets		1,398
	(311)	Interest receivable & similar income		(368)
	801	Expenditure in relation to investment properties and changes in their fair value		1,206
	(5,528)	Income in relation to investment properties and changes in their fair value		(2,635)
		Trading Operations - Indoor Market:		
(426)		Income from stall holders	(412)	
417		Expenditure	430	
	(9)	Surplus taken to General Fund		18
	3,532	**Total**		**6,636**

11 Taxation and Non Specific and Specific Grant Income

Government Grants and Contributions

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

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

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

Notes to the Core Financial Statements

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

Government Grants and Contributions contd

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

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

2016/17 £'000		2017/18 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
5,189	Council Tax	5,402
18,874	NNDR Retained income	16,756
(16,569)	NNDR Tariff payment	(14,409)
1,236	Revenue Support Grant	690
124	Council Tax Reform	115
1,542	New Homes Bonus	1,254
	Apprenticeship Levy	(73)
0	Homelessness prevention grant	213
113	NDR administration Grant	110
282	s31 Grant	593
576	Disabled Facilities Grant	634
0	MHCLG Land release project	900
849	Other Capital Contributions	790
11	Other Government grants	15
12,227	**Total Grants, Contributions credited to Taxation and Non Specific Grant Income**	**12,990**
	Credited to Services	
32,788	Department of Work and Pensions Grants for rebates	31,716
196	Discretionary Housing Payments	274
481	Other	588
33,465	**Total Grants, Contributions credited to Services**	**32,580**

The Council has not received any material donations in 2017/18.

Notes to the Core Financial Statements

12. Heritage Assets

A ***heritage asset*** *will be recognised as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and is not being used for operational purposes.*

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements the asset will not be recognised on the balance sheet. Where that valuation is material these assets will be recognised as a separate class of asset – heritage asset on the face of the balance sheet. Where heritage assets are not recognised in the balance sheet appropriate disclosure is made in the notes to the financial statements.

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

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

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

Notes to the Core Financial Statements

12. Heritage Assets (contd)

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

Cost or Valuation	Town Centre £'000	War Memorial £'000	Exhibits £'000	Civic Regalia £'000	Total £'000
At 1 April 2017	**833**	**53**	**200**	**53**	**1,139**
Additions					0
At 31 March 2018	**833**	**53**	**200**	**53**	**1,139**
Accumulated Depreciation & Impairment					
At 1 April 2017	**(443)**	**(19)**	**0**	**0**	**(462)**
Depreciation charge	(33)	(7)	0	0	(40)
At 31 March 2018	**(476)**	**(26)**	**0**	**0**	**(502)**
Net Book Value					
At 31 March 2018	**357**	**27**	**200**	**53**	**637**
At 31 March 2017	**390**	**33**	**200**	**53**	**676**

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

Town Square including Clock Tower: The town square includes the water feature and clock tower, the clock tower is a Grade II listed building.

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

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

Notes to the Core Financial Statements

12. Heritage Assets (contd)

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

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

War memorial: The Council has a war memorial classified as a heritage asset and is valued at historic cost on the balance sheet.

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

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

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

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment

Property, Plant and Equipment (PPE)   Updated in 2017/18

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

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

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

Valuations of the Council's freehold and leasehold properties are co-ordinated by the Council's In-House Valuer in accordance with International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and interpreted by the current CIPFA Code of Practice for Local Authority accounting. The valuations are made in accordance with the RICS Valuation – Professional Standards, January 2014 as published by the Royal Institution of Chartered Surveyors, in so far as that is consistent with the IFRS standards and CIPFA interpretation with the exception that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. A proportion of the assets are re-valued at each 1 April as part of a continuous rolling programme of valuation. The rolling programme was recently amended to include valuations on opening balance in line with common practice. Non Current Assets are then carried in the Balance Sheet using the following measurement bases:

- *Council dwellings – current value determined using the basis of existing use value for social housing (EUV-SH)*
- *Where possible all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)*
- *Where assets cannot be valued by any other method depreciated historic costs is used.*

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where the DRC approach was used it was in accordance with RICS GN 6, titled "Depreciated Replacement Cost (DRC) method of Valuation for Financial Reporting".

RICS GN6 requires Modern Equivalent (ME) to be considered if properties are valued using the DRC method and this was applied to last year's review.

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

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

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

In regard to property assets the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount.

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

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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

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

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

New council house properties, either constructed or acquired at market value, are re-valued downwards on completion to recognise that Council Dwellings are valued on the balance sheet at existing use value-social housing (39% 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 2017. A review is undertaken at year end to ensure valuations undertaken on 1 April are still appropriate as at the balance sheet date and uplifted/amended if required.

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

The revaluation process is co-ordinated by the Council's Estates Manager J Herbert MRICS.

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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

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

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

Depreciation: *Properties classified PPE are valued on the basis of Current Value (Existing Use Value (EUV)) and the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount.*

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

Depreciation is calculated on the following bases:

- *dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer*
- *vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer*
- *infrastructure – straight-line allocation over 25 years.*

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

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

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

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd)

Property, Plant and Equipment

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

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

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

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

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

Depreciation charged to the Housing Revenue Account (HRA) is not reversed out and is now a cost to the HRA. HRA depreciation is transferred to the Major Repairs Reserve to fund future HRA capital investment

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd).

The valuations provided for non-housing stock assume that there are no encumbrances to the Council's Current Value in the use of those assets. It is however noted that if there is a disposal of the Business Technology Centre before 29 November 2022 it will trigger a claw-back to East of England Development Agency (EEDA) in accordance with a formula. There is no intention on the part of the Council to dispose of this asset.

The inputs to inform the Council's Surplus Asset valuation have been determined at level 2 as per the fair value hierarchy (see also policy detail on page 69).

Impairment Losses

During 2017/18 (as in 2016/17) the Council did not incur any losses as a result of impairment. The table overleaf shows the movement in valuations of property, plant and equipment.

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd).

Movement of Property, Plant and Equipment in 2017/18

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd).

Preceding movements of Property, Plant and Equipment in 2016/17.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 April 2016	**574,054**	**119,208**	**23,418**	**5,262**	**3,192**	**2,855**	**3,633**	**731,622**
Additions	14,000	1,772	1,754	266	0	0	5,525	**23,317**
Accumulated Depreciation & Impairment written off to cost/valuation	0	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	46,163	(4,904)	0	0	0	125	0	**41,384**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(12,739)	0	0	(355)	(439)	0	**(13,533)**
Derecognition - Disposals	(4,676)	(945)	(4,697)	0	0	0	(15)	**(10,333)**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Held for Sale	2,025	1,054	0	116	620	0	(3,815)	**0**
Other movements in Cost or Valuation	0	0	0	0	0	0	0	**0**
At 31 March 2017	**631,566**	**103,446**	**20,475**	**5,644**	**3,457**	**2,541**	**5,328**	**772,457**
Accumulated Depreciation & Impairment								
At 1 April 2016	**(19,783)**	**(4,576)**	**(19,564)**	**(2,724)**	**(590)**	**(69)**	**0**	**(47,306)**
Depreciation charge	(11,014)	(3,659)	(989)	(472)	(91)	(40)	0	**(16,265)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	39	0	**39**
Depreciation written out to Revaluation Reserve	6,106	0	0	0	0	0	0	**6,106**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**
Derecognition - Disposals	361	76	4,697	0	0	0	0	**5,134**
Assets Derecognised - Reclassified	0	0	0	0	0	0	0	**0**
At 31 March 2017	**(24,330)**	**(8,159)**	**(15,856)**	**(3,196)**	**(681)**	**(70)**	**0**	**(52,292)**
Net Book Value								
At 31 March 2017	**607,236**	**95,287**	**4,619**	**2,448**	**2,776**	**2,471**	**5,328**	**720,165**
At 31 March 2016	**554,271**	**114,632**	**3,854**	**2,538**	**2,602**	**2,786**	**3,633**	**684,316**

14. Investment Property

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

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

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

Fair Value Hierarchy

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

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

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

Notes to the Core Financial Statements

14. Investment Property (contd)

2016/17 £,000		2017/18 £,000
19,990	**Balance at start of year**	**23,270**
	Additions:	
190	Subsequent expenditure	1,842
(10)	Disposals	(350)
3,100	Net gains/(losses) from fair value adjustments	14
	Transfers:	
0	From Property, Plant & Equipment	20
0	To Property, Plant & Equipment	(337)
0	To HRA Assets under construction	(247)
23,270	**Balance at end of year**	**24,212**

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

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties:

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

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

The Council's commercial property portfolio is therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

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

Highest and Best Use of Investment Properties

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

Valuers

The investment property portfolio has been valued at 1 April 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The revaluations are carried out by Wilks Head and Eve.

Notes to the Core Financial Statements

14. Investment Property (contd)

The valuations assume that there are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance on income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. Nor does the Council have any contractual obligations to repair, maintain or enhance the investment properties with the exception of a very small proportion of the Council's investment property portfolio where the leases are internal repairing leases and the Council is responsible for the external fabric of the building.

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

2016/17 £,000		2017/18 £,000
2,231	Rental Income from Investment Property	2,212
(603)	Less direct operating expenses arising from Investment Property	(798)
1,628	**Net gain**	**1,414**

15. Intangible Assets

Intangible Non Current Assets *- Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised on a straight line basis to the Information Communications Technology (ICT) service revenue account and then recharged out across the service headings in the Comprehensive Income and Expenditure Statement over the economic life of the asset to reflect the pattern of consumption of benefits. All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Council - usually 5 years*

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

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

Notes to the Core Financial Statements

15. Intangible Assets (contd)

***Intangible Non Current Assets** contd-*

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

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

HRA intangible assets are depreciated in accordance with the council's policy but the charge is not reversed out but forms part of the transfer to the Major Repairs Reserve.

The intangible assets include a number of services such as 'business objects' which is a report and project modelling tool. There was a total amortisation of £121,458 for all intangible assets charged to revenue in 2017/18 (2016/17 - £91,493). 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:

2016/17 £000's		2017/18 £000's	2017/18 £000's
	Balance as at 1 April		
744	Gross carrying amounts		737
(251)	Accumulated amortisation		(204)
493	**Net carrying amount at 1 April**		**533**
	Movements in year:		
131	Purchases	328	
(91)	Amortisation for the period	(121)	
40			207
533	**Balance at 31 March**		**740**
	Comprising:		
737	Gross carrying amounts		1,065
(204)	Accumulated amortisation		(325)
533			**740**

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing

Revenue Expenditure Funded From Capital Resources Under Statute –

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

No such expenditure was incurred by the HRA in 2017/18.

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. No assets were acquired through finance leases or PFI/PP contracts. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

As at 31 March 2018 significant commitments for major projects already underway included:-

	£'000
Decent Homes and major repairs	14,420
Housing Regeneration	8,182
Information and Communication Technologies	1,585
Garage Strategy	3,431
Total	**27,617**

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd)

2016/17 £'000		2017/18	£'000
223,927	**Opening Capital Financing requirement**		**223,275**
	Capital investment :		
15,772	Land and Buildings	16,377	
2,151	Other Plant and Equipment	2,532	
191	Investment Property	1,842	
5,525	Assets under construction	2,513	
592	Revenue expenditure funded from Capital under statute	2,772	
24,231			26,036
	Sources of Finance :		
(1,057)	Capital Receipts - general	(11,073)	
(1,726)	Capital Receipts - New Build	(3,724)	
(1,653)	Government Grants & Other Contributions	(738)	
(11,372)	Major Repairs Reserve	(6,940)	
	Sums set aside from Revenue:		
(8,423)	Direct revenue contributions	(1,805)	
(652)	MRP and Loan Principal	(3,154)	
(24,883)			**(27,434)**
223,275	**Closing Capital Financing requirement**		**221,877**
	Explanation of movement in year:		
(652)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)		(1,398)
(652)	**Increase/(decrease) in Capital Financing requirement**		**(1,398)**

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 2017/18 the Council had use of multi-functional printing devices and six vehicle leases. The annual amount charged under these arrangements in 2017/18 was £66,000 (2016/17 £65,000). Future lease payments due are shown in the table below:

31 March 2017			Lease Costs Payable	31 March 2018		
Printers £'000	Assigned Vehicles £'000	Total £'000		Printers £'000	Assigned Vehicles £'000	Total £'000
16	24	**40**	Not later than one year	25	16	**41**
0	0	**0**	Later than one year	0	0	**0**

Property: Council as Lessor - the authority currently leases 358 premises which include 185 shops, 35 workshops, 11 public houses, 10 surgeries and 117 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 2017/18 was £3,318,000, (2016/17 £3,248,000).

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

31 March 2017 £'000	Future minimum lease payments	31 March 2018 £'000
3,159	Not later than one year	3,282
12,636	Later than one year and not later than five years	13,128
47,384	Later than five years	49,230

Finance Leases: Property, Plant, and Equipment: There were no assets held under finance leases by the Council as at 1 April 2017. This is with the exception of de minimis lease arrangements in respect of Timebridge and Westgate car park. As these involve only a peppercorn rent and the assets are correctly shown within the Council's asset base, no further accounting adjustments have been made.

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

Notes to the Core Financial Statements

18. Financial Instruments

Financial Assets

Financial assets are classified into two types:

- *loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market*
- *available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments (the Council does not directly hold such assets)*

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts).

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Financial Assets

Fair Value Hierarchy

Level 2 - where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. 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:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's treasury team, under policies approved annually (in February prior to the financial year to which it relates) by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

The Strategy includes the Prudential Indicators, the key objectives of which are

- To ensure that capital investment plans are affordable, prudent and sustainable.
- To ensure treasury management decisions accord with good professional practice and in a manner that supports affordability, prudence and sustainability.
- To be consistent with and support local strategic planning, local asset management and optional appraisal.

Notes to the Core Financial Statements

18. Financial Instruments (contd)

The Council's Treasury Management Strategy applicable from 1 April 2017 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.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over previous financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default & uncollectability 31 March 2018	Estimated maximum exposure to default & uncollectability 31 March 2017
	£'000	%	%	£'000	£'000
Financial Institutions	**A**	**B**	**C**	**(AxC)**	
Banks & Building Societies	33,061	0	0		0
Other Local Authorities	6,883	0	0		0
Other Counter parties	22,590	0	0		0
Trade Debtors	1,089	20%	34%	368	249
Total	**63,623**			**368**	**249**

The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2018. 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 £492,000 of the £1,089,000 trade debtors balance has passed its due date for payment. The past due amount can be analysed by age and service in the following table;

Notes to the Core Financial Statements

18. Financial Instruments (contd)

Age of Sundry Debt	Estates Services £'000	Direct Services (incl Recycling) £'000	Planning £'000	Other £'000	Total Trade Debtors £'000
less than 3 months	**97**	**151**	**182**	**167**	**597**
Over Term:					
3-6 months	22	10	2	20	**54**
6 months - 1 year	18	1	2	44	**65**
over 1 year	201	1	20	151	**373**
Total trade debtors over term	**241**	**12**	**24**	**215**	**492**
Total Trade Debtors 31 March 2018	**338**	**163**	**206**	**382**	**1,089**
Total Trade Debtors 31 March 2017	**385**	**99**	**35**	**286**	**805**

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses, which form the main element of Mortgages under Long Term Debtors. As at 31 March 2018 Deferred Capital Receipts were £188,000, (31 March 2017, £191,000). These figures do not include debt relating to Council Tax or Non-domestic Rates as these are considered to be statutory debts. Debt relating to Council house rents is disclosed in Note HRA2 Rent and Supported Housing Arrears.

Liquidity risk: The Council's cash flow is managed so that cash is available as needed. If the unexpected happens the Council has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB).

Interest rate risk: The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects on Stevenage Borough Council: Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise, whilst the fixed term investment/borrowing cost/income will remain constant.

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.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

If interest rates had been 1% higher with all other variables held constant (according to assessment as at 31 March 2018), the financial effect would be:

	£'000
Increase in interest receivable on investments	(721)
Impact on Comprehensive Income & Expenditure Statement	(721)
Share of overall impact credited to the HRA	497
Impact on Movement in Reserves Statement	(223)

The impact of a 1% reduction in interest rates would be as above but with movements being reversed. The above represents what the cost will be less the payment due to the HRA.

The PWLB borrowings undertaken to date are all fixed rate, therefore there would be no impact from a rise in interest rates, other than the rate at which borrowing which has not yet been physically taken could be borrowed at in future.

Price risk The Council does not invest in equity shares and does not have any shareholdings. (The Municipal Bond purchased in 2015/16 (£10,000) is not held for trading purposes but to support and have access to preferential borrowing rates from the Municipal Bond Agency, set up by the Local Government Association. As such this transaction has been classed as a long term 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. For this purpose the accrued interest receivable is included in this note within the principal financial asset. The items disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

		Long Term		Current	
		31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Investments					
	Investment (LGA Municipal Bond)	10	10	0	0
	Loans and Receivables	5,000	10,007	39,744	45,647
Total Investments		**5,010**	**10,017**	**39,744**	**45,647**
Debtors (including Cash, Cash equivalents and Bank)					
	Loans and Receivables comprising:				
	Mortgages	157	164	22	13
	Housing Rents Leaseholders	0	0	408	577
	Other debtors	107	107	7,504	6,439
	Cash held by the Authority	0	0	12	11
	Bank Current Accounts	0	0	344	809
	Investment Cash Equivalents	0	0	12,995	6,880
	Local Authority Mortgage Scheme	0	0	1,500	0
Total Debtors		**264**	**271**	**22,785**	**14,729**
Borrowings					
	Financial liabilities at amortised cost	205,490	205,483	4,139	3,138
Total Borrowings		**205,490**	**205,483**	**4,139**	**3,138**
Creditors					
	Receipts in Advance	0	0	877	519
	Sundry Creditors	762	762	6,516	9,737
	Local Authority Mortgage Scheme	0	0	1,007	0
Total Creditors		**762**	**762**	**8,400**	**10,256**

Schedule of PWLB loan repayments	
less than one year	£3,138,007
1-2 years	£263,158
2-5 years	£789,474
6-10 years	£18,955,950
10 -15 years	£64,700,000
15 -20 years	£97,163,000
20-25 years	£23,611,000
Total	**£208,620,589**

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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

31 March 2017 Financial Liabilities Measured at Amortised Cost £000	31 March 2017 Financial Assets: Loans and Receivables £000	31 March 2017 Total £000		31 March 2018 Financial Liabilities Measured at Amortised Cost £000	31 March 2018 Financial Assets: Loans and Receivables £000	31 March 2018 Total £000
7,091	0	7,091	Interest Expense	7,083	0	7,083
7,091	**0**	**7,091**	**Total expense in Surplus or Deficit on the Provision of Services**	**7,083**	**0**	**7,083**
0	(405)	(405)	Interest income	0	(457)	(457)
0	**(405)**	**(405)**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(457)**	**(457)**
7,091	**(405)**	**6,686**	**Net (gain)/loss for the year**	**7,083**	**(457)**	**6,626**

Financial assets and financial liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- The fair value of Public Works Loan Board (PWLB) loans is calculated using the "new loan rate".
- The fair value of Non -PWLB loans is calculated using the "new loan rate".
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.

The Valuation Techniques Used to Determine Level 2 Fair Values for Investments:
The fair value of the investments have been provided by Capita Asset Services and are based on a financial model valuation which uses market information for similar instruments. The Code states that fair values disclosures are not required for short term trade payables and receivables since the carry amount is a reasonable approximation of fair value.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

31 March 2017 Carrying amount £'000	31 March 2017 Fair Value £'000		31 March 2018 Carrying amount £'000	31 March 2018 Fair Value £'000
		Long Term Investments		
5,020	5,020	Long term loans & receivables	10,007	10,010
5,020	**5,020**	**Total**	**10,007**	**10,010**
		Loan Debt		
1,522	1,544	Market Debt	1,522	1,524
208,107	235,753	PWLB Debt	207,098	232,021
209,629	**237,297**	**Total**	**208,620**	**233,545**

Valuation Techniques Used to Determine Level 2 Fair Values for Public Works Loan Board (PWLB) Loans:
The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £233.545million 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 £262.413million, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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

Notes to the Core Financial Statements

19. Debtors

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

31 March 2017 £'000		31 March 2018 £'000
119	Central Government Bodies	1,105
37	Other Local Authorities	79
408	Housing Rents & Leaseholders	577
167	Collection Fund	231
8,703	Other Debtors	5,037
9,434	**Total**	**7,029**

Included in Other debtors (as at 31 March 2017) is £3.3million for a land sale completed on 31 March 2017. The money was received by the Council on 3rd April 2017.

The Council has one long term debtor:

Hertfordshire Building Control – This relates to a two year loan (£107,000)

Notes to the Core Financial Statements

20. Creditors and Receipts in Advance

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

31 March 2017		31 March 2018	
£'000	**Creditors:**	**£'000**	**£'000**
6,059	Central Government Bodies	6,464	
2,489	Other Local Authorities	126	
0	Collection Fund	574	
359	Accumulated leave	388	
5,939	Other Entities & Individuals	9,348	
14,846	**Total Creditors**		**16,901**
	Receipts in Advance:		
0	Other Local Authorities	0	
827	Housing	1,061	
23	Tenants (redecoration scheme)	23	
646	Collection Fund	720	
876	Other Entities & Individuals	519	
2,372	**Total Receipts in Advance**		**2,323**
17,218	**Total**		**19,225**

The Council has long term creditors comprising principally:

Local Enterprise Partnership (LEP) – this relates to a grant to purchase a town centre regeneration asset (£762,488) which will be repayable in 2021/2022 on completion of the regeneration plan.

Notes to the Core Financial Statements

21. Assets held for sale

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

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

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

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

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. With the introduction of Self-financing in April 2012 a new government calculation was introduced to apportion right to buy receipts due from sales of the Council's housing stock. The Council agreed to participate in the new scheme that enabled the Council to retain a proportion of the receipts that can only be used for new build provision.

Under the new scheme a proportion of the HRA right to buy receipts go to the government. The Council then retains the remainder of the receipts to cover four elements; administration costs, allowable debt, a capped share of the receipt for the local authority, and an allowance for new build provision. There is a duty to use the element retained for new build provision within three years, funding up to a maximum of 30% of the cost of any individual new build scheme. Other housing receipts from land may be fully retained by the Council if spent on affordable housing,

Notes to the Core Financial Statements

21. Assets held for sale (contd)

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

regeneration or repayment of HRA debt. The capital receipts retained by the Council are required to be credited to the Capital Receipts Reserve and used for capital expenditure. The written-off value of disposals for General Fund and HRA assets is not a charge against council tax or tenants, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund / Housing Revenue Account Balance in the Movement in Reserves Statement.

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

31 March 2017 £'000		**31 March 2018 £'000**
1,550	**Balance at start of year**	**0**
0	Transfer from surplus assets	1,135
0	Transfer from land & building	565
(1,550)	Assets sold	0
0	**Balance at year end**	**1,700**

Notes to the Core Financial Statements

22. Provisions

***Provisions** are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by transfer of economic benefits, but where timing of the transfer is uncertain. The Council's policy is to assume all transfers of economic benefit will be made within 12 months. The Council recognises that on rare occasions a provision is utilised after 12 months (for example an insurance provision), however these instances do not materially alter the financial statements. Provisions are charged to the appropriate service account in the year that the Council becomes aware of the obligation, based on the best estimate at the balance sheet date of the expenditure required to settle the obligation.*

Where payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed and where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Impairment for doubtful debts are separately disclosed against debtors (Note21).

Insurance provision: Provides for excesses relating to known claims.

Organisational Change Provision: This provision was established to meet the costs arising from service efficiencies (identified as part of the budget setting process and service reviews).

Municipal Mutual Insurance (MMI) Provision: MMI suffered substantial losses between 1990 and 1992 and these losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI went in to "run off", and ceased to renew or take on new general insurance work. If a solvent "run off" cannot be achieved the Council may have to repay part of the claims already settled.

NDR Appeals Provision: Business Rate Payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency (VOA). From 1 April 2013 onwards, in the event that the appeal is successful, the Council is responsible for the Business Rate repayment to the business. This provision has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2018.

Other Provisions: All other provisions are individually insignificant.

Notes to the Core Financial Statements

22. Provisions (contd)

	Insurance Provision	Organisation change	Municipal Mutual Insurance	NDR Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	(570)	(342)	(74)	(2,724)	(62)	**(3,772)**
Additional Provisions made in 2016/17	(336)	(4)	(19)	(872)	(124)	**(1,355)**
Amounts Used in 2016/17	304	41	42	326	23	**736**
Unused Amounts reversed in 2016/17	0	145	0	376	18	**539**
Balance as at 31 March 2017	**(602)**	**(160)**	**(51)**	**(2,894)**	**(145)**	(3,852)
Additional Provisions made in 2017/18	(232)	(203)	0	(944)	(19)	**(1,398)**
Amounts Used in 2017/18	213	66	0	164	100	**543**
Unused Amounts reversed in 2017/18	0	94	0	320	4	**418**
Balance as at 31 March 2018	**(621)**	**(203)**	**(51)**	**(3,354)**	**(60)**	**(4,289)**

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 2018 the company produced a profit after tax of £12,000. SBC's share of the profit is £4,400. Due to the de minimis size of the new company, group accounts have not been completed.

The council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service and in August 2017, **Hertfordshire Building Control Ltd**, started trading. The council holds 14% of the share capital and is represented on the board. In August 2016 the council made a loan to the company of £107k which is held in Long Term Debtors on the balance sheet. Final result for the company had yet to be published but the profit/loss is not expected to be material.

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

Notes to the Core Financial Statements

24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under the Local Authorities (Members' Allowances) Regulations 2003, was £444,031 in 2017/18. (£437,239 in 2016/17). Payments made outside the scheme for Mayoral Allowances totalled £17,277 in 2017/18, (£16,259 in 2016/17).

25. Officers Remuneration

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

	Salary, Fees and Allowances	Expenses Allowance	Other Emoluments*	Total Remuneration (excluding pension contributions)	Pension Conts.	Total Remuneration Incl Pension Contributions
	£	£	£	£	£	£
Remuneration 2017/18						
Chief Executive	112,955	1,018	7,380	121,353	34,048	155,401
Strategic Director and Deputy Chief Executive	97,882	405	1,162	99,449	27,856	127,305
Strategic Director	88,984	515	340	89,838	25,323	115,162
Borough Solicitor **	26,966	23	103417**	130,405	7,685	138,090
Assistant Director Finance & Estates (s151 Officer)	78,893	78	340	79,311	22,452	101,763
Total remuneration in 2017/18	**405,680**	**2,038**	**112,639**	**520,357**	**117,364**	**637,721**
Remuneration 2016/17						
Chief Executive	107,795	1,034	10,064	118,893	28,029	146,922
Strategic Director and Deputy Chief Executive	96,913	506	2,128	99,547	25,199	124,746
Strategic Director (from 4/7/2016)	65,367	387	0	65,754	16,996	82,750
Borough Solicitor	68,223	361	370	68,954	17,739	86,693
Assistant Director Finance & Estates (s151 Officer)	75,895	66	490	76,451	19,734	96,185
Total remuneration in 2016/17	**414,193**	**2,354**	**13,052**	**429,599**	**107,697**	**537,296**

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

***In 2017/18 as part of the Future Town Future Council agenda legal service were procured through an ongoing shared service with Hertfordshire County Council. The Borough Solicitor was made redundant and other emoluments includes redundancy costs paid by the Council.*

Notes to the Core Financial Statements

25. Officers Remuneration contd.

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

Officer remuneration includes redundancy and severance payments made to officers on termination of employment during the year.

2016/17 Number of employees	Remuneration Band	2017/18 Number of employees
6	£50,000 - £54,999	8
3	£55,000 - £59,999	4
2	£60,000 - £64,999	1
5	£65,000 - £69,999	3
1	£70,000 - £74,999	4
2	£75,000 - £79,999	2
0	£80,000 - £84,999	0
0	£85,000 - £89,999	2
0	£90,000 - £94,999	0
1	£95,000 - £99,999	1
0	£100,000 - £104,999	1
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
3	£115,000 - £119,999	0
0	£120,000 - £124,999	1
0	£124,999 - £130,000	0
0	£130,000 - £135,000	1
23	**Total**	**28**

The council directly employees circa 650 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 2017 the Chief Executive is paid 6.93 times the lowest paid member of staff and 3.83 times the mean average (£29,474).

Further information can be found in the annual pay policy statement published on the website:
https://democracy.stevenage.gov.uk/Data/Council/201702281900/Agenda/20170228-Item14
This document includes the remuneration of its chief officers and terms and conditions for staff including the approach to the payment of Chief Officers on the ceasing to hold office.

Notes to the Core Financial Statements

25. Officers Remuneration contd.

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

2017/18

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £9,999	2	0	2	£5,976
£30,000 - £69,999	3	0	3	£145,574
£100,000 - £119,999	3	0	3	£327,098
Total	**8**	**0**	**8**	**£478,648**

2016/17

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £19,999	8	0	8	£89,652
£20,000 - £39,999	2	2	4	£120,889
£40,000 - £59,999	3	0	3	£164,553
Total	**13**	**2**	**15**	**£375,095**

Notes to the Core Financial Statements

26. Pension

Pensions - Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme meaning the Council and its employees make contributions into the Pension Fund at a level calculated to balance the liabilities with the investment asset.

The liabilities of the Hertfordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis by projecting forward the results of the 2016 Valuation i.e. by carrying an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and estimations of projected earnings for current employees.

- *Liabilities are discounted to their value at current prices, using a discount rate.*

The assets of the Hertfordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

⇒ *Equities – bid-market value*

⇒ *Property-market value*

⇒ *Bonds and Cash at fair value*

The change to the net pension liability is analysed into the following components:

Service costs comprising:

- *Current service cost – the increase in liabilities, as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for whom the employees worked.*
- *Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (CI&E) as part of Non Distributed Costs.*
- *Net Interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CI&ES this is calculated by applying the discount rate used to measure defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments .*

Remeasurements comprising:

- *The return on plan assets- excluding amounts included in the net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure*

Notes to the Core Financial Statements

26. **Pension** contd.

Pensions-Local Government Pension Scheme contd.

- *Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve and Other Comprehensive Income and Expenditure.*

Contributions paid to the Hertfordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities.

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

Discretionary benefits:

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

Participation in Pension Schemes

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions.

Notes to the Core Financial Statements

26. **Pension** contd.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2016/17 £'000		2017/18 £'000
	Cost of service	
3,793	Current service costs	6,262
46	Past service costs	75
	Financing and Investment Income & Expenditure	
5,918	Interest costs	5,131
(4,367)	Interest income on plan assets	(3,733)
5,390	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	7,735
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
17,321	Return on plan assets (excluding the amount included in the net interest expense)	4,551
2,125	Actuarial gains and losses arising on changes in demographic assumptions	0
(32,631)	Actuarial gains and losses arising on changes in financial assumptions	3,683
5,221	Other Actuarial gains and losses	13
(2,574)	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	15,982
	Movement in Reserves Statement	
(5,390)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(7,735)
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	
4,276	Employer's contributions payable to the scheme	4,362

Notes to the Core Financial Statements

26. Pension contd.

Pension Assets & Liabilities recognised in the Balance Sheet

2016/17 £'000		2017/18 £'000
129,083	**Opening fair value of Scheme assets**	**149,648**
4,367	Interest Income	3,733
	Remeasurement gain/(loss)	
17,321	The return on plan assets, excluding the amount included in the net interest expense	4,564
4,276	Contributions from employer	4,444
1,035	Contributions from employees into the scheme	1,084
(6,434)	Benefits paid	(5,983)
149,648	**Closing fair value of scheme assets**	**157,490**

2016/17 £'000		2017/18 £'000
174,972	**Opening Balance**	**204,656**
3,783	Current Service Cost	6,262
5,918	Interest Cost	5,131
1,035	Contributions from Scheme participants	1,084
	Remeasurement gain/(loss)	
(2,125)	Acturial gains/(losses) arising from changes in demographic assumptions	0
32,631	Acturial gains/(losses) arising from changes in financial assumptions	(3,683)
(5,170)	Other	0
46	Past service costs	75
(6,434)	Benefits paid	(5,983)
204,656	**Closing balance**	**207,542**
(55,008)	**Net Pension Liability**	**(50,052)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed Stevenage Borough Council's fund liabilities. The estimates for the Council are based on the latest formal valuation of the scheme as at 31 March 2016.

Notes to the Core Financial Statements

26. Pension contd.

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

Period Ended 31 March 2017					Period Ended 31 March 2018			
Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Asset category	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
				Equity Securities:				
11,668	0	11,668	8%	Consumer	7,196	0	7,196	5%
11,198	0	11,198	7%	Manufacturing	6,190	0	6,190	4%
2,696	0	2,696	2%	Energy and Utilities	1,651	0	1,651	1%
10,021	0	10,021	7%	Financial Institutions	7,025	0	7,025	4%
2,026	0	2,026	1%	Health and Care	997	0	997	1%
8,159	0	8,159	5%	Information Technology	4,910	0	4,910	3%
504	0	504	0%	Other	375	0	375	0%
				Debt Securities:				
0	0	0	0%	Corporate Bonds (investment grade)	0	0	0	0%
0	0	0	0%	UK Government	0	0	0	0%
0	0	0	0%	Other	0	64	64	0%
				Private Equity:				
0	6,909	6,909	5%	All	0	5,975	5,975	4%
				Real Estate:				
0	4,842	4,842	3%	UK Property	0	5,217	5,217	3%
0	5,608	5,608	4%	Overseas Property	0	5,142	5,142	3%
				Investment Funds and Unit Trusts:				
31,356	0	31,356	20%	Equalities	41,394	0	41,394	26%
41,223	0	41,223	27%	Bonds	56,640	0	56,640	36%
0	0	0	0%	Commodities	0	0	0	0%
0	340	340	0%	Infrastructure	0	376	376	0%
578	7,878	8,456	6%	Other	1,173	8,035	9,208	6%
				Derivatives:				
0	0	0	0%	Interest Rate	0		0	0%
0	(297)	(297)	0%	Foreign Exchange	0	(126)	(126)	0%
				Cash and Cash Equivalents:				
4,939	0	4,939	3%	All	5,256		5,256	3%
124,368	**25,280**	**149,648**	**100%**	**Totals**	**132,807**	**24,683**	**157,490**	**100%**

Notes to the Core Financial Statements

26. **Pension** contd.

Principal Assumptions

The principal assumptions used by the Actuary have been:-

2016/17		2017/18
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.9	Women	24.9
	Longevity at 65 for future pensioners:	
24.1	Men	24.1
26.7	Women	26.7
	Other Assumptions:	
2.4%	Rate of inflation	2.4%
2.5%	Rate of increase in salaries	2.5%
2.5%	Rate for discounting scheme liabilities	2.6%
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 2018 (%)	Weighted average duration
Active members	81,185 (39.1%)	21.4
Deferred members	47,951 (23.1%)	21.6
Pensioner members	78,406 (37.8%)	11.1
Total	**207,542 (100%)**	**16.4**

Sensitivity analysis of Actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis that follows has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period in calculating the impact for each change in assumption it is assumed that the other assumptions remain unchanged. In practice it is likely that changes in assumptions would be interrelated.

Notes to the Core Financial Statements

26. **Pension** contd.

Change in assumptions at year ended 31 March 2018	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.5% decrease in Real Discount Rate	9	19,135
0.5% increase in salary increase rate	1	2,080
0.5% increase in pension increase rate	8	16,849

The total contributions for current service cost expected to be made to the Pension Scheme in the year to 31 March 2019 is estimated at £4,378,000.

Further information can be found in Hertfordshire County Council Pension Fund's Annual Report that is available upon request from: Hertfordshire County Council, Corporate Services, County Hall, Hertford SG13 8DQ (email contact : pensions.team@hertscc.gov.uk)

27. Related Parties

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

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

Other Public Bodies: Payments between the Council and Hertfordshire County Council (HCC) amounted to £857,034 (2016/17, £697,523). 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 £541,459 in 2017/18 (£540,218 in 2016/17).

Notes to the Core Financial Statements

27. Related Parties contd

In 2017/18 Stevenage Borough Council (SBC) used a number employment agencies (listed below) to assist in carrying out services throughout the Council. There were no declarations of interest from Members and Senior Officers expressed.

24/7 Staffing Solutions Ltd T/A Labour Zone	James Andrews Recruitment Solutions Ltd
Adecco UK Ltd	LA International Computer Consultants Ltd
Badenoch & Clark	Lawrence Dean Recruitment Ltd
Baltimore Consulting Group	MAR Facilities Support Services Ltd
Beech Consulting	Marcus Donald People Ltd
Build Recruitment Ltd	Marks Consultancy Partners Limited
Capstone Property Recruitment Interim Ltd	Methods Professional Services Ltd
Carrington West Ltd	Michael Page International Recruitment Ltd
DK Recruitment	Newstaff Employment Services Ltd
Driver Require Ltd	Penna Plc
Essential Results Limited	Sellick Partnership Group Ltd
Gotpeople Ltd	Service Care Solutions Ltd
Graham Rose Limited	TalentHQ Ltd
Gravitas Recruitment Group Ltd	Tate
Greenacre Recruitment Limited	The Housing Executive
Hays Specialist Recruitment	The Oyster Partnership Limited
Housing Consultants Network	Venn Group Limited
Interaction Recruitment Plc	Waste Consulting LLP

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 2017/18 is shown in Note 28 Members Allowances.

A contract payment of £1,254,472was paid to Stevenage Leisure Limited (SLL) (2016/17 £1,282,912) and £70,572 was paid to Hertfordshire Building Control Limited. Also £1,426,593 was paid to other organisations (2016/17 £1,260,991), either as grants or services received. With reference to all of these organisations, of the 39 Members, 34 Members declared interests through either the Register of Interests or completed related party transactions' forms. As at 31 March 2018 SBC had paid SLL £296,752 (£406,779 31 March 2017) for management costs relating to 2018/19.

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 2017/18 expressions of interest, both potential financial and other interests, are declared and recorded in the minutes of the meeting.

Notes to the Core Financial Statements

27. Related Parties contd

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 2017/18, 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.

28. Contingent Liabilities and Assets

Contingent liability *arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either the obligation cannot be measured reliably or where it is not probable that an outflow of resources will be required. Contingent liabilities will not be recognised in the balance sheet but will be disclosed separately as a note to the accounts.*

A ***contingent asset*** *arises from a past event that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control.*

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

At the Balance Sheet date four contingent liabilities/assets were identified, that related to:-

- There is a possibility that a new claim for mandatory relief from business rates on behalf of NHS Trust will be received. The second reading of the Hospital (Parking and Business Rates) Bill 2017-19 is scheduled for 15 June 2018. The application could potentially be backdated, potentially up to 6 years (as a statute of limitation).

Notes to the Core Financial Statements

28. Contingent Liabilities and Assets (contd.)

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. However the provision does not include an allowance for future appeals and the new process of check, challenge and appeal has extended the time taken for successful appeals to come to fruition.
- The 2006 Water resale order restricts the total cost to unmetered charge as cost plus 1.5%. Based on a high court judgement the London Borough of Southwark may have overcharged tenants based on the contract in place. Stevenage BC contract differs from that of LB of Southwark, however, the council have sought legal opinion and are currently working with the LGA. It is not possible to quantify this liability until the outcomes of LGA's legal considerations are known.
- Stevenage Borough Council is one of a number of Local Authority and National Parks Authority who have asked the Local Government Association (LGA), to co-ordinate legal representation and provide ongoing support in respect of collective legal action against MasterCard/Visa (Card Schemes) for unlawful interchange fee.

29. External Audit Costs

The Council has incurred fees in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections. The estimated fees payable for audit work in respect of the 2017/18 financial year are shown in the table below. The appointed auditor for 2017/18 is Ernst & Young LLP.

2016/17 £'000	Fees Payable	2017/18 £'000
64	Fees payable to the **External Auditor** with regard to **external audit services** carried out by the appointed auditor for the year.	64
11	Fees payable to **External Auditor** for the certification of **grant claims and returns** for the year.	10
0	Fees refunded by the **Audit Commission** with regard to external audit services carried out by the appointed auditor	(9)
4	Fees payable in respect of other services provided by Grant Thornton	0
79		**65**

Notes to the Core Financial Statements

30. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2016/17 £'000		2017/18 £'000
(346)	Interest received	(447)
7,096	Interest paid	7,085
6,750		**6,638**

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

2016/17 £'000	Non Cash Items	2017/18 £'000
(29,888)	Removal of Depreciation and Impairment from Comprehensive Income & Expenditure Statement	(13,040)
(1,155)	Removal of IAS Pension entries in the Comprehensive Income & Expenditure Statement	(3,291)
(6,759)	Removal of carrying amount of assets disposed	(3,718)
3,020	Other non cash item movements	(423)
	Items on an accrual basis	
(4)	Add/(less) increase/(decrease) in stock	(22)
(474)	Add/(less) increase/(decrease) in debtors	(40)
4,990	Add/(less) increase/(decrease) in creditors & receipts in advance	(3,038)
(30,270)		(23,572)

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.

2016/17 £000		Note	2017/18 £000	
	Expenditure			
6,909	Repairs & Maintenance		6,649	
10,087	Supervision & Management		10,752	
125	Rents, Rates, Taxes & Other Charges		176	
11,014	Depreciation & Impairment of Non-Current Assets - HRA Dwellings		11,416	
147	Depreciation & Impairment of Other Non-Current Assets		183	
228	Movement in the allowance for bad debts		146	
28,510	**Total Expenditure**			**29,322**
	Income			
(39,975)	Dwelling rents	HRA 1	(39,187)	
(304)	Non-dwellings rents		(360)	
(2,824)	Charges for Services & Facilities		(2,888)	
(605)	Contributions towards expenditure		(685)	
(43,708)	**Total Income**			**(43,120)**
(15,198)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**			**(13,798)**
657	HRA Services share of Corporate & Democratic Core			712
(14,541)	**Net income for HRA services**			**(13,086)**
(3,125)	Gain on sale of HRA Non-Current Assets			(1,770)
6,513	Interest payable (PWLB loans - Self-financing)			6,514
515	Interest payable (Decent Homes borrowing)			503
(301)	Interest receivable on revenue balances			(287)
(10)	Interest receivable on mortgages			0
0	Apprentice levy			22
(692)	Capital grants & Contributions receivable			(134)
1,563	Pension Interest and expected return on pension assets			418
(10,078)	**(Surplus)/Deficit for the year on HRA services**			**(7,820)**

Stevenage BOROUGH COUNCIL

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.

2016/17 £000		Note	2017/18 £000	2017/18 £000
(16,955)	**Balance on the HRA at the end of the previous year**			**(19,750)**
(10,078)	Deficit for the year on the HRA Income & Expenditure Statement		(7,820)	
7,283	Adjustment between accounting basis and funding basis under statute	8	3,455	
(2,795)	(Increase)/Decrease in year on the HRA			(4,365)
(19,750)	**Balance on the HRA at the end of the year**			**(24,115)**

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 0.79% of let-able properties were vacant (in 2016/17 figure was 0.68%). Average rents - excluding service charges - were £96.48 a week in 2017/18 (£97.07 in 2016/17).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2017/18 rent arrears as a proportion of gross rent income were 2.62% (2.35% in 2016/17).

2016/17 £'000		2017/18 £'000
1,040	Arrears at 31 March	1,140
223	Amounts written off during the year	182
(2)	Amounts written on during the year	(6)

The bad debts provision stood at £620,655 at 31 March 2018 (£650,519 at 31 March 2017).

Notes to the Housing Revenue Account (HRA)

HRA 3. Housing Stock Numbers

The stock movement can be summarised as follows:-

2016/17 No.		2017/18 No.
8,042	Stock as at 1st April	8,000
(60)	Less Right to Buy Sales	(37)
21	New Build acquisitions	34
0	Transferred from General Fund	0
(3)	Conversions/other	0
8,000	**Stock at 31st March**	**7,997**
5,169	Houses	5,168
2,831	Flats	2,829
8,000	**Total**	**7,997**

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

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 2017	£ 607,235
As at 31 March 2018	**£ 633,712**
The Vacant Possession value of the dwellings as at 31 March 2018 was	£ 1,667,663

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.

Notes to the Housing Revenue Account (HRA)

HRA 4. Non Current Asset Valuations (contd.)

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

31 March 2017 £'000's		31 March 2018 £'000's
4,921,139	Assets Under construction	4,067
590,986	Vehicles Plant & Equipment	472
5,512,125	**Total**	**4,539**

HRA 5. Major Repairs Reserve (MRR)

2016/17 £'000	2016/17 £'000		2017/18 £'000	2017/18 £'000
	(4,652)	**Opening Balance as at 1st April**		(4,507)
		Transfers to the MRR -		
(11,014)		Depreciation of HRA Dwellings	(11,415)	
(214)		Depreciation of other HRA Assets	(260)	
	(11,228)			(11,675)
		Transfers from MRR -		
	11,373	Financing of HRA Capital Expenditure		6,918
	(4,507)	**Closing Balance as at 31 March**		(9,264)

Notes to the Housing Revenue Account (HRA)

HRA 6. Capital Expenditure, Financing & Receipts

Capital Expenditure and Financing within the HRA in 2017/18 is summarised as follows:

2016/17 £'000		2017/18 £'000
	Capital Expenditure	
12,028	Major Repairs & Improvements	11,814
1,517	New Council Housing	1,761
456	Disabled Adaptations	421
307	Equipment	242
5,094	Assets under construction	2,784
19,402		17,022
	The Capital Expenditure was financed as follows:	
2,269	Capital Receipts	9,888
11,372	Major Repairs Reserve	6,940
5,761	Contributions	194
19,402		17,022

Total Capital Receipts in 2017/18 from the sale of property within the HRA can be summarised as follows :-

2016/17 £'000		2017/18 £'000
(7,516)	Right to Buy Sales	(4,904)
(2)	Right to Buy Mortgage Repayments	
(11)	Other Land & Property *	(96)
(7,529)		(5,000)

*Includes repayment of Right to Buy discounts

New homes being built at former Twin Foxes site

Collection Fund Statement 2017/18

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.

2016/17 Council Tax £000	2016/17 Business Rates £000	2016/17 Total £000		2017/18 Council Tax £000	2017/18 Business Rates * £000	2017/18 Total £000
			Income			
(41,238)		(41,238)	Council Tax Receivable	(43,622)		(43,622)
		0	Council Tax Benefits			0
	(48,544)	(48,544)	Business Rates Receivable		(47,497)	(47,497)
	174	174	Transitional Payment Protection receivable		3,086	3,086
(41,238)	(48,370)	(89,608)	**Total income**	(43,622)	(44,411)	(88,033)
			Expenditure			
			Precepts, Demands and Shares			
30,719	4,614	35,333	Hertfordshire County Council	33,258	4,219	37,477
3,806		3,806	Hertfordshire Police Authority	4,058		4,058
5,010	**18,457**	**23,467**	**Stevenage Borough Council**	**5,300**	**16,876**	**22,176**
	23,072	23,072	Central Government		21,095	21,095
			Charges to Collection Fund			
	113	113	Costs of collection		110	110
155	624	779	Write offs of uncollectable amounts	71	509	580
131	27	158	Increase/(decrease) for impairment	116	(442)	(326)
	424	424	Increase/(decrease) in provision for appeals		1,148	1,148
			Contribution in regard to previous year deficit/surplus			
1,805	(233)	1,572	Hertfordshire County Council	855	120	975
232		232	Hertfordshire Police Authority	105		105
299	**(936)**	**(637)**	**Stevenage Borough Council**	**139**	**478**	**617**
	(1,170)	(1,170)	Central Government		598	598
42,157	**44,992**	**87,149**	**Total expenditure**	**43,902**	**44,711**	**88,613**
919	**(3,378)**	**(2,459)**	**Movement on fund balance (deficit/(surplus))**	**280**	**300**	**580**
(2,085)	**2,050**	**(35)**	**Balance at beginning of year**	**(1,166)**	**(1,328)**	**(2,494)**
(1,166)	**(1,328)**	**(2,494)**	**Balance at end of year**	**(886)**	**(1,028)**	**(1,914)**

Notes to the Collection Fund Statement 2017/18

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; (26,995.10 for 2017/18, 25,888.50 for 2016/17). The basic amount of council tax for a band D property £1,596.35 for 2017/18 (£1,527.14 for 2016/17) 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	1,576.25	6,459.18	21,298.36	3,274.28	3,186.41	900.01	420	16	37,130.49
Exemptions		(36)	(109)	(138)	(14)	(13)	(7)	(2)	(5)	(324)
Disabled Relief	0	10	73	(67)	8	(17)	0	(5)	(2)	0
Discounts (25%)	0	1,126.61	3,917.76	6,369.02	779.83	527.71	108.73	51	0	12,880.66
Discounts (50%)	0	2	6	12	3	3	6	7	5	44
Council Tax Support Scheme	0	328.19	1,440.52	2,423.66	238.82	59.08	13.60	2.99	0	4,559.86
Empty Homes Premium	0	6.00	6.00	6.00	2.00	2.00	1.00	2.00	0	25.00
Effective Properties	0	889.41	4,003.22	17,074.44	2,834.00	2,964.91	849.73	394.76	6.50	29,016.97
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	0	592.94	3,113.62	15,177.28	2,834.00	3,623.78	1,227.38	657.93	13	27,239.93
Council Tax Base	Band D equivalent multiplied by collection rate of 98%									**26,995.10**

Notes to the Collection Fund Statement 2017/18

CF 1. Council Tax (cont)

The income chargeable of £54,559,037 in 2017/18 is from the following sources:

2016/17		2017/18
£41,083,000	Billed to Council Tax Payers	£43,550,585
£5,683,162	Local Council Tax Scheme	£5,828,125
£4,436,735	Exemptions, Discounts, etc.	£5,180,327
£51,202,897		£54,559,037

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 47.9p in 2017/18 (49.7p in 2016/17) 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 46.6p in 2017/18 (48.4p in 2016/17). The rateable value for the Council's area is £110,366,867 at 31 March 2018 (£111,172,474 at 31 March 2017). 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%.

2016/17				2017/18		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
(£ 907,065)	(£132,857)	(£ 1,039,922)	Hertfordshire County Council	(£690,974)	(£102,814)	(£793,788)
(£111,172)		(£ 111,172)	Hertfordshire Police Authority	(£83,898)		(£83,898)
(£ 147,323)	**(£531,430)**	**(£678,753)**	**Stevenage Borough Council**	**(£110,942)**	**(£411,255)**	**(£522,197)**
	(£664,287)	**(£664,287)**	Central Government		(£514,069)	(£514,069)
(£ 1,165,560)	**(£1,328,575)**	**(£2,494,135)**		**(£885,814)**	**(£1,028,138)**	**(£1,913,952)**

Glossary of Terms

Actuarial Gains and Losses

Changes in the net pensions liability that arise because

Events have not coincided with assumptions made at the last actuarial valuation, or

The actuarial assumptions have changed

Agency Services

Services which are provided by the Council for another Local Authority or public body and the principal (the authority responsible for the service) reimburses the agent (the authority doing the work) for the cost of the work carried out.

Amortisation

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

Appointed Auditors

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

Balances

In general, the surplus or deficit on any account at the end of the financial year. Often used to refer to an available surplus, which has accumulated over a number of past years.

Budget

A statement defining in financial terms, the Council's policies over a specified period of time.

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

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

Capital Expenditure

Expenditure on the acquisition of assets or works which have a long term value to the Council, either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure which does not fall within this definition must be charged to a revenue account.

Capital Receipts

The proceeds from the disposal of land or other assets which can be used to finance new capital expenditure (but not revenue spending). The Local Government Act 2003 introduced new provisions whereby a proportion of local authority housing capital receipts must be paid into the Government's National Pool (75% for Council houses and 50% for HRA land). This was amended for HRA receipts with changed with regard to the provision for new social housing ("one for one" receipts) and debt provision in 2012 following self financing.

Glossary of Terms

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

Code of Practice
Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes ‘proper accounting practice’ and is recognised as such by statute.

CIPFA
Chartered Institute of Public Finance and Accountancy. The principal accounting body dealing with local government finance.

Collection Fund
Every billing authority (District/Borough Council) is required to maintain a Collection Fund into which is paid the Council Tax and National Non-Domestic Rates collected from the tax/rate payers. Payments are made from the Fund to the precepting authorities (County Council, Police Authority and District/Borough Council) whilst National Non-Domestic Rates income is passed to the Government.

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

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

Contingent Liability
A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority’s control.

Council Tax
The property based tax by which Local Authorities and Police Authorities, raise revenue from the local community. All domestic properties have been valued and placed within eight bandings to which is applied the local rate assessed by the relevant authorities. A discount on charges is applied where dwellings are occupied by only one adult. Rebates are available to those Council Tax payers meeting the Government’s criteria.

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

Glossary of Terms

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

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

Earmarked Reserve
These are funds that are set aside for a specific purpose, or a particular service, or type of service. Stevenage Borough Council refer to these as “allocated reserves” in budget reports.

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

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

Fees and Charges
Income arising from the provision of services e.g. parking facilities, planning applications.

General Fund
The main revenue fund of the Council. Day to day spending on services is met from this fund. Spending on the provision of Council housing, however, must be charged to the separate Housing Revenue Account.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operations.

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

Glossary of Terms

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

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

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

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

Interest on Balances and from Investments
The interest earned by investing the day to day surplus on the authority’s cash flow and balances in hand.

Non Domestic Rates (NDR)
A levy on businesses based on a notional rate in the pound (multiplier) set by Central Government and multiplied by the ‘rateable value’ (RV) of the premises they occupy. The amount depends on the RV assigned to the property by the District Valuer and the multiplier, which is uniform across the whole country.
The government compensates the council through a S31 grant for additional NDR reliefs announced in recent budgets

Net Book Value
The amount at which non-current assets are included in the balance sheet. This would be either the asset’s historic cost or current value less the cumulative amount provided for depreciation. It does not represent the sale value.

Overheads
Administration costs e.g. finance, personnel, information technology together with other central costs which cannot be allocated direct to services such as general expenses.

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

Glossary of Terms

Public Works Loan Board (PWLB)

A government agency established to provide long-term loans to local authorities to finance part of their capital expenditure.

Rateable Value

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

Related Parties

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

Revenue Contributions to Capital Outlay

Contributions from revenue to finance capital expenditure.

Revenue Expenditure

The day to day running costs incurred by the Council in providing its services.

Retrospective Restatement

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

Surplus

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