

STATEMENT OF ACCOUNTS 2015/16

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WELCOME TO THE STATEMENT OF ACCOUNTS

We hope you find these accounts interesting and informative. The accounts, together with the accompanying notes, explain the Council's services and how your council tax was spent during the year.

The net revenue expenditure for all of the Council's services was £12.581m compared to a revised budget of £13.587m resulting in a service underspend of £1m. This underspend along with the budgeted contribution to the General Fund Reserve, slippage and other movements such as allocations to and from Earmarked Reserves, has resulted in an overall General Fund Reserve increase of £1.015m.

Major income received was £8.1m from general Government Grant and the National Non-Domestic Rate pool, plus £8.6m (inclusive of Parish Precepts) from Council Tax payers. The Council Tax levy at Band D was £128.05 per domestic property per year.

The 2015/16 Capital Expenditure Amended Estimate (inclusive of 2014/15 slippage) was £9.1m, comprising mainly of £3.9m for Stratford Leisure & Visitor Centre, £353k for IT & New Financial Management System, £968k for Planned Maintenance, £783k for Disabled Facilities Grants, £199k for Home Repairs Grants, £182k for Empty Homes Grants and £2.3m for Section 106 Projects. Due to circumstances beyond the control of the Council, including progress by external bodies or organisations, spending on some major projects was deferred until 2016/17. The final 2015/16 capital expenditure was £6.57m.

At 31 March 2016 the Council held a total £6.1m in General Fund Balance with £6.m in available capital resources and had no outstanding debt.

It is pleasing to report that the Council achieved an underspend against both its revenue and capital budgets for the year, despite the continued budget pressures arising from the unprecedented reductions in our levels of government funding and the unprecedented business rates refunds the Council had to make going back to 2005.

We thank you for showing an interest in the Council's finances.

Councillor Lynda Organ, Portfolio Holder for Finance and Physical Resources
David Buckland, Executive Director (s151 Officer)

NARRATIVE REPORT

1. Introduction

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2016. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This narrative report provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

The narrative report replaces the Explanatory Foreword included in previous Statements of Accounts. It provides information about Stratford-on-Avon District Council and the key issues affecting the Council and its accounts, including a summary of its financial position at 31 March 2016.

2. An Introduction to Stratford-on-Avon

Stratford-on-Avon is a local government district of southern Warwickshire in England. The district is named 'Stratford-on-Avon' to distinguish it from its main town of Stratford-upon-Avon where the District council is based. The District covers a large rural area with 109 parishes. The District shares its borders with the districts of Warwick, Wychavon, Redditch, Bromsgrove, Cherwell, South Northamptonshire and West Oxfordshire. The district encompasses beautiful countryside and Stratford-upon-Avon is the home of Shakespeare's Birthplace.

In the last Residents Survey undertaken in 2014, our residents told us that the quality of life in the district was good, with 90% of them satisfied with their local area as a place to live.

In 2014 the district had over 121,000 residents with the age profile presented below.

Total Population	121,056	
Age Structure	Count	%
0 – 9 years	12,296	10.2
10 – 19 years	13,263	10.9
20 – 29 years	10,168	8.4
30 – 39 years	11,710	9.7
40 – 49 years	17,671	14.5
50 – 59 years	17,684	14.6
60 – 69 years	17,462	14.4
70 – 79 years	12,629	10.5
80 – 89 years	6,579	5.5
90 years and over	1,594	1.3

Stratford-on-Avon has an older population when compared with the national averages, with exactly 25% of residents aged over 65 compared to a national average of approximately 16%.

Stratford-on-Avon District has the highest mean house price in the West Midlands. In 2013, the mean house price in the District was £293,000. This compares to £226,000 in Warwickshire and £178,000 in the West Midlands.

The number of people employed in the District is 62,800. The JSA and benefit claimant rates are low – 0.3% (the lowest in the country) and 6.7% respectively. In 2013 the mean annual household income in Stratford-on-Avon District was £46,500. The median income was £35,400.

Narrative Report (cont)

3. About Stratford-on-Avon District Council

Residents of the district are represented by 36 councillors, with the political make up as follows:

Political Party	Number of Councillors
Conservative Party	30 councillors
Labour	1 councillor
Independent	1 councillor
Liberal Democrat Party	4 councillors

The Council has a Cabinet structure which is made up of 8 Councillors, Cllr Chris Saint is the Leader of the Council. The Council also has specific committees in relation to Planning, Overview and Scrutiny, Regulatory functions, Audit and Standards, and Employment and Appointments.

During 2015/16 the Council approved a revised Senior Management Structure; the main purpose was in order to generate recurring savings in order to support the budget. The Council employs a work force of approximately 250 staff to manage and deliver services to residents. The new structure is under the management of 2 directors and 4 heads of service. The revised management structure for the Council is shown below:



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and Head of Paid Service

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(Commencing 5 September)

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Narrative Report (cont....)

The Council has an adopted Sourcing Strategy which is used to help determine the most appropriate route of providing services to our residents. The Council directly provides some services, however, it also provides services by joint working, strategic partnership and via third parties as shown below. A summary of the major areas is shown below:

Council Provided

- Housing services including Homelessness function
- Planning, both establishing Policy and Development Management
- Environmental Health, including food inspections and pest control
- Housing Benefits and Council Tax
- Electoral Services
- Customer Services
- Property Services
- Land Charges
- Licensing, including Taxis
- Support Services, including Finance, HR

Jointly Working

- Business Rates administration
- Legal Services
- ICT Services
- Internal Audit
- Payroll Services
- Disabled Facility Grants
- Parking Services

Strategic Partnerships

- Support to the Citizens Advice Bureau
- Voluntary Action Stratford on Avon
- Tourism, Shakespeare's England

Provided by Third Parties

- Leisure Centres
- Refuse and Recycling services
- Grounds Maintenance, including grass cutting
- Street Cleaning services
- Building Cleaning, including public toilets

4. The 2015/16 Budgeting Process

The 2015/16 budget process was influenced by the on-going need for savings whilst maintaining council services to residents. The draft budget net budget of £12,675,830 was approved by the Cabinet and Council in February 2015. The approved budget included no increase in the Council's council tax precept and an assumed increase of 1.3% in Council Tax base resulted in an income from council tax of £6,331,663.

5. Financial Performance 2015/16

The net revenue budget approved by the Cabinet and Council in February was increased by £272,000, for spending brought forward from 2014/15. In addition during the financial year further budget was provided for issues including the development of the local plan and the implementation of the new Management Structure, the total revised budget for 2015/16 was £13,586,997. Actual net expenditure for the year was £12,581,114, an underspend of £1,005,883, as can be seen in the table below. It should be noted that this table details the Council's final net revenue expenditure analysed by service. This reflects the net amount to be met by local taxpayers. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Statement by the exclusion of costs relating to depreciation, revenue expenditure funded from capital under statute and certain pension adjustments.

Narrative Report (cont....)

Service	2015/16 Revised Budget	2015/16 Actual	Variance
	£	£	£
Chief Executive	1,695,889	1,462,291	(233,598)
Enterprise, Housing & Revenues	1,668,005	1,829,983	161,978
Legal & Democratic Services	1,043,340	957,880	(85,460)
Customer Access	1,207,310	1,042,138	(165,172)
Environment & Planning	1,041,570	615,449	(426,121)
Assistant Chief Executive	3,082,874	2,989,205	(93,669)
Technical Services	3,848,009	3,684,168	(163,841)
Total	13,586,997	12,581,114	(1,005,883)

The main variances relate to essentially one-off items in three areas:

- Planning fee income – significantly higher activity than allowed within the budget for the year generated net additional income of £393k;
- Expenditure which was planned within 2015/16, however, due to a number of reasons has been delayed until 2016/17, this totalled £363k;
- Inflation remaining lower than had been allowed within the budgets, this saved the Council around £98k

There were numerous other variances all of which were reported in detail to the meeting of the Cabinet on 20 June 2016. The Council's General Fund unallocated reserves as at 31 March 2016 totalled £6.057m. The minimum level of reserves for the Council to maintain as specified by the Council's Chief Finance Officer is £2m. Whilst with forecast reductions in government grants these reserves will be in part utilised, the Council will maintain balances above this level.

The gross cost of service provision amounts to £55,481,782, and has been analysed by type as shown below:

Expenditure Types	2014/15	2015/16
	£000	£000
Employees	5,751	7,759
Service Costs	2,386	2,561
Third party payments	8,172	7,311
Transfer payments	28,973	27,700
Support Services	4,410	4,804
Capital charges	3,423	5,347
Gross Cost of Services	53,115	55,482

The Council received gross income of £35,701,759 and this is analysed by type as follows:

Income Type	2014/15	2015/16
	£000	£000
Government Grants	(29,866)	(28,992)
Rent Income	(40)	(38)
Sales, Fees & Charges	(4,018)	(4,516)
Other Income	(1,657)	(2,156)
Total Income	(35,580)	(35,702)

Narrative Report (cont....)

The capital budget of £6.6m was approved by the Cabinet and Council in February 2015. This was subsequently revised to £9.2m with the addition of schemes brought forward from the previous financial year and further approvals in year. Capital expenditure for 2015/16 was £6.574m (£3.022m 2014/15).

There was an underspend of £2.613m on the revised capital programme compared to budgeted expenditure of £9.187m. From this underspend carry forwards of £2.450m have been approved into the 2016/17 capital programme to meet on-going commitments.

A summary of the capital expenditure in 2015/16 is shown below, £4,831,578 was added to the value of fixed assets, £734,292 was spent on Section 106 Projects and the balance was written off in year as a deferred charge.

Capital Programme	Expenditure £000	Underspend £000
Property Projects	4,693	272
IT Technology	139	90
Section 106 Projects	734	783
Other	1,008	1,468
Total	6,574	2,613

The table below shows how the Council financed its capital expenditure:

Capital Financing	£000
Usable Capital Receipts	4,975
Capital Grants and Contributions	865
Section 106 Monies	734
Total	6,574

A total of £9.562m has been carried forward in capital reserves to preserve funding for existing projects in future years.

The Council's general balances totalled £6.084m at 31 March 2016 (£5.106m at 31 March 2015) and cash balances were £3,838m (£2.786m at 31 March 2015).

6. Non Financial Performance 2015/16

The Council approved its Corporate Strategy 2015-19 at its meeting in February 2015, this strategy identifies the priorities for the Council over the next four years and is used to help determine the allocation of resources. Alongside the high level Strategy, an annual action plan was also approved which identified the specific projects to be addressed during the year 2015/16.

There were 41 Year 1 Tasks detailed within the Action Plan (2015/16) that monitor delivery of the Corporate Strategy. All 41 of the Year 1 Tasks have had an update provided by the Lead Officer for this quarter. 4 (10%) are ongoing, so for these projects ongoing qualitative updates will be provided each quarter documenting progress. 11 (27%) tasks are on target and 23 (56%) have been achieved within the year as proposed. 2 tasks (5%) were to be removed from the plan after year end as these were deemed to be no longer relevant.

Key achievements over during 2015/16 include:

- Contribution towards the success of the Growth Hub under the City Deal programme with our Coventry and Warwickshire Partners;
- Helping to influence the development of the County Transport Plan;
- The delivery of the business incubation unit at Venture House, Stratford upon Avon;
- The commissioning of the Economic Impact Assessment and Destination Management Plan for the district;

Narrative Report (cont....)

- Improving the broadband availability within the district through contributing to the Broadband UK initiative;
- Completion of the refurbishment of the Stratford-upon-Avon Leisure and Visitor Centre;
- Continued involvement within the Warwickshire Health and Wellbeing Partnership;
- Securing financial support from the Better Care Fund to continue the investment in Disabled Facilities Grants;
- Receipt of funding from the Police and Crime Commissioner in relation to tackling rural crime;
- Exploration of options for improvements to the former Co-Op site in Studley
- Implementation of a new Financial Management System in partnership with other district councils.

7. Corporate Strategy and Strategic Review

Our Corporate Strategy provides the Vision for the Council and sets its main objectives for the next four years. It is set by the Council as community leaders working in partnership with a number of organisations, the agreed vision is that :-

Stratford-on-Avon District will be recognised as a place of opportunity and economic prosperity in order to provide a better quality of life for all who live, work and visit.

Within the Corporate Strategy there are key objectives:

Key Objective 1 – A flourishing local economy

The Council will work with partners and local businesses to create jobs through **business retention, growth and new inward investment** from the UK and abroad. The Council will encourage local businesses to remain and grow and welcomes new business investment.

The Council will continue to assist in delivering an increase in economic prosperity in helping to create jobs for residents and supporting businesses to grow and expand.

Key Objective 2 – People and their environment

The Council will work with partners to protect the character of the environment and support activities to improve the **health and wellbeing of our local communities**.

Key Objective 3 – Responsible community leadership

The Council will **support our communities** and the diversity of local interests within them. When opportunities arise, we shall embrace innovative solutions to provide the best results for residents and the Council.

The Corporate Strategy is being used as the primary tool for the allocation of resources to meet these key objectives, however, this only covers the period to 2019. In addition to the Corporate Strategy the Council is embarking upon a Strategic Review, the purpose of which will be to ensure that with reduced resources the Council delivers relevant and necessary services to our residents. The time horizon being covered by the Strategy Review is the next 10-15 years. The review is due to inform the budget process for 2017/18, and is based upon 5 discrete work streams:-

➤ **Work Stream 1 – Future Vision of Service Provision**

This work stream would review the Council's current service provision, contrast this against strategy documents such as the Corporate Strategy and manifesto commitments before making recommendations on the future direction of the Council. The results of this exercise would be subject to consultation with public/business and full Council.

Narrative Report (cont...)

➤ **Work Stream 2 – Cost Comparison and Benchmarking**

When the Council is clear about the mix of future services, this review will be undertaken to ensure that the Council is providing these services in the most cost efficient method. A review of the internal/support costs being undertaken through CIPFA with also a review of the cost of providing both internal and external services.

➤ **Work Stream 3 – Ways of Working**

A complete objective review of how services are delivered including, in-house provision, contracted out services, working in partnership and establishment of Council owned companies. This will build upon successes for the Council and the lessons learnt from recent experiences with Cherwell and South Northants Councils.

➤ **Work Stream 4 – Income Generation and Asset Review**

In order to support the cost of delivering services a review into options for recovering costs and ensuring the assets that the Council owns provide commercial returns.

➤ **Work Stream 5 – Strategic and Policy Issues**

This overarching work stream would cover national issues which are affecting the Council such as welfare reform, employment issues and local taxation strategies. Final recommendations are expected in this area which will have significant implications on the funding of the Council and therefore the mix of services which are sustainable.

There will be opportunities for the public to comment upon the emerging themes from the Strategic Review process before they are considered as part of the Council's budget.

8. Summary Position

The Council has faced significant challenges and change during 2015/16 but has maintained financial stability and high level of service performance. The financial challenge will continue, but the Council is well placed through its Business Plan and Five Year Plan to meet the challenge.

9. Further Information

Further information about the accounts is available from:

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director and S151 Officer (the Authority's Chief Financial Officer);
- ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- iii) approve the Statement of Accounts.

The Executive Director and S151 Officer's Responsibilities

The Executive Director and S151 Officer is responsible for the preparation of the Authority's statement of accounts 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').

In preparing this statement of accounts, the Executive Director and S151 Officer has:

- i) selected suitable accounting policies and then applied them consistently;
- ii) made judgements and estimates that were reasonable and prudent;
- iii) complied with the local authority Code.

The Executive Director and S151 Officer has also:

- i) kept proper accounting records which were up to date;
- ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts from page 11 to page 72 as presented give a true and fair view of the financial position of Stratford-on-Avon District Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Signature:



Date 22 September 2016

Executive Director and S151 Officer

Financial Statements

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie: those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'net increase/(decrease) before transfers to the Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

Movement in Reserves Statement 2015/16	General Fund Balance (Note 30) £000's	Earmarked Reserves (Note 10) £000's	Usable Capital Receipts Reserve (Note 30) £000's	Capital Grants Unapplied Account (Note 30) £000's	Total Usable Reserves £000's	Unusable Reserves (Note 31) £000's	Total Authority Reserves £000's
Balance at 1 April 2015	5,106	1,725	9,562	159	16,552	10,360	26,912
Surplus/(Deficit) on provision of services	(5,232)	0	0	0	(5,232)	0	(5,232)
Other Comprehensive Expenditure and Income (see item (a) on face of CI and E)	0	0	(4,961)	0	(4,961)	22,070	17,109
Total Comprehensive Expenditure and Income	(5,232)	0	(4,961)	0	(10,193)	22,070	11,877
Adjustments between accounting basis and funding basis under regulations (note 9)	6,247	0	1,417	(84)	7,580	(7,580)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,015	0	(3,544)	(84)	(2,613)	14,490	11,877
Transfers (to)/from Earmarked Reserves (note 10)	(37)	37	0	0	0	0	0
Increase/(Decrease) in year	978	37	(3,544)	(84)	(2,613)	14,490	11,877
Balance at 31 March 2016	6,084	1,762	6,018	75	13,939	24,850	38,789

Financial Statements

Movement in Reserves Statement

Movement in Reserves Statement 2014/15	General Fund Balance (Note 30) £000's	Earmarked Reserves (Note 10) £000's	Usable Capital Receipts Reserve (Note 30) £000's	Capital Grants Unapplied (Note 30) £000's	Total Usable Reserves £000's	Unusable Reserves (Note 31) £000's	Total Authority Reserves £000's
Balance at 1 April 2014	4,363	563	11,077	453	16,456	21,517	37,973
Surplus/(Deficit) on provision of services	(3,358)	0	0	0	(3,358)	0	(3,358)
Other Comprehensive Expenditure and Income (see item (a) on face of CI and E)	0	0	(1,905)	0	(1,905)	(5,798)	(7,703)
Total Comprehensive Expenditure and Income	(3,358)	0	(1,905)	0	(5,263)	(5,798)	(11,061)
Adjustments between accounting basis and funding basis under regulations (note 9)	5,263	0	390	(294)	5,359	(5,359)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,905	0	(1,515)	(294)	96	(11,157)	(11,061)
Transfers (to)/from Earmarked Reserves (note 10)	(1,162)	1,162	0	0	0	0	0
Increase/(Decrease) in year	743	1,162	(1,515)	(294)	96	(11,157)	(11,061)
Balance at 31 March 2014	5,106	1,725	9,562	159	16,552	10,360	26,912

Financial Statements

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 to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15 Gross Expenditure £000's	2014/15 Gross Income £000's	2014/15 Net Expenditure £000's		2015/16 Gross Expenditure £000's	2015/16 Gross Income £000's	2015/16 Net Expenditure £000's
2,349	(920)	1,429	Central Services to the Public	2,447	(869)	1,578
3,350	(540)	2,810	Cultural and Related Services	4,626	(400)	4,226
7,247	(1,458)	5,789	Environment and Regulatory Services	6,188	(1,529)	4,659
6,242	(2,816)	3,426	Planning Services	7,551	(3,905)	3,646
218	(2)	216	Highways and Transport Services	210	(2)	208
31,090	(29,637)	1,453	Housing	31,594	(28,858)	2,736
1,855	(145)	1,710	Corporate and Democratic Core	1,961	(138)	1,823
763	(62)	701	Non-Distributed Costs	904	0	904
53,114	(35,580)	17,534	Cost of Services	55,481	(35,701)	19,780
2,562	(391)	2,171	Other Operating Income and Expenditure (note 6)	3,974	(1,417)	2,557
3,856	(4,137)	(281)	Financing and Investment Income and Expenditure (note 7)	2,816	(3,416)	(600)
		(16,066)	Taxation and Non-Specific Grant Income (note 8)			(16,506)
		3,358	(Surplus)/Deficit on Provision of Services			5,231
		(519)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets (a) (note 31b)			(6,497)
		5	Impairment losses on non-current assets charged to the Revaluation Reserve (a) (note 31b)			493
		8,216	Remeasurement of the net defined benefit liability(asset)(a) (note 16)			(11,104)
		7,702	Expenditure			(17,108)
		11,060	Total Comprehensive Income and Expenditure Account			(11,877)

Financial Statements

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves ie 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 may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes those 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'.

31 March 2015		31 March 2016
£000's		£000's
41,551	Property, Plant and Equipment (note 18)	46,943
9,030	Investment Properties (note 21)	9,491
2,365	Heritage Assets (note 20)	2,365
396	Intangible Assets (note 23)	192
1,722	Long Term Debtors (note 24)	1,590
55,064	Long Term Assets	60,581
18,000	Investments (note 26 & 37)	16,000
100	Inventories	90
3,627	Short Term Debtors (note 27)	3,574
2,786	Cash and Cash Equivalents (note 37)	3,838
24,513	Current Assets	23,502
(4,227)	Short Term Creditors (note 28)	(4,867)
(138)	Provisions (note 29)	(1,443)
(2,429)	Accruals (note 39)	(2,372)
(6,794)	Current Liabilities	(8,682)
(2,536)	Capital Grants Receipts in Advance (note 32)	(2,400)
(43,334)	Pensions (note 16)	(34,211)
(45,870)	Long Term Liabilities	(36,611)
26,913	Net Assets	38,790
(16,553)	Usable Reserves (note 30)	(13,940)
(10,360)	Unusable Reserves (note 31)	(24,850)
(26,913)	Total Reserves	(38,790)

The notes on pages 16 to 72 form part of the financial statements.



Date: 22 September 2016

Executive Director and S151 Officer

Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

2014/15 £000's		2015/16 £000's
3,358	Net (surplus) / deficit for the year (note 33)	5,231
(2,955)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 33)	(10,948)
1,210	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 33)	2,916
<hr/>		<hr/>
1,613	Net cash flows from Operating Activities (note 33)	(2,801)
1,725	Investing Activities (note 35)	4,150
78	Financing Activities (note 36)	(401)
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3,416	Net (increase)/decrease in cash and cash equivalents	948
(24,202)	Cash and cash equivalents at the beginning of the reporting period	(20,786)
<hr/>		<hr/>
(20,786)	Cash and cash equivalents at the end of the reporting period (note 37)	(19,838)

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the *Service Reporting Code of Practice 2015/16*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instrument. The principal accounting policies have been applied consistently throughout the year.

ii. Accruals of Income and Expenditure

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 or 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, they are carried as inventories on the Balance Sheet.
- Expenses in relation to 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 instruments rather than cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but 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 the revenue for the income that might not be collected.

iii. Exceptional 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 an understanding of the Authority's financial performance.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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, ie 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 transactions, other events and conditions on the Authority's financial position or financial performance.

Notes to the Accounts (cont....)

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.

v. 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 Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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, 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.

vi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Notes to the Accounts (cont....)

vii. Property, Plant and Equipment

These are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services it provides for more than one financial year. Expenditure that does not fall under this remit on assets, eg repair and maintenance, is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement basis:

- infrastructure, vehicles, plant and equipment, community assets and assets under construction – depreciated historical cost;
- all other assets – fair value, the amount that would be paid for the asset in its existing use. The valuation is on the basis of existing use value (EUUV) and where it is significantly different Market Value (MV) is used. All of the assets which were valued in March 2016 were valued on the basis of Fair Value (EUUV) as MV was not seen to be significantly higher.

Where there is no market-based evidence of fair value because of a specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in value, but at least every five years. 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 revenue account.

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.

Component Accounting

The 2010/11 Accounting Code of Practice introduced the following requirement that an authority shall account for depreciation of significant components of an asset.

The Council's level of materiality has been set at £500,000. This will result in depreciation being charged for each individual item of capital expenditure with a value of £500,000 or more. The depreciation period will be dependent upon the estimated useful life of individual components, agreed by the Council as follows: -

- Walls, floors and ceilings
- Windows and doors
- Roofs
- Mechanical, electrical, plumbing and drainage.

The Council revalues its assets on a one-fifth annual rolling basis. As one-fifth comes up for valuation, each land and building asset within that tranche will be assessed for component depreciation and if there is a material increase in depreciation compared with depreciation charged on the whole asset, that asset will be accounted for and depreciated based on its separate components.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be

Notes to the Accounts (cont....)

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

Where impairment losses are identified, they are accounted for by: -

- 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 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(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted to depreciation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 received from disposals are credited to the Usable Capital Receipts reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated through the Movement in Reserves Statement by adjustments between accounting basis and funding basis under regulations.

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

Depreciation

The depreciation charge is based on the depreciable amount allocated over the useful life of the asset, using a depreciation method that reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed. Straight line depreciation is provided for on all assets with a determinable finite life, by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Notes to the Accounts (cont....)

Depreciation is calculated on the following basis (see depreciation note on page 50): -

- other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer
- infrastructure assets - straight line allocation over the useful life of the asset as advised by a suitably qualified officer
- community assets - straight line allocation over the useful life of the asset as advised by a suitably qualified officer

An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction) where depreciation will be charged in the year of disposal.

Revaluations 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.

viii. Investment Properties

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 arm's length. Properties are not depreciated but are revalued annually according to 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 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 Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

ix. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the real 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 they can be written off;
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation.

x. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Notes to the Accounts (cont....)

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets' costs are IT software and training and are included in the balance sheet at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There have been no impairments in 2015/16.

Where expenditure on intangible assets 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. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xi. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute are payments classified as capital but do not result in the creation of an asset. These have been charged to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged through the Movement in Reserves Statement by adjustments between accounting basis and funding basis under regulations so there is no impact on the level of council tax.

xii. Financial Instruments

In line with the introduction of IFRS 7, the Authority shows financial liabilities and financial assets on its balance sheet when it becomes involved in the contract relating to the financial instrument.

Financial Liabilities: Are measured at their fair value (the amount that the liability could be settled for). However, they are measured on the Balance Sheet at their amortised cost (current value) using the method needed under accounting rules called the 'effective interest method'.

Financial Assets: Are measured at their fair value (the amount that the asset could be exchanged for) and class them on the balance sheet as:-

Loans and Receivables -

Loans and Receivables (assets that have fixed or set payments but are not quoted on the market) are shown on the balance sheet at their amortised cost. Details of the financial instruments held are given in note 26 to the financial statements on page 57.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount

Notes to the Accounts (cont....)

presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, where the Authority has made loans to voluntary organisations at less than market rates (soft loans), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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 into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the notes to the accounts (note 31).

xiv. Provisions and Contingencies

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Notes to the Accounts (cont....)

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

When some or all of the payment required to settle a provision is expected to be recovered from another party (eg 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 Authority settles the obligation.

Contingent liabilities arise where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligations cannot be measured reliably.

xv. The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Warwickshire County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, based on the indicative rate of return on high quality corporate bond, the iBoxx Sterling Corporates AA Over 15 Years Index.
- The assets of the Warwickshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value based on information provided by the Administering Authority and allowing for index returns where necessary and an analysis of which can be found on page 43.

The change in the net pensions liability is analysed into seven components:

1. current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
2. 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 as part of Non Distributed Costs
3. interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
4. expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
5. gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Notes to the Accounts (cont....)

6. 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 because the actuaries have updated their assumptions – charged to the Pensions Reserve
7. contributions paid to the Warwickshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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 Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the 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 Pensions 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 are earned by employees.

xvi. Events After the Reporting Period

Any material post balance sheet events, which provide additional evidence relating to conditions existing at the balance sheet date or indicate that application of the going concern concept is not appropriate, have been included in the accounts. Any material post balance sheet events that concern conditions that did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

xvii. VAT

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate. VAT receivable is excluded from income.

xviii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment 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.

Finance Leases

The Authority as Lessor

Where the Authority 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 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Notes to the Accounts (cont....)

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement 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 the future rentals are received, the element for the capital receipt for the disposal of the asset 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 a charge against council tax, as the cost of assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the term of the lease even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix. Cash and Cash Equivalents

Cash is represented by cash in hand and current account bank balances. Cash equivalents are the authority's investments with financial institutions which are repayable on demand or within 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

xx. Heritage Assets

The Council's Heritage Assets comprise 3 statues situated in the Town of Stratford-upon-Avon. They are detailed as follows: -

- The Gower Memorial – a stone memorial to Shakespeare which has bronze characters including Lady Macbeth, Prince Hal and Hamlet situated around it;
- Narcissus Statue – a bronze statue situated on the Bancroft; and
- The Jester - a bronze statue situated on a Hornton stone and green Westmorland Slate plinth base and applied plaques.

Notes to the Accounts (cont....)

These items are reported in the Balance Sheet at a replace and replicate valuation, used for insurance purposes and are updated on an annual basis. The Statues are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Council also holds some small items of civic regalia such as water colours and Japanese gifts that are not considered material enough to include on the Balance Sheet. Such items will however be kept under review.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note vii in this summary of significant accounting policies. The Authority's will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. 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 (again see notes xii and vii in this summary of significant accounting policies).

xxi. Employee Benefits

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Benefits Payable During Employment

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, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs

Notes to the Accounts (cont....)

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The following accounting standards have been issued but not yet adopted: -

Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)

Amendment of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)

Amendment of IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)

The Council considers that this will not have a material impact on the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out from page 14, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about the future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Notes to the Accounts (cont....)

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contained estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows: -

Uncertainties	Effect if Actual Results Differ from Assumptions
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £790k for every year useful lives had to be reduced.
The Authority has made provision of £1,443k for various claims, the details of which can be found in note 29 on page 63. Included in the total provision of £1,443k is a sum of £1,317k which is set aside for NNDR Appeals. This provision has been ongoing for a number of years and relates to the current list of live appeals lodged with the Valuation Office.	An increase over the forthcoming year of 10% in settlements would add £144k to the provision needed.
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 authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes to individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £10.938m. However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pensions liability had decreased by £10.3m which was attributable to updating of the assumptions.
At 31 March 2016, the Authority had a balance of debtors for £4.2m (note 27). A review of the significant balances suggested that an impairment of doubtful debts of 15% (£654k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £654k set aside as an allowance.

Notes to the Accounts (cont....)

5. Events After the Reporting Period

The financial statements were authorised for issue by the Executive Director and S151 Officer to the Authority on the 26 September 2016. All events relevant to the financial year ended 31 March 2016 have been taken into consideration up to this date and where considered material recognised in the statement of accounts. There can be no reasonable expectation that events could have been taken into account by the Authority after this date.

6. Other Operating Income and Expenditure

	2014/15 £000's	2015/16 £000's
Parish Council precepts	2,562	2,701
Payments to Housing Capital Receipts Pool	1	0
Right to Buy Clawback and other windfall capital receipts	(391)	(1,389)
(Gains)/Losses on the disposal of non-current assets	0	1,245
Total	<u>2,172</u>	<u>2,557</u>

7. Financing and Investment Income and Expenditure

	2014/15 £000's	2015/16 £000's
Interest receivable and similar income	(284)	(246)
Pension interest cost and expected return on pension assets	1,443	1,396
Income and expenditure in relation to investment properties and changes in their fair value	(816)	(959)
Trading Operations - Expenditure	2,549	1,751
Trading Operations - Income	(3,173)	(2,542)
Total	<u>(281)</u>	<u>(600)</u>

8. Taxation and Non-Specific Grant Income

	2014/15 £000's	2015/16 £000's
Council Tax Income	(9,029)	(9,068)
Contribution from National Non-Domestic Pool	(2,610)	(2,674)
General Government Grants:-		
Revenue Support Grant	(2,311)	(1,547)
Local Services Support Grant	(97)	(97)
Council Tax Grants	(311)	(373)
New Homes Bonus	(1,604)	(2,255)
Other Government Grants	(42)	(57)
Capital Grants and Contributions (note 32)	(62)	(435)
Total	<u>(16,066)</u>	<u>(16,506)</u>

Notes to the Accounts (cont....)

9. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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) at the end of the financial year.

Capital Receipts Reserve

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.

Capital Grants Unapplied Account

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

Notes to the Accounts (cont....)

2015/16

	Usable Reserves			Movement in Unusable Reserves £000's
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):-				
Charges for depreciation and impairment of non-current assets (items marked (*) in note 18)	(4,330)	0	0	4,330
Amortisation of intangible assets	(206)	0	0	206
Revenue expenditure funded from capital under statute	(1,742)	0	0	1,742
Capital grants and contributions applied	1,536	0	0	(1,536)
Movements in the market value of Investment Properties	479	0	0	(479)
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(1,245)	0	0	1,245
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(21)	0	21	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	63	(63)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,389	(1,389)	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	12	0	0	(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	(3,501)	0	0	3,501
Employer's pension contributions and direct payment to pensioners payable in the year	1,520	0	0	(1,520)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	29	0	0	(29)
NNDR	(163)	0	0	163
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	0	0	4
Total Adjustments	(6,247)	(1,389)	84	7,552

Notes to the Accounts (cont....)

2014/15 Comparative

	Usable Reserves			Movement in Unusable Reserves £000's
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):-				
Charges for depreciation and impairment of non-current assets (items marked (*) in note 18)	(2,616)	0	0	2,616
Amortisation of intangible assets	(274)	0	0	274
Revenue expenditure funded from capital under statute	(1,423)	0	0	1,423
Capital grants and contributions unapplied credited to the CIES	759	0	0	(759)
Movements in the market value of Investment Properties	247	0	0	(247)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	50	0	(50)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	344	(344)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	391	(391)	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(1)	1	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	12	0	0	(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 16)	(3,021)	0	0	3,021
Employer's pension contributions and direct payment to pensioners payable in the year	1,398	0	0	(1,398)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	34	0	0	(34)
NNDR	(843)	0	0	843
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	24	0	0	(24)
Total Adjustments	(5,263)	(390)	294	5,359

Notes to the Accounts (cont....)

10. Transfers (To)/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure: -

	Balance at 1 April 2014 £000's	Transfers Out 2014/15 £000's	Transfers In 2014/15 £000's	Balance at 31 March 2015 £000's	Transfers Out 2015/16 £000's	Transfers In 2015/16 £000's	Balance at 31 March 2016 £000's
Earmarked Reserves:-							
Risk Management (Insurance Reserve)	(171)	0	0	(171)	19	0	(152)
Investment Income (Interest Equalisation Reserve)	(64)	0	0	(64)	0	0	(64)
Building Control Trading Account ((Surplus)/Deficit for trading side of building control)	(99)	0	(34)	(133)	0	(58)	(191)
New Homes Bonus Reserve (to meet Corporate objectives)	(120)	120	0	0	0	0	0
Insurance Excess Reserve (to meet insurance excess payments)	(50)	0	0	(50)	0	0	(50)
ICT Graduate Reserve	(60)	0	0	(60)	0	0	(60)
Planning Appeal Reserve	0	0	(400)	(400)	0	0	(400)
HS2 Reserve	0	0	(49)	(49)	2	0	(47)
Coventry & Warwickshire Local Enterprise Partnership Reserve	0	0	(20)	(20)	0	0	(20)
Business Rate Retention Scheme Levy Reserve	0	0	(779)	(779)	0	0	(779)
Total	(564)	120	(1,282)	(1,726)	21	(58)	(1,763)

Notes to the Accounts (cont....)

11. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, the following breakdown is provided in the same format as the budget monitoring with the head of service being the reporting basis of performance and resource allocation. The allocation of resources is decided by Council with delegated authority for in year amendments and budget monitoring responsibilities being given to The Cabinet. The following is prepared on the same basis as the budget monitoring and differs from the accounting policies used in the financial statement as follows:-

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairments losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support service is budgeted for centrally and not charged to Heads of Service.

2015/16	Chief Executive £000's	Assistant Chief Executive £000's	Legal & Democratic Services £000's	Customer Access £000's	Enterprise, Housing & Revenues £000's	Environment & Planning £000's	Technical Services £000's	Total £000's
Fees, charges and other service income	(131)	(295)	(486)	(739)	(671)	(3,184)	(5,053)	(10,559)
Government Grants	(64)	(8)	0	0	(28,576)	0	0	(28,648)
Total Income	(195)	(303)	(486)	(739)	(29,247)	(3,184)	(5,053)	(39,207)
Employee Expenses	1,141	2,525	777	1,022	1,762	2,723	1,220	11,170
Other operating Expenses	516	768	666	759	29,314	1,077	7,518	40,618
Total operating expenses	1,657	3,293	1,443	1,781	31,076	3,800	8,738	51,788
Cost of Services	1,462	2,990	957	1,042	1,829	616	3,685	12,581

2014/15 Comparative	Chief Executive £000's	Assistant Chief Executive £000's	Legal & Democratic Services £000's	Customer Access £000's	Enterprise, Housing & Revenues £000's	Environment & Planning £000's	Technical Services £000's	Total £000's
Fees, charges and other service income	(122)	(311)	(360)	(324)	(589)	(2,511)	(5,834)	(10,051)
Government Grants	(43)	(29)	(48)	0	(29,629)	(6)	0	(29,755)
Total Income	(165)	(340)	(408)	(324)	(30,218)	(2,517)	(5,834)	(39,806)
Employee Expenses	806	1,064	619	2,054	1,642	1,676	1,486	9,347
Other operating Expenses	438	306	904	712	30,359	1,848	8,057	42,624
Total operating expenses	1,244	1,370	1,523	2,766	32,001	3,524	9,543	51,971
Cost of Services	1,079	1,030	1,115	2,442	1,783	1,007	3,709	12,165

Notes to the Accounts (cont....)**Reconciliation of Heads of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of Heads of Service income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement.

2015/16	£000's
Net expenditure in the Heads of Service Analysis	12,581
Internal recharges included within the Comprehensive Income and Expenditure Statement	6,449
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,995
Cost of Services in Comprehensive Income and Expenditure Statement	<u>21,025</u>

2014/15 Comparative	£000's
Net expenditure in the Heads of Service Analysis	12,165
Internal recharges included within the Comprehensive Income and Expenditure Statement	3,644
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,724
Cost of Services in Comprehensive Income and Expenditure Statement	<u>17,533</u>

Notes to the Accounts (cont....)**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of Heads of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Service Analysis £000's	Internal Recharges £000's	Not included in CI and E £000's	Allocation of Recharges £000's	Net Cost of Services £000's	Corporate Amounts £000's	Total £000's
Fees, charges and other service income	(10,559)	0	0	(6,653)	(17,212)	0	(17,212)
Interest and Investment Income	0	0	251	0	251	(251)	0
Income from Council Tax	0	0	0	0	0	(9,068)	(9,068)
Government grants and contributions	(28,647)	0	0	0	(28,647)	(7,438)	(36,085)
Total Income	(39,206)	0	251	(6,653)	(45,608)	(16,757)	(62,365)
Employee Expenses	11,170	0	0	0	11,170	0	11,170
Other service expenses	40,617	920	1,750	0	43,287	(1,743)	41,544
Support Service recharges	0	0	0	6,653	6,653	0	6,653
Depreciation, amortisation and impairment	0	4,284	0	0	4,284	0	4,284
Interest Payments	0	0	(6)	0	(6)	6	0
Precepts and levies	0	0	0	0	0	2,701	2,701
Gain or Loss on Disposal of Fixed Assets	0	1,245	0	0	1,245	0	1,245
Total Operating Expenses	51,787	6,449	1,744	6,653	66,633	964	67,597
Surplus or deficit on the provision of services	12,581	6,449	1,995	0	21,025	(15,793)	5,232

2014/15 Comparative	Service Analysis £000's	Internal Recharges £000's	Not included in CI and E £000's	Allocation of Recharges £000's	Net Cost of Services £000's	Corporate Amounts £000's	Total £000's
						Restated	Restated
Fees, charges and other service income	(10,051)	0	0	(6,230)	(16,281)	0	(16,281)
Interest and Investment Income	0	0	284	0	284	(284)	0
Income from Council Tax	0	0	0	0	0	(9,029)	(9,029)
Government grants and contributions	(29,755)	0	0	0	(29,755)	(7,037)	(36,792)
Total Income	(39,806)	0	284	(6,230)	(45,752)	(16,350)	(62,102)
Employee Expenses	9,347	0	0	0	9,347	0	9,347
Other service expenses	42,624	337	1,440	0	44,401	(388)	44,013
Support Service recharges	0	0	0	6,230	6,230	0	6,230
Depreciation, amortisation and impairment	0	3,307	0	0	3,307	0	3,307
Precepts and levies	0	0	0	0	0	2,562	2,562
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1	1
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0
Total Operating Expenses	51,971	3,644	1,440	6,230	63,285	2,175	65,460
Surplus or deficit on the provision of services	12,165	3,644	1,724	0	17,533	(14,175)	3,358

Notes to the Accounts (cont....)

12. Trading Operations

Trading operations are activities of the Council of a commercial nature that are financed substantially by income from tenants and parking fees and charges. Part of Avenue Farm Depot and Miscellaneous Properties in Stratford-upon-Avon are operated on such a basis. The financial results of each are summarised below: -

2015/16	Avenue Farm Depot £000's	Miscellaneous Properties £000's	Recreation Ground £000's	Parking £000's	Total £000's
Income from commercial rents	(70)	(38)	(126)	(52)	(286)
Fees and charges income	0	(3)	(9)	(2,244)	(2,256)
Total income	(70)	(41)	(135)	(2,296)	(2,542)
Expenditure	17	169	29	1,218	1,433
Surplus on trading	(53)	128	(106)	(1,078)	(1,109)
Capital Charges	30	18	17	254	319
(Surplus)/Deficit after asset rental charge	(23)	146	(89)	(824)	(790)
2014/15	Avenue Farm Depot £000's	Miscellaneous Properties £000's	Recreation Ground £000's	Parking £000's	Total £000's
Income from commercial rents	(67)	(39)	(80)	(67)	(253)
Fees and charges income	(1)	(1)	(5)	(2,913)	(2,920)
Total income	(68)	(40)	(85)	(2,980)	(3,173)
Expenditure	17	155	40	1,965	2,177
Surplus on trading	(51)	115	(45)	(1,015)	(996)
Capital Charges	20	62	17	273	372
(Surplus)/Deficit after asset rental charge	(31)	177	(28)	(742)	(624)

Notes to the Accounts (cont....)**13. External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2014/15 £000's	2015/16 £000's
Fees payable to the appointed auditors with regard to external audit services carried out by the appointed auditor for the year	63	61
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	21	17
Total	84	78

14. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2014/15 £000's	2015/16 £000's
Allowances	306	248
Expenses	19	14
Total	325	262

Amounts paid to members are open to public inspection by prior arrangement with the Executive Director and S151 Officer (Telephone 01789 260425). Details of allowances paid to individual councillor can also be found on the Council's website.

Notes to the Accounts (cont....)

15. Employees' Remuneration

The Accounts and Audit Regulations 2011 require disclosure of the number of employees whose remuneration falls in each bracket of a scale in multiples of £5,000 starting with £60,000 (excluding employer's pension contributions and compensation for loss of office) and these are as follows: -

	2014/15	2015/16
£135,000 - £139,999	0	1
£130,000 - £134,999	0	0
£125,000 - £129,999	0	0
£120,000 - £124,999	1	0
£115,000 - £119,999	0	0
£110,000 - £114,999	0	0
£70,000 - £74,999	2	1
£65,000 - £69,999	0	2
£60,000 - £64,999	4	3

Individual remuneration details by post title for senior employees who have the responsibility for the management of the Authority are disclosed below: -

Post Title		Salary (Including fees and allowances) £	Expenses Allowances £	Compensation for Loss Of Office £	Pensions Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	2015/16	127,721	9,651	144,621	16,266	298,259
	2014/15	115,581	8,447	0	14,656	138,684
Monitoring Officer	2015/16	63,435	1,239	0	9,071	73,745
	2014/15	60,270	1,239	0	8,197	69,706
Section 151 Officer	2015/16	71,460	1,275	0	10,219	82,954
	2014/15	70,408	1,275	0	9,575	81,258
Head of Enterprise, Housing & Revenues	2015/16	61,401	3,596	0	9,071	74,068
	2014/15	60,497	2,552	0	8,570	71,619
Head of Technical Services	2015/16	61,401	1,275	0	8,780	71,456
	2014/15	60,497	1,275	0	8,228	70,000
Head of Customer Access	2015/16	61,576	4,564	0	8,401	74,541
	2014/15	69,497	4,620	0	9,452	83,569
Head of Environment & Planning	2015/16	61,401	4,194	0	8,780	74,375
	2014/15	60,497	3,464	0	8,228	72,189
Total	2015/16	508,395	25,794	144,621	70,588	749,398
	2014/15	497,247	22,872	0	66,906	587,025

Notes to the Accounts (cont....)

16. Pension Costs

The Warwickshire Local Government Pension Fund is a defined benefit scheme set up under the Local Government Pension Scheme Regulations 1997.

The Scheme is a statutory scheme, established by an Act of Parliament, the Superannuation Act 1972. The Scheme is governed by the following regulations:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended).

The fund is open to employees of the five district and borough councils and other organisations. The fund does not cover teachers, police officers or firefighters as these staff have alternative pension arrangements.

Under the scheme rules, members receive a lump sum retirement grant in addition to a pension. Lump sum retirement grants are accounted for at the date members retire. If a member chooses to take a greater retirement grant in return for a reduced pension, we account for these amounts on an accruals basis from the date the member takes this option. Other benefits are accounted for on the date the member leaves the plan or dies.

The Pension Fund's activities expose it to a variety of risks:

Credit risk: the possibility that other parties might fail to pay amounts due to the Pension Fund.

Liquidity risk: the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Market risk: the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

Interest rate risk: the risk to which the Pension Fund is exposed to changes in interest rates and mainly relates to holdings in bonds. This risk is managed by Legal & General and BlackRock who are the Fund's appointed bond portfolio investment managers.

Currency Risk: For investments denominated in non-sterling currencies, the Pension Fund is exposed to currency risk as a result of possible fluctuations in foreign currency exchange rates. So far as the Fund's equity investments are concerned, these risks are mitigated to some extent by the global nature of their underlying businesses. Furthermore, investment fund managers will take account of currency risk in their investment decisions.

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement. 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: -

Notes to the Accounts (cont....)

	2014/15	2015/16
	£000's	£000's
Comprehensive Income and Expenditure Statement		
Cost of Services: -		
Service cost comprising:		
- Current Service Cost	(1,578)	(2,105)
- Past Service Costs	<u>0</u>	<u>0</u>
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	<u>(1,578)</u>	<u>(2,105)</u>
Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	5,684	(868)
Actuarial gains and losses arising on changes to demographic assumptions	0	0
Actuarial gains and losses arising on changes to financial assumptions	(14,834)	10,336
Other	<u>934</u>	<u>1,636</u>
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	<u>(8,216)</u>	<u>11,104</u>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	<u>3,021</u>	<u>3,501</u>
Actual amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to scheme	<u>1,398</u>	<u>1,520</u>

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows: -

	2014/15	2015/16
	£000's	£000's
Present value of the defined benefit obligation	(116,245)	(107,172)
Fair value of plan assets	72,911	72,961
Net liability arising from defined benefit obligation	<u>(43,334)</u>	<u>(34,211)</u>

Notes to the Accounts (cont....)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2014/15	2015/16
	£000's	£000's
Opening fair value of scheme assets	66,006	72,911
Interest Income	2,803	2,311
Remeasurements gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	5,684	(868)
Contributions from employer	1,398	1,520
Contributions from employees into the scheme	439	459
Benefits paid	(3,419)	(3,372)
Net Pensions Assets as at 31 March	72,911	72,961

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities:		Unfunded Liabilities:	
	Local Government Pension Scheme		Discretionary benefits	
	£000's		£000's	
	2014/15	2015/16	2014/15	2015/16
Opening balance at 1 April	97,881	114,562	1,620	1,683
Current service cost	1,578	2,105	0	0
Interest cost	4,178	3,655	68	52
Contributions from scheme participants	439	459	0	0
Remeasurement (gains) and losses:				
Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	0	0
Actuarial (gains)/losses arising from changes in financial assumptions	14,769	(10,295)	65	(41)
Other	(963)	(1,558)	29	(78)
Benefits paid	(3,320)	(3,273)	(99)	(99)
Closing balance at 31 March	114,562	105,655	1,683	1,517

Scheme History

	2011/12	2012/13	2013/14	2014/15	2015/16
	Total	Total	Total	Total	Total
	£000's	£000's	£000's	£000's	£000's
Present value of liabilities	(80,191)	(92,370)	(99,501)	(116,245)	(107,172)
Fair value of assets	55,008	61,819	66,006	72,911	72,961
Surplus/(Deficit) in the Scheme	(25,183)	(30,551)	(33,495)	(43,334)	(34,211)

The liabilities show the estimated underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £107,172k has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's Actuary.

Notes to the Accounts (cont....)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the last formal valuation of the fund as at 31 March 2013. The principal assumptions adopted were: -

Rate of RPI inflation	3.4%	3.3%
Rate of CPI inflation	2.5%	2.3%
Rate of increase in salaries	4.3%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%
Take-up of option to convert annual pension into retirement grant	50.0%	50.0%
Mortality Assumptions: -		
Longevity at 65 for current pensioners		
- Men	22.4	22.4
- Women	24.4	24.4
Longevity at 65 for future pensioners		
- Men	24.3	24.3
- Women	26.6	26.6

The Scheme assets consist of the following categories, by proportion of the total assets held: -

Asset Category	Period Ended 31 March 2015				Period Ended 31 March 2016			
	Quoted prices in active markets £000's	Quoted prices not in active markets £000's	Total £000's	% of Total Assets	Quoted prices in active markets £000's	Quoted prices not in active markets £000's	Total £000's	% of Total Assets
Equity Securities:								
Consumer	7,608	0	7,608	10%	8,207	0	8,207	11%
Manufacturing	3,234	0	3,234	4%	3,060	0	3,060	4%
Energy & Utilities	2,596	0	2,596	4%	1,397	0	1,397	2%
Financial Institutions	4,256	0	4,256	6%	3,976	0	3,976	5%
Health & Care	1,721	0	1,721	2%	2,432	0	2,432	3%
Information Technology	1,917	0	1,917	3%	1,994	0	1,994	3%
Other	1,990	0	1,990	3%	2,790	0	2,790	4%
Private Equity:								
All	0	1,314	1,314	2%	0	1,975	1,975	3%
Real Estate:-								
UK Property	7,350	0	7,350	10%	8,371	0	8,371	11%
Overseas Property	97	0	97	0%	62	0	62	0%
Investment Funds & Unit Trusts:								
Equities	18,780	0	18,780	26%	17,987	0	17,987	25%
Bonds	12,672	0	12,672	17%	12,251	0	12,251	17%
Hedge Funds	0	3,226	3,226	4%	0	3,631	3,631	5%
Commodities	0	0	0	0%	0	0	0	0%
Infrastructure	0	0	0	0%	0	643	643	1%
Other	2,684	0	2,684	4%	3,337	0	3,337	5%
Cash & Cash Equivalents:								
All	3,466	0	3,466	5%	848	0	848	1%
Total	68,371	4,540	72,911	100%	66,712	6,249	72,961	100%

Notes to the Accounts (cont....)

Sensitivity Analysis

IAS 19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below: -

Change in assumptions at year ended 31 March 2016	Approximate % increase to Employer	Approximate monetary amount £000's
0.5% decrease in Real Discount Rate	10%	10,938
1 year increase in member life expectancy	3%	3,215
0.5% increase in the Salary Increase Rate	3%	3,047
0.5% increase in the Pension Increase Rate	7%	7,730

To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the Employer of a one year increase in left expectancy. For sensitivity purposes, this is assumed to be increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (ie if improvements to survival rates predominately apply at younger or older ages).

Please note the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

This analysis has been provided by the schemes actuaries.

Projected defined benefit cost for the period to 31 March 2017

Period Ended 31 March 2017	Assets £000's	Obligations £000's	Net (liability)/asset £000's	% of pay
Projected Current service cost*	0	1,788	(1,788)	-25.2%
Total Service Cost	0	1,788	(1,788)	
Interest income on plan assets	2,528	0	2,528	35.7%
Interest cost on defined benefit obligation	0	3,729	(3,729)	-52.60%
Total Net Interest Cost	2,528	3,729	(1,201)	-16.9%
Total Included in Profit and Loss	2,528	5,517	(2,989)	-42.1%

* The current service cost includes an allowance for administration expenses of 0.6% of payroll

The estimated employers contribution for the period to 31 March 2017 will be approximately £1,492,000.

Notes to the Accounts (cont....)

The maturity profile was assessed and is based on the last actuarial valuation dated 31 March 2013:-

Employer Valuation Results	31 March 2010	31 March 2013
	£000's	£000's
Actives	27,065	27,861
Deferred Pensioners	6,216	14,451
Pensioners	31,140	43,075
Total	64,421	85,387
Asset Share	51,746	63,153
Surplus/(Deficit)	(12,675)	(22,233)
Funding Level	80%	74%

Further information can be found in Warwickshire County Council's Superannuation Fund Actuarial Report which is available on request from the Strategic Director of Resources, Warwickshire County Council, P.O. Box 3, Shire Hall, Warwick, CV34 4RH and also on the county website at <http://www.warwickshire.gov.uk/pensions>.

Notes to the Accounts (cont....)

17. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. 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 Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 11 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in note 32.

Chief Officers

There are no related party transactions in respect of Chief Officers for the period 1 April 2015 to 31 March 2016.

Council Members

The information as relates to this Authority for 1 April 2015 to 31 March 2016 is as follows:

Expenditure Transactions

	Creditor Transactions 2014/15 £000's	Balance 31 March 2015 £000's	Creditor Transactions 2015/16 £000's	Balance 31 March 2016 £000's
Orbit Heart of England Housing Association – excludes Benefit Payments (note a)	374	0	240	0
Pension Service (note b)	1,818	0	1,909	0
Warwickshire County Council – excludes Precepts (note c)	1,501	0	1,124	1020
Stratford Town Council – excludes Precepts (note d)	23	0	32	0

- a. The majority of the transactions were in respect of home repair grants, homelessness and temporary accommodation payments.
- b. Payments to Warwickshire County Council in respect of the Authority's contributions to the Pension Fund.
- c. These payments mainly relate to Community Transport, Planning Enquiry fees, internal audit fees, tree works, ecological and archaeological enquiries and land charge search fees.
- d. These payments relate to Shakespeare Birthday Celebrations, consultancy for markets and hire of the Town Hall for Planning Enquiries.

Notes to the Accounts (cont....)

e. Other Public Bodies:

The Council collects precepts on behalf of Warwickshire County Council, Warwickshire Police Authority and the Town and Parish Councils. Some Stratford-on-Avon District Council Councillors are also members of these bodies.

Major transactions (£5k and over – excluding precepts) for 2015/16 where Stratford District Councillors are also members of Parish Councils are shown below: -

		£000's	£000's		£000's	£000's
Stratford-upon-Avon: Shakespeare Celebrations and Hire of Halls for Planning Enquiries	6	15	0	4	32	0
Southam Town Council: Regeneration Scheme	0	0	0	2	6	0

Major transactions (£5k and over) for 2015/16 where Stratford District Councillors are also members of public bodies are shown below: -

Public Bodies	No of Members	Creditor Payments £000's	Balance 31 March 2015 £000's	No of Members	Creditor Payments £000's	Balance 31 March 2016 £000's
Citizens Advice Bureau: Stratford Branch	1	46	0	1	46	0
Cotswold Conservation Board	2	8	0	2	8	0
Warwick District Council	1	123	0	1	108	0
Warwickshire Rural Community Council	1	36	0	1	38	0
Stratford-upon-Avon College*	1	45	0	1	60	0

*. The Chief Executive is the current Chair of Governors of Stratford-upon-Avon College.

f. Other Outside Bodies: -

Major transactions (£5k and over) for 2015/16 where Stratford District Councillors are also members of other outside bodies are shown below: -

Other Outside Bodies	No of Members	Creditor Payments £000's	Balance 31 March 2015 £000's	No of Members	Creditor Payments £000's	Balance 31 March 2016 £000's
Act on Energy	1	14	0	1	14	0
Stratforward Business Improvement District Ltd	2	427	0	2	406	0
Shakespeare's England Ltd (Destination Management)	1	75	0	1	75	0

Notes to the Accounts (cont....)

18. Property, Plant and Equipment

Movement in Assets – 31 March 2016

	Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Infrastructure £000's	Community £000's	Total Property, Plant and Equipment £000's
Cost or valuation at 1 April 2015	37,220	6,029	6,251	897	50,397
Additions	4,677	142	0	9	4,828
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,702	0	0	0	3,702
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (*)	(2,825)	0	0	0	(2,825)
Disposals	(1,494)	0	0	0	(1,494)
Reclassifications	160	0	0	0	160
At 31 March 2016	41,440	6,171	6,251	906	54,768
Accumulated Depreciation and Impairment at 1 April 2015	(2,427)	(4,746)	(1,376)	(296)	(8,845)
Depreciation charge (*)	(2,497)	(288)	(150)	(25)	(2,960)
Depreciation written out to the Revaluation Reserve	2,795	0	0	0	2,795
Impairments losses/(reversals) recognised in the Revaluation Reserve	(493)	0	0	0	(493)
Impairments losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services (*)	1,456	0	0	0	1,456
Disposals	222	0	0	0	222
At 31 March 2016	(944)	(5,034)	(1,526)	(321)	(7,825)
Net book value at 31 March 2016	40,496	1,137	4,725	585	46,943
Net book value at 31 March 2015	34,793	1,283	4,875	601	41,552

Items marked (*) can be found in note 9 and 31a

Notes to the Accounts (cont....)

Movement in Assets – 31 March 2015

	Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Infrastructure £000's	Community £000's	Total Property, Plant and Equipment £000's
Cost or valuation at 1 April 2014	35,854	5,892	6,200	893	48,839
Additions	1,315	137	51	4	1,507
Revaluation increases/(decreases) recognised in the Revaluation Reserve	81	0	0	0	81
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (*)	(30)	0	0	0	(30)
At 31 March 2015	37,220	6,029	6,251	897	50,397
Accumulated Depreciation and Impairment at 1 April 2014	(723)	(4,471)	(1,228)	(270)	(6,692)
Depreciation charge (*)	(2,385)	(275)	(148)	(26)	(2,834)
Depreciation written out to the Revaluation Reserve	438	0	0	0	438
Impairments losses/(Reversals) recognised in the Revaluation Reserve	(5)	0	0	0	(5)
Impairments losses/(Reversals) recognised in the (Surplus)/Deficit on the Provision of Services (*)	248	0	0	0	248
At 31 March 2015	(2,427)	(4,746)	(1,376)	(296)	(8,845)
Net book value at 31 March 2015	34,793	1,283	4,875	601	41,552
Net book value at 31 March 2014	35,131	1,421	4,972	623	42,147

Items marked (*) can be found in note 9 and 31a

Notes to the Accounts (cont....)

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Buildings: 10 – 50 years
- Vehicles, Plant and Equipment: 5 - 70 years
- Infrastructure: 40 years
- Community Assets: 5 – 40 years

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by an external independent valuer (Gerald Eve Chartered Surveyors) as at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. For information the basis of valuations and impairments is set out in the Statement of Accounting Policies (note vii). Assets valued at 31 March 2016 include Stratford Leisure and Visitor Centre, Shipston Leisure Centre, Venture House, Avenue Farm Depot (Part) and Elizabeth House all of which were valued at depreciated replacement cost or fair value.

The programme for future valuations of the Council's main assets is as follows: -

- 2017 - Globe House, Alcester/Studley Leisure Centre/Avenue Farm Depot (part)
- 2018 - Southam Leisure Centre/Stratford-upon-Avon and District Car Parks
- 2019 - Stratford-upon-Avon and District Public Conveniences/Recreation Ground Pavilion
- 2020 - None
- 2021 - Elizabeth House, Stratford-upon-Avon/Avenue Farm Depot (part)/Venture House, Stratford-upon-Avon/Stratford Leisure & Visitor Centre/Shipston Leisure Centre

	Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Infrastructure £000's	Community £000's	Total Property, Plant and Equipment £000's
Carried at historical cost	0	1,137	4,725	585	6,447
Valued at fair value as at:-					
31 March 2016	18,855	0	0	0	18,855
31 March 2015	0	0	0	0	0
31 March 2014	1,561	0	0	0	1,561
31 March 2013	15,440	0	0	0	15,440
31 March 2012	4,640	0	0	0	4,640
Total Cost or Valuation	40,496	1,137	4,725	585	46,943

Notes to the Accounts (cont....)

19. Capital Commitments

The Authority has capital commitments of approximately £489k as at 31 March 2016 and these will be financed from 2016/17 resources in accordance with recommended practice.

An analysis of the commitments is given below: -

	31 March 2015	31 March 2016
	£000's	£000's
Projects:-		
Leisure	3,980	182
World Class Stratford	7	6
Information Technology	1	11
Public Offices	52	3
Car Parks	5	8
Disabled Facilities Grants	0	223
Minor Works Grants	0	6
Venture House	0	19
CCTV	0	24
Other Schemes	0	7
Total	4,045	489

20. Heritage Assets

Heritage assets held by this Authority for their historical and cultural significance are the statues in the Bancroft Gardens and in Henley Street, Stratford-upon-Avon. These are the Gower Memorial, the Narcissus Statue and the Jester Statue.

The carrying amount of these assets will be reviewed with sufficient frequency to ensure that the valuations remain current. The last revaluation took place in 2011/12.

Depreciation will not be charged on the above assets as they have an indefinite life, therefore, there will be no changes to the depreciation charged in the financial statements.

There have been no revaluations, additions, disposals or impairments during the 2015/16 financial year, therefore, the carrying value of Heritage Assets held by the authority is shown in the table below: -

	31 March 2015	31 March 2016
	£000's	£000's
Opening and Closing Balance	2,365	2,365

Notes to the Accounts (Cont....)

21. Investment Properties

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:

	31 March 2015 £000's	31 March 2016 £000's
Rental income from investment property	679	623
Direct operating expenses arising from investment property	(110)	(143)
Net gain/(loss)	569	480

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investments or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year: -

	31 March 2015 £000's	31 March 2016 £000's
Balance at start of year	8,780	9,030
Additions	3	0
Revaluations	150	809
Impairments	97	570
Disposals	0	(900)
Transfer to Property, Plant and Equipment	0	(160)
Other Changes	0	142
Balance at end of the year	9,030	9,491

Notes to the Accounts (Cont....)**22. Capital Expenditure and Capital Financing**

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

	31 March 2015 £000's	31 March 2016 £000's
Opening Capital Financing Requirement	440	440
Capital Investment:		
Property, Plant and Equipment	1,507	4,829
Investment Properties	3	0
Intangible Assets	89	3
Revenue Expenditure Funded from Capital under Statute	1,423	1,742
Sources of finance:		
Capital receipts	(1,918)	(4,974)
Grants/Contributions/Section 106	(1,104)	(1,600)
Closing Capital Financing Requirement	440	440

Notes to the Accounts (cont....)

23. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
3 years	PC Replacement Programme (to 31/03/11)*	PC Replacement Programme (to 31/03/11)*
5 years	PC Replacement Programme (from 01/04/11)*	PC Replacement Programme (from 01/04/11)*
5 years	Website Development, Remote Working and various systems	Website Development, Remote Working and various system

(* - the impact on the change in life of the PC Replacement Programme is as follows: - £63k additions, therefore, impact on future periods is £63k/5 = £13k less £63k/3 = £21k. Approximately £8k less amortisation charged in subsequent periods for 2011/12 additions)

	31 March 2015			31 March 2016		
	Internally Generated Assets £000's	Other Assets £000's	Total £000's	Internally Generated Assets £000's	Other Assets £000's	Total £000's
Balance at start of year:						
Gross carrying amounts	2,307	2,477	4,784	2,307	2,566	4,873
Accumulated Amortisation	(1,893)	(2,310)	(4,203)	(2,118)	(2,359)	(4,477)
Net carrying amount at start of	414	167	581	189	207	396
Additions:-						
Purchases	0	89	89	0	3	3
Amortisation for the period	(225)	(49)	(274)	(140)	(66)	(206)
Net carrying amount at end of year	189	207	396	49	144	193
Comprising:						
Gross carrying amounts	2,307	2,566	4,873	2,307	2,569	4,876
Accumulated Amortisation	(2,118)	(2,359)	(4,477)	(2,258)	(2,425)	(4,683)
Total	189	207	396	49	144	193

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £206k charged to revenue in 2015/16 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings as described in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts (cont....)

24. Long Term Debtors

	31 March 2015 £000's	31 March 2016 £000's
Stratford Football Club – Loan (a)	227	239
Grove Road Car Park – Finance Lease (b) – See note 25	131	0
Cox's Yard – Finance Lease (b) – See note 25	1,212	1,201
4/5 Sheep Street – Finance Lease (b) – See note 25	152	150
Balance at 31 March	<u>1,722</u>	<u>1,590</u>

- (a) Loan to Stratford Football Club; and
- (b) These are leases that transfer all the risks and rewards of ownership of an asset to the lessee. Such a transfer may be presumed to occur if, at the inception of the lease, the present value of the minimum lease repayments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

25. Leases – The Authority as Lessor

Finance Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. Following a review of valuations for each element the land value is not considered material and the accounting for the leases therefore remains unchanged.

As listed in note 24 above, the Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts: -

	31 March 2015 £000's	31 March 2016 £000's
Finance lease debtor (net present value of minimum lease payments):		
Current	14	14
Non Current	1,363	1,350
Unearned finance income	8,229	8,149
Gross investment in the lease	<u>9,606</u>	<u>9,513</u>

Notes to the Accounts (cont....)

The gross investment in the lease and the minimum lease payments will be received over the following periods: -

	Net Investments in the Lease		Minimum Lease Payments	
	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's
Not later than one year	14	14	93	93
Later than one year and not later than five years	70	70	465	465
Later than five years	1,293	1,280	9,048	8,955
Total	1,377	1,364	9,606	9,513

Operating Leases - The Authority as Lessor

The Authority leases out a number of properties on a commercial basis in order to derive rental income.

The value of investment properties included in the Balance Sheet at 31 March 2016 is £9.4m.

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

	31 March 2015 £000's	31 March 2016 £000's
Not later than one year	1,023	1,157
Later than one year and not later than five years	2,782	3,237
Later than five years	22,425	21,902
Total	26,230	26,296

Operating Leases – The Authority as Lessee

Rentals paid under operating leases by this Authority amounted to £59k in 2015/16 and are in respect of printing equipment.

	2014/15 £000's	2015/16 £000's
(a) Not later than one year	52	59
(b) Later than one year and not later than five years	12	54
Total	64	113

Notes to the Accounts (cont....)

26. Financial Instruments

The financial instruments disclosed in the Balance Sheet consist of the following categories:

Financial Assets	Long Term	Current	Long Term	Current
	31 March 2015	31 March 2015	31 March 2016	31 March 2016
	£000's	£000's	£000's	£000's
Loans and Receivables:-				
Loan	227	0	239	0
Finance Lease Lessor - Debtor	1,495	25	1,351	14
Trade Debtors	0	1,245	0	1,501
Money Market Funds	0	18,000	0	16,000
Financial Asset - Interest	101	101	88	88
Bank	0	2,785	0	3,838
Total	1,823	22,156	1,678	21,441

Financial Liabilities	Long Term	Current	Long Term	Current
	31 March 2015	31 March 2015	31 March 2016	31 March 2016
	£000's	£000's	£000's	£000's
Amortised Cost:-				
Trade Creditors	0	1,460	0	1,796
Total	0	1,460	0	1,796

Gains and losses recognised in the Comprehensive Income and Expenditure Statement:

Financial Assets	Loans and Receivables	Loans and Receivables
	31 March 2015	31 March 2016
	£000's	£000's
Interest Received	(284)	(252)
Total	(284)	(252)
Financial Liabilities	At Amortised Cost	At Amortised Cost
	31 March 2015	31 March 2016
	£000's	£000's
Interest Paid	0	5
Total	0	5

Notes to the Accounts (cont....)

Fair Value of Assets and Liabilities carried at amortised cost

Financial liabilities and financial assets, including loans and receivables and creditors, represented by Borrowings 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 will take place over the remaining term of the instruments using the following assumptions:

- PWLB and Market debt; estimated interest rates at 31 March 2016 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31 March 2016 for equivalent loans.
- Investments; short term – carrying amounts in the balance sheet approximate to fair value.

The fair values calculated are as follows:

Financial Assets	Carrying Amount	At Fair Value	Carrying Amount	At Fair Value
	31 March 2015	31 March 2015	31 March 2016	31 March 2016
	£000's	£000's	£000's	£000's
Short Term:-				
Money Market Funds	18,000	18,000	16,000	16,000
Financial Asset - Interest	101	101	88	88
Trade Debtors	1,270	1,270	1,515	1,515
Bank	2,785	2,785	3,838	3,838
Long Term:-				
Loan	227	227	239	239
Finance Lease Lessor	1,508	1,508	1,353	1,353

Financial assets – where an instrument is due to mature within 12 months the carrying amount is assumed to approximate fair value. The carrying value of the long term assets are valued the same as fair value as the loan is fixed at market rate and the finance lease lessor has been valued and stated at fair value. We do not expect any change to this assumption.

Financial Liabilities	Carrying Amount	At Fair Value	Carrying Amount	At Fair Value
	31 March 2015	31 March 2015	31 March 2016	31 March 2016
	£000's	£000's	£000's	£000's
Short Term:-				
Trade Creditors	1,460	1,460	1,796	1,796

The Council has no borrowings as at 31 March 2016 (none at 31 March 2015).

Financial Liabilities - where an instrument is due to mature within 12 months the carrying amount is assumed to approximate fair value.

Notes to the Accounts (cont....)

Disclosure of nature and extent of risks arising from financial instruments

Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first liquidity second and then return.

In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, The Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Capita ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Creditworthiness Policy

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi-nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used

The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Liquidity risk

The Authority currently has a strategy to take on no long term borrowing. Short term borrowing for cash flow purposes is covered in the Treasury Management Strategy and is limited to £10m in total.

The only financial liability as at 31 March 2016 is the trade and other creditors that are due to be paid in less than one year.

Notes to the Accounts (cont....)

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions: -

31 March 2016	Amount at 31 March 2016 £000's	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability £000's
Deposit held with Fund	16,000	0	0	0
Sales Ledger	976	0.39%	0.39%	4
31 March 2015	Amount at 31 March 2015 £000's	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability £000's
Deposit held with Fund	18,000	0	0	0
Sales Ledger	1,334	0.59%	0.59%	8

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits, with financial instructions.

Credit limits are not generally imposed on customers and clients of Council services.

The sales ledger debt is £976k (£1,334k in 2014/15). The sales ledger debt can be analysed by age as follows:

	31 March 2015 £000's	Past due but not impaired £000's	31 March 2016 £000's	Past due but not impaired £000's
Less than a year	1,079	1,079	721	721
More than one year	255	184	255	159
Total	1,334	1,263	976	880

All classes of debt are assessed for impairment on the basis of a provision being made of 25%, 50% and 75% for debts 1 to 2 years, 2 to 3 years and over 3 years respectively. Historical default rates have proved this calculation to be sufficient. The only exception to this are the debts raised in respect of the Rent Express scheme totalling £63k as at 31 March 2016. These invoices are repaid via the housing benefit system or landlord when the tenant moves out so there is no default expected on these debts.

Notes to the Accounts (cont....)

(iii) Market risk

Interest rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse charges to be accommodated.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000's
Increase in interest receivable on variable rate investments	203
Impact on Comprehensive Income and Expenditure Statement	203

The interest rate sensitivity analysis is prepared using a 1% change – this is considered to be reasonable and informative whilst overall rates remain low.

Notes to the Accounts (cont....)**27. Short Term Debtors**

	31 March 2015	31 March 2016
	£000's	£000's
Central Government	1,183	1,079
Other local authorities	691	243
Other entities and individuals	3,559	2,906
	<hr/>	<hr/>
	5,433	4,228
Less Provision for bad and doubtful debts:-		
General Revenue Account	(358)	(413)
Housing Benefit overpayments	(53)	(56)
Collection Fund	(178)	(185)
	<hr/>	<hr/>
Total	4,844	3,574
	<hr/>	<hr/>

The amount charged in year for bad and doubtful debts amounts to £65k.

28. Short Term Creditors

	31 March 2015	31 March 2016
	£000's	£000's
Central Government	(1,270)	(1,978)
Other Local Authorities	(420)	(42)
Other entities and individuals	(2,536)	(2,847)
	<hr/>	<hr/>
Total	(4,226)	(4,867)
	<hr/>	<hr/>

Notes to the Accounts (cont....)**29. Provisions**

	Insurances £000's	Local Land Charges £000's	NNDR Appeals £000's	Total £000's
Balance at 1 April 2015	(7)	(131)	(1,217)	(1,355)
Additonal Provisions in year	0	(78)	(100)	(178)
Amounts used in year	1	89	0	90
Balance at 31 March 2016	(6)	(120)	(1,317)	(1,443)

Provisions are charged to the appropriate account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Settlements are reviewed at the end of the financial year and where this is not required or a lower settlement than anticipated is made the provision is reversed and credited back to the relevant account.

Insurances

The insurance provision covers all insurance claims for which the Council has a potential legal liability. It is expected that these will be resolved within 12 months and any payments due will be made within this period.

Local Land Charges

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council had been informed that the value of those claims at present as at 31 March 2016 was £120,000. Since the 31 March all outstanding claims have been settled, including costs, all within the £120k provided.

NNDR Appeals

The NNDR Appeals provision covers all appeals against NNDR charges as at 31 March 2016. Appeals are made against the business rate valuations issued as a result of the 2010 Rating List. Based on local knowledge of settlement of appeals and national trends by property class the sum of £1,317k is deemed an appropriate level of provision.

Notes to the Accounts (cont....)

30. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 11.

	31 March 2015 £000's	31 March 2016 £000's
Usable Capital Receipts Reserve (Proceeds of asset sales to be used to fund capital expenditure)	(9,562)	(6,018)
Earmarked Reserves (note 10)	(1,726)	(1,763)
Capital Grants Unapplied Account (Grants received from outside bodies to fund capital expenditure)	(159)	(75)
General Fund Balance (Resources available to meet future expenditure)	(5,106)	(6,084)
Total	<u>(16,553)</u>	<u>(13,940)</u>

31. Unusable Reserves

	31 March 2015 £000's	31 March 2016 £000's
Capital Adjustment Account (note 31a)	(39,521)	(40,266)
Revaluation Reserve (note 31b)	(13,774)	(18,536)
Deferred Capital Receipts Reserve (note 31c)	(1,367)	(1,353)
Pensions Reserve (note 31d)	43,334	34,211
Collection Fund Adjustment Account (note 31e)	809	943
Accumulated Absences Account (note 31f)	146	151
Financial Instruments Adjustment Account (note 31g)	12	0
Total	<u>(10,361)</u>	<u>(24,850)</u>

Notes to the Accounts (cont....)

31a. Capital Adjustment Account

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 enhancement of 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 historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

It should be noted that the account is matched by assets within the Balance Sheet and is not resources available to the Authority.

	31 March 2015 £000's	31 March 2016 £000's
Balance at 1 April	(39,637)	(39,521)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment (see items marked (*) in note 9 and 19)	2,616	4,329
Amortisation of Intangible Assets	273	206
Revenue Expenditure Funded from Capital under Statute	1,423	1,742
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<u>0</u>	<u>1,169</u>
	4,312	7,446
Adjusting amounts written out of the Revaluation Reserve	<u>(928)</u>	<u>(1,138)</u>
	(36,253)	(33,213)
Capital financing applied in the year:		
Capital expenditure financed from capital receipts	(1,918)	(4,974)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(759)	(1,536)
Application of grants to capital financing from the Capital Grants Unapplied Account	<u>(344)</u>	<u>(63)</u>
	(3,021)	(6,573)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(247)	(479)
Balance at 31 March	<u>(39,521)</u>	<u>(40,265)</u>

Notes to the Accounts (cont....)

31b. Revaluation Reserve

The above Reserve contains gains made by the Authority arising from increases in the value of its assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired, used in the provision of services and the gains consumed through depreciation, or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2015 £000's	31 March 2016 £000's
Balance at 1 April	(14,189)	(13,774)
Upward revaluation of assets	(518)	(6,497)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>5</u>	<u>493</u>
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(513)	(6,004)
Difference between fair value depreciation and historical cost depreciation	928	1,138
Accumulated gains on assets sold	<u>0</u>	<u>104</u>
Amount written off to the Capital Adjustment Account	928	1,242
Balance at 31 March	<u>(13,774)</u>	<u>(18,536)</u>

31c. Deferred Capital Receipts Reserve

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

	31 March 2015 £000's	31 March 2016 £000's
Balance at 1 April	(1,381)	(1,367)
Transfer to Capital Receipts Reserve upon receipt of cash	14	14
Balance at 31 March	<u>(1,367)</u>	<u>(1,353)</u>

Notes to the Accounts (cont....)

31d. Pensions Reserve

The Pensions 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 Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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 paid.

	31 March 2015	31 March 2016
	£000's	£000's
Balance at 1 April	33,495	43,334
Actuarial (gains) or losses on pensions assets and liabilities	8,216	(11,104)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement	3,021	3,501
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,398)	(1,520)
Balance at 31 March	<u>43,334</u>	<u>34,211</u>

31e. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	£000's	£000's
Balance at 1 April:		
Council Tax	(57)	(34)
NNDR	57	843
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements:-		
Council Tax - In year	23	(29)
Business Rates - In Year	786	163
Balance at 31 March:		
Council Tax	(34)	(63)
NNDR	<u>843</u>	<u>1,006</u>

Notes to the Accounts (cont....)**31f. Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31 March 2015 £000's	31 March 2016 £000's
Balance at 1 April	170	146
Settlement or cancellation of accrual made at the end of the preceding year	(24)	5
Balance at 31 March	<u>146</u>	<u>151</u>

31g. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account shows the amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements. The difference has arisen due to a soft loan, a loan with a below market interest rate. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

	31 March 2015 £000's	31 March 2016 £000's
Balance at 1 April	24	12
Interest Received	(12)	(12)
Balance at 31 March	<u>12</u>	<u>0</u>

Notes to the Accounts (cont....)**32. Grant Income**

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	31 March 2015	31 March 2016
	£000's	£000's
Credited to Taxation and Non-Specific Grant Income:-		
Revenue Support Grant	2,311	1,547
Redistributed Non-Domestic Rates	2,609	3,363
Homelessness Prevention	97	97
Council Tax Grant	304	373
New Homes Bonus	1,604	2,255
Council Tax Support	6	0
Other Government Grants	43	57
Capital Grants and Contributions:		
New FMS System	62	0
Venture House	0	435
Total	<u>7,036</u>	<u>8,127</u>
Credited to Services:-		
DWP subsidy for benefits	28,944	28,285
Disabled Facilities Grant (DCLG)	294	373
S106 contributions towards social housing, leisure facilities etc	416	728
Housing and Homelessness	247	118
NNDR Administration Grant	232	228
Social Transport	20	16
Market Town Funding	62	64
CCTV	57	66
Various small grants and contributions	67	2
Crime Reduction and Anti-Social Behaviour	34	51
Capitalisation Provision	62	0
Individual Electoral Registration	48	0
Neighbourhood Plan Consultation	42	65
Total	<u>30,525</u>	<u>29,996</u>

Notes to the Accounts (cont....)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have legally binding conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows: -

Capital Grants/Contributions Receipts in Advance	31 March 2015 £000's	31 March 2016 £000's
Regional Housing Pot (DCLG)	163	163
Stratford Skate Park	2	2
LPSA2 - Affordable Housing	114	114
S106 contributions towards social housing, leisure facilities, car parking etc	2,258	2,121
Total	2,537	2,400

33. Reconciliation of (Surplus)/Deficit to Net Cash Inflow from Revenue Activities

	31 March 2015 £000's Restated	31 March 2016 £000's	
(Surplus)/Deficit on provision of services (page 13)	3,358	5,231	
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Charges for depreciation and impairment	(2,616)	(4,330)	
Amortisation of Intangible Assets	(274)	(206)	
Revenue Expenditure Funded from Capital under Statute	(1,423)	(1,742)	
Pensions	(1,623)	(1,981)	
Collection Fund	(809)	(134)	
Accumulated Absences Account	24	(4)	
Movement in market value of investment properties	247	479	
Transfers (from)/to earmarked reserves	1,162	37	
Gains/Losses on disposal of non-current assets	0	(1,245)	
Other (movement in debtors, creditors etc)	<u>2,357</u>	<u>(2,955) (1,822)</u>	(10,948)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
Right to Buy clawback and other windfall receipts	391	1,389	
Housing Pooled Capital Receipts	(1)	0	
Government grants used against capital expenditure	809	1,515	
Financial Instruments Adjustment Account	<u>11</u>	<u>1,210 12</u>	2,916
Net cash flows from Operating Activities	1,613	(2,801)	

Notes to the Accounts (cont....)**34. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

	2014/15 £000's	2015/16 £000's
Interest Paid	0	6
Interest received	(276)	(252)
Total	<u>(276)</u>	<u>(246)</u>

35. Cash Flow Statement – Investing Activities

	2014/15 £000's	2015/16 £000's
Purchase of property, plant and equipment, investment property and intangible assets	1,480	5,051
Other payments for investing activities	1,580	1,900
Other receipts from investing activities	(1,336)	(2,801)
Total	<u>1,724</u>	<u>4,150</u>

36. Cash Flow Statement – Financing Activities

	2014/15 £000's	2015/16 £000's
Other payments for financing activities	78	(401)
Total	<u>78</u>	<u>(401)</u>

37. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements: -

	As at 31 March 2015 £000's	As at 31 March 2016 £000's	Movement in year £000's
Bank current accounts	2,786	3,838	(1,052)
Temporary investments	18,000	16,000	2,000
Total	<u>20,786</u>	<u>19,838</u>	<u>948</u>

Notes to the Accounts (cont....)**38. Termination Benefits**

There was one contract terminated in 2015/16. This is detailed below: -

Bands	2014/15			2015/16		
	No of Packages Compulsory	No of Packages Other	No of Packages Total	No of Packages Compulsory	No of Packages Other	No of Packages Total
£100,000 - £150,000	0	0	0	1	0	0
Total	0	0	0	1	0	0

This package incurred redundancy costs as follows: -

Bands	2014/15			2015/16		
	£000's Compulsory	£000's Other	£000's Total	£000's Compulsory	£000's Other	£000's Total
£100,000 - £150,000	0	0	0	144	0	144
Total	0	0	0	144	0	144

39. Accruals

	31 March 2015 £000's	31 March 2016 £000's
General Fund Provisional Creditors	(1,714)	(1,321)
Capital Provisional Creditors	(441)	(24)
Year End Revenue Purchase Order Accruals	0	(725)
Building Control Fees Prepaid	(128)	(151)
Accumulated Absences Account	(146)	(151)
Total	(2,429)	(2,372)

For a detailed explanation of the purpose of accruals – please see Accounting Policy note ii.

SUPPLEMENTARY FINANCIAL STATEMENTS**Collection Fund**

2014/15 £000's	Council Tax	2015/16 £000's
	Income	
(75,452)	Income from Council Taxpayers	(78,164)
(4)	Transfers from General Revenue Account: - Transitional reduction scheme	0
<u>(75,456)</u>	Total Income	<u>(78,164)</u>
	Expenditure	
	Precepts and Demands: -	
57,492	Warwickshire County Council	59,392
9,006	Police & Crime Commissioner	9,308
6,248	Stratford-on-Avon District Council	6,332
2,562	Parish Councils	2,701
	Contributions from estimated Collection Fund (Surplus)/Deficit: -	
328	Warwickshire County Council	49
51	Police & Crime Commissioner	8
36	Stratford-on-Avon District Council	5
	Provisions for Bad and Doubtful Debts: -	
124	Council Tax	284
(140)	Council Tax - Write Offs	(271)
<u>75,707</u>	Total Expenditure	<u>77,808</u>
<u>251</u>	(Surplus)/Deficit for the year	<u>(356)</u>
(649)	Balance at 1 April	(398)
251	(Surplus)/Deficit for the year	(356)
<u>(398)</u>	(Surplus)/Deficit balance at 31 March	<u>(754)</u>
	The surplus is split between: -	
(34)	Stratford-on-Avon District Council	(64)
(315)	Warwickshire County Council	(596)
(49)	Police & Crime Commissioner	(94)
<u>(398)</u>		<u>(754)</u>

Collection Fund

2014/15 £000's	Business Rates	2015/16 £000's
	Income	
(52,401)	Income from Business Ratepayers	(52,975)
(52,401)	Total Income	(52,975)
	Expenditure	
	Pool Payments:-	
26,276	Central Government	27,072
5,255	Warwickshire County Council	5,414
21,130	Stratford-on-Avon District Council	21,658
	Contributions from estimated NNDR Surplus/(Deficit):-	
(208)	DCLG	(910)
(42)	Warwickshire County Council	(182)
(167)	Coventry & Warwickshire Pool	(728)
219	Cost of Collection allowance	218
(208)	Transitional Payment protection due to DCLG	505
0	Renewable Energy Payments	63
0	Transitional Relief	6
420	Provision for Appeals	250
	Provisions for Bad and Doubtful Debts:-	
301	Business Rates	583
(179)	Business Rates - Write Offs	(566)
52,797	Total Expenditure	53,383
396	(Surplus)/Deficit for the year	408
1,713	Balance at 1 April	2,109
396	(Surplus)/Deficit for the year	408
2,109	(Surplus)/Deficit balance at 31 March	2,517
	The deficit is split between:-	
844	Stratford-on-Avon District Council	1,007
1,054	Central Government	1,258
211	Warwickshire County Council	252
2,109	Total	2,517

Notes to the Collection Fund

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The Collection Fund shows transactions relating to Council Tax, Business Rates and residual Community Charge. In addition, it illustrates the way in which the income is distributed.

2. Business Rate Pooling

Following the Local Government Finance Bill, with effect from 1 April 2013, the District Council agreed to participate in the Warwickshire & Coventry Business Rates Pool consisting of the following authorities: -

Coventry City Council;
North Warwickshire Borough Council;
Nuneaton and Bedworth Borough Council;
Rugby Borough Council;
Stratford-on-Avon District Council;
Warwick District Council; and
Warwickshire County Council

Under the new legislation, 50% of business rates collected by the billing authority is retained locally, the other 50% is paid to the government. The locally retained business rate is then split 80% to the Pool and 20% to Warwickshire County Council.

Notes to the Collection Fund

3. Council Tax

Council Tax is calculated by estimating the amount of income required from the Collection Fund by the District Council, Warwickshire County Council and Warwickshire Police Authority for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base for 2015/16 was estimated as follows (*figures have been rounded*): -

	Number of Properties	Adjustments for Discounts	Notional Properties	Band 'D' Ratio	Band 'D' Equivalents
Band A *	10	(1)	9	5/9	5
Band A	3,179	(457)	2,722	6/9	1,813
Band B	7,485	(911)	6,574	7/9	5,113
Band C	15,337	(1,439)	13,898	8/9	12,354
Band D	9,128	(774)	8,354	9/9	8,354
Band E	8,614	(566)	8,048	11/9	9,836
Band F	5,100	(276)	4,824	13/9	6,967
Band G	4,718	(206)	4,512	15/9	7,520
Band H	830	(40)	790	18/9	1,581
	<u>54,401</u>	<u>(4,670)</u>	<u>49,731</u>		<u>53,543</u>
Estimated change to band 'D' equivalent net of discount (new properties)					709
Estimated changes to discounts and exemptions					(68)
Estimated changes due to Council Tax Support, empty and homes discounts/exemptions					(4,615)
Gross estimate of new taxbase 2015/16					49,569
Add estimated contributions in lieu of Ministry of Defence properties					<u>76</u>
					49,645
Less estimated non-collection (0.4%)					(198)
Tax Base					<u>49,447</u>

The basic amount of Council Tax for a Band 'D' property is multiplied by the relevant ratio above to calculate the amount due for each property band.

Band 'A'* - represents those taxpayers that are eligible for a disabled reduction. They are charged on the next lower band because there is not a band lower than 'A'. They get a reduction that is calculated as five ninths of the Band D charge.

4. Business Rates

Subject to the effects of transitional arrangements, local businesses pay an amount equivalent to the rateable value of property multiplied by the Government specified national non-domestic rate multiplier for the year. With effect from April 2015 the non-domestic rate multiplier was 48.0p for small businesses and 49.3p for larger businesses. The total non-domestic rateable value at 7 March 2015, used to raise accounts for the District Council area for 2015/16, was £131,946,004.

GLOSSARY OF TERMS

ACCOUNTING POLICIES

The policies and concepts used in the preparation of the accounts.

ACCRUALS

Income and expenditure are shown in the accounts in period they are earned or incurred, not as money is received or paid.

ASSETS

Something this Authority owns that has monetary value – for example, land and buildings.

BALANCE SHEET

A financial statement summarising the Authority's assets, liabilities and other balances at the end of each accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition, construction or enhancement of an asset that will be used to provide services for more than one year.

CAPITAL EXPENDITURE FINANCED FROM REVENUE

Revenue resources used to finance capital expenditure.

CAPITAL FINANCING

The various sources of money used to pay for capital expenditure – for example, usable capital receipts, capital grants, capital contributions, Section 106 monies and direct revenue financing.

CAPITAL RECEIPTS

Income from the sale of capital assets, such as land or buildings, which would be available to finance other items of capital expenditure. Capital receipts cannot be used to fund revenue services.

COLLECTION FUND

A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account brings together income and expenditure relating to all of the Authority's functions. It demonstrates how the costs have been financed from government grants, income from local taxpayers and other fees and charges.

CREDITORS

Amounts owed by the Authority for work done, goods and services that have been supplied in the accounting period but not paid for.

DEBTORS

Amounts owed to the Authority by others for goods and services that have been supplied but remain unpaid at the end of the accounting period.

DEPRECIATION

This is a charge made to the revenue account each year to reflect the reduction in the value of Property, Plant and Equipment used to deliver services.

EARMARKED RESERVES

Amounts set aside for purposes falling outside the definition of provisions.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure to help with the provision of services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

GLOSSARY OF TERMS (continued)

HOUSING BENEFITS

This scheme provides financial assistance towards the domestic rent payments of tenants in registered social landlord accommodation or privately owned accommodation whose incomes fall below prescribed amounts. The governments subsidises the cost of this service.

IMPAIRMENT

This is a reduction in the value of an asset below its carrying amount on the balance sheet arising from damage to the property or a significant reduction in market value.

LIABILITY

A liability is included in the financial statements when the Authority owes money to others – for example, creditors or cash overdrawn.

NON-DISTRIBUTED COSTS

These are costs which cannot reasonably be charged to the cost of individual services and include, for example, contributions to meet pension charges.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

PROVISIONS

Monies set aside to meet any liabilities or losses that are likely or will be incurred but where the amount due or the timing of the payment is not known with any certainty.

RATEABLE VALUE

The annual assumed rental value of a property that is used for business purposes.

RESERVES

Reserves result from the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Authority's discretion.

REVENUE EXPENDITURE

Expenditure incurred on the day to day provision of services.

REVENUE SUPPORT GRANT

A general grants paid by the Government to local authorities as a contribution towards the cost of their services.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATFORD-ON-AVON DISTRICT COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of Stratford-on-Avon District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Movement in Reserves Statement;
- Council Comprehensive Income and Expenditure Statement;
- Council Balance Sheet;
- Council Cash Flow Statement;
- Collection Fund; and
- related notes, numbers 1 to 39.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Stratford-on-Avon District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the Executive Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect

based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Stratford-on-Avon District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the other information given in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Stratford-on-Avon District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

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

Auditor's responsibilities

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Stratford-on-Avon District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Stratford-on-Avon District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Stratford-on-Avon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Stephen Clark

27 September 2016

*Stephen Clark (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham*

