2020/21
Financial Report including Statement of Accounts and Group Accounts

Stevenage

BOROUGH COUNCIL

The 2020/21 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 26 October 2021.

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

Organisational overview and external environment

About The Council

Stevenage was designated Britain's first new town in 1946. The town was planned and developed by the Government-appointed Development Corporation that was responsible for a series of master plans detailing the way the town would grow. Stevenage Urban District Council became the Borough Council under local government reorganisation in 1974 and by 1980 most of the Development Corporation's functions had been transferred to the Borough Council. Stevenage has a population of around 88,000 people across 13 different wards. The council employs 663 people, complete approx. 958,000 recycling collections, have 10 Community Centres, 14 car parks and a housing stock of 7,908 properties.

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

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

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

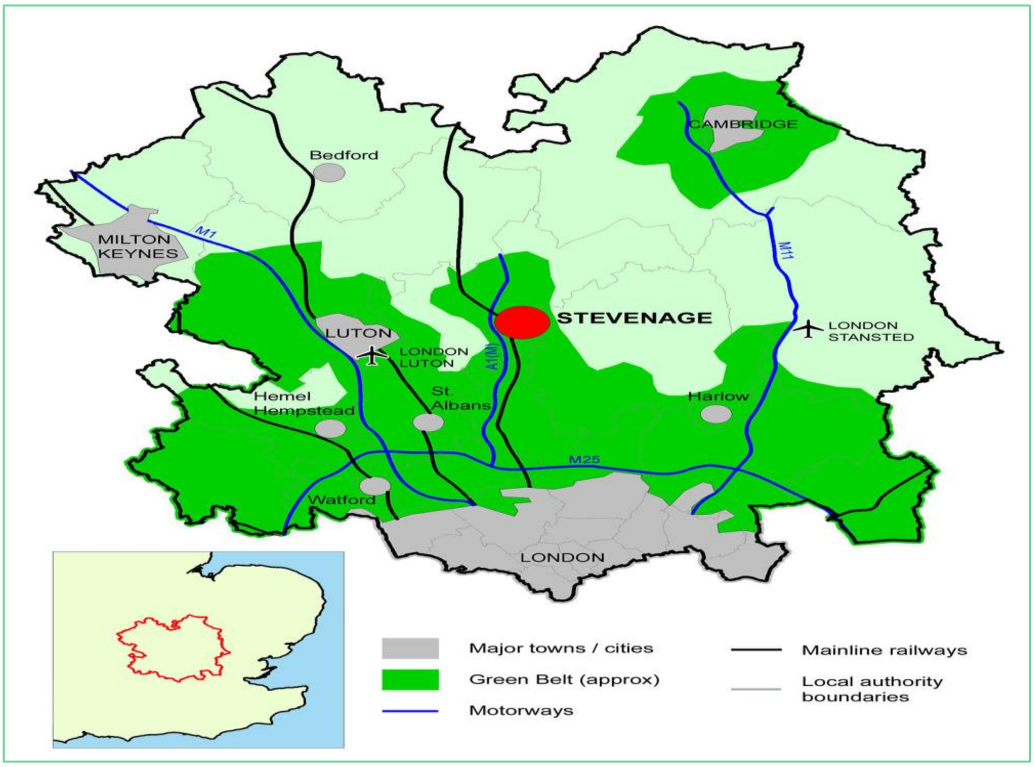
Stevenage is a town steeped in rich heritage and culture, with a long history spanning back to Saxon times. It has a varied cultural offer including Stevenage Museum, which is a small, family-friendly museum which tells the story of the town from pre historic Stevenage through to the modern day, including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

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

Geography

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

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



Business

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

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

Living

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

Opportunity

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

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

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

Queensway: artist's impression

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

Priorities

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

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

Covid-19

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

Governance

Corporate Governance

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

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

The Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

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

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

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

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

Political Makeup as at March 2021

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

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

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

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

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

Corporate Objectives

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

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

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

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

As set out above, a highlight of the 2020/21 financial year was the work of Stevenage Development Board in securing £37.5Million new funding to deliver the Town Investment Plan, which will provide a real boost to support our ambitious programme of work to transform Stevenage town centre. Work continues to bring forward the SG1 regeneration scheme, via a partnership with Mace Developments, covering the Council's offices at Daneshill House, the Plaza, bus station and some of the adjacent car parks redeveloped with new shops, bars and restaurants, homes, new public spaces, and a central public sector hub accommodating our offices, a library, exhibition space, and health services. The improvements to the public realm in the Town Square were completed in 2020/21 and construction of the new bus interchange commenced, utilizing Growth Deal funding from Hertfordshire Local Enterprise Partnership and funding from Stevenage Borough Council.

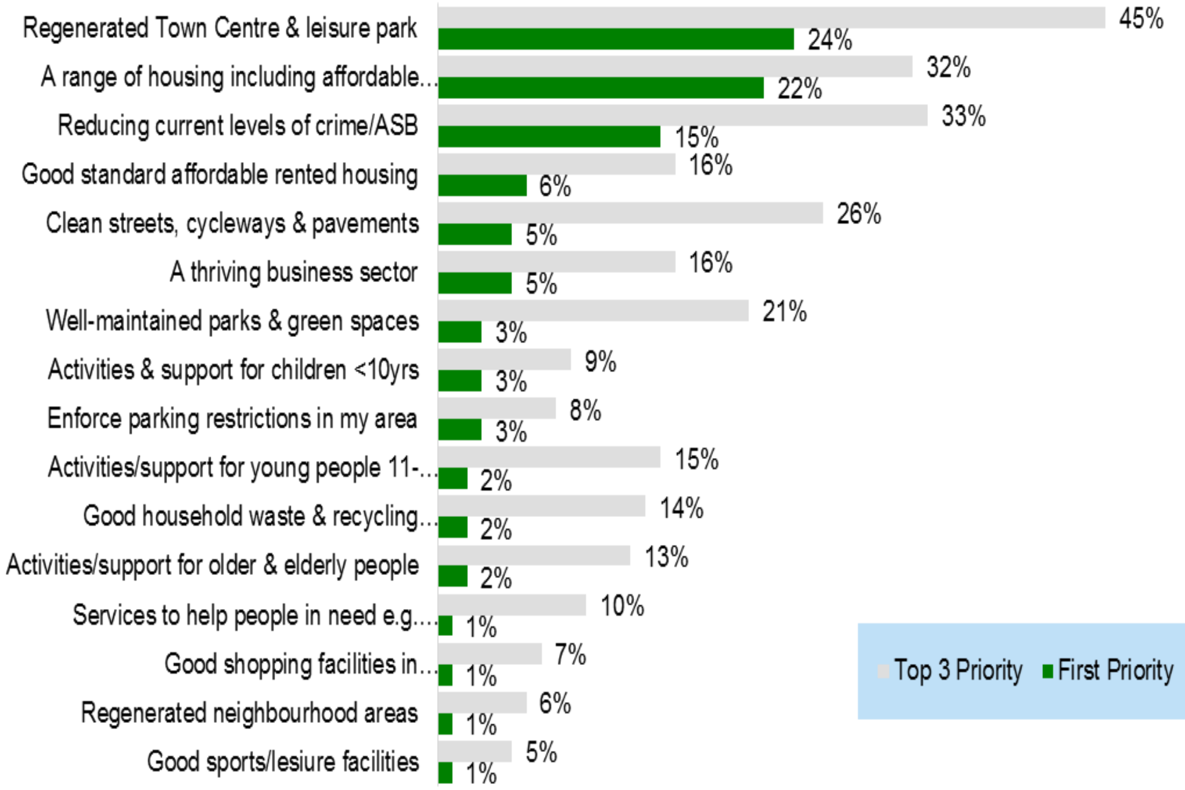
The Council has continued to deliver new social and affordable homes. During 2020/21, nine social and affordable homes were delivered at Addison House and this will bring the total to 270 homes completed since the programme began. A further 10 homes were delivered at Ditchmore Lane for private sale,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

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

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

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

[1] Residents Survey 2017



Partnership Working

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

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

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

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

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

Responding to Covid-19

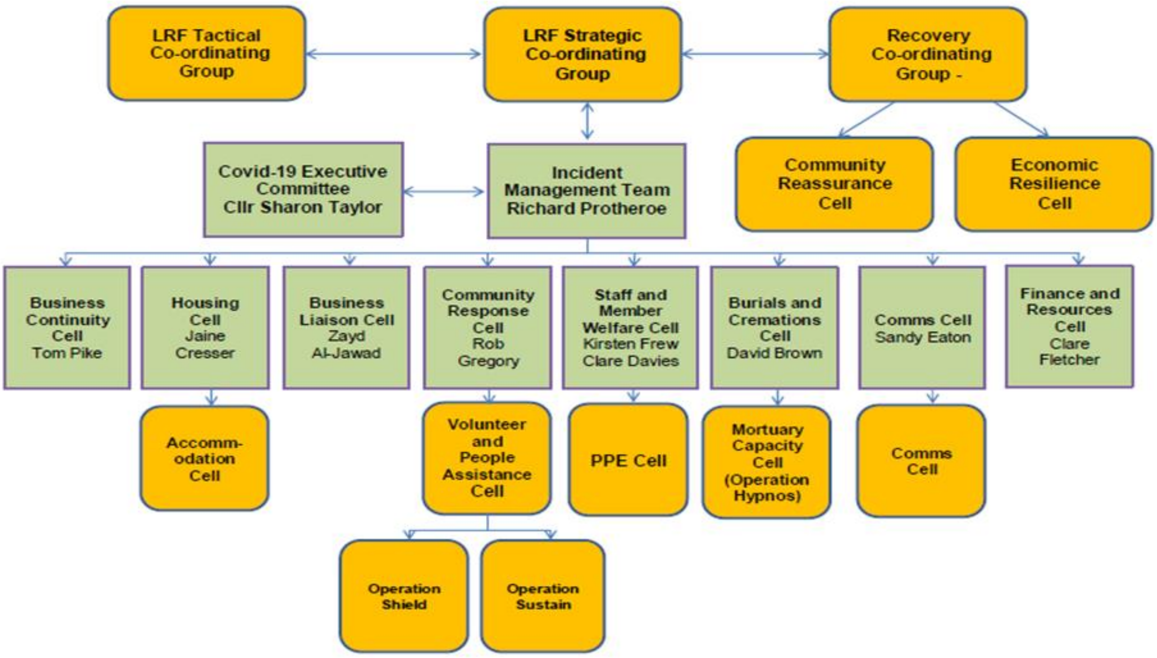
The effects of the pandemic have required the Council to quickly adapt services to provide support for residents and businesses and to manage the impacts of the pandemic. Partnership working and working with communities is key to our recovery and all the work we do to support our community. The pandemic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

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

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

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

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



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

As part of the Council's response to the Covid-19 outbreak, we took a number of steps to adapt services, protect residents and support our community. This included establishing a 'Stevenage Helps' community support offer, providing advice and guidance to over 500 residents with referrals or additional help, and over 190 individuals receiving to food packs. The Council worked closely with Hertfordshire County Council Public Health team, forming a local outbreak team during the year. This team handled 310 service requests including complaints and requests for advice, and further visits to check self-isolation. The Housing Service responded to the

Government's "Everyone In" initiative and housed a significant number of rough sleepers. The No More Service offered their services to these individuals to help them maintain their accommodation and make positive changes to their wellbeing. Services such as the Independent Living Service continued to keep in close contact with residents to monitor their welfare and provide support. The Revenue and Benefits team processed over £21m of business rate reliefs and £20Million of business grants, and Officers worked closely with Herts Local Enterprise Partnership (LEP), Chamber of Commerce and Hertfordshire Growth Board (HGB) to provide assistance and advice to local businesses.

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

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

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

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

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

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

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

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

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

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

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

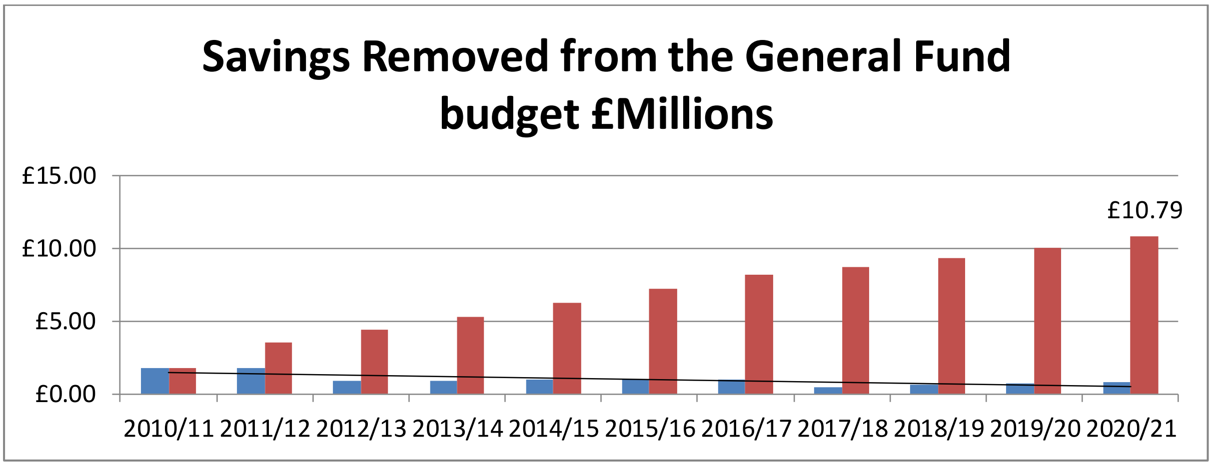
For each theme a range of priorities programme, projects and deliverables have been captured. The Council's Environment and Economy Select Committee commenced a review looking at the impact of Covid-19 on the local economy.

Operational Model

Financial Context

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

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



COVID Impact 2020/21

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

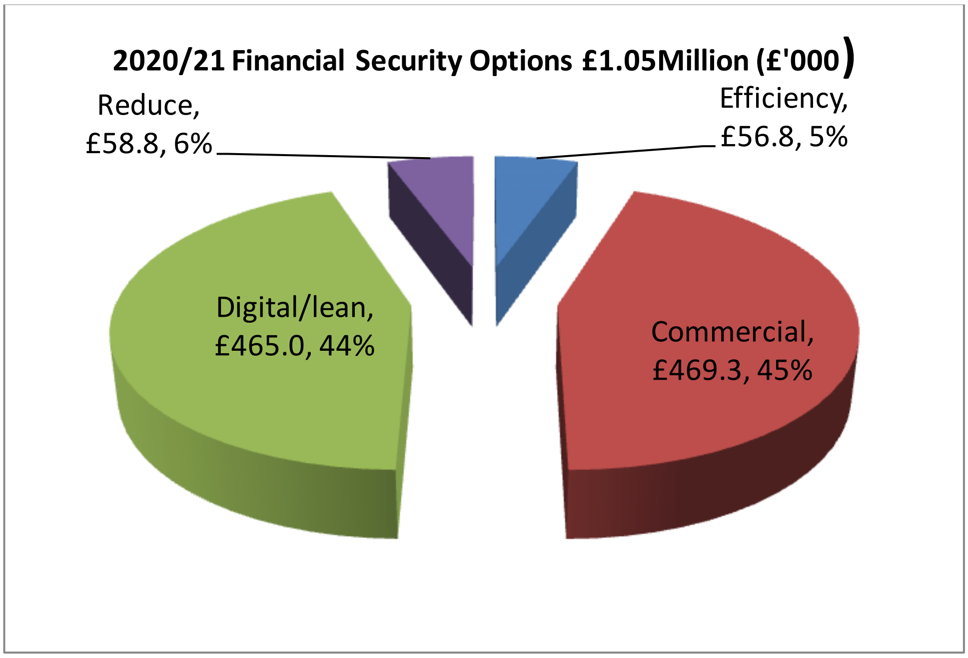
The Council identified that the cost of COVID was likely to be significant in 2020/21 even after taking onto account government funding so the Council took early action in 2020/21 and approved measures totalling £3.8Million, together with a programme of locality review land disposal sites, to reduce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

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

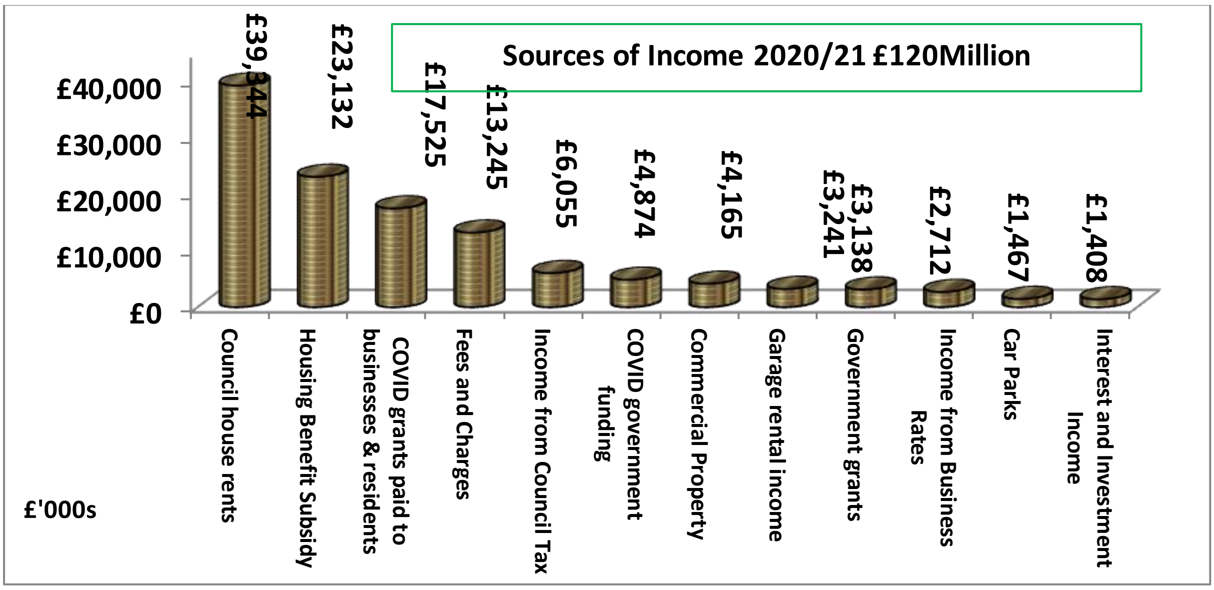
2020/21 Financial Position

Savings

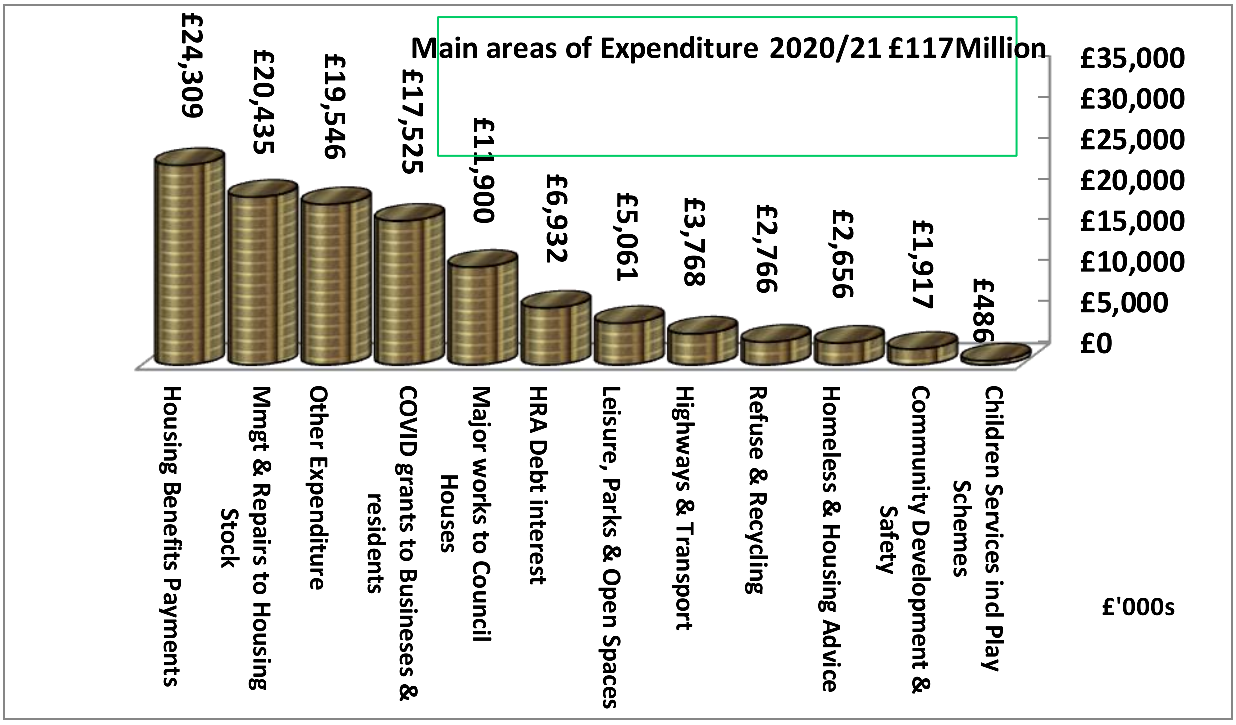
The graph below shows the different categories of savings options for 2020/21, of which £847K relates to the General Fund and £203K to the Housing Revenue Account (HRA).



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



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



Risk and Opportunities

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

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

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

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

Strategy and Resource Allocation

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

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

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

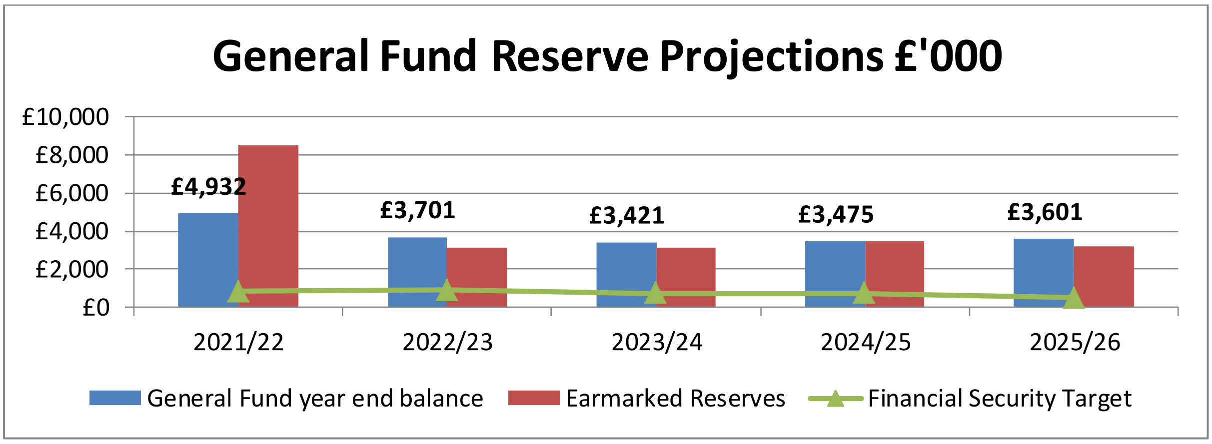
Efficiencies through robust monitoring efficineices will be identified where they arise to ensure that Council stays financially resilient

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

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

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

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

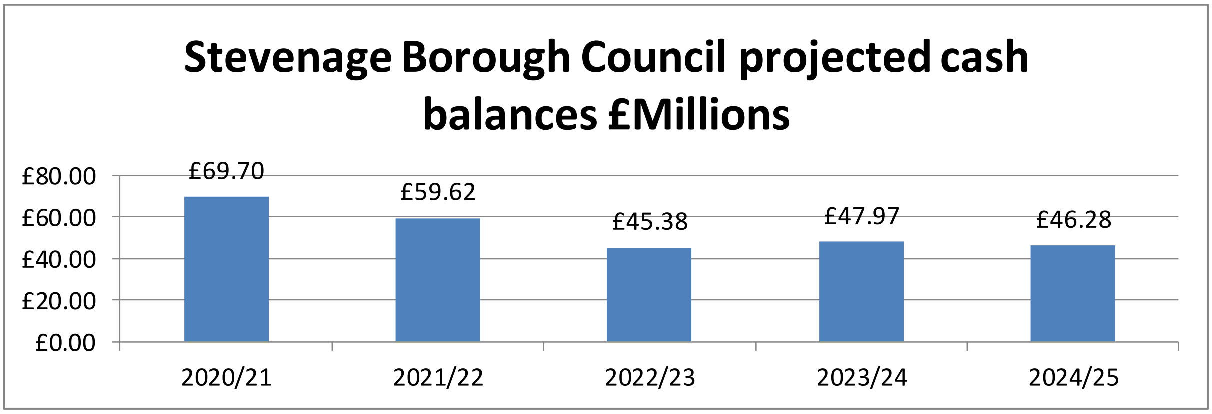


Source: MTFS report September 2021

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

Due to the impact of COVID, historic funding cuts and the delivery of FTFC priorities against growth will only be to approve which meet the outcomes of the FTFC priorities.
In determining how much we need to find through 'Financial Security', the Council's MTFS takes a five year view of future inflation, pressures, spend and income based on forecasts using government and independent data. Since 2010/11 this has identified a gap between income and expenditure, requiring 'Financial Security' targets to be set and implemented.
The savings target was approved by Members in the September 2020 MTFS, that set out a General Fund Financial Security Target of £2.45million for the period 2021/22- 2023/24.

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



Performance

General Fund Impact of COVID

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

General Fund 2020/21 Outturn Position

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

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

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

General Fund Reserves

The latest General Fund year end position compared to the prior year and the 202021 Original Budget are summarised below.

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

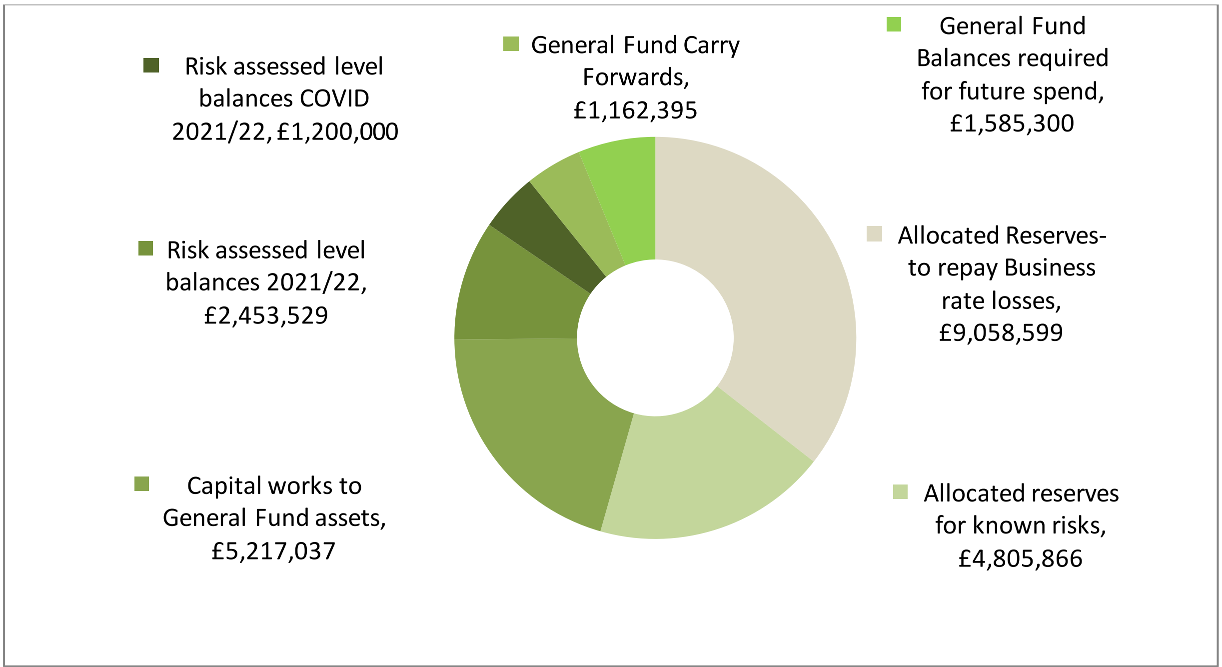
The planned draw-down of £2.252Million in the working budget would have reduced the GF Balances to £4.811Million at 31 March 2021. In the event, the actual drawdown amounted to £662K, so that General Fund Balances stood at £6.401Million at year-end. However as already stated the reader should note that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

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

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

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

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



Housing Revenue Account (HRA) 2020/21 Outturn Position

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

HRA Reserves	**2020/21 Original Budget**	**2020/21 Working Budget**	**2020/21 Actual**	**Variance to Working Budget**
	£'000	**£'000**	**£'000**	**£'000**
HRA Balance 1 April 2020	(19,819)	(19,819)	(19,819)	-
In Year Surplus	(2,417)	(4,032)	(5,575)	(1,543)
HRA Balance 31 March 2021	(22,236)	(23,851)	(25,394)	(1,543)

The 2020/21 actual HRA net surplus was £1.543Million higher than the working budgeted deficit. Included within this underspend is £378K relating to projects which have slipped into 2021/22 and for which carry forward of budget has been approved by Executive (11 August 2021).

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

Key programme successes during 2020/21 included:

• Nine social and affordable homes meaning 270 homes completed since the programme began. A number of other schemes are in development. With a further 10 homes were delivered for private sale.

• Work began on site on the Kenilworth Close scheme which will provide over 200 homes, including a flagship older persons housing scheme.

• The Council has received a total of £3.600Million through sales and grant funding as part of the Council's Housing Development Programme.

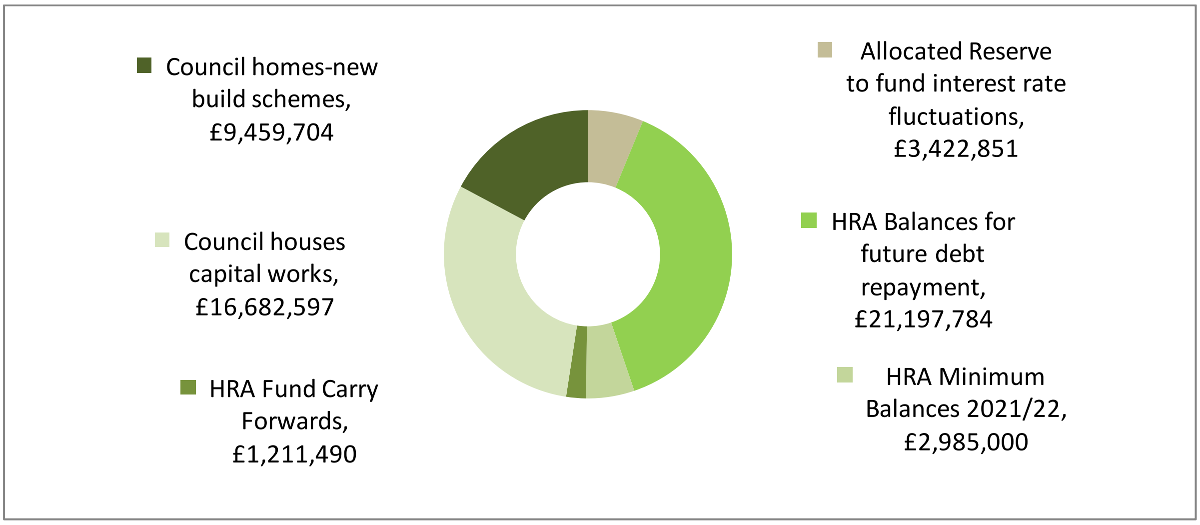
• Council approved the establishment of a Wholly Owned Company to provide new homes.

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

HRA Reserves

HRA reserves are ring fenced and cannot be used for General Fund expenditure. The Reserves which can be used to support Housing Revenue Account (HRA) total £28.817Million of which £25.394Million is available predominantly for the purpose of repaying debt and £3.423Million to provide resilience against interest rate fluctuations.

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



The HRA balances as at 31 March 2021 were £25.394Million and higher than the risk assessment of balances for 2020/21, however as already stated required for the repayment of debt as set out in the 2019 HRA Business Plan. The HRA is also subject to significant financial risks including:

- Legislative changes have increased the levels of RTB sales and may result in sales above those anticipated in the HRA Business Plan. Future policy changes are not known, however the revised business plan currently assumes 35 sales per year.

- Impact of universal credit on the collectability of rents and possible adverse effect on rent arrears.

- Increased prudential borrowing in the HRA increases the risk of adverse interest rate fluctuation throughout the life of the business plan. .(HRA interest equalisation reserve £3.4Million)

- Impact of future changes in government policy on rent increases.

Other Usable Reserve

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

- A Capital reserves of £11.958Million have been allocated to either General Fund or HRA
- A Major Repairs Reserve of £14.319Million which can only be used for HRA capital expenditure.
- A Capital Grants Unapplied Reserve of £3.754Million.

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

As at the 31 March 2021 the Council had total usable reserves of £80.442Million.

Borrowing and Capital

As at the 31 March 2021 the Council had external borrowing of £218.704Million (£208.996Million at 31 March 2020). The majority of this debt relates to the Housing Revenue Account (HRA) payment to the government (Self Financing for the HRA). The HRA business plan has a timetable for the repayment of this debt phased over the next 25 years.

In 2020/21 the Council spent £44.271Million on capital projects, of which £17.035Million was spent on our existing housing stock and other housing related assets, £9.673Million on new HRA homes and a further £17.653Million on General Fund assets.

The Council funded £9.343Million of its capital programme from the sale of assets, (land and council house sales), which equates to 21%, (18% 2019/20) of the total funding. Grants and 3rd party payments made up £8.872Million of funding (20%) in 2020/21. Contributions from the Major Repairs Reserve (MRR) totalled £2.328Million (5%). The MRR is funded from the depreciation charge made from the HRA to the MRR to finance future capital investment. The residual was financed by revenue contributions to capital expenditure and internal borrowing and external borrowing.

Pension Liability

The Council participates in the Local Government Pension Scheme. The scheme is administered by Hertfordshire County Council, and the impact of the pension liability is shown on the face of the balance sheet. As at 31 March 2021 the pension liability decreased by £61.576Million compared to £39.413Million at 31 March 2020.

Outlook

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

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

2019/20 £'000		2020/21 £'000
8,929	**Cost of Services**	**8,929**
(2,501)	Other Operating Expenditure	(3,840)
5,843	Financing & Investment Income & Expenditure	6,863
(19,508)	Taxation & Non-Specific Grant Income	(26,562)
(7,237)	**Deficit on Provision of Services**	**(14,610)**
(26,660)	Other Comprehensive Income & Expenditure	(7,403)
(33,897)	**Total Comprehensive Income & Expenditure**	**(22,013)**

Balance Sheet

2019/20 £'000		2020/21 £'000
	Assets:	
812,964	Long Term Assets	860,738
58,692	Current Assets	81,585
(26,477)	Current Liabilities	(41,285)
(271,598)	Long Term Liabilities	(305,445)
573,581	**Net Assets**	**595,594**
	Fund Balances & Reserves:	
(59,297)	Usable Reserves	(80,442)
(514,284)	Unusable Reserves	(515,152)
(573,581)	**Total Fund Balances & Reserves**	**(595,594)**

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

Cash flow

2019/20 £'000	Cash Flow Statement	Notes	2020/21 £'000
(11,057)	Net (Surplus) or Deficit on the Provision of Services		(14,610)
(21,786)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	30	(30,015)
16,282	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		18,959
(16,561)	Net cash flows from Operating Activities		(25,666)
20,133	Investing Activities	31	24,072
(7,748)	Financing Activities	31	(9,650)
(4,176)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(11,244)**
2,084	Cash and cash equivalents at the beginning of the period	18	6,260
6,260	**Cash and Cash Equivalents at the End of Period**		**17,504**

General Fund Balances

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

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

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

Basis of Preparation

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

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

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

Core Financial Statements

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

- Movement in Reserves Statement – This shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

- Comprehensive Income and Expenditure Statement – This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded from Council Tax. Councils raise Council Tax to cover expenditure incurred in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

- Balance Sheet – This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations.

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

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

Supplementary Statement

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

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

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

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

Further Information

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

Email: clare.fletcher@stevenage.gov.uk

Statement of Responsibilities for the Statement of Accounts

Stevenage Borough Council's Responsibilities

Stevenage Borough Council is required:

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

The Strategic Director (Chief Financial Officer) Responsibilities

The Strategic Director (Finance and Estates) (Chief Financial Officer) is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

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

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

The Strategic Director (Chief Financial Officer) has also:

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

Certificate of Chief Financial Officer

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

CD Fletcher

Clare Fletcher
Strategic Director (Chief Financial Officer) 26 October 2021

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Statement of Accounts 2020/21

Expenditure and Funding Analysis

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

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

2020/21	Net Expenditure chargeable to the General Fund Balances	Net Expenditure chargeable to the HRA Balances	Adjustment for capital purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	4,632		708	48	(4,033)	(3,277)	1,355
Housing Services	1,917		4	15	1,286	1,305	3,222
Environmental Services	8,297		2,167	317	(809)	1,675	9,972
Local Community Budgets	107				-	-	107
Resources	12,674		614	3	(9,107)	(8,490)	4,184
Resources - Support	(192)		475	261	63	799	607
Housing Revenue Account		(13,152)		279	2,355	(10,518)	(10,518)
Net Cost of Services	**27,435**	**(13,152)**	**3,968**	**923**	**(10,245)**	**(18,506)**	**8,929**
Other Operational Expenditure	(76)				(3,764)	(3,764)	(3,840)
Financing & Investment Income and Expenditure	5,875			886	102	988	6,863
Taxation and other non-specific grant inc and exp	(24,992)				(1,570)	(1,570)	(26,562)
Surplus or Deficit	**8,242**	**(13,152)**	**3,968**	**1,809**	**(15,477)**	**(22,852)**	**(14,610)**
Opening General Fund balance	**(7,063)**						
Opening HRA balance		**(19,820)**					
Less/plus (surplus) or deficit on General Fund	662						
Less/plus (surplus) or deficit on HRA		(5,574)					
Closing General Fund Balance	**(6,401)**						
Closing HRA Fund Balance		**(25,394)**					
Closing General Fund and HRA Balances		**(31,795)**					

Expenditure and Funding Analysis (contd.)

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

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

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

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

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

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

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

Comprehensive Income and Expenditure Statement

2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	Note	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
4,837	(341)	4,496	Community Services		2,066	(711)	1,355
30,566	(27,328)	3,238	Housing Services		27,898	(24,676)	3,222
16,084	(8,893)	7,191	Environmental Services		14,985	(5,013)	9,972
92	-	92	Local Community Budgets		107	-	107
7,615	(5,952)	1,663	Resources		9,751	(5,567)	4,184
3,670	(2,118)	1,553	Resources - Support		2,644	(2,037)	607
29,990	(43,115)	(13,124)	Housing Revenue Account		33,243	(43,761)	(10,518)
92,855	**(87,746)**	**5,109**	**Cost of Services**		**90,694**	**(81,765)**	**8,929**
		(2,501)	Other Operational Expenditure	10			(3,840)
		5,843	Financing & Investment Income and Expenditure	10			6,863
		(17,466)	Taxation & Non-Specific Grant Income: Retained Business rates	11			(9,257)
		12,968	Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)	11			4,953
		(15,010)	Taxation & Non-Specific Grant Income: Other	11			(22,258)
		(11,057)	**Deficit/(surplus) on Provision of Services**				**(14,610)**
		(3,569)	Deficit/(Surplus) on revaluation of Property, Plant and Equipment assets	9		(27,758)	
		(23,091)	Actuarial (gains)/losses on pension assets/liabilities	26		20,355	
		(26,660)	**Other Comprehensive Income and Expenditure**				**(7,403)**
		(37,717)	**Total Comprehensive Income and Expenditure**				**(22,013)**

Stevenage BOROUGH COUNCIL

Movement in Reserves Statement

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

Movements in Reserves during 2020/2021	**General Fund**	**Earmarked General Fund Reserves**	**HRA Fund**	**Earmarked HRA Reserve**	**Major Repairs Reserve**	**Capital Receipts**	**Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2020 Brought Forward	**(7,063)**	**(5,493)**	**(19,819)**	**(5,713)**	**(4,746)**	**(14,793)**	**(1,672)**	**(59,297)**	**(514,284)**	**(573,581)**
Surplus/Deficit on Provision of Services	(7,061)		(7,550)					(14,610)	-	(14,610)
Other Comprehensive Income and Expenditure								-	(7,403)	(7,403)
Total Comprehensive Expenditure and Income	**(7,061)**	**-**	**(7,550)**	**-**	**-**	**-**	**-**	**(14,610)**	**(7,402)**	**(22,013)**
Adjustments between Accounting Basis and Funding Basis under Regulations	(1,977)		4,264	-	(9,573)	2,835	(2,082)	(6,533)	6,533	-
Net (Increase)/Decrease before Transfers to Reserves	**(9,038)**		**(3,285)**	**-**	**(9,573)**	**2,835**	**(2,082)**	**(21,144)**	**(869)**	**(22,013)**
Transfer to/from Reserves	9,700	(9,700)	(2,290)	2,290		-	-	-	-	-
(Increase)/Decrease in Year 2020/2021	**662**	**(9,700)**	**(5,574)**	**2,290**	**(9,573)**	**2,835**	**(2,082)**	**(21,144)**	**(869)**	**(22,013)**
Balance at 31 March 20201 Carried Forward	**(6,401)**	**(15,193)**	**(25,394)**	**(3,423)**	**(14,319)**	**(11,958)**	**(3,754)**	**(80,442)**	**(515,152)**	**(595,594)**

Movements in Reserves during 2019/2020	**General Fund Balance**	**Earmarked General Fund Reserves**	**HRA Balance**	**Earmarked HRA Reserve**	**Major Repairs Reserve Earmarked HRA Reserves**	**Usable Capital Receipts**	**Capital Grants Unapplied Account**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2019 Brought Forward	**(4,794)**	**(3,905)**	**(21,302)**	**-**	**(10,919)**	**(15,191)**	**(1,671)**	**(57,782)**	**(478,082)**	**(535,864)**
(Surplus)/Deficit on Provision of Services	(3,314)		(7,743)			-	-	(11,057)	-	(11,507)
Other Comprehensive Expenditure and Income	-	-				-	-	-	(26,660)	(2,660)
Total Comprehensive Expenditure and Income	**(3,314)**	**-**	**(7,743)**	**-**	**-**	**-**	**-**	**(11,057)**	**(26,660)**	**(37,717)**
Adjustments between Accounting Basis and Funding Basis under Regulations	(543)		3,513		6,173	398		9,542	(9,542)	-
Net (Increase)/Decrease before Transfers to Reserves	**(3,857)**	**-**	**(4,230)**	**-**	**6,173**	**398**	**-**	**(1,515)**	**(36,202)**	**(37,717)**
Transfer to/from Reserves	1,587	(1,587)	5,713	(5,713)	-	-	-	-	-	-
(Increase)/Decrease in Year 2019/2020	**(2,269)**	**(1,587)**	**1,483**	**(5,713)**	**6,173**	**398**	**-**	**(1,515)**	**(36,202)**	**(37,717)**
Balance at 31 March 2020 Carried Forward	**(7,063)**	**(5,492)**	**(19,819)**	**(5,713)**	**(4,746)**	**(14,793)**	**(1,671)**	**(59,297)**	**(514,284)**	**(573,581)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

The first category of reserves are **usable reserves**, i.e. those reserves that the authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt) (see also Note 8 to the Accounts which give more information on earmarked reserves).

The second category is **unusable reserves** or those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line “adjustment between accounting basis and funding under regulations”.

Within the **Council dwellings** valuation of £659,716,000 there are a number of properties which are likely to be sold within the next 12 months under the Right to Buy Scheme. As at the balance sheet date these properties were not actively marketed and nor is there any certainty as to which properties will be sold. However based on the number of successful applications made last year it is estimated that 35 properties could be sold in 2021/22.

Balance Sheet

31/03/2020			31/03/2021	
£'000		Note	£'000	£'000
759,560	Property, Plant & Equipment	13	815,218	
560	Heritage Assets	12	521	
24,024	Investment property	14	23,618	
835	Intangible Assets	15	912	
9,710	Long Term Investment	18	2,310	
266	Long Term Debtors	18	267	
18,009	Long Term Debtor - Queensway	18	17,892	
812,964	**Total Long Term Assets**			**860,738**
38,495	Short Term Investments	18	45,860	
563	Assets Held for Sale	21	563	
129	Inventories		145	
13,245	Short Term Debtors	19	17,513	
6,260	Cash and Cash Equivalents	18	17,504	
58,692	**Current Assets**			**81,585**
(407)	Short Term Borrowing	18	(419)	
(22,554)	Short Term Creditors	20	(32,601)	
(3,518)	Provisions	22	(8,265)	
(26,478)	**Current Liabilities**			**(41,285)**
(11,824)	Queensway Finance Lease	18	(11,766)	
(4,833)	Long term creditors	20	(6,824)	
(208,966)	Long term borrowing	18	(218,704)	
(6,243)	Long term borrowing (Queensway)	18	(6,202)	
(39,413)	Pension Liability	26	(61,576)	
(317)	Grants Receipts in Adv - Capital	11	(373)	
(271,597)	**Long Term Liabilities**			**(305,445)**
573,581	**Net Assets**			**595,594**
(7,063)	General Fund		(6,401)	
(19,819)	HRA Fund		(25,394)	
(5,493)	Earmarked General Fund Reserves	8	(15,193)	
(5,713)	Earmarked HRA Reserve	8	(3,423)	
(21,209)	Other Usable Reserves		(30,031)	
(59,297)	**Total Usable Reserves**			**(80,442)**
(514,284)	Unusable Reserves	9		(515,152)
(573,581)	**Total Reserves**			**(595,594)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 26 October 2021.

CD Fletcher

Clare Fletcher

Cash Flow Statement for the year ended 31 March 2021

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

2019/20 £'000	Cash Flow Statement	Notes	2020/21 £'000
(11,057)	Net (Surplus) or Deficit on the Provision of Services		(14,610)
(21,786)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	30	(30,015)
14,674	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		18,959
(18,169)	Net cash flows from Operating Activities		(25,666)
21,741	Investing Activities	31	24,072
(7,748)	Financing Activities	31	(9,650)
(4,176)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(11,244)**
2,084	Cash and cash equivalents at the beginning of the period	18	6,260
6,260	**Cash and Cash Equivalents at the End of Period**		**17,504**

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies

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

General Principles: The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position as at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. The Statement of Accounts have been prepared in accordance with proper accounting practices and Code of Practice on Local Authority Accounting in the UK 2020/21 supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the 2003 Act.

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

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

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

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

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

Notes to the Core Financial Statement

1. Cross Cutting Accounting Policies (contd.)

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

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

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

Notes to the Core Financial Statements

1. Cross Cutting Accounting Policies (contd.)

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

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

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

2. Accounting Standards issued but have not yet been adopted

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

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

- IFRS 16 Leases will require local authorities that have/use leases to recognise most of leases on the balance sheet as "right of use" assets with corresponding lease liabilities CIFPA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022.

Notes to the Core Financial Statements

3. Critical judgements in applying Accounting Policies

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

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

These accounts have been prepared on a going concern basis; The Council took early action to ensure that the General Fund reserves would be financially resilient by implementing the June 2020 MTFS recommendations.

The 2021/22 projected year end balances are £4.93Million, £1.47Million above the level of risk assessed General Fund useable reserves of £3.46Million for 2021/22.

The 2021/22 projections are prudent and assume:

- Business Rate gains projected for 2021/22 of £474K have been transferred to an earmarked reserve until realised and not used to support the General Fund until realised, representing 80% of the projected gains. The MTFS only assumes a CPI increase in the baseline of business rates retained beyond 2021/22.

- 2.23% increase in council tax and beyond 2021/22 an increase of 1.99% in the Council's MTFS.

Achieving a £1.46Million savings target**:**

- There is an allowance in the 2021/22 risk assessment of balances for further COVID losses of £1.2Million than that included in the September MTFS and the 2021/22 projected year end balances are above the minimum level set by the CFO.

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

Notes to the Core Financial Statements

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

via the Making Your Money Count work stream to achieve financial sustainability and resilience.

- The Council considered that the partnership arrangements of the CCTV control room constitute a jointly controlled operation and as such each authority accounts for its share of the liabilities and assets of the partnership. (See also Note 23 CCTV Partnership and Hertfordshire Building Control Ltd).
- The Council has entered into a partnership to facilitate the regeneration of Queensway, a parade of shops and mixed use properties in the town centre. The partnership entity is Queensway Properties (Stevenage) LLP and their accounts have been incorporated into the Group accounts section. The second partner is Marshgate Plc, a wholly owned company of the Council. Their accounts have not been included in the group accounts as Marshgate's transactions are deemed not material.
- From 1st April 2015 the Hertfordshire CCTV Partnership Ltd started trading. The new company for the year ended 31st March 2021 produced a loss before tax of £34,200. The SBC share of the loss is £12,700 with the remainder belonging to the partner councils (North Hertfordshire District Council, East Herts Council and Hertsmere Borough Council). Due to the small size of the new company group accounts have not been completed.
- In August 2016 the Hertfordshire Building Control Ltd started trading. The company was set up to deliver the building control function for the council and is jointly owned with six other local authorities in Hertfordshire. Due to the small shareholding the Council has not included any further disclosure notes regarding this company. Final accounts for Hertfordshire Building Control have yet to be published for 2020/21, 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.
- The council considers that five commercial sites held in the town centre are not classified as "Investment Properties" as they are held for strategic planning purposes and not solely for rental income or capital appreciation. As such they are included under land and buildings on the balance sheet and expenditure and income on these sites is included within cost of services in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions - Insurance	The Authority has a provision of £474,000 for the settlement of insurance claim excesses, based on the estimated reserve for each claim. It is not certain that the all valid claims have yet been received by the Authority relating up to 31 March 2021 or that the estimated reserve levels will be sufficient.	An increase in the forthcoming year of 10% in either total number of claims or the estimated average settlement would each have the effect of adding £47,400 to the provision needed.
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 4% (£10,421,000). (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 2021 of community assets Depreciated Replacement Cost (DRC) has been used by the Council's external valuers (Wilks Head and Eve (WHE)) as they have extensive experience of valuing local authority assets. It should be noted that Balance sheet valuations are not used when determining the sale price of council assets.

Notes to the Core Financial Statements

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

Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions regarding the level of repairs and maintenance that will be incurred in relation to each individual asset. The current economic climate makes it uncertain that the Authority will be able to sustain its current expenditure on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Housing stock is split into elements including kitchens, bathrooms. The remaining element has an average useful life of 49 years. It is estimated that the annual depreciation charge for this residual element of the Council Houses would increase by approximately £229,500 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 2021, the Authority had a balance of housing overpayment debtors of 2,639,000. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 92% of the outstanding arrears was appropriate. However, it is not certain that such an allowance would be sufficient should the age profile of arrears increase.	If collection rates were to improve across all years by 10%, an equivalent reduction in impairment of doubtful debts of £1,524,200 would be required, returning this money back to the General Fund.
Provisions – NDR Appeals	The Authority has a provision of £4,030,000 for its share of the expected outcome of NDR appeals outstanding with the VOA as at 31 March 2021.	If 10% of the appeals that we have provided for were unsuccessful this would mean a reduction of £403,000 in the provision.
Trade Debtors and Arrears	At 31 March 2021, the Authority had a balance of trade debtors of £4,328,000 of which £1,819,000 was older than 3 months. A review of significant balances suggested that an impairment of doubtful debts based on the age and repayment arrangements in place of 15% of the outstanding arrears was appropriate. However, it is not certain that such an allowance would be sufficient should the age profile of arrears increase.	If arrears were to age by a further year, the Authority would be required to set aside a further £375,000 in provision.

Notes to the Core Financial Statements

5. Expenditure and Income Analysis by Nature

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

2019/20 £'000		2020/21 £'000
	Income	
(15,737)	Fees, charges and other service income	(13,556)
(1,847)	Interest and Investment Income	(139)
(23,384)	Income from Council Tax & Non Domestic Rates (before tariff)	(18,937)
(7,864)	Government Grants and Contributions	(6,143)
	Covid grants received	(17,525)
-	**Material Items of Income**	
(38,402)	Housing Rents	(39,344)
(4,857)	Car Parks	(1,765)
(10,649)	Rent Allowances Subsidy	(9,439)
(14,981)	Rent Rebate Subsidy	(13,694)
(3,149)	Garage Rental Income	(948)
(3,830)	Commercial Property Rent	(3,501)
(124,701)	**Total Income**	**(124,993)**
	Expenditure	
31,268	Employee Benefits Expenses	30,471
21,765	Other Services and Support Recharges Expenses	20,268
15,247	Depreciation, Amortisation, Impairment	15,868
9,493	Interest Payments	7,071
12,968	NNDR Tariff	15,917
865	Payments to Housing Capital Receipts Pool	805
441	(Gain)/ Loss on the Revaluation of assets	(4,321)
(3,720)	(Gain)/Loss on the Disposal of Assets	-
-	**Material Items of Expenditure**	-
733	Stevenage Leisure Limited Contract Payment	694
10,825	Rent Allowances Rebates	9,962
15,127	Rent Rebates	13,648
115,011	**Total Expenditure**	**110,383**
(9,690)	**Surplus/Deficit on the Provision of Services**	**(14,610)**

Notes to the Core Financial Statements

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

Material items of capital income and expenditure:

The Council spent £43.1Million on its capital programme in 2020/21, this included £16.6Million on its existing housing stock, £11.8Million on providing new homes, £12.5Million on the town centre and regeneration projects, and £2.2Million on other General Fund and HRA capital projects.

6. Events after the Balance Sheet Date

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

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

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

Events after the Balance Sheet date are reflected up to the ‘authorised for issue ‘date. These accounts have been authorised for issue on 26 October 2021 by the Strategic Director (Chief Financial Officer). Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Notes to the Core Financial Statements

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

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

Notes to the Core Financial Statements

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

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

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

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

Notes to the Core Financial Statements

Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21 Adjustments between Accounting Basis and Funding Basis Under regulations	Usable Reserves						
				Major Repairs Reserve	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**
Adjustments involving the Capital Adjustment Account:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CI&E)							
Charges for Depreciation and Impairment of Non-Current Assets	(3,830)	(11,722)				**(15,552)**	**15,552**
Revaluation Gain on Property, Plant and Equipment	4,321					**4,321**	**(4,321)**
Movements in the Market Value of Investment Properties	(672)					**(672)**	**672**
Reverse Impairments in the year from Revaluation Increase						**0**	**0**
Amortisation of Intangible Assets	(141)	(178)				**(319)**	**319**
Revenue Expenditure Funded from Capital under Statute	(1,275)					**(1,275)**	**1,275**
Amounts of Non-current Assets written off on disposal or sale as part of the (Gain)/Loss on Disposal to the CIES	(600)	(2,768)				**(3,368)**	**3,368**
Capital Grants and Contributions Applied	8,471	347				**8,818**	**(8,818)**
Insertion of items not debited or credited to the CI&E							
Statutory provision for the financing of capital investment	217					**217**	**(217)**
Capital Expenditure charged against General Fund and HRA balances	353					**353**	**(353)**
Adjustments involving the Capital Grants Unapplied Account (CGU)							
Capital grants & contributions unapplied credited to the CI&E Statement					54	**54**	**(54)**
Application of grants to capital financing transferred to the Capital Adjustment Account	1,205	941			(2,135)	**12**	**(12)**
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	1,946	6,049	(7,995)			**-**	**-**
Use of the CRR to finance new capital expenditure	-		9,934			**9,934**	**(9,934)**
Contribution from CRR to finance the payments to the Government capital receipts pool & admin costs of disposal	(864)		896			**32**	**(32)**
Transfer from Deferred Capital Receipts Reserve upon cash receipt	-		-			**-**	**-**
Adjustments involving the Major Repairs Reserve (MRR):							
Reversal of the MRR credited to the HRA		11,900		(11,900)		**-**	**-**
Use of the MRR to Finance new capital expenditure		0		2,328		**2,328**	**(2,328)**
Adjustments involving the Pension Reserve							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement (see also note 26)	(6,441)	(239)				**(6,680)**	**6,680**
Employer's pension contributions & direct payments to pensioners payable in year	4,871	-				**4,871**	**(4,871)**
Adjustments involving the Collection Fund Adjustment Account							
Employer's pension contributions & direct payments to pensioners payable in year	(37)	-				**(37)**	**37**
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(9,357)					**(9,357)**	**9,357**
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	(145)	(66)				**(211)**	**211**
TOTAL ADJUSTMENTS	(1,977)	4,264	2,834	(9,572)	(2,082)	**(6,532)**	**6,532**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

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

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

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

8. Earmarked Reserves

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

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

- **Regeneration Reserve -**This reserve has been established to help fund the regeneration plans for Stevenage.
- **Housing and Planning Delivery Grant Reserve-** The Council received monies from the Government designed to incentivise housing growth and the underlying planning requirement to allocate land and put development plans in place. Due to the nature of the work the expenditure is often not aligned to the pattern of grant received.
- **New Homes Bonus Reserve-** The New Homes Bonus scheme commenced in April 2011. The scheme gives Councils a financial reward for new homes and properties brought back into use. The level of new homes bonus has significantly reduced to only £7.8K in 2021/22 and the reserve balances are used to fund some legacy co-operative neighbourhood schemes such as playground improvements.
- **Regeneration Assets Reserve-** This reserve contains the ring fenced surplus/deficit from the management and maintenance of the regeneration assets held in the town centre and will be used to cover any future fluctuations in costs or rental stream, any balances remaining will be used to help repay any debt outstanding and/or contribute towards the regeneration costs for the Town Centre.
- **Town Centre Reserve -**This reserve contains the ring fenced surplus/deficit from the Town Centre management service and will be used fund activities and management in the Town Centre.
- **Transformation** – This reserve has been created to fund future service improvements aimed at ensuring the medium/long term financial sustainability of the council.
- **Capital Reserve -** This reserve was set up in 2013/14 as part of the Council’s Integrated Financial Planning Process and funds capital projects. It was set up to reduce the Council’s use of prudential borrowing to fund capital projects and the associated borrowing costs.

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

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

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

Earmarked Reserve:	Balance as at 31 March 2019 £'000	Transfer Out 2019/20 £'000	Transfer In 2019/20 £'000	Balance as at 31 March 2020 £'000	Transfer Out 2020/21 £'000	Transfer In 2020/21 £'000	Balance as at 31 March 2021 £'000
General Fund:							
Regeneration SG1	724	(164)	267	827	(109)	28	**746**
Housing & Planning Delivery Grant	61	(21)		40	25		**65**
New Homes Bonus	728	(98)		630	(504)	342	**469**
Regeneration Assets	1,343	(220)		1,122	(105)		**1,017**
Town Centre	55	(21)		34	(16)	63	**81**
LAMS (Local Authority Mortgage Scheme)	61	(61)		-	-		**-**
Capital Reserve	594		500	1,094	(116)	350	**1,328**
Insurance Mitigation	113	(10)		103	(27)		**76**
Future Town Future Council	54	(54)			-		
Income equalisation Reserve						8	**8**
NNDR Collection Fund	172		1,063	1,235		9,468	**10,703**
Homelessness			347	347	(136)	158	**370**
Transformation			60	60		270	**330**
Total Earmarked Reserves	**3,905**	**(650)**	**2,237**	**5,493**	**(987)**	**10,688**	**15,193**

Notes to the Core Financial Statements

8. Earmarked Reserves (contd)

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

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

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

9. Unusable Reserves

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

31-Mar-20 £'000		31-Mar-21 £'000
(97,974)	Revaluation Reserve	(124,343)
(443,324)	Capital Adjustment Account	(449,647)
(12,009)	Deferred Capital Receipts Reserve	(11,950)
39,413	Pensions Reserve	61,576
(928)	Collection Fund Adjustment Account	8,466
535	Accumulated Absences Account	746
(514,287)	**Total Unusable Reserves**	**(515,152)**

Notes to the Core Financial Statements

9. Unusable Reserves (contd.)

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

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

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

2019/20 £'000		2020/21 £'000	2020/21 £'000
(95,914)	**Balance as at 1 April**		**(98,008)**
(8,277)	Upward revaluation of assets	(32,949)	
4,671	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,189	
(3,606)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(27,760)
1,147	Difference between fair value depreciation and historic cost depreciation	1,332	
365	Accumulated gains on assets sold or scrapped	93	
1,512	Amount written off to the Capital Adjustment Account		1,425
(98,008)	**Balance as at 31 March**		**(124,343)**

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

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

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

Notes to the Core Financial Statements

9. Unusable Reserves (contd.)

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

2019/20 £'000		2020/21 £'000	2020/21 £'000	2020/21 £'000
(428,830)	**Balance as at 1 April**			**(443,323)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement			
14,579	Charges for depreciation & impairment of non-current assets	15,551		
611	Revaluation losses on Property, Plant & Equipment	(4,321)		
288	Amortisation of Intangible Assets	319		
848	Revenue expenditure funded from capital under statute	1,275		
5,285	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,368		
			16,191	
	Capital expenditure charged against the General Fund and HRA balances		(353)	
	Queensway Deferred Capital Receipt			
(1,512)	Adjusting amounts written out of the Revaluation Reserve		(1,425)	
20,099	Net written out amount of the cost of non-current assets consumed in the year			14,413
	Capital financing applied in the year			
(8,038)	Use of the Capital Receipts Reserve to finance new capital expenditure		(9,343)	
(17,657)	Use of the Major Repairs Reserve to finance new capital expenditure		(2,328)	
(6,076)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing		(8,818)	
(1,811)	Self-Financing Debt repayment			
(95)	Application of grants to capital financing from the Capital Grants Unapplied Account		(54)	
(685)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(867)	
(34,362)				(21,409)
(230)	Capital expenditure charged against the General Fund and HRA balances.			672
(443,323)	**Balance as at 31 March**			**(449,647)**

Notes to the Core Financial Statements

9. Unusable Reserves (contd.)

9.3 The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20 £'000		2020/21 £'000
(12,061)	**Balance as at 1 April**	**(12,009)**
51	Queensway (finance lease to LLP)	(11,817)
1	Amounts received in year & available for funding	11,876
(12,009)	**Balance as at 31 March**	**(11,950)**

9.4 The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pay any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. (See also Note 26 Pension).-

2019/20 £'000		2020/21 £'000
58,694	**Balance as at 1 April**	**39,413**
(23,091)	Re-measurements of the net defined benefit liability/(asset)	20,355
8,380	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	6,680
(4,570)	Employers' pension contributions and direct payments to pensioners payable in the year	(4,872)
39,413	**Balance as at 31 March**	**61,576**

Notes to the Core Financial Statements

9. Unusable Reserves (contd.)

9.5 The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The large deficit in 2020/21 arose as the government gave COVID business rate reliefs to businesses, reducing the level of income collected. However the amount of income assumed by the General Fund is fixed prior to the start of the year regardless of changing circumstances. The government compensated Councils for the reduction in income through section 31 grants which paid in 2020/21. The Council is due to repay the Collection Fund £7.7Million in 2021/22, with the remaining balance over 2022/23-2023/24.

2019/20 £'000		2020/21 £'000
(405)	**Balance as at 1 April**	**(928)**
(57)	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	37
(466)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	9,357
(928)	**Balance as at 31 March**	**8,466**

9.6 The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund and HRA Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require the impact is neutralised by transfers to/ from the Account.

2019/20 £'000		2020/21 £'000	£'000
435	**Balance as at 1 April**		**535**
(435)	Settlement or cancellation of accrual made at the end of the preceding year	(535)	
535	Amounts accrued at the end of the current year	746	
100	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		211
535	**Balance as at 31 March**		**746**

Notes to the Core Financial Statements

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

2019/20 £'000		2020/21 £'000
865	Payments to the Government Housing Capital Receipts Pool	864
(3,366)	(Gains)/losses on the disposal of non-current assets	(4,704)
(2,501)	**Total**	**(3,840)**

2019/20		2020/21	
£'000		£'000	£'000
7,612	Interest payable & similar charges		7,663
1,443	Pensions interest cost & expected return on pensions assets		886
(1,364)	Interest receivable & similar income		(1,140)
1,416	Expenditure in relation to investment properties and changes in their fair value		1,731
(3,263)	Income in relation to investment properties and changes in their fair value		(2,292)
	Trading Operations - Indoor Market:		
	Income from stall holders	(365)	
	Expenditure	380	
(1)	Surplus taken to General Fund		15
5,843	**Total**		**6,863**

Notes to the Core Financial Statements

11. Taxation and Non Specific and Specific Grant Income

Government Grants and Contributions

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

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

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

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

Notes to the Core Financial Statements

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

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

2019/20 £'000		2020/21 £'000
	Grants, Contributions credited to Taxation and Non Specific Grant Income	
5,868	Council Tax	6,055
17,465	NNDR Retained income	9,257
(12,968)	NNDR Tariff payment	(15,917)
865	New Homes Bonus	784
-	Apprenticeship Levy paid	-
404	Homelessness prevention grant	52
110	NDR administration Grant	71
926	s31 Grant	9,332
6,172	Other Capital Contributions	10,964
	Covid Grants	4,874
666	Other Government grants	1,090
19,508	**Total Grants, Contributions credited to Taxation and Non Specific Grant Income**	**26,562**
	Credited to Services	
25,630	Department of Work and Pensions Grants for rebates	24,521
202	Discretionary Housing Payments	
105	Other	
25,937	**Total Grants, Contributions credited to Services**	**24,521**

The Council has not received any material donations in 202/21.

Notes to the Core Financial Statements

12. Heritage Assets

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

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

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

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

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

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 2020	**833**	**53**	**200**	**53**	**1,139**
Additions	-	-	-	-	-
At 31 March 2021	**833**	**53**	**200**	**53**	**1,139**
Accumulated Depreciation & Impairment					
At 1 April 2020	**(541)**	**(37)**	**-**	**-**	**(578)**
Depreciation charge	(33)	(7)	-	-	(40)
At 31 March 2021	**(574)**	**(44)**	**-**	**-**	**(618)**
Net Book Value					
At 31 March 2021	**259**	**9**	**200**	**53**	**521**
At 31 March 2020	**292**	**27**	**200**	**53**	**637**

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

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

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

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

Notes to the Core Financial Statements

12. Heritage Assets (contd.)

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

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

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

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

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

	Heritage Assets				**Total**
Method of valuation	Town Square £'000	Museum Collection £'000	War Memorial £'000	Civic Regalia £'000	**Heritage Assets £'000**
Cost or Valuation	833	-	53	-	**886**
Valued at Insurance Valuation	-	200	-	53	**253**
	833	**200**	**53**	**53**	**1,139**

Notes to the Core Financial Statements

13. Property, Plant and Equipment

Property, Plant and Equipment (PPE)

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

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

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

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

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd.)

Property, Plant and Equipment

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

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

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

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

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

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

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd.)

Property, Plant and Equipment

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

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

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

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

HRA properties are re-valued annually on a Beacon Basis. Beacon types being defined by the number of bedrooms, the type of property, its area and whether it is a traditional or non-traditional build. So, with the exception of the properties which were converted into maisonettes and expenditure on replacing fully depreciated components, works done after this date have not been deemed to add value to the Beacon. The Council's housing stock was valued by external valuer Savills. The valuation date has been moved from 1 April to 31 March to align with the Statement of Accounts. The latest valuation certificates are dated 31 March 2021.

General Fund properties' valuation certificates are also dated 31 March 2021 and revaluations are carried out by private firm of Chartered Surveyors – Wilks Head and Eve.

The revaluation process is co-ordinated by the Council's Estates Manager M Sullivan FRICS.

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

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd.)

Property, Plant and Equipment

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

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

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

Depreciation: Properties classified PPE are valued on the basis of Current Value (Existing Use Value (EUV)) and the total value has been apportioned between its land and non-land (i.e. building) parts, with the latter representing the depreciable amount. Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the estimated life of the asset
- infrastructure – straight-line allocation over the estimated life of the asset

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

Council Dwellings	up to 50 years
Operational buildings	up to 50 years
Vehicles, 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 a cost to the HRA. HRA depreciation is transferred *to the Major Repairs Reserve to fund future HRA capital investment*

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd.)

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

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

Impairment Losses

During 2020/21 (as in 2019/20) the Council did not incur any losses as a result of impairment. The table overleaf shows the movement in valuations of property, plant and equipment.

Fairlands Valley Lake

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd.)

Movement in 2020/21	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
At 1 April 2020	669,502	100,303	25,186	8,035	4,623	390	16,413	824,452
Additions	19,482	2,399	1,219	76	36	-	19,214	42,426
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,048	5,559	-	-	-	-	-	19,607
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	3,999	-	-	-	-	-	3,999
Derecognition - Disposals	(3,054)	(767)	(624)	-	-	-	-	(4,444)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Assets Under Construction	1,697	754	-	-	-	-	663	3,115
Other movements in Cost or Valuation	-	(1,130)	75	230	1,963	-	(4,253)	(3,115)
At 31 March 2021	701,676	111,118	25,856	8,341	6,622	390	32,037	886,039
Accumulated Depreciation & Impairment								
At 1 April 2020	(37,102)	(3,306)	(18,883)	(4,528)	(963)	-	(110)	(64,892)
Depreciation charge	(11,433)	(1,620)	(1,618)	(635)	(208)	-	-	(15,514)
Depreciation written out to the Surplus/Deficit on the Provision of Services	285	177	613	-	-	-	-	1,076
Depreciation written out to Revaluation Reserve	6,291	2,218	-	-	-	-	-	8,509
Assets reclassified (to)/from Assets Under Construction	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	-	-	-	-	-	-
Derecognition - Other	-	952	(65)	(173)	(824)	-	110	-
At 31 March 2021	(41,960)	(1,579)	(19,952)	(5,336)	(1,994)	-	-	(70,822)
Net Book Value								
At 31 March 2021	659,716	109,539	5,904	3,004	4,627	390	32,037	815,218
At 1 April 2020	632,400	96,997	6,303	3,507	3,660	390	16,303	759,560

Notes to the Core Financial Statements

13. Property, Plant and Equipment (contd.)

Movement in 2019/20	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 2019	**651,682**	**97,306**	**24,339**	**7,783**	**3,485**	**984**	**6,430**	**792,009**
Additions	25,531	2,034	1,255	270	-	-	13,279	**42,369**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,885)	3,284	-	-	-	-	-	**(3,601)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(805)	-	-	-	-	-	**(805)**
Derecognition - Disposals	(4,686)	(164)	(493)	-	-	-	-	**(5,343)**
Derecognition - Other	-	-	-	-	-	-	-	**-**
Assets reclassified (to)/from Assets Under Construction	4,514	(875)	66	-	-	(500)	(3,296)	**(91)**
Other movements in Cost or Valuation	(654)	(477)	19	(18)	1,138	(94)		**(86)**
At 31 March 2020	**669,502**	**100,303**	**25,186**	**8,035**	**4,623**	**390**	**16,413**	**824,452**
Accumulated Depreciation & Impairment								
At 1 April 2019	**(33,006)**	**(3,001)**	**(17,651)**	**(3,945)**	**(865)**	**(35)**	**-**	**(58,503)**
Depreciation charge	(10,515)	(1,700)	(1,631)	(583)	(98)	(14)	-	**(14,541)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	194	-	-	-	-	-	**194**
Depreciation written out to Revaluation Reserve	5,974	1,198	-	-	-	-	-	**7,172**
Assets reclassified (to)/from Assets Under Construction	-	-	-	-	-	49	(110)	**(61)**
Derecognition - Disposals	445	3	399	-	-	-	-	**847**
Derecognition - Other	-	-	-	-	-	-	-	**-**
At 31 March 2020	**(37,102)**	**(3,306)**	**(18,883)**	**(4,528)**	**(963)**	**-**	**(110)**	**(64,892)**
Net Book Value								
At 31 March 2020	**632,400**	**96,997**	**6,303**	**3,507**	**3,660**	**390**	**16,303**	**759,560**
At 31 March 2019	**618,676**	**94,305**	**6,688**	**3,838**	**2,620**	**949**	**6,430**	**733,506**

Notes to the Core Financial Statements

14. Investment Property

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

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

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

Fair Value Hierarchy

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

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

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

Notes to the Core Financial Statements

14. Investment Property (contd.)

2019/20 £,000		2020/21 £,000
24,993	**Balance at Start of the Year**	**24,024**
230	Net Gains / (Losses) on Revaluation	(672)
-	Write Out of Impairments on Revaluations	-
230	**Net Gains / (Losses) from Movements in the Market Value of Investment Properties**	**(672)**
-	Additions	266
-	Impairment	-
(789)	Disposals	-
-	Derecognition	-
(410)	Reclassifications	-
24,024	**Balance at end of year**	**23,618**

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

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

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

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

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

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

Highest and Best Use of Investment Properties

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

Valuers

The investment property portfolio has been valued at 31 March 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The revaluations are carried out by Wilks Head and Eve.

Notes to the Core Financial Statements

14. Investment Property (contd.)

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

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

2019/20 £,000		2020/21 £,000
2,501	Rental Income from Investment Property	2,292
(883)	Direct Operating Expenses/(Income) Arising from Investment Property	(1,059)
1,618	**Direct cost of Investment Properties**	**1,233**
-	Other Net Operating Costs	-
1,618	**Net (Gain)**	**1,233**

15. Intangible Assets

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

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

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

Notes to the Core Financial Statements

15. Intangible Assets (contd.)

Intangible Non Current Assets contd-

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

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

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

The intangible assets include a number of services such as 'business objects' which is a report and project modelling tool. There was a total amortisation of £318k for all intangible assets charged to revenue in 2020/21 (2019/20- £288k). There are no items of capitalised software that are individually material to the financial statements. The movement on Intangible Asset balances during the year is as follows:

2019/20		2020/21	
£000's		£000's	£000's
	Balance as at 1 April		
1307	Gross carrying amounts		1,650
(526)	Accumulated amortisation		(815)
781	**Net carrying amount at 1 April**		**835**
	Movements in year:		
251	Additions	395	
91	Transfer In and Out	-	
(288)	Amortisation for the Period	(318)	
835	**Balance at 31 March**		**912**
	Comprising:		
1,650	Gross carrying amounts		2,045
(815)	Accumulated amortisation		(1,133)
835			**912**

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing

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

No such expenditure was incurred by the HRA in 2020/21.

The total amount of capital expenditure incurred in the year is shown in the following table, together with resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

At 31 March 2021 the Council has entered into a number of contracts and the major commitments are:

	Commitment	
	Contractual	**Non-Contractual**
	31 March 2021	**31 March 2021**
	£'000	**£'000**
Decent Homes and major repairs	46,143	10,377
Housing Regeneration	57,839	-
Town Centre Regeneration	5,004	-
Garage Strategy	-	6,932
Total	**108,986**	**17,309**

Notes to the Core Financial Statements

16. Capital Expenditure and Capital Financing (contd.)

2019/20 £'000		2020/21 £'000	2020/21 £'000
233,796	**Opening Capital Financing requirement**		**244,202**
	Capital investment :		
27,565	Land and Buildings	21,881	
1,525	Other Plant and Equipment	1,726	
	Investment Property	266	
13,279	Assets under construction	19,214	
848	Revenue expenditure funded from Capital under statute	1,275	
43,217			44,362
	Sources of Finance :		
(3,940)	Capital Receipts - general	(6,071)	
(4,099)	Capital Receipts - New Build	(3,272)	
(4,795)	Government Grants & Other Contributions	(8,872)	
(17,657)	Major Repairs Reserve	(2,328)	
-	Sums set aside from Revenue:	-	
-	Direct revenue contributions	(353)	
(2,495)	MRP	(867)	
(32,986)			**(21,763)**
244,027	**Closing Capital Financing requirement**		**266,801**
-	*Explanation of movement in year:*		-
-	Increase in underlying need to borrow (supported by government financial assistance)		-
10,231	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)		22,599
-	Asset acquired under finance lease		-
10,231	**Increase/(decrease) in Capital Financing requirement**		**22,599**

Notes to the Core Financial Statements

17. Leases

The Council accounts for **leases** as finance leases when substantially all the risks and rewards incidental to ownership of the property, plant or equipment (PPE) from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases: PPE held under finance leases is recognised in the Balance Sheet at the commencement date of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

PPE recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by revenue contributions in the General Fund balance, by way of an adjusting transaction with the Capital Adjustme*nt Account in the Movement in Reserves Statement for the difference between the two.*

Notes to the Core Financial Statements

17. Leases (contd.)

Operating leases: Rentals paid under operating lease are charged to the CIES as an expense of the service benefitting from the use of the leased PPE. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases: Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether PPE or Assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain is matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When future rentals are received, the element for the capital receipt for the disposal is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not charged against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement on Reserves Statement.

Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income for investment properties is credited to the Other Operating Expenditure line in the CIES.

Notes to the Core Financial Statements

17. Leases (contd.)

Operating Leases

Plant and Equipment: In 2020/21 the Council had use of multi-functional printing devices and four vehicle leases. The annual amount charged under these arrangements in 2020/21 was £17,000 (2019/20 £28,000). Future lease payments due are shown in the table below:

31-Mar-20 Printers £'000	31-Mar-20 Assigned Vehicles £'000	31-Mar-20 Total £'000	Operating Lease Payments	31-Mar-21 Printers £'000	31-Mar-21 Assigned Vehicles £'000	31-Mar-21 Total £'000
14	4	**18**	Not later than one year	13	4	**17**
53	-	**53**	Later than one year and not later than five years	37	-	**37**
-	-	**-**	Later than five years	-	-	**-**
67	4	71	**Total**	**50**	**4**	**54**

Property: Council as Lessor - the authority currently leases 336 premises which include 179 shops, 35 workshops, 11 public houses, 10 surgeries and 101 miscellaneous. These leases are accounted for on an operating lease basis. The rental receivable in 200/21 was £2,929,000, (2019/20 £3,357,000).

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

31-Mar-20 £'000	Future minimum lease payments	31-Mar-21 £'000
3,009	Not later than one year	3,161
12,036	Later than one year and not later than five years	12,643
43,044	Later than five years	45,321
58,089	**Total**	**61,125**

Notes to the Core Financial Statements

17. Leases (contd.)

Finance Leases Lessor and Lessee: Property, Plant, and Equipment: In 2018/19 the council acquired a 37 year head lease from Aviva for Queensway. This was immediately sublet to Queensway Properties (Stevenage) LLP for 37years. (See also Group Accounts).

31-Mar-20 £'000	Future minimum lease to Aviva payments	31-Mar-21 £'000
278	Not later than one year	295
1,249	Later than one year and not later than five years	1,288
15,657	Later than five years	15,323
17,184	**Total**	**16,906**

31-Mar-20 £'000	Future minimum lease from Queensway	31-Mar-21 £'000
278	Not later than one year	295
1249	Later than one year and not later than five years	1,288
15657	Later than five years	15,323
17,184	**Total**	**16,906**

Notes to the Core Financial Statements

18. Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).The Council holds no assets that fall into this category.

Financial assets measured at amortised cost (loans and receivables) are initially measured at fair value then subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

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

Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES are based on the carrying value of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the Council has, this means that the amount in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest chargeable to the CIES is the amount payable for the year in the loan agreement.

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Financial Assets

Fair Value Hierarchy

The Council is required to classify the valuation of financial instruments into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Council currently invests in.

The Council's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

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

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

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

Notes to the Core Financial Statements

18. Financial Instruments (contd)

The Council's Treasury Management Strategy applicable from 1 April 2020 complies fully with the code of practice. Further details on the Council's Treasury Management Strategy can be found on Stevenage Borough Council's website

Credit Risk: Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the Council's criteria as specified in the Treasury Management Strategy.

Expected Credit Loss Model: the authority recognises Expected Credit Losses (ECL) on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Institutions	Amount at 31 March 2021	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2021	Estimated maximum exposure to default & uncollectability 31 March 2021	Estimated maximum exposure to default & uncollectability 31 March 2020
	£'000	%	%	£'000	£'000
Financial Institutions	**A**	**B**	**C**	**(AxC)**	
Banks & Building Societies	23,010	-	-	-	-
Other Local Authorities	25,149	-	-	-	-
Other Counter parties	21,700	-	-	-	-
Trade Debtors	4,327	15%	18%	779	441
Total	**74,187**			**779**	**441**

The ECL on Treasury Financial Assets is immaterial. The historical experience of default for trade debtors is based on the debt provision calculated as at 31st March 2021. The calculation is based on the age of the trade debtor and debt type. The Council does not generally allow credit for customers, such that £1,819,000 of the £4,327,000 trade debtor's balance has

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

passed its due date for payment. The past due amount can be analysed by age and service in the following table;

Age of Sundry Debt	Estates Services £'000	Direct Services (incl Recycling) £'000	Planning £'000	Other £'000	Total Trade Debtors £'000
less than 3 months	521	577	902	508	**2508**
Over Term:		.			
3-6 months	133	43	10	120	**306**
6 months - 1 year	159	57	2	114	**332**
over 1 year	299	155	34	694	**1182**
Debtors over term	**591**	**255**	**46**	**928**	**1820**
Total Trade Debtors 31 March 2021	**1112**	**832**	**948**	**1436**	**4,328**
Total Trade Debtors 31 March 2020	**919**	**157**	**42**	**1271**	**2389**

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from a finance lease to Queensway LLP (see also Group Accounts). As at 31 March 2021, Deferred Capital Receipts totalled £11,950,000, (31 March 2020 £12,009,000).

These figures do not include debt relating to Council Tax or Non-domestic Rates as these are considered to be statutory debts. Debt relating to Council house rents is disclosed in Note HRA2 Rent and Supported Housing Arrears.

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

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

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement.

If interest rates had been 1% higher with all other variables held constant (according to assessment as at 31 March 2021), the financial effect would be:

	£'000
Increase in interest receivable on investments	(630)
Impact on Comprehensive Income & Expenditure Statement	(630)
Share of overall impact credited to the HRA	442
Impact on Movement in Reserves Statement	188

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

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

Price risk The Council does not invest in equity shares and does not have any shareholdings. (The Municipal Bond purchased in 2015/16 (£10,000) is not held for trading purposes but to support and have access to preferential borrowing rates from the Municipal Bond Agency, set up by the Local Government Association. As such this transaction has been classed as a non-current investment.)

Foreign exchange risk: The Council has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Financial Instruments:

Councils are required to define all financial instruments disclosed in the Balance Sheet into further categories. The items disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Investments	Long Term 31-Mar-20 £'000	Long Term 31-Mar-21 £'000	Current 31-Mar-20 £'000	Current 31-Mar-21 £'000
Investment (LGA Municipal Bond)	10	10	-	-
Loans and Receivables	9,700	2,300	38,491	45,860
Total Investments	**9,710**	**2,310**	**38,491**	**45,860**
Debtors (including Cash, Cash equivalents and Bank)				
Loans and Receivables comprising:				
Mortgages	159	-	13	-
Queensway LLP Lease	18,073	17,892	89	117
Housing Rents Leaseholders	-	-	1,198	1,169
Other debtors	107	107	13,222	16,227
Cash held by the Authority	-	-	11	49
Bank Current Accounts	-	-	166	(4,245)
Investment Cash Equivalents	-	-	6,087	21,700
Local Authority Mortgage Scheme	-	160	-	-
Total Debtors	**18,339**	**18,159**	**20,786**	**35,017**
Borrowings				
Queensway Aviva Borrowing	6,243	6,203	31	41
Financial liabilities at amortised cost	208,966	218,704	376	378
Total Borrowings	**215,209**	**224,907**	**407**	**419**
Creditors				
Receipts in Advance	-	-	3,179	10,410
Sundry Creditors	2,094	6,824	19,458	22,114
Local Authority Mortgage Scheme	11,807	11,766	58	77
Total Creditors	**13,901**	**18,590**	**22,695**	**32,601**

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-Mar-20				31-Mar-21		
Financial Liabilities Measured at Amortised Cost	**Financial Assets: Loans and Receivables**	**Total**		**Financial Liabilities Measured at Amortised Cost**	**Financial Assets: Loans and Receivables**	**Total**
£0	**£0**	**£0**		**£0**	**£0**	**£0**
7,652	-	7,652	Interest Expense	7,968	-	7,968
7,652	**-**	**7,652**	**Total expense in Surplus or Deficit on the Provision of Services**	**7,968**	**-**	**7,968**
-	(1,399)	(1,399)	Interest income	-	(440)	(440)
-	**(1,399)**	**(1,399)**	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**(440)**	**(440)**
7,652	**(1,399)**	**6,253**	**Net (gain)/loss for the year**	**7,968**	**(440)**	**7,528**

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

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

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

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

The Valuation Techniques Used to Determine Level Two Fair Values for Investments:

The fair value of the investments has been provided by Link Asset Services and is based on a financial model valuation which uses market information for similar instruments. The Code states that fair values disclosures are not required for short term trade payables and receivables since the carry amount is a reasonable approximation of fair value.

31-Mar-20			31-Mar-21	
Carrying amount	**Fair Value**		**Carrying amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
		Long Term Investments		
9,764	9,871	Long term loans & receivables	2,340	2,487
9,764	**9,871**	**Total**	**2,340**	**2,487**
		Loan Debt		
-	-	Market Debt	-	-
209,342	232,918	PWLB Debt	219,082	253,633
209,342	**232,918**	**Total**	**219,082**	**253,633**

Notes to the Core Financial Statements

18. Financial Instruments (contd.)

Valuation Techniques Used to Determine Level Two Fair Values for Public Works Loan Board (PWLB) Loans:

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £253.633Million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the [additional/reduced] interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Authority has used a transfer value for the fair value of financial liabilities. We have also calculated an exit price fair value of £281.682Million, which is calculated using early repayment discount rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

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

Notes to the Core Financial Statements

19. Debtors

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

31-Mar-20 £'000	Short Term Debtors	31-Mar-21 £'000
1,585	Central Government Bodies	1,515
210	Other Local Authorities	196
1,198	Housing Rents & Leaseholders	1,169
379	Collection Fund	469
90	Queensway Lease	117
9,868	Other Debtors	14,047
13,330	**Total**	**17,513**

31-Mar-20 £'000	Long Term Debtors	31-Mar-21 £'000
107	Building Control	107
159	Mortgages	160
18,009	Queensway	17,892
18,275	**Total**	**18,159**

The Council has one long term debtor:

Queensway Properties (Stevenage) LLP –This relates to a 37 year lease and borrowing (£17,892,000) for properties 85-100 Queensway and 24-26 The Forum. (See also Note 17 and the Group Accounts section of the statement)

Notes to the Core Financial Statements

20. Creditors and Receipts in Advance

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

Payables and Receipts in Advance

31-Mar-20 £'000	Short Term Creditors	31-Mar-21 £'000	£'000
	Creditors:		
5,169	Central Government Bodies	9,583	
3530	Other Local Authorities	580	
-	Collection Fund	-	
535	Accumulated leave	746	
10,224	Other Entities & Individuals	11,282	
19,458	**Total Creditors**		**22,191**
	Receipts in Advance:		
1,205	Housing	1,327	
270	Collection Fund	539	
1704	Other Entities & Individuals	8,544	
3,179	**Total Receipts in Advance**		**10,410**
22,637	**Total**		**32,601**

The Council has long term creditors (£18,590,000) comprising principally:

Local Enterprise Partnership (LEP) – this relates to loans for land assemble to facilitate the town centre regeneration project (£6,824,000)

85-100 Queensway and 24-26 The Forum This relates to a 37 year finance lease (£11,766,000) for these properties, subsequently sublet to Queensway Properties (Stevenage) LLP.

Notes to the Core Financial Statements

21. Assets held for sale

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Notes to the Core Financial Statements

21. Assets held for sale (contd)

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

regeneration or repayment of HRA debt. The capital receipts retained by the Council are required to be credited to the Capital Receipts Reserve and used for capital expenditure.

The written-off value of disposals for General Fund and HRA assets is not a charge against council tax or tenants, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund / Housing Revenue Account Balance in the Movement in Reserves Statement.

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

31-Mar-20 £'000		31-Mar-21 £'000
-	**Balance at start of year**	**563**
153	Transfer from surplus assets	-
410	Transfer from land & building	-
-	Assets sold	-
563	**Balance at year end**	**563**

Notes to the Core Financial Statements

22. Provisions

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

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

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

Impairment for doubtful debts are separately disclosed and included in debtors (Note21).

- **Insurance provision**: Provides for excesses relating to known claims.
- **Organisational Change Provision:** This provision was established to meet the costs arising from service efficiencies (identified as part of the budget setting process and service reviews).
- **Municipal Mutual Insurance (MMI) Provision:** MMI suffered substantial losses between 1990 and 1992 and these losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI went in to "run off", and ceased to renew or take on new general insurance work. If a solvent "run off" cannot be achieved the Council may have to repay part of the claims already settled.
- **NDR Appeals Provision:** Business Rate Payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency (VOA). From 1 April 2013 onwards, in the event that the appeal is successful, the Council is responsible for the Business Rate repayment to the business. This provision has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2021.
- **Other Provisions:** All other provisions are individually insignificant.

Notes to the Core Financial Statements

22. **Provisions** (contd)

	Insurance Provision	Organisational Change	Municipal Mutual Insurance provision	NNDR Appeals	Water Rates	Leisure Provision	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019	**(658)**	**(220)**	**(51)**	**(3,300)**	**(412)**			**(4,642)**
Additional Provisions made in 2019/20	**(241)**	**(152)**			**(30)**		**(94)**	**(516)**
Amounts Used in 2019/20	**250**	**208**						**457**
Unused Amounts reversed in 2019/20	**266**	**13**		**463**	**442**			**1,184**
Balance as at 31 March 2020	**(383)**	**(152)**	**(51)**	**(2,837)**			**(94)**	**(3,518)**
Additional Provisions made in 2020/21	(425)	(202)	(32)		(2,364)	(1,187)	(16)	(4,226)
Amounts Used in 2020/21	220	152			74		110	557
Unused Amounts reversed in 2020/21	114			(1,192)				(1,078)
Balance as at 31 March 2021	**(474)**	**(202)**	**(83)**	**(4,030)**	**(2,290)**	**(1,187)**		**(8,265)**

Stevenage BOROUGH COUNCIL

Notes to the Core Financial Statements

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

The Council has one jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council (SBC), North Hertfordshire District Council, East Hertfordshire District Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the asset, liabilities and cash flows of the CCTV in their own accounts.

On the 1 April 2015 a new company, **Hertfordshire CCTV Partnership Ltd,** was incorporated to conduct the commercial trading affairs of the CCTV Partnership. For the year ended 31 March 2021 the company produced a loss before tax of £34,200. SBC's share of the loss is £12,700. Due to the de minimis size of the new company, group accounts have not been completed.

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service and in August 2017, **Hertfordshire Building Control Ltd**, started trading. In 2019/20 Decorum Borough Council joined the integrated service. The council holds 12.5% of the share capital and is represented on the board. In August 2016 the council made a loan to the company of £107,000 which is held in Long Term Debtors on the balance sheet.

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

24. Members Allowances

Total expenditure on Members' allowances (including expenses), as made under 0the Local Authorities (Members' Allowances) Regulations 2003, was £455,967 in 2020/21 (£463,578 in 2019/20). Payments made outside the scheme for Mayoral Allowances totalled £16,812 in 2020/21 (£17,683 in 2019/20)

Notes to the Core Financial Statements

25. Officers Remuneration

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

	Salary, Fees and Allowances	Expenses Allowance	Other Emoluments*	Total Remuneration (excluding pension contributions)	Pension Contributions.	Total Remuneration Incl Pension Contributions
	£	£	£	£	£	£
Remuneration 2020/21						
Chief Executive	120,750	394	769	**121,913**	34,025	**155,938**
Strategic Director and Deputy Chief Executive	104,637	299	-	**104,937**	29,299	**134,235**
Strategic Director (s151 Officer)	97,793	325	-	**98,118**	27,382	**125,500**
Strategic Director	91,806	299	-	**92,105**	25,706	**117,811**
Total remuneration in 2020/21	**414,987**	**1,318**	**769**	**417,073**	**116,412**	**533,485**
Remuneration 2019/20						
Chief Executive to 7 April 2019	2,368	99	12,509	**14,976**	663	**15,639**
Chief Executive From 8 April 2019	111,069	1,225	9,160	**121,454**	33,664	**155,118**
Strategic Director and Deputy Chief Executive	101,657	330	2,041	**104,028**	28,465	**132,493**
Strategic Director (s151 Officer) From 12 February 2020	12,576	40	0	**12,616**	3,522	**16,138**
Strategic Director to 7th April 2019	1,980	28	0	**2,008**	554	**2,562**
Strategic Director From 13 May 2019	76,163	265	684	**77,112**	21,325	**98,437**
Assistant Director Finance & Estates (s151 Officer) 1 April 2019 to 11 February 2020	70,993	30	630	**71,653**	19,878	**91,531**
Total remuneration in 2019/20	**376,806**	**2,017**	**25,024**	**403,847**	**108,071**	**511,918**

* "Other emoluments" includes election duty payment and accrued annual leave In 2020/21 as part of the Future Town Future Council agenda legal services were procured through an ongoing shared service with Hertfordshire County Council including Borough Solicitor services

Notes to the Core Financial Statements

25. Officers Remuneration contd.

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

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

Remuneration Band *	Number of employees 2019/20	Number of employees 2020/21
£50,000 - £54,999	15	17
£55,000 - £59,999	6	9
£60,000 - £64,999	4	4
£65,000 - £69,999	2	2
£70,000 - £74,999	1	1
£75,000 - £79,999	3	2
£80,000 - £84,999	2	1
£85,000 - £89,999	1	0
£90,000 - £94,999	0	1
£95,000 - £99,999	0	1
£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1
Total	**36**	**40**

The council directly employs 663 employees. With effect from 1st January 2014 the Council commenced paying the real living wage (promoted by Living Wage Foundation) to all employees (excluding apprentices who are paid above the national apprentice rate). As at the 1 April 2019 the Chief Executive was paid 6.74 times the lowest paid member of staff and 3.82 times the mean average.

Further information can be found in the annual pay policy statement published on the website.
https://democracy.stevenage.gov.uk/documents/s24454/Item%2014%20-%20Pay%20Policy%20Statement.pdf

This document includes the remuneration of its chief officers and terms and conditions for staff including the approach to the payment of Chief Officers on the ceasing to hold office.

Notes to the Core Financial Statements

25. Officers Remuneration contd.

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

2020/21

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £39,999	6	-	6	£100,895
£40,000 - £49,999	3	-	3	£137,997
£50,000 - £149,999	1	-	1	£76,324
Total	**10**	**-**	**10**	£315,217

2019/20

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total Cost of exit packages in each band
£0 - £39,999	3	-	3	£78,136
£40,000 - £49,999	-	-	-	-
£50,000 - £149,999	2	1	3	£162,553
Total	**5**	**1**	**6**	£240,689

Notes to the Core Financial Statements

26. Pension

Pensions - Local Government Pension Scheme

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

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

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

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

Equities – bid-market value

Property-market value

Bonds and Cash at fair value

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

Service costs comprising:

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

Notes to the Core Financial Statements

26. Pension contd.

Re-measurements comprising:

- The return on plan assets- excluding amounts included in the net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve and Other

Comprehensive Income and Expenditure:

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

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

Discretionary benefits:

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

Participation in Pension Schemes

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

Notes to the Core Financial Statements

26. **Pension** contd.

Transactions Relating to Post-employment Benefits

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

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

2019/20 £'000		2020/21 £'000
	Cost of service	
7,149	Current service costs	5,794
(212)	Past service costs	-
	Financing and Investment Income & Expenditure	
5,475	Interest costs	(3,763)
(4,032)	Interest income on plan assets	4,649
8,380	**Total Post Employment Benefit Charged to the Surplus or Deficit on the provision of Services**	**6,680**
	Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	
4,551	Return on plan assets (excluding the amount included in the net interest expense)	(31,575)
-	Actuarial gains and losses arising on changes in demographic assumptions	3,267
3,683	Actuarial gains and losses arising on changes in financial assumptions	52,297
13	Other Actuarial gains and losses	(3,634)
15,982	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**20,355**
	Movement in Reserves Statement	
(7,735)	Reversal of net changes made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(6,680)
	Actual amount charged against the General Fund and HRA Balance for pensions in the year	
4,362	Employer's contributions payable to the scheme	4,871

Notes to the Core Financial Statements

26. Pension contd.

2019/20 £'000		2020/21 £'000
168,023	**Opening fair value of Scheme assets**	**162,506**
4,032	Interest Income	3,763
	Re-measurement gain/(loss)	
(8,797)	The return on plan assets, excluding the amount included in the net interest expense	32,893
-	Adjusted actuarial re-measurement assessment for prior years	
4,581	Contributions from employer	4,872
1,121	Contributions from employees into the scheme	1,213
(6,454)	Benefits paid	(6,293)
162,506	**Closing fair value of scheme assets**	**198,954**

2019/20 £'000		2020/21 £'000
226,717	**Opening Balance of Obligations**	**201,297**
7,149	Current Service Cost	5,794
5,475	Interest Cost	4,649
1,121	Contributions from Scheme participants	1,213
	Re-measurement gain/(loss)	
(5,213)	Actuarial gains/(losses) arising from changes in demographic assumptions	3,267
(17,612)	Actuarial gains/(losses) arising from changes in financial assumptions	52,297
-	Adjusted actuarial re-measurement for prior years	622
(9,052)	Other	(2,316)
(212)	Past service costs	-
(6,454)	Benefits paid	(6,293)
201,919	**Closing balance**	**260,530**
39,413	**Net Pension Liability**	**61,576**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed Stevenage Borough Council's fund liabilities. The estimates for the Council are based on the latest formal valuation of the scheme as at 31 March 2021. (Date report prepared: 23 September 2021)

Notes to the Core Financial Statements

26. Pension contd. Fair value of Employer's assets (at bid values unless otherwise stated)

Period Ended 31 March 2020					Period Ended 31 March 2021			
Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Asset Category	Quoted Prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
				Equity Securities:				
3,128	-	3,128	1.9%	Consumer	1,773	-	1,773	1.0%
2,497	-	2,497	1.5%	Manufacturing	1,564	-	1,564	1.0%
-	-	-	0.0%	Energy and Utilities	-	-	-	0.0%
2,400	-	2,400	1.5%	Financial Institutions	1,278	-	1,278	1.0%
1,474	-	1,474	0.9%	Health and Care	790	-	790	0.0%
5,612	-	5,612	3.5%	Information Technology	4,549	-	4,549	2.0%
268	-	268	0.2%	Other	178	-	178	0.0%
-	-	-		**Debt Securities:**				
-	-	-	0.0%	Corporate Bonds (investment grade)			-	0.0%
-	-	-	0.0%	UK Government	10,221	-	10,221	5.0%
	4,246	4,246	2.6%	Other	-	4,800	4,800	2.0%
				Private Equity:				
-	8,764	8,764	5.4%	All	-	10,355	10,355	6.0%
				Real Estate:				
-	4,953	4,953	3.1%	UK Property	-	11,039	11,039	6.0%
-	9,776	9,776	6.0%	Overseas Property	-	9,193	9,193	5.0%
				Investment Funds and Unit Trusts:				
50,964	-	50,964	31.5%	Equities	91,773	-	91,773	46.0%
53,710	-	53,710	33.2%	Bonds	32,260	-	32,260	16.0%
		-	0.0%	Commodities			-	0.0%
-	151	151	0.1%	Infrastructure	-	83	83	0.0%
1,382	11,134	12,516	7.7%	Other	1,846	10,864	12,710	6.0%
				Derivatives:				
-	-	-	0.0%	Interest Rate	-	-	-	0.0%
-	(173)	(173)	-0.1%	Foreign Exchange	-	(79)	(79)	0.0%
				Cash and Cash Equivalents:				
1,598	-	1,598	1.0%	All	5,616	-	5,616	3.0%
123,033	**38,851**	**161,884**	**100%**	**Totals**	**151,847**	**46,256**	**198,103**	**100.0%**

Notes to the Core Financial Statements

26. Pension contd.

Principle Assumptions

The principle assumptions used by the Actuary have been:-

2019/20		2020/21
	Mortality Assumptions:	
	Longevity at 65 for current pensioners:	
21.9	Men	22.1
24.1	Women	24.5
	Longevity at 65 for future pensioners:	
22.8	Men	23.2
25.5	Women	26.2
	Other Assumptions:	
1.90%	Rate of pension inflation	2.85%
2.30%	Rate of increase in salaries	3.25%
2.30%	Rate for discounting scheme liabilities	2.00%
50%	Take up of option to convert annual pension into retirement lump sum. (Pre-April 2008 service)	50%
75%	Take up of option to convert annual pension into retirement lump sum. (Post April 2008 service)	75%

Defined Benefit Obligation and maturity profile

	Liability split £'000's as at 31 March 2021	Liability split %'s as at 31 March 2021
Active members	65,252	25%
Deferred members	90,827	35%
Pensioner members	104,451	40%
Total	260,530	**100%**

Sensitivity analysis of Actuarial assumptions

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

Notes to the Core Financial Statements

26. **Pension** contd.

Change in assumptions at year ended 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount increase (£'000)
0.1% decrease in Real Discount Rate	2%	4,899
1 Year Increase in member life expectancy	4%	10,421
0.1% increase in salary increase rate	0%	418
0.1% increase in pension increase rate (CPI)	2%	4,427

The total estimated contributions for current service cost expected to be made to the Pension Scheme for the period to 31 March 2022 will be approximately £4,915,000

Further information can be found in Hertfordshire County Council Pension Fund's Annual Report that is available upon request from: Hertfordshire County Council, Corporate Services, County Hall, Hertford SG13 8DQ (email contact : pensions.team@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 £1,137,443 (2019/20, £1,061,520). Further payments between the Council and Hertfordshire County Council are disclosed in the Collection Fund accounts, Note 26 Pension and Note 11 Taxation and Non Specific and Specific Grant Income.

Notes to the Core Financial Statements

27. Related Parties contd

The Council provides a verge maintenance service for Hertfordshire County Council under an agency agreement for which the Council was reimbursed £495,517 in 2020/21 (£487,234 in 2019/20).

A legal shared service is provided to Stevenage BC by HCC for which the council paid £449,395 (2019/20 £479,900).

Members and Senior Officers: Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 24 Members Allowances.

A contract payment of £1,248,656 was paid to Stevenage Leisure Limited (SLL) (2019/20 £960,993) and £65,781 was paid to Hertfordshire Building Control Limited (£37,483 in 2019/20). Also £1,514,160 was paid to other organisations (2019/20 £1,516,786), either as grants or services received. With reference to all of these organisations, of the 39 Members, 38 Members declared interests through either the Register of Interests or completed related party transactions' forms.

The relevant Members did not take part in any discussions or decision relating to the grants. The grants were made with proper consideration of the declarations which all Members completed in accordance with the statutory Code of Conduct for Members (Local Government Act 2000). During 2020/21 expressions of interest, both potential financial and other interests, are declared and recorded in the minutes of the meeting including involvement with voluntary organisations, public authorities and as the local authority representative on various bodies. This is available for public inspection on the Stevenage Borough Council website. There are no other material related party transactions other than those shown elsewhere in the accounts.

During 2020/21, the Chief Executive and Strategic Leadership Team declared no pecuniary interests in accordance with section 117 of the Local Government Act 1972. The Assistant Director of Planning and Regulatory did not take part in any discussion, decision or administration relating to the Stevenage Leisure Limited and Hertfordshire Building Control Limited contract payments.

Other companies: Hertfordshire Building Control Limited and Hertfordshire CCTV Limited, please see note 23 Joint Arrangements. Disclosures regarding Queensway Properties (Stevenage) LLP and Marshgate Plc has been included in the Group Accounts section of this document.

Notes to the Core Financial Statements

28. Contingent Liabilities and Assets

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

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

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

At the Balance Sheet date five contingent liabilities were identified, that related to:-

- There is a possibility that a new claim for mandatory relief from business rates on behalf of NHS Trust will be legislated for from a private Members bill (Hospitals (Parking Charges and Business Rates). The application could potentially be backdated, potentially up to 6 years (as a statute of limitation). In December 2019, the High Court ruled that NHS Trusts and Foundation Trusts are not eligible for business rates relief. The decision is now being appealed.
- 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 on the 2010 rating list and an provision for appeals under the 'check, challenge, appeal' process for the 2017 rating list.
- The Council has signed a development agreement with Mace, its redevelopment partner for SG1. Should the council not be able to fulfil its development obligations penalty payments would be due to Mace.
- Stevenage Borough Council is one of a number of Local Authority and National Parks Authority who have asked the Local Government Association (LGA), to co-ordinate legal representation and provide ongoing support in respect of collective legal action against MasterCard/Visa (Card Schemes) for unlawful interchange fee.
- There continues to be uncertainty as to the speed of recovery following the Covid-19 Pandemic and its impacts on a number of significant income streams to the Council including rent from tenants and carpark income, the Council's Chief Finance Officer has made assumption around losses for 2021/22 and 2022/23 in the Medium Term Financial Strategy, these costs have not been fully met from government funding which has left an estimated shortfall up to the end of 2020/21 of £2.4Million and an estimated further £2Million for the period 2021/22-2022/23

Notes to the Core Financial Statements

29. External Audit Costs

The Council has incurred fees in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections. The estimated fees payable for audit work in respect of the 2020/21 financial year are shown in the table below. The appointed auditor for 2020/21 is Ernst & Young LLP.

The 2020/21 audit fee has yet to be agreed but has been estimated based on the 19/20 audit fee as shown in the table below.

2019/20 £'000	Fees Payable	2020/21 £'000
49	Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year.	49
25	Fees payable to External Auditor for the certification of grant claims and returns for the year.	36
(6)	Fees refunded by the Audit Commission with regard to external audit services carried out by the appointed auditor	-
68		**85**

30. Cash Flow Statement – Operating Activities

The cash flow for operating activities include the following items

2019/20 £'000	Operating Activities	2020/21 £'000
6,172	Capital Grants credited to surplus or deficit on the provision of services	10,964
	Net adjustment from the sale of short and long term investments	-
	Premiums or Discounts on the repayment of financial liabilities	-
8,502	Proceeds from the sale of property plant and equipment, investment property and intangible assets	7,995
	Repayments of capital grants given in previous years & Loans	-
14,674	**Total**	**18,959**

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

2019/20 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	2020/21 £'000
(14,579)	Depreciation of Non Current Assets	(15,552)
(610)	Impairment, Impairment Reversal and Revaluation of Non Current Assets	4,321
(5,285)	Assets de-recognised during year	(3,368)
(288)	Amortisation of Intangible assets	(319)
	(Increase)/Decrease in impairment for provision of bad debts	-
(13)	Increase/(Decrease) in inventories	16
1,392	Increase/(Decrease) in debtors	4,152
77	(Increase)/Decrease in creditors	(12,038)
	(Increase)/Decrease in provisions	(4,747)
(3,810)	Pension Fund costs adjustment	(1,809)
1,329	Movement in Investment Property Values	(672)
	Other Non cash items	2
(21,787)	**Net cash (inflow)/outflow from operating activities**	**(30,015)**

Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities

2019/20 £'000	Investing Activities	2020/21 £'000
41,217	Purchase of property, plant and equipment, investment property and intangible assets	43,087
20,300	Purchase of short-term and long-term investments	-
	Other payments for investing activities	(56)
(8,504)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,995)
(25,100)	Proceeds from short-term and long-term investments	-
(6,172)	Other receipts from investing activities	(10,964)
21,741	**Net cash flows from investing activities**	**24,072**

2019/20 £'000	Financing Activities	2020/21 £'000
(6,943)	Cash Receipts of Short and Long term borrowing	(9,750)
	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	100
290	Repayments of short- and long-term borrowing	
(1,095)	Repayments of Short and Long term borrowing	-
(7,748)	**Net cash flows from financing activities**	**(9,650)**

Notes to the Core Financial Statements

32. Going Concern

Section 1 – Basis of preparation

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

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

Section 2 – current & historical financial position

The COVID pandemic has caused adverse financial impacts for the Council, such as:

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

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

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

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

Notes to the Core Financial Statements

32. Going Concern (cont)

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

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

Section 3 & 4 – Impact of Covid

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

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

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

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

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

£6.584M of additional spend or income foregone as a result of COVID during 2020/21.

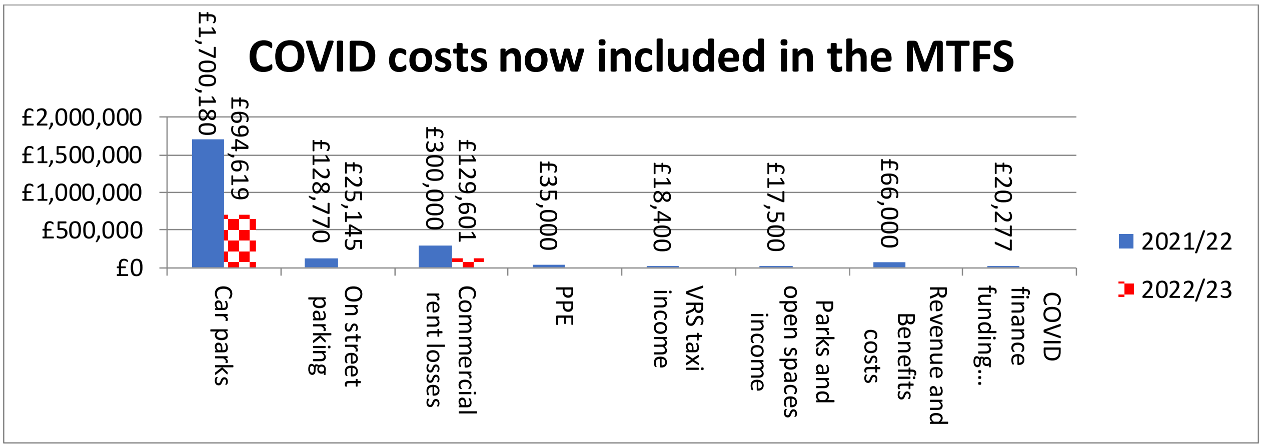
Notes to the Core Financial Statements

32. Going Concern (cont)

- Business Rates losses of £1.164M
- Government grant funding of £5.269M including £2.453M from the income guarantee scheme, £1.422M across tranches 2-4 of the Government support package and £886K Tax Income Guarantee support (TIG)

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

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

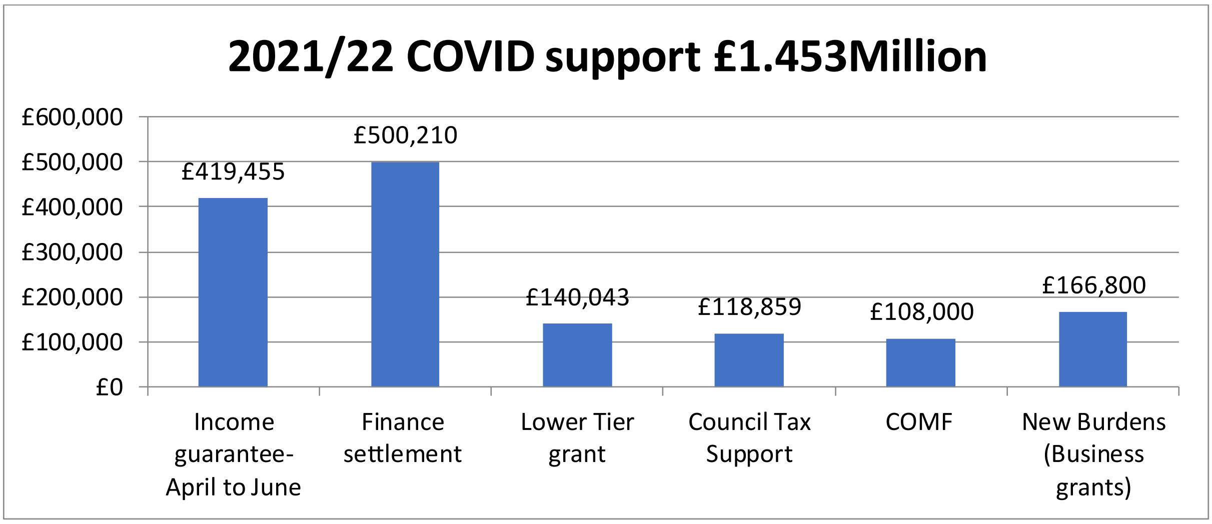


In addition to these costs homeless costs of £506K are projected for 2021/22, although £100K was added to the £80K budget for 2021/22 for assumed COVID impact on homeless or bed and breakfast costs. Funding has been identified from government funding included in the finance settlement but there is a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

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

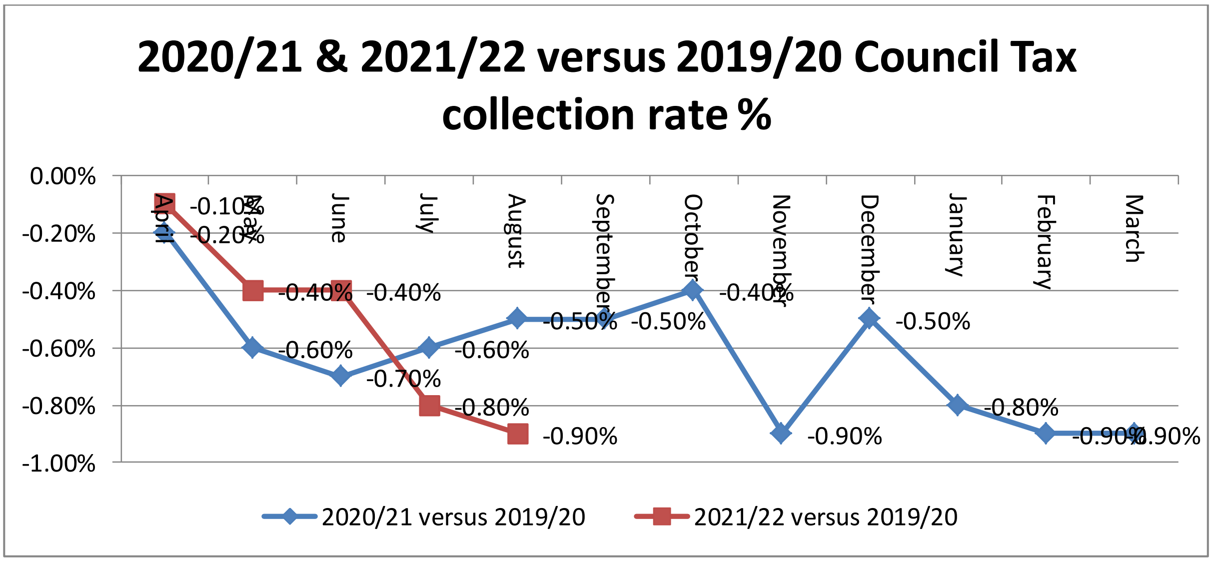
Notes to the Core Financial Statements

32. Going Concern (cont)



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

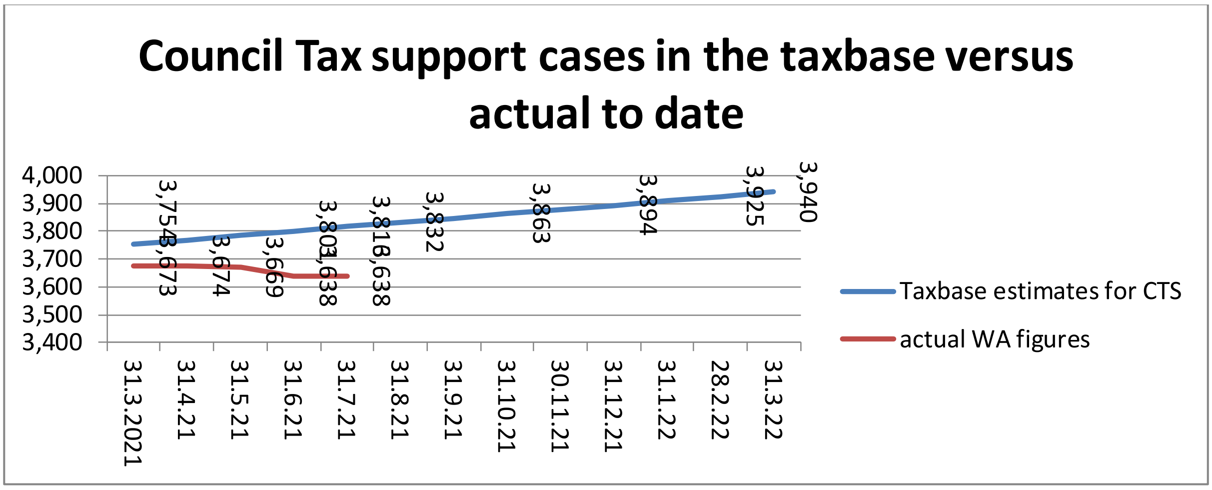
The collection rate as at the 31 August 2021 was 0.9% lower than compared to 2019/20, which would equate to a £55K loss for Stevenage Borough Council. The position for 2021/22 looks slightly worse than 2020/21, however this will be impacted by the hardship scheme payments made in 2020/21.



Notes to the Core Financial Statements

32. Going Concern (cont)

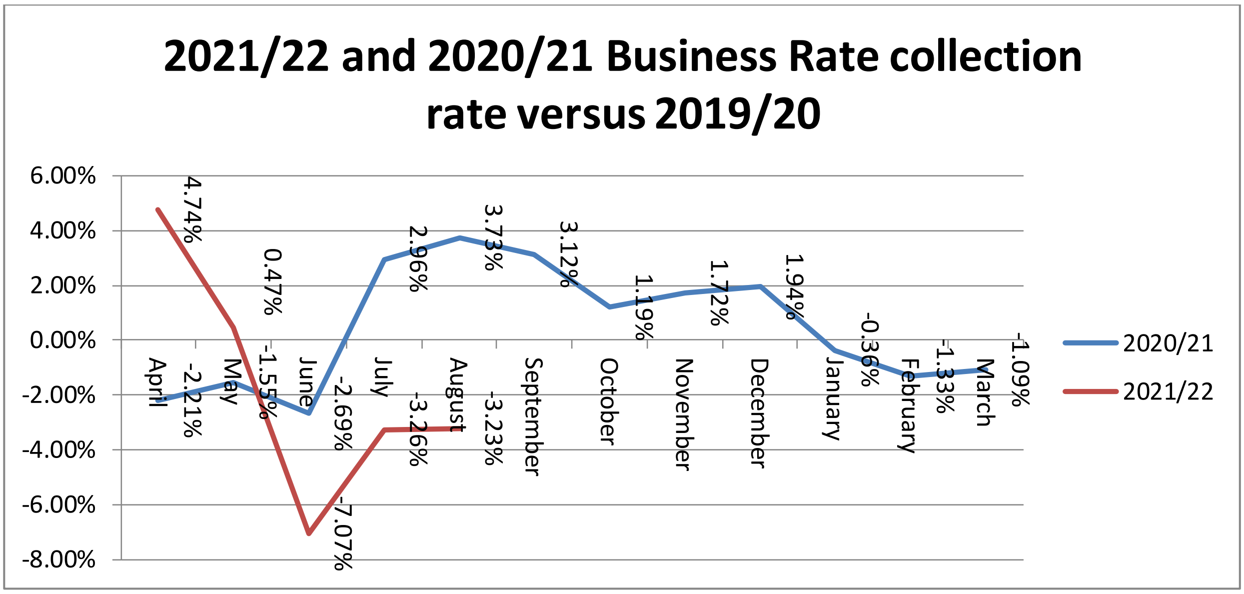
This is partly offset by the projected current tax base, (the net number of properties on which council tax is raised), which is already higher than the estimated for 2021/22 as the anticipated rise in council tax support case for working age claimants has not yet materialised as shown below. The tax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



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

Notes to the Core Financial Statements

32. Going Concern (cont)



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

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

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

Section 5 – cash position

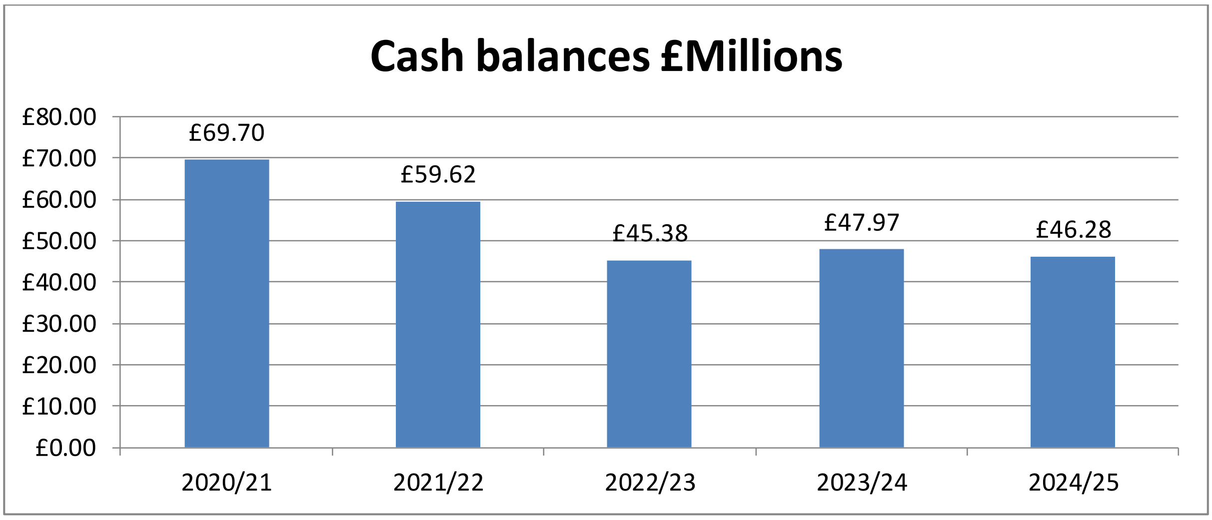
The Council had cash balances made up of Money Market Funds, Call Account and Bank Account as at 31 March 2021 of £69.7Million.This included £41Million invested in term deposits, of which only £2.3Million had a maturity date beyond 31 December 2021 and £21.7Million in instant access accounts. The Treasury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

The Council has undertaken further cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework in addition there is headroom within the operational borrowing boundary

Notes to the Core Financial Statements

32. Going Concern (cont)

of £5Million for the General Fund and further £2Million for the HRA to fund capital expenditure. The projected cash balances (net of internal borrowing) are shown in the chart below.



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

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

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

Section 6 – Conclusion

These accounts have been prepared on a going concern basis, the 2020/21 General Fund yearend balance was £6.7Million and the projected 2021/22 year end reserves are estimated to be £4.9Million as set out in the September 2021 MTFS update. The Council took early action to ensure that the General Fund reserves would be financially resilient despite projecting COVID pressures by implementing the June 2020 MTFS recommendations and also having under review continuing COVID pressures, with the last revision in September 2021.

Notes to the Core Financial Statements

32. Going Concern (cont)

The 2022/23 projected year end balances are £241K above the level of risk assessed general Fund useable reserves of £3.46Million for 2022/23. The 2022/23 budgets assume COVID losses of £849K, plus a further £800K in the minimum level of balances assessment.

There are resources the General Fund can access to increase minimum balances which include the return of any business rate gains to the General Fund when realised and return monies from the equalisation reserve.

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

- 2021/22 Business Rate gains of £586K of which £474K has been transferred to an allocated reserve until realised, limiting the Council's exposure to a reduction in collectable income and no gains have been assumed in the MTFS 2022/23 onwards.
- In calculating total 2021/22 business rate gains the bad debt provision has been increased to £1Million before any income is distributed
- A 1.99% increase in council tax from 2022/23
- A lower projected 2021/22 council tax base on which to raise council tax (0.17% reduction on the 2020/21 tax base) to reflect a higher level of discounts such as council tax support which have not materialised at the time of writing this note.
- A deliverable £1.6Million savings package to be implemented in 2021/22 and a lower unidentified target of £656K for 2022/23
- 2021/22 General Fund balances assume the transfer of £250K to an income equalisation reserve to fund further fluctuations in fees and charges
- A built in assumption of COVID loses in the General Fund budget as set out above.
- No further government funding other than that announced in the 2021/22 Finance Settlement
- The 2022/23 level of General Fund minimum balances has been increased to £3.46Million to allow for further COVID losses above that included in the General Fund budget set by the CFO.
- The Council has set up a Transformation programme as part of the 'Making Your Money Count' Council priority to deliver savings for the General Fund and HRA from 2023/24 onwards.

Housing Revenue Account (HRA) Income & Expenditure Statement

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

2019/20 £000		Note	2020/21 £000	
	Expenditure			
7,246	Repairs & Maintenance		7,549	
11,190	Supervision & Management		12,925	
266	Rents, Rates, Taxes & Other Charges		219	
10,514	Depreciation & Impairment of Non-Current Assets - HRA Dwellings		11,433	
472	Depreciation & Impairment of Other Non-Current Assets		467	
-	Revaluation gains/losses		-	
306	Movement in the allowance for bad debts		370	
29,994	**Total Expenditure**			**32,963**
	Income			
(38,402)	Dwelling rents	HRA 1	(39,344)	
(289)	Non-dwellings rents		(289)	
(3,944)	Charges for Services & Facilities		(3,755)	
(480)	Contributions towards expenditure		(373)	
(43,115)	**Total Income**			**(43,761)**
(13,120)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**			**(10,798)**
944	HRA Services share of Corporate & Democratic Core			1,056
(12,176)	**Net income for HRA services**			**(9,742)**
(1,522)	Gain on sale of HRA Non-Current Assets			(4,569)
6,514	Interest payable (PWLB loans - Self-financing)			6,514
353	Interest payable (Decent Homes borrowing)			418
(398)	Interest receivable on revenue balances			(285)
-	Interest receivable on mortgages			(17)
(19)	Apprentice levy			(108)
-	Capital grants & Contributions receivable			-
374	Pension Interest and expected return on pension assets			239
(6,874)	**(Surplus)/Deficit for the year on HRA services**			**(7,550)**

Housing Revenue Account (HRA) Income & Expenditure Statement

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

Movement on the HRA Statement

2019/20 £000			2020/21 £000	2020/21 £000
(21,302)	**Balance on the HRA at the end of the previous year**			**(19,819)**
(7,743)	Deficit for the year on the HRA Income & Expenditure Statement		(7,550)	
3,513	Adjustment between accounting basis and funding basis under statute		4,264	
5,713	Transfer to Interest equalisation reserve	8	(2,290)	
1,483	(Increase)/Decrease in year on the HRA			(5,575)
(19,819)	**Balance on the HRA at the end of the year**			**(25,394)**

HRA 1. Gross Rent Income

Dwelling rents as shown on the HRA Income and Expenditure Statement is the total rent income due, excluding service charges and after an allowance is made for voids etc. During the year 0.93% of let-able properties were vacant (in 2019/20 figure was 0.8%). Average rents - excluding service charges - were £98.75 a week in 2020/21 (£94.79 in 2019/20).

HRA 2. Rent and Supported Housing Payment Arrears

During the year 2020/21 rent arrears as a proportion of gross rent income were 4.83% (3.07% in 2019/20).

The bad debts provision stood at £1,138,214 at 31 March 2021 (£786,353 at 31 March 2020).

2019/20 £'000		2020/21 £'000
1,349	Arrears at 31 March	2,138
106	Amounts written off during the year	18

Notes to the Housing Revenue Account (HRA)

HRA 3. Housing Stock Numbers

The stock movement can be summarised as follows:-

2019/20 No.		2020/21 No.
7,966	Stock as at 1st April	7,990
-		-
(42)	Less Right to Buy Sales	(25)
64	New Build acquisitions	9
-	Demolitions	-
2	Conversions/other	-
7,990	**Stock at 31st March**	**7,974**
-		-
5,136	Houses	5,118
2,854	Flats	2,856
7,990	**Total**	**7,974**

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

New homes at Blackwell Close completed in October 2019

Notes to the Housing Revenue Account (HRA)

HRA 4. Non Current Asset Valuations

Housing Stock

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

	£'000's
As at 31 March 2020	632,400
As at 31 March 2021	659,716
The Vacant Possession value of the dwellings as at 31 March 2021 was	1,739,385

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

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

31-Mar-20 £'000's		31-Mar-21 £'000's
5,025	Assets Under construction	10,413
1,188	Vehicles Plant & Equipment	1,063
6,213	**Total**	**11,476**

HRA 5. Major Repairs Reserve (MRR)

2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
	(10,920)	**Opening Balance as at 1st April**		**(4,746)**
		Transfers to the MRR -		
(10,854)		Depreciation of HRA Dwellings	(11,433)	
(498)		Voluntary contribution in year	-	
(132)		Depreciation of other HRA Assets	(467)	
	(11,484)			(11,900)
		Transfers from MRR -		
	17,658	Financing of HRA Capital Expenditure		2,328
	(4,746)	**Closing Balance as at 31 March**		**(14,318)**

Notes to the Housing Revenue Account (HRA)

HRA 6. Capital Expenditure, Financing & Receipts

2019/20 £'000		2020/21 £'000
	Capital Expenditure	
24,889	Major Repairs & Improvements	15,762
3,665	New Council Housing	2,859
650	Disabled Adaptations	860
346	Equipment	413
463	Assets under construction	7,086
30,013		**26,980**
	The Capital Expenditure was financed as follows:	
1,325	Capital Receipts	1,389
3,270	Retained 1 for1 receipts	1,996
17,657	Major Repairs Reserve	2,328
705	Contributions	409
7,056	New Borrowing	20,858
30,013		**26,980**

Total Capital Receipts in 2020/21 from the sale of property within the HRA can be summarised as follows :-

2019/20 £'000		2020/21 £'000
(6,932)	Right to Buy Sales	(4,195)
(2)	Right to Buy Mortgage Repayments	-
(104)	Other Land & Property *	(1,877)
(7,038)		**(6,072)**

*Includes repayment of Right to Buy discounts

Collection Fund Statement 2020/21

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. Stevenage Borough Council is a billing authority. The statement shows the transactions of the billing authority in relation to the collection of council tax from taxpayers and distribution to Hertfordshire County Council and Hertfordshire Police and the collection of NDR from businesses and distribution to the Government and Hertfordshire County Council.

2019/20 Council Tax £0	2019/20 Business Rates £0	2019/20 Total £0		2020/21 Council Tax £0	2020/21 Business Rates £0	2020/21 Total £0
			Income			
(49,235)		(49,235)	Council Tax Receivable	(51,312)		(51,312)
		-	Council Tax Benefits			-
	(48,477)	(48,477)	Business Rates Receivable		(25,965)	(25,965)
	342	342	Transitional Payment Protection receivable		1,129	1,129
(49,235)	(48,135)	(97,370)	**Total income**	(51,312)	(24,836)	(76,148)
			Expenditure			
			Precepts, Demands and Shares			
37,167	18,146	55,313	Hertfordshire County Council	39,287	4,569	43,856
5,138		5,138	Hertfordshire Police Authority	5,501		5,501
5,755	**15,877**	**21,632**	**Stevenage Borough Council**	**5,989**	**18,276**	**24,265**
	11,341	11,341	Central Government		22,845	22,845
			Charges to Collection Fund			
	110	110	Costs of collection		108	108
241	284	525	Write offs of uncollectable amounts	68	(2)	66
(15)	103	88	Increase/(decrease) for impairment	209	465	674
	(143)	(143)	Increase/(decrease) in provision for appeals		1,967	1,967
			Contribution in regard to previous year deficit/surplus			
359	95	454	Hertfordshire County Council	434	22	456
45		45	Hertfordshire Police Authority	60		60
56	**381**	**437**	**Stevenage Borough Council**	**67**	**-**	**67**
	476	476	Central Government		(14)	(14)
48,746	**46,670**	**95,416**	**Total expenditure**	**51,615**	**48,236**	**99,851**
(489)	**(1,465)**	**(1,954)**	**Movement on fund balance (deficit/(surplus))**	**303**	**23,400**	**23,703**
(413)	**(889)**	**(1,302)**	**Balance at beginning of year**	**(902)**	**(2,354)**	**(3,256)**
(902)	**(2,354)**	**(3,256)**	**Balance at end of year**	**(599)**	**21,046**	**20,447**

Notes to the Collection Fund Statement 2020/21

CF 1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, Hertfordshire Police Authority and the Stevenage Borough Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D property equivalent and adjusted for discounts. In 2013/14 the local council tax support scheme was introduced and the band D equivalent was reduced to take into account the loss of income; (28,275.56 for 2020/21, 27,329.90 for 2019/20). The basic amount of council tax for a band D property £1,827.77 for 2020/21 (£1,758.51 for 2019/20) is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	**A (Disbld.)**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**TOTAL**
Properties	0	1,742.71	6,648.00	21,572.00	3,327.24	3,189.64	927.66	429	15	**37,851.25**
Exemptions	0	-48	-147	-185	-27	-20	-5	-3	-5	**-440**
Disabled Relief	2	6	78	-73	15	-23	2	-5	-2	**0**
Discounts (25%)	0	1,222.55	3,940.34	6,261.29	771.4	525.71	120.22	56	0	**12,897.51**
Discounts (50%)	0	1	6	15	0	3	5	7	5	**42**
Council Tax Support Scheme	0.46	339.05	1,236.84	2,121.13	196.35	47.04	11.11	3.3	0	**3,955.28**
Empty Homes Premium	0	3	23	14	2	3	1	0	0	**46**
Effective Properties	1.54	1057.0225	4,365.58	17,627.05	2,927.04	2,968.17	881.495	400.2	5.5	**30,233.59**
Proportions	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	**0.86**	**704.68**	**3,395.45**	**15,668.49**	**2,927.04**	**3,627.77**	**1,273.27**	**667**	**11**	**28,275.56**
Council Tax Base	**Band D equivalent multiplied by collection rate of 98.25%**									**27,780.70**

Notes to the Collection Fund Statement 2020/21

CF 1. Council Tax (cont)

The income chargeable of £60,711,534 in 2020/21 is from the following sources:

2019/20		2020/21
£46,407,418	Billed to Council Tax Payers	£48,993,784
£5,935,068	Local Council Tax Scheme	£5,779,821
£5,573,702	Exemptions, Discounts, etc.	£5,937,929
£57,916,188		£60,711,534

CF 2. Non-Domestic Rates (NDR)

The Government specified a multiplier of 51.2p in 2020/21 (50.4p in 2019/20) by which local businesses pay rates calculated by multiplying their rateable value by this amount (subject to the effects of transitional arrangements). The equivalent amount for small businesses was 49.9p in 2020/21 (49.1p in 2019/20). The rateable value for the Council's area is £107,770,217 at 31 March 2021 (£109,559,397 at 31 March 2020). The rateable value changes throughout the year due to increases and decreases in assessments.

In 2013/14 the business rate retention scheme was introduced by the Local Government Finance Act 2012. This scheme enables local authorities to retain a proportion of the business rates generated in their areas. Income generated by business rates is shared between the billing authority (Stevenage Borough Council), Central Government, and Hertfordshire County Council as shown in the Collection Fund Statement below. Liabilities and provisions arising from the NDR collection fund are also shared between the three and recognised in their accounts.

CF 3. Allocation of Collection Fund (surpluses)/deficits

The Council Tax surplus is allocated in proportion to the respective precepts, whereas the NDR surplus is allocated on fixed apportionment of Central Government 50%, Stevenage BC 40%, and Hertfordshire County Council 10%.

2019/20				2020/21		
Council Tax	**Business Rates**	**Total**		**Council Tax**	**Business Rates**	**Total**
(698)	(961)	(1,659)	Hertfordshire County Council	(463)	1,401	937
(97)	-	(97)	Hertfordshire Police Authority	(66)	-	(66)
(107)	**(821)**	**(928)**	**Stevenage Borough Council**	**(70)**	**8,536**	**8,466**
-	(573)	**(573)**	Central Government	-	11,110	11,110
(902)	**(2,354)**	**(3,257)**		**(599)**	**21,047**	**20,447**

Group Accounts 2020/21

These Group Accounts include the consolidation of:

Queensway Properties (Stevenage) LLP
Company number: OC424782

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

Stevenage Borough Council also has a 100% holding of

Marshgate PLC
Company number: 11649451

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

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Group Accounts

Introduction

In order to provide a full picture of the economic and financial activities of the Council and its exposure to risk the accounting statement s of a material subsidiary are consolidated with the Council's accounts. They include the core accounting statements (movement in reserves statement. comprehensive income and expenditure statement, balance sheet and cash flow statement) presented in a similar manner to the Council's accounts. Further explanatory notes are given and these should be read in conjunction with the Council's (single entity) accounts.

Group accounts has been prepared under the requirement of the Code of Practice on Local Authority Accounting, consolidating and material subsidiary, associate or joint venture entities which the Council exercises control or influence (See also Note 3 –Critical judgements in applying Accounting Policies and Note 23 – Hertfordshire CCTV Limited and Hertfordshire Building Control Ltd).

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

Accounting Policies

The Council has reviewed the accounting policies applied to Queensway LLP and has concluded that there is no material adjustments required to align accounting policies of both entities.

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

Group Accounts – Movement in Reserves Statement

Movements in Reserves during 2020/2021	Council's Usable Reserves	Subsidiary Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Subsidiary Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£'000		£'000	£'000			£'000
Balance at 1 April 2020 Brought Forward	**(59,297)**	**1,349**	**(57,948)**	**(514,284)**	**142**	**(514,142)**	**(572,090)**
Surplus/Deficit on Provision of Services	(14,610)	893	(13,717)	-	2,382	2,382	(11,335)
Other Comprehensive Income and Expenditure	-	-	-	(7,403)		(7,403)	(7,403)
Total Comprehensive Expenditure and Income	**(14,610)**	**893**	**(13,717)**	**(7,402)**	**2,382**	**(5,020)**	**(18,737)**
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,533)	-	(6,533)	6,533		6,533	-
Net (Increase)/Decrease before Transfers to Reserves	**(21,144)**	**-**	**(21,144)**	**(869)**		**(869)**	**(22,012)**
Transfer to/from Reserves	-		-	-		-	-
(Increase)/Decrease in Year 2020/2021	**(21,144)**	**893**	**(20,251)**	**(869)**	**2,382**	**1,513**	**(18,737)**
Balance at 31 March 2021 Carried Forward	**(80,442)**	**2,242**	**(78,200)**	**(515,152)**	**2,524**	**(512,628)**	**(590,827)**

Group Accounts – Movement in Reserves Statement

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

Group Accounts – Comprehensive Income & Expenditure Statement

2019/20					2020/21		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Comprehensive Income and Expenditure Statement**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
4,837	(341)	4,496	Community Services		2,066	(711)	1,355
30,566	(27,328)	3,238	Housing Services		27,898	(24,676)	3,222
16,084	(8,893)	7,191	Environmental Services		14,985	(5,013)	9,972
92	-	92	Local Community Budgets		107	0	107
7,615	(5,952)	1,663	Resources		9,751	(5,567)	4,184
3,670	(2,097)	1,574	Resources - Support		2,644	(2,014)	630
29,990	(43,115)	(13,124)	Housing Revenue Account		33,243	(43,761)	(10,518)
475	(342)	133	Queensway Properties LLP		2,956	(418)	2,538
93,329	**(88,068)**	**5,263**	**Cost of Services**		**93,650**	**(82,160)**	**11,490**
				Note			
		(2,501)	Other Operational Expenditure	10			(3,840)
		6,490	Financing & Investment Income and Expenditure	10			7,578
		(17,466)	Taxation & Non-Specific Grant Income: Retained Business rates	11			(9,257)
		12,968	Taxation & Non-Specific Grant Income: NNDR expenditure (tariff to DCLG)	11			4,953
		(15,010)	Taxation & Non-Specific Grant Income: Other	11			(22,258)
		(10,256)	**Deficit/(surplus) on Provision of Services**				**(11,334)**
		(3,569)	Deficit/(Surplus) on revaluation of Property, Plant and Equipment assets	9		(27,758)	
		(23,091)	Actuarial (gains)/losses on pension assets/liabilities	26		20,355	
		(26,660)	**Other Comprehensive Income and Expenditure**				**(7,403)**
		(36,916)	**Total Comprehensive Income and Expenditure**				**(18,737)**

Group Accounts – Group Balance Sheet

31/03/2020			31/03/2021	
£'000		Note	£'000	£'000
771,294	Total Property, Plant & Equipment	13	824,570	
560	Heritage Assets	12	521	
24,024	Investment property	14	23,618	
835	Intangible Assets	15	912	
9,710	Long Term Investment	18	2,310	
266	Long Term Debtors	18	267	
0	Long Term Debtor - Queensway	18	(0)	
806,689	**Total Long Term Assets**			**852,198**
38,495	Short Term Investments	18	45,860	
563	Assets Held for Sale	21	563	
129	Inventories		145	
13,230	Short Term Debtors	19	17,476	
10,873	Cash and Cash Equivalents	18	21,148	
63,290	**Current Assets**			**85,191**
(407)	Short Term Borrowing	18	(419)	
(22,369)	Short Term Creditors	20	(32,435)	
(3,517)	Provisions	22	(8,265)	
(26,293)	**Current Liabilities**			**(41,119)**
(11,824)	Queensway Finance Lease	18	(11,766)	
(4,833)	Long term creditors	20	(6,824)	
(208,966)	Long term borrowing	18	(218,704)	
(6,243)	Long term borrowing (Queensway)	18	(6,202)	
(39,413)	Pension Liability	26	(61,576)	
(317)	Grants Receipts in Adv - Capital	11	(373)	
(271,597)	**Long Term Liabilities**			**(305,445)**
572,090	**Net Assets**			**590,827**
(57,948)	Total Usable Reserves			(78,198)
(514,142)	Unusable Reserves	9		(512,629)
(572,090)	**Total Reserves**			**(590,827)**

These financial statements are authorised by Clare Fletcher – Strategic Director (Chief Financial Officer) on 26 October 2021.

CD Fletcher

Clare Fletcher

Group Accounts – Cash Flow Statement

2019/20 £'000	Cash Flow Statement	Notes	2020/21 £'000
(10,256)	Net (Surplus) or Deficit on the Provision of Services		(13,817)
(21,768)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	30	(29,839)
16,058	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		18,959
(15,966)	Net cash flows from Operating Activities		(24,697)
20,097	Investing Activities	31	24,072
(7,116)	Financing Activities	31	(9,650)
(2,985)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**(10,275)**
7,888	Cash and cash equivalents at the beginning of the period	18	10,873
10,873	**Cash and Cash Equivalents at the End of Period**		**21,148**

Artist impression of Queensway redevelopment

Group Accounts - Notes to the Group Accounts

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

G1. Accounting Policies

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

G2. Leases

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

	Land £'000	**Total £'000**
Paid in year	278	**278**
		-
Due less than one year	295	**295**
Due in 1-5 years	1,288	**1,288**
Due in 6-35 years	15,323	**15,323**
Total	**16,906**	**16,906**

G3. Group short term Debtors

31-Mar-20 £'000		**31-Mar-21 £'000**
1,679	Central Government Bodies	1,515
210	Other Local Authorities	196
1,198	Housing Rents & Leaseholders	1,169
379	Collection Fund	469
	Queensway Lease	-
9,764	Other Debtors	14,127
13,231	**Total**	**17,476**

Group Accounts - Notes to the Group Accounts

G4. Group short term Creditors

31-Mar-20 £'000	Creditors:	31-Mar-21 £'000	£'000
5,169	Central Government Bodies	9,583	
3,447	Other Local Authorities	580	
-	Collection Fund	-	
535	Accumulated leave	746	
10,225	Other Entities & Individuals	11,282	
19,376	**Total Creditors**		**22,191**
	Receipts in Advance:		
-	Other Local Authorities	-	
1,205	Housing	1,327	
270	Collection Fund	539	
1,517	Other Entities & Individuals	8,378	
2,992	**Total Receipts in Advance**		**10,244**
22,368	**Total**		**32,435**

G5. Queensway Properties LLP Summary Profit and Loss Account for 1st April 2020 – 31 March 2021

2019/20 Net Expenditure £'000		2020/21 Net Expenditure £'000
(341)	Turnover	(419)
107	Cost of Sales	160
(234)	**Gross (Profit)/loss**	**(259)**
102	Other operational costs	264
145	Support Costs (incl set up costs)	72
647	Financing costs	716
-	Other Costs	100
142	Revaluation deficit on assets	2,381
802	**Net (Profit) / loss for the period**	**3,274**

Group Accounts - Notes to the Group Accounts

G6. Queensway Properties LLP Summary Balance Sheet

31-Mar-20 £'000			31-Mar-21 £'000	31-Mar-21 £'000
11,733	Land & Buildings		9,352	
11,733	**Total Long Term Assets**			**9,352**
293	Short Term Debtors	G7	338	
4,613	Cash and Cash Equivalents		3,644	
4,906	**Current Assets**			**3,982**
(31)	Creditors due in less than one year	G7	(209)	
(92)	Provisions		-	
(123)	**Current Liabilities**			**(209)**
(11,766)	Finance Lease		(11,689)	
(6,243)	Long term Borrowing		(6,203)	
(18,009)	**Long Term Liabilities**			**(17,892)**
(1,493)	**Net Assets**			**(4,767)**
(660)	Profit and Loss account		893	
(691)	Partnership funds bfwd		1,351	
(142)	Revaluation Reserve		2,523	
(1,493)	**Total Partnership Funds**			**4,767**

G7. Queensway Debtors and Creditors

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

31-Mar-20 £'000		31-Mar-21 £'000
199	Stevenage Borough Council	206
-	Trade Debtors	64
94	Other Debtors	68
293	**Total**	338

31-Mar-20 £'000		31-Mar-21 £'000
(109)	Stevenage Borough Council	(169)
(15)	Other Creditors	(40)
(124)	**Total**	(209)

Glossary of Terms

Actuarial Gains and Losses

Changes in the net pensions liability that arise because

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

The actuarial assumptions have changed

Agency Services

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

Amortisation

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

Appointed Auditors

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

Balances

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

Budget

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

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

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

Capital Expenditure

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

Capital Receipts

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

Glossary of Terms

Public Works Loan Board (PWLB)

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

Rateable Value

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

Related Parties

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

Revenue Contributions to Capital Outlay

Contributions from revenue to finance capital expenditure.

Revenue Expenditure

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

Retrospective Restatement

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

Surplus

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

Report of the External Auditors

To follow