

STATEMENT OF ACCOUNTS 2010/2011

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- i) to 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 Head of Resources (the Authority's Chief Financial Officer);
- ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- iii) approve the Statement of Accounts.

The Head of Resources Responsibilities

The Head of Resources 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 of Practice').

In preparing this statement of accounts, the Head of Resources 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 Code of Practice.

The Head of Resources 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 15 as presented are a true and fair view of the financial position of Stratford-on-Avon District Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Date: 26/9/11

Signature:



Head of Resources

A Financial Review from the Leader (2010/2011) and the Head of Resources

For 2010/2011 the District Council approved a net Revenue expenditure Budget of £14.5m.

The net revenue expenditure for all of the council's services was £14,644k (£15,009k including capital charges) against a revised budget of £14,809k resulting in an underspend of £165k (1.1%). The budgeted use of the General Fund was £659k, however with the underspend and additional collection fund receipts of £29k and government grants of £14k the overall use of the General Fund was £451k together with £139k being transferred from Earmarked reserves.

Major income received was £7m from general Government Grant and the National Non-Domestic Rate pool, plus £9.3m from Council Tax payers. The Government contribution was £35k higher than the previous year (0.5%) with additional specific grants received of £468k and £36k for Concessionary Fares and Area Based Grant respectively. The Council Tax levy at Band D was increased by 1.5% from £127.43 to £129.34 per domestic property per year.

The 2010/2011 Capital Expenditure Amended Estimate (inclusive of 2009/2010 slippage) was £9m, comprising mainly of £625k for Pathlow Gypsy Site, £910k for Planned Maintenance, £1.9m for World Class Stratford, £998k for E-Government, £703k for Disabled Facilities and Home Repairs Grants, £888k for Social Housing and £1.8m for various Section 106 schemes. Spending on some major projects was deferred until 2011/2012. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations. The final 2010/2011 capital expenditure was £4.3m.

At 31 March 2011 the Council held a total £3.1m in General Revenue and Earmarked balances, £14.1m in available Capital resources and had no outstanding debt.

Foreword

Introduction

1. This foreword provides an explanation of the financial aspects of the Council's activities and endeavours to provide an understandable guide to the significant matters reported in the accounts.
2. All local authority income and expenditure is classified as either revenue or capital.
 - i) Revenue income and expenditure for the year is summarised within the Comprehensive Income and Expenditure Statement. This Statement details the net operating expenditure or the running costs of the Council for the year and the extent to which this has been financed from Government grant and local taxpayers. Expenditure of a revenue nature must be financed in the year of that expenditure as the goods and services bought are deemed to have also been consumed in the year. A separate revenue account is maintained for the Collection Fund, which includes income and expenditure in respect of Tax, Non-domestic Rates ('Business Rates') and residual Community Charge. Transactions between the Comprehensive Income and Expenditure Statement and this account are shown "below the line" within the Comprehensive Income and Expenditure Statement.
 - ii) Capital expenditure is expenditure that results in the creation or enhancement of assets. The benefits resulting from this expenditure are deemed to last for more than one year. Capital income comes from receipts due to the sale of assets, and also grants and contributions towards specific capital projects. Capital income and expenditure are recorded within the Balance Sheet. There are implications for revenue accounts in respect of the amount of capital expenditure financed by revenue resources.

Revenue Income and Expenditure

3. The net District Expenditure for 2010/2011 was £14,644k compared to a budgeted £14,809k. This underspend together with the £150k identified slippage that will be financed in 2011/2012 leads to an effective underspend of £15k.
4. The major variances, comparing actual expenditure against the revised budget, contained within the Comprehensive Income and Expenditure statement include: -

	£000's
Appropriations	(149)
Concessionary Fares	115
Corporate Estates	62
Council Tax Benefits	(81)
Housing Benefits	(75)
Indicative Savings	(99)
Investment Interest	(92)
Non Distributed Costs	215
Off-Street Parking	60
Planning Policy	(172)
Other	51
Total	(165)

Foreword (cont....)

5. The Comprehensive Income and Expenditure Statement details the gross costs of service provision amounting to £55,963,187. This expenditure has been analysed as follows:

	£000's
Direct Employee expenses	6,263
Service costs	3,301
Third party payments	6,789
Transfer payments	28,597
Support services	7,012
Capital charges	4,001
Total	<u>55,963</u>

A breakdown of employee costs is given in the table below: -

Employee Costs	Within Direct Services £000's	Within Support Services £000's	Total £000's
Salary	5,117	3,237	8,354
National Insurance	412	242	654
Superannuation	699	439	1,138
Total	<u>6,228</u>	<u>3,918</u>	<u>10,146</u>

Direct employee expenses comprises payments to and on behalf of the Council's employees. It includes salaries, employer's national insurance and superannuation contributions, training, professional subscriptions, recruitment, and health and safety costs.

Service costs are running expenses and include the cost of maintaining buildings, operating vehicles and the purchase of goods.

Third Party Payments are payments to others in respect of the provision of services and include mainly contract payments to companies providing services on the Council's behalf.

Transfer payments are payments made to others for which no goods or services are received and are principally in respect of housing and council tax benefits.

Support services are provided mainly by the Monitoring Officer, Member Services, Change and Performance, Customer Services and Resources to direct services of the Council. These costs include support service employee costs and any equipment and licences in the case of Change and Performance.

Capital charges comprise depreciation/impairments and represent the real cost of using assets to provide services.

Foreword (cont....)

6. The gross income of £39,759,740, shown in the Comprehensive Income and Expenditure Statement has been analysed as follows:

	£000's
Government Grants	34,617
Rent income	57
Sales, Fees and Charges	2,587
Other income	2,499
Total	<u>39,760</u>

Government grant income of £34,616,688 is received towards the cost of Council Tax Benefits, Housing Benefits, their administration, National Non-Domestic Rate administration and Disabled Facilities Grants.

Rent income comprises mainly rents in respect of industrial and commercial properties.

Income from sales, fees and charges including building control fees, planning fees, land charges fees and licencing fees.

7. The net cost of services within the Comprehensive Income and Expenditure Statement is £16,203,446. The services provided for this amount are summarised below:

	£000's
Central Services	176
Cultural, Environmental, Regulatory and Planning Services	12,099
Highways and Transport Services	1,313
Housing	2,615
Total	<u>16,203</u>

Precepts to town and parish councils, investment income, income from Council Tax payers, and Government grant to finance overall Council expenditure, along with various appropriations, are shown below the net cost of services within the Comprehensive Income and Expenditure Statement. After these items, there is a contribution from reserves for the year of £451k. This compares to a budgeted use of reserves of £659k.

8. Pensions liabilities are the estimated underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £75,634k has a significant impact on the net worth of the Council as recorded in note 17 on page 36. 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.

Capital Expenditure

9. Capital expenditure amounted to £4.3m in 2010/2011. This compares to an original estimate of £3.2m which was subsequently revised to £9m (inclusive of slippage).

The underspend, compared to revised estimates, of (£4.7m) is largely attributable to delays in expenditure, notably refurbishment of Pathlow Gypsy Site (£365k), World Class Stratford (£678k), Housing (£732k), IT Development (£353k), Sound System (£60k), Planned Maintenance (£665k) and various Section 106 projects (£1.5m).

Foreword (cont....)

10. A summary of capital expenditure in 2010/2011 is shown below:

	£000's
Home Improvement Grants	553
Affordable Housing	662
ICT – e-government	645
Public Offices	144
Car Parks	82
Waste and Cleansing	40
Area Committee Capital Grants	45
Pathlow Gypsy Site	266
Leisure Facilities	308
Empty Homes	64
World Class Stratford	1,271
Other Capital Projects	270
Total	<u>4,350</u>

Capital grants include payments to village halls and other voluntary organisations within the District as contributions towards capital expenditure incurred.

11. Capital income received in year amounted to £2.87m in 2010/2011. This figure mainly comprises: Right to Buy Receipts (£115k) and various grants and contributions (£2.7m).

The level of capital receipts held as at the year end was £14,105k. Capital slippage of £3.1m (Planned Maintenance £140k, Customer Access £120k, Bridgetown Land £161k, Southam re-development £853k, Warwick Road Land £207k and Affordable Housing Investment Programme £489k, Bridgetown Cyclepath £560k) has been approved, which will be financed from accumulated capital receipts, giving an adjusted level of receipts of £11m.

The Future

12. The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events.

The General Revenue Account balance stood at £2.4m as at 31 March 2011. However, this is reduced to £2.3m after allowing for revenue slippage of £150k.

The Authority also holds £612k in Earmarked Reserves.

13. Accumulated usable capital receipts amounted to over £14.1m at 31 March 2011. The Council plans to spend and finance £2.08m on capital schemes in 2011/2012 which will include the E-Government Action Plan, Planned Maintenance, Affordable Housing Investment Programme, Disabled Facilities Grants, Home Repair Assistance Grants and Empty Homes.

The level of capital income expected for 2011/2012 amounts to £200k being Disabled Facilities Grant.

Foreword (cont....)

The Accounting Statements

14. The Council's accounting statements for the year 2010/2011 are as follows:

Page

- | | |
|----|--|
| 9 | Statement of Accounting Policies. The policies and concepts used in the preparation of the accounts. |
| 17 | Movement in Reserves Statement. This statement shows the movement in the year on the different reserves held by the Authority. |
| 19 | Comprehensive Income and Expenditure Statement. This account brings together all the functions of the Authority and summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year. |
| 20 | Balance Sheet. This statement sets out the financial position of the Council as at the 31 March 2011. It shows the assets and liabilities of the Council as a whole including those relating to the Collection Fund. |
| 21 | Cash Flow Statement. This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. |
| 62 | Collection Fund. This is concerned with Council Tax, Business Rates and residual Community Charge. Stratford-on-Avon District Council is responsible for collecting local taxes on behalf of Warwickshire County Council, Warwickshire Police Authority and the District Council itself. Town and parish council precepts are included within the District Council's demand on the Collection Fund. |
| 74 | Auditors Report. This report contains the auditor's opinion on whether the Authority's accounts show a true and fair view of its financial affairs. |

Where relevant, equivalent figures for the previous year 2009/2010 are shown for comparative purposes.

Further Information

15. Further information about the functions of the Council is contained within the Annual Report for 2010/2011.
16. Further information about the Council's finances is available from:

Head of Resources
Stratford-on-Avon District Council
Elizabeth House
Church Street
Stratford-upon-Avon
CV37 6HX
e-mail address – finance@stratford-dc.gov.uk

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/2011 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011, supported by International Financial Reporting Standards (IFRS).

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 instruments.

2. 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.

3. Government Grants

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-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies (cont....)

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.

4. Overheads

Support services expenditure includes the following:

- most of the salaries and operating expenses of the Monitoring Officer, Member Services, Change and Performance, Customer Services and Resources. These costs are allocated to services on the basis of agreed charges with direct departments (including Corporate Management under Corporate and Democratic Core), reflecting the actual work of support staff and related expenses.
- the cost of public office buildings, mainly Elizabeth House, Stratford-upon-Avon and the various area offices is recharged on the basis of office space occupied in relation to each service. Unoccupied areas have been charged to non-distributed costs.
- central expenses, including bank charges, audit fees and general insurances. Majority of the costs are charged to Corporate Management.

The above expenditure is fully recharged on a full absorption costing basis subject to the separate identification of Corporate and Democratic Core and Corporate Management.

5. Property, Plant and Equipment/Investment Properties

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 over the de minimis level of £10,000 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, 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 (EUV) and where it is significantly different MV is used. All of the assets which were valued in 2011 were valued on the basis of Fair Value (EUV) 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.

Statement of Accounting Policies (cont....)

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 2010/2011 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 £100,000. This will result in depreciation being charged for each individual item of capital expenditure with a value of £100,000 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 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 asset not 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.

Statement of Accounting Policies (cont....)

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.

Depreciation is calculated on the following basis:-

- 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

Assets which are not depreciated are:-

- Freehold land and investment properties; and
- Newly acquired assets in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use.

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 as 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.

Statement of Accounting Policies (cont....)

6. Charges to Revenue for Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding assets during the year: -

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on Property, Plant and Equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations.

7. Intangible Assets

Intangible assets' costs are IT software and training and are included in the balance sheet at cost. They are then amortised on a straight line basis in the Comprehensive Income and Expenditure Statement over five/three years and one year respectively during which the Authority derives benefit from the expenditure.

8. 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.

9. Usable Capital Receipts

Capital receipts received from sales of Council assets including Right to Buy Clawback receipts and are treated as fully usable.

10. Financial Instruments

In line with the introduction of IFRS 7 and IFRS 9, we show financial liabilities and financial assets on our balance sheet when we become involved in the contract relating to the financial instrument.

Financial Liabilities: We measure financial liabilities at their fair value (the amount that the liability could be settled for). However, we measure them on the balance sheet at their amortised cost (current value) using the method needed under accounting rules called the 'effective interest method'.

Financial Assets: We measure financial assets 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 we hold are given in Note 27 to the financial statements on page 48.

11. Inventories

Stocks are shown in the Balance Sheet as determined by the cost of replacement in accordance with the requirements of IAS 2.

Statement of Accounting Policies (cont....)

12. Reserves

The Council maintains reserves for revenue balances, earmarked revenue functions, revaluation reserve, capital adjustment account and usable capital receipts. These are detailed in the Balance Sheet and accompanying notes.

13. 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.

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 probably

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.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 38 to the accounts.

14. Pensions

The Code governing Local Authority accounts requires authorities to account for their pension costs in accordance with IAS 19. The Council has accounted for its pension costs arising from the Local Government Pension Scheme as a defined benefit scheme. The Local Government Pension Scheme is a funded, defined benefits scheme administered by Warwickshire County Council.

Within the Comprehensive Income and Expenditure Statement, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pensions liabilities have changed as a result of employee service during the year. Past service costs and curtailments have been charged to non-distributable costs. The interest cost and expected return on assets have been included in net operating expenditure. As required by legislation, an appropriation to the Pension Reserve has been made, which reverses out the IAS 19 based pension costs in the Comprehensive Income and Expenditure Statement and replaces them with the actual pension related payments made in the year. This ensures that the amount to be funded from Council Tax for the year is equal to the employer's pension contributions payable and payments made directly to pensioners.

The actuarial gain on assets and liabilities has been incorporated within the overall deficit for the year on the fund.

Statement of Accounting Policies (cont....)

15. Post balance sheet events

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.

16. 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.

17. 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.

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.

18. 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.

Statement of Accounting Policies (cont....)

19. Collection Fund

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

20. 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.

Core 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 2010/2011	General Fund Balance (Note 31)	Earmarked Reserves (Note 10)	Building Control Reserve (Note 31)	Usable Capital Receipts Reserve (Note 31)	Capital Grants Unapplied Account (Note 31)	Total Usable Reserves	Unusable Reserves (Note 32)	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2010	2,913	783	(31)	15,714	968	20,347	19,178	39,525
Surplus/(Deficit) on provision of services	(1,887)	0	0	0	0	(1,887)	0	(1,887)
Other Comprehensive Expenditure and Income (see item (a) on face of CI and E)	0	0	0	(1,725)	0	(1,725)	9,244	7,519
Total Comprehensive Expenditure and Income	(1,887)	0	0	(1,725)	0	(3,612)	9,244	5,632
Adjustments between accounting basis and funding basis under regulations (note 9)	1,296	0	0	116	(357)	1,055	(1,055)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	(591)	0	0	(1,609)	(357)	(2,557)	8,189	5,632
Transfers (to)/from Earmarked Reserves (note 10)	140	(181)	41	0	0	0	0	0
Increase/(Decrease) in year	(451)	(181)	41	(1,609)	(357)	(2,557)	8,189	5,632
Balance at 31 March 2011	2,462	602	10	14,105	611	17,790	27,367	45,157

Core Financial Statements

Movement in Reserves Statement

Movement in Reserves Statement 2009/2010 Comparative	General Fund Balance (Note 31) £000's	Earmarked Reserves (Note 10) £000's	Building Control Reserve (Note 31) £000's	Usable Capital Receipts Reserve (Note 31) £000's	Capital Grants Unapplied Account (Note 31) £000's	Total Usable Reserves £000's	Unusable Reserves (Note 32) £000's	Total Authority Reserves £000's
Balance at 1 April 2009	2,640	200	(37)	16,859	702	20,364	28,975	49,339
Surplus/(Deficit) on provision of services	(1,475)	0	0	0	0	(1,475)	0	(1,475)
Other Comprehensive Expenditure and Income (see item (a) on face of CI and E)	0	0	0	(1,432)	0	(1,432)	(6,907)	(8,339)
Total Comprehensive Expenditure and Income	(1,475)	0	0	(1,432)	0	(2,907)	(6,907)	(9,814)
Adjustments between accounting basis and funding basis under regulations (note 9)	2,337	0	0	287	266	2,890	(2,890)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	862	0	0	(1,145)	266	(17)	(9,797)	(9,814)
Transfers (to)/from Earmarked Reserves (note 10)	(589)	583	6	0	0	0	0	0
Increase/(Decrease) in year	273	583	6	(1,145)	266	(17)	(9,797)	(9,814)
Balance at 31 March 2010	2,913	783	(31)	15,714	968	20,347	19,178	39,525

Core 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.

2009/2010 Gross Expenditure £000's Restated	2009/2010 Gross Income £000's Restated	2009/2010 Net Expenditure £000's Restated		2010/2011 Gross Expenditure £000's	2010/2011 Gross Income £000's	2010/2011 Net Expenditure £000's
9,782	(8,468)	1,314	Central Services	10,429	(8,757)	1,672
15,350	(4,003)	11,347	Cultural, Environmental, Regulatory and Planning Services	16,304	(4,205)	12,099
1,093	(2)	1,091	Highways and Transport Services	1,324	(11)	1,313
27,083	(25,325)	1,758	Housing	29,374	(26,759)	2,615
1,800	(24)	1,776	Corporate and Democratic Core	2,107	(28)	2,079
226	(27)	199	Non-Distributed Costs	1,066	0	1,066
55	0	55	Past Service Cost or Gain (note 17)	(4,641)	0	(4,641)
55,389	(37,849)	17,540	Cost of Services	55,963	(39,760)	16,203
2,564	(292)	2,272	Other Operating Expenditure (note 6)	2,652	(120)	2,532
5,467	(5,315)	152	Financing and Investment Income and Expenditure (note 7)	5,044	(4,687)	357
		(18,489)	Taxation and Non-Specific Grant Income (note 8)			(17,206)
		1,475	(Surplus)/Deficit on Provision of Services			1,886
		0	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets (a)			(558)
		8,339	Actuarial (Gains)/Losses on pension assets/liabilities (a)			(6,960)
		8,339	Other Comprehensive Income and Expenditure			(7,518)
		9,814	Total Comprehensive Income and Expenditure Account			(5,632)

Core 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 2009 £000's Restated	31 March 2010 £000's Restated		31 March 2011 £000's
39,804	39,888	Property, Plant and Equipment (note 19)	37,786
7,746	7,512	Investment Property (note 19)	7,492
1,672	1,599	Intangible Assets (note 24)	1,524
1,659	1,796	Long Term Debtors (note 25)	1,768
50,881	50,795	Long Term Assets	48,570
17,133	11,500	Investments (note 27)	24,000
0	0	Assets Held for Sale	122
30	29	Inventories	30
9,569	13,403	Short Term Debtors (note 28)	4,821
0	0	Cash at Bank (note 37)	534
26,732	24,932	Current Assets	29,507
(6)	(321)	Bank Overdraft (note 37)	0
(2,011)	(1,902)	Short Term Creditors (note 29)	(7,559)
(6)	(106)	Provisions (note 30)	(578)
(2,485)	(1,685)	Accruals	(2,064)
(4,508)	(4,014)	Current Liabilities	(10,201)
(20)	(13)	Deferred credits	(8)
(2,477)	(1,131)	Capital Grants Receipts in Advance (note 33)	(1,869)
(21,269)	(31,044)	Pensions (note 17)	(20,842)
(23,766)	(32,188)	Long Term Liabilities	(22,719)
49,339	39,525	Net Assets	45,157
(20,364)	(20,347)	Usable Reserves (note 31)	(17,790)
(28,975)	(19,178)	Unusable Reserves (note 32)	(27,367)
(49,339)	(39,525)	Total Reserves	(45,157)

Date: 26/9/11

Signature:



Head of Resources

Core 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.

2009/2010 £000's Restated		2010/2011 £000's
1,475	Net (surplus) / deficit for the year	1,886
(6,587)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(6,563)
3,619	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,114
(1,493)	Net cash flows from Operating Activities	(2,563)
2,716	Investing Activities (note 35)	1,274
4,591	Financing Activities (note 36)	(12,066)
5,814	Net (increase)/decrease in cash and cash equivalents	(13,355)
(16,993)	Cash and cash equivalents at the beginning of the reporting period	(11,179)
(11,179)	Cash and cash equivalents at the end of the reporting period (note 37)	(24,534)

Notes to the Core Financial Statements

The following notes give clarity to figures used in the preceding statements.

1. Transition to IFRS

The Statement of Accounts for 2010/2011 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010.

The following tables explain the material differences between the amounts presented in the 2009/2010 financial statements and the equivalent amounts presented in the 2010/2011 statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/2010 financial statements: -

Opening 1 April 2009 Balance Sheet

	2009/2010 Statements £000	Adjustments Made £000
Accruals	(176)	(176)
Accumulated Absences Account	176	176

31 March 2010 Balance Sheet

	2009/2010 Statements £000	Adjustments Made £000
Accruals	(177)	(177)
Accumulated Absences Account	177	177

31 March 2010 Comprehensive Income and Expenditure Statement

Cost of Services (Net): -

	2009/2010 Statements £000	Adjustments Made £000
Central Services to the Public	1	1

Notes to the Core Financial Statements

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

Consequently, in adopting the accounting policy required by the Code, the financial statements have been amended as follows:-

- The balance previously on Capital grants/contributions deferred at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/2010; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received in 2009/2010 but not used. Previously, no income would have been recognised in respect of this grant, which would have been shown in the Capital grants/contributions unapplied account with the liabilities section of the balance sheet. As a result of the change in accounting policy, the grant has been recognised in full and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009/2010 financial statements:-

	2009/2010 Statements £000	Adjustments Made £000
Capital grants/contributions deferred	0	3,825
Capital Adjustment Account	(3,825)	(3,825)

Investment Properties

Under the Code, the definition of an investment property is one that is solely used to earn rentals for capital appreciation or both. In order to comply with the Code a transfer has been made for assets previously recorded as Investment Properties for Elizabeth House, Globe House and Avenue Farm Depot to Land & Buildings.

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

For 2010/2011 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. As FRS 30 is not being adopted until 2011/2012 there is no accounting policy applicable at the present time (see note 23).

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out from page 9, 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.
- A provision has been included in the Accounts for a potential legal claim against the Authority. For reasons of a commercially sensitive nature the details have not been disclosed.
- Capital grants are now recognised immediately in the Comprehensive Income and Expenditure Statement, unless any conditions have not been met, instead of being deferred and are matched against expenditure.

Notes to the Core Financial Statements

- A detailed analysis of finance and operating leases has been carried out and any material land and building split included in the Accounts.
- Major contracts (ie Refuse Collection and Grounds Maintenance) have been reviewed to ascertain whether there are any embedded leases included within them (ie does the contract use assets solely against that contract). The review has resulted in no embedded leases being identified.
- The Authority has reviewed all assets for impairment and has concluded that no impairment charge is due for the year.

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 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	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 £354k for every year that useful lives had to be reduced.
Provisions	The authority has made provision of £578k for various claims, the details of which can be found in note 30 on page 54.	An increase over the forthcoming year of 10% in settlements would add £58k to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The Pensions actuary (engaged by Warwickshire County Council) sets the rate of the employer's contribution to the pension fund to ensure that the pension fund liabilities are met. More details of this authority's Pensions figures can be found in note 17 on page 35.
Arrears	At 31 March 2011, the authority had a balance of sundry debtors for £5.4m. A review of the significant balances suggested that an impairment of doubtful debts of 12% (£637k) 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 the bad debt provision would need to be increased.

Notes to the Core Financial Statements

5. Post Balance Sheet Events

The financial statements were authorised for issue by the Head of Resources to the Authority on the 26 September 2011. All events relevant to the financial year ended 31 March 2011 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.

There is one post balance sheet event to report the detail of which is below: -

Overstatement of Business Rates Debtor - post year-end transactions posted to previous year's accounts relating to write offs, refunds, new bills and other items show that the year-end NNDR Debtor is overstated by £629k. The majority of this figure, £574k, relates to new information received from the Valuation Office after 31 March 2011. This does not affect the Authority's budget or reserves position.

6. Other Operating Expenditure

2009/2010 £000's		2010/2011 £000's
2,559	Parish Council Precepts	2,648
5	Payments to Housing Capital Receipts Pool	4
(292)	Right to Buy Clawback and other windfall capital receipts	(120)
2,272	Total	2,532

7. Financing and Investment Income and Expenditure

2009/2010 £000's		2010/2011 £000's
3	Interest Payable	1
(707)	Interest Receivable	(311)
1,789	Pension interest cost and expected return on pension assets	1,361
3,674	Trading Operations – Expenditure (note 12)	3,681
(4,607)	Trading Operations – Income (note 12)	(4,375)
152	Total	357

8. Taxation and Non-Specific Grant Income

2009/2010 £000's		2010/2011 £000's
(9,114)	Council Tax income	(9,366)
(5,637)	Contribution from National Non-Domestic Pool	(6,088)
(1,301)	General Government Grants:-	
(350)	Revenue Support Grant	(884)
(23)	Concessionary Fares Grant	(468)
(2,064)	Area Based Grant	(36)
	Capital Grants and Contributions (note 33)	(364)
(18,489)	Total	(17,206)

Notes to the Core Financial Statements

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.

2010/2011	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:-				
Charges for depreciation and impairment	(3,633)			3,633
Amortisation of intangible assets	(614)			614
Revenue expenditure funded from capital under statute	(2,735)			2,735
Capital grants and contributions applied	1,998			(1,998)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:-				
Capital expenditure charges against the General Fund	246			(246)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1		(1)	
Application of grants to capital financing transferred to the Capital Adjustment Account			357	(357)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	120	(120)		
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(4)	4		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,667			(1,667)
Employer's pension contributions and direct payment to pensioners payable in the year	1,575			(1,575)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Statement is different from council tax income calculated for the year in accordance with statutory requirements	29			(29)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	54			(54)
Total Adjustments	(1,296)	(116)	356	1,056

Notes to the Core Financial Statements

2009/2010 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:-				
Charges for depreciation and impairment	(2,097)			2,097
Amortisation of intangible assets	(589)			589
Revenue expenditure funded from capital under statute	(1,969)			1,969
Capital grants and contributions applied	2,772			(2,772)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:-				
Capital expenditure charges against the General Fund	81			(81)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	560		(560)	
Application of grants to capital financing transferred to the Capital Adjustment Account			294	(294)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	292	(292)		
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(5)	5		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,745)			2,745
Employer's pension contributions and direct payment to pensioners payable in the year	1,309			(1,309)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Statement is different from council tax income calculated for the year in accordance with statutory requirements	55			(55)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			1
Total Adjustments	(2,337)	(287)	(266)	2,890

Notes to the Core Financial Statements

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 2009 £000's	Transfers Out 2009/2010 £000's	Transfers In 2009/2010 £000's	Balance at 31 March 2010 £000's	Transfers Out 2010/2011 £000's	Transfers In 2010/2011 £000's	Balance at 31 March 2011 £000's
General Fund:							
Risk Management	(200)	0	0	(200)	0	0	(200)
Investment Income	0	0	(171)	(171)	0	0	(171)
Beacon Award	0	0	(62)	(62)	21	0	(41)
Mortgage Rescue Programme	0	0	(7)	(7)	0	0	(7)
Local Authority Business Growth Incentive (LABGI)	0	0	(162)	(162)	50	0	(112)
Planning and Housing Delivery Grant	0	0	(181)	(181)	110	0	(71)
Total	(200)	0	(583)	(783)	181	0	(602)

Notes to the Core Financial Statements

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 Best *Value Accountancy 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 Directorates/Heads of Service.

2010/2011	Chief Executive	Change and Performance	Community Services	Customer Services	Environment	Member Services	Planning Services	Resources	Revenues and Housing	Monitoring Officer	Strategic Directors	Total
Fees, charges and other service income	(3)	(536)	(4,021)	(30)	(1,456)	(79)	(1,478)	(1,372)	(385)	0	0	(9,360)
Government Grants	(1)	0	(15)	0	0	0	0	0	(34,248)	0	0	(34,264)
Total Income	(4)	(536)	(4,036)	(30)	(1,456)	(79)	(1,478)	(1,372)	(34,633)	0	0	(43,624)
Employee Expenses	212	1,174	1,318	1,799	1,057	779	1,620	1,367	1,556	127	428	11,437
Other operating Expenses	27	342	2,725	127	5,616	684	411	2,561	34,209	128	1	46,831
Total operating expenses	239	1,516	4,043	1,926	6,673	1,463	2,031	3,928	35,765	255	429	58,268
Cost of Services	235	980	7	1,896	5,217	1,384	553	2,556	1,132	255	429	14,644

2009/2010 Comparative	Chief Executive	Change and Performance	Community Services	Customer Services	Environment	Member Services	Planning Services	Resources	Revenues and Housing	Monitoring Officer	Strategic Directors	Total
Fees, charges and other service income	(4)	(544)	(4,333)	(69)	(1,387)	(50)	(1,441)	(1,752)	(407)	0	(2)	(9,989)
Government Grants	(14)	(67)	(93)	0	0	0	(191)	0	(32,280)	0	0	(32,645)
Total Income	(18)	(611)	(4,426)	(69)	(1,387)	(50)	(1,632)	(1,752)	(32,687)	0	(2)	(42,634)
Employee Expenses	203	1,114	1,368	1,075	1,056	769	2,005	1,246	1,622	255	268	10,981
Other operating Expenses	69	360	2,988	174	5,568	638	396	3,037	31,998	19	(1)	45,246
Total operating expenses	272	1,474	4,356	1,249	6,624	1,407	2,401	4,283	33,620	274	267	56,227
Cost of Services	254	863	(70)	1,180	5,237	1,357	769	2,531	933	274	265	13,593

Notes to the Core Financial Statements

Reconciliation of Directorate/Head 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 Directorate/Head of service income and expenditure relates to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/2011	£000's
Net expenditure in the Directorate/Head of Service Analysis	14,644
Internal recharges included within the Comprehensive Income and Expenditure Statement	555
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,004
Cost of Services in Comprehensive Income and Expenditure Statement	16,203

2009/2010 Comparative	£000's
Net expenditure in the Directorate/Head of Service Analysis	13,593
Internal recharges included within the Comprehensive Income and Expenditure Statement	2,310
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,636
Cost of Services in Comprehensive Income and Expenditure Statement	17,539

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate/Head 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.

2010/2011	Service Analysis	Internal Recharges	Not included in CI and E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
Fees, charges and other service income	(9,360)	0	0	(7,012)	(16,372)	0	(16,372)
Interest and Investment Income	0	0	311	0	311	(311)	0
Income from Council Tax	0	0	0	0	0	(9,365)	(9,365)
Government grants and contributions	(34,264)	0	0	0	(34,264)	(7,840)	(42,104)
Total Income	(43,624)	0	311	(7,012)	(50,325)	(17,516)	(67,841)
Employee Expenses	11,437	0	0	0	11,437	0	11,437
Other service expenses	46,831	(3,693)	694	0	43,832	547	44,379
Support Service recharges	0	0	0	7,012	7,012	0	7,012
Depreciation, amortisation and impairment	0	4,248	0	0	4,248	0	4,248
Interest payments	0	0	(1)	0	(1)	1	0
Precepts and levies	0	0	0	0	0	2,648	2,648
Payments to Housing Capital Receipts Pool	0	0	0	0	0	4	4
Total Operating Expenses	58,268	555	693	7,012	66,528	3,200	69,728
Surplus or deficit on the provision of services	14,644	555	1,004	0	16,203	(14,316)	1,887

2009/2010 Comparative	Service Analysis	Internal Recharges	Not included in CI and E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
Fees, charges and other service income	(9,989)	0	0	(5,104)	(15,093)	0	(15,093)
Interest and Investment Income	0	0	706	0	706	(706)	0
Income from Council Tax	0	0	0	0	0	(9,114)	(9,114)
Government grants and contributions	(32,645)	0	0	0	(32,645)	(9,374)	(42,019)
Total Income	(42,634)	0	706	(5,104)	(47,032)	(19,194)	(66,226)
Employee Expenses	10,981	0	0	0	10,981	0	10,981
Other service expenses	45,246	(376)	933	0	45,803	563	46,366
Support Service recharges	0	0	0	5,104	5,104	0	5,104
Depreciation, amortisation and impairment	0	2,686	0	0	2,686	0	2,686
Interest payments	0	0	(3)	0	(3)	3	0
Precepts and levies	0	0	0	0	0	2,559	2,559
Payments to Housing Capital Receipts Pool	0	0	0	0	0	5	5
Total Operating Expenses	56,227	2,310	930	5,104	64,571	3,130	67,701
Surplus or deficit on the provision of services	13,593	2,310	1,636	0	17,539	(16,064)	1,475

Notes to the Core Financial Statements

12. Trading Operations/Investment Properties

Trading operations/investment properties are activities of the Council of a commercial nature that are financed substantially by income from tenants and parking fees and charges. Avenue Farm Depot, Mason's Road and Timothy's Bridge Road Industrial Estates and various commercial properties (Corporate Estates) in Stratford-upon-Avon are operated on such a basis. The financial results of each are summarised below: -

2010/2011	Investment Properties			Trading Accounts		Total £000's
	Avenue Farm Depot £000's	Ind. Estates £000's	Corporate Estates £000's	Rec. Grounds £000's	Parking £000's	
Income from commercial rents	(188)	(64)	(291)	(119)	(57)	(719)
Fees and charges income	(2)	(4)	(60)	(1)	(3,589)	(3,656)
Total income	(190)	(68)	(351)	(120)	(3,646)	(4,375)
Expenditure	19	11	339	7	2,735	3,111
Surplus on trading	(171)	(57)	(12)	(113)	(911)	(1,264)
Capital Charges	34	16	85	17	418	570
(Surplus) / Deficit after asset rental charge	(137)	(41)	73	(96)	(493)	(694)

2009/2010 Comparative	Investment Properties			Trading Accounts		Total £000's
	Avenue Farm Depot £000's	Ind. Estates £000's	Corporate Estates £000's	Rec. Grounds £000's	Parking £000's	
Income from commercial rents	(187)	(70)	(426)	(120)	(48)	(851)
Fees and charges income	(2)	(4)	(61)	(1)	(3,688)	(3,756)
Total income	(189)	(74)	(487)	(121)	(3,736)	(4,607)
Expenditure	16	10	351	14	2,738	3,129
Surplus on trading	(173)	(64)	(136)	(107)	(998)	(1,478)
Capital Charges	2	16	99	12	416	545
(Surplus) / Deficit after asset rental charge	(171)	(48)	(37)	(95)	(582)	(933)

Notes to the Core Financial Statements

13. Operating Leases

Operating lease rentals are payable to the relevant service account on a straight-line basis over the term of the lease. Rentals paid under operating leases by this Authority amounted to £104k in 2010/2011 and are in respect of printing equipment. Future commitments under these operating leases for printing equipment are estimated at £45k from 1 April 2011 until 30 September 2011.

14. 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.

2009/2010 £000's		2010/2011 £000's
108	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor	118
42	Fees payable to the appointed auditor for the certification of grant claims and returns	44
3	Fees payable in respect of any other services provided by the appointed auditor	2
153	Total	164

15. Members' Allowances

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

2009/2010 £000's		2010/2011 £000's
337	Members' Allowances	331

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

Notes to the Core Financial Statements

16. 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 £50,000 (excluding employer's pension contributions and compensation for loss of office) and these are as follows: -

Remuneration Band	Number of Employees	Number of Employees
	2009/ 2010	2010/2011
£110,000 - £114,999	1	1
£105,000 - £109,999	0	0
£100,000 - £104,999	0	0
£95,000 - £99,999	0	0
£90,000 - £94,999	0	0
£85,000 - £89,999	1	1
£80,000 - £84,999	1	1
£75,000 - £79,999	0	0
£70,000 - £74,999	0	0
£65,000 - £69,999	0	0
£60,000 - £64,999	3	4
£55,000 - £59,999	5	1
£50,000 - £54,999	2	2

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	Total Remunerati on excluding Pension Contbns	Pension Contbns	Total Remuneration including Pension Contbns
		£	£	£	£	£	£
Chief Executive	2010/2011 2009/2010	113,095 109,768	611 4,931	0 0	113,706 114,699	17,599 14,921	131,305 129,620
Strategic Director A	2010/2011 2009/2010	80,688 80,682	3,790 5,130	96,089 0	180,567 85,812	12,586 11,780	193,153 97,592
Strategic Director B	2010/2011 2009/2010	80,682 80,682	4,344 4,176	64,060 0	149,086 84,858	12,586 11,780	161,672 96,638
Monitoring Officer	2010/2011 2009/2010	62,749 62,370	1,276 1,200	0 0	64,025 63,570	9,788 9,106	73,813 72,676
Section 151 Officer	2010/2011(*) 2009/2010(*)	47,723 47,721	0 0	0 0	47,723 47,721	6,248 5,987	53,971 53,708
Total	2010/2011 2009/2010	384,937 381,223	10,021 15,437	160,149 0	555,107 396,660	58,807 53,574	613,914 450,234

* Section 151 Officer seconded from Warwickshire County Council with effect from September 2008 to date

Notes to the Core Financial Statements

17. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Authority participates in a defined benefit scheme, administered by Warwickshire County Council. A funded scheme means that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net 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 Comprehensive Income and Expenditure Statement and replaced with actual contributions in the Movement in Reserves Statement. These transactions for the year are as follows: -

	2009/2010 £000's	2010/ 2011 £000's
Comprehensive Income and Expenditure Statement		
Net Cost of Services:-		
- Current Service Cost	866	1,347
- Past Service Costs and Curtailments	90	(4,375)
Financing and Investment Income and Expenditure:-		
- Interest Cost	4,191	4,535
- Expected Return on Assets in the Scheme	(2,402)	(3,174)
Net Charge to the Comprehensive Income and Expenditure Statement	2,745	(1,667)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(2,745)	1,667
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions	1,309	1,575

The net pension costs charged to the Comprehensive Income and Expenditure Account have been attributed to the services to correspond with the superannuation pension costs that have been incurred during the year.

During 2010/2011 contributions of £1,147k (representing 15.6% of employees' pensionable pay, when pension strain – the excess cost of early retirement – is excluded) were payable into the Warwickshire pension scheme. In addition the Council is responsible for all pension payments and related increase in respect of Pension strain. In 2010/2011 these amount to £317k representing 4.3% of pensionable pay.

An estimate of the contributions expected to be paid to the scheme for 2011/2012, as per the actuarial report, are £1,331k, with £1,220k being normal contributions and £111k being total benefits recharged during the period (on a £ for £ basis).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £6,960k ((£8,339k) in 2009/2010) were included in Other Comprehensive Income and Expenditure.

The cumulative amount of actuarial gains and losses recognised in other Comprehensive Income and Expenditure is (£7,858k) for 2010/2011 (£14,818) in 2009/2010.

Notes to the Core Financial Statements

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:-

	2009/2010 £000's	2010/ 2011 £000's
Net Pensions Liability as at 1 April	(59,857)	(81,478)
Current Service Costs	(866)	(1,347)
Past Service Costs	(55)	4,641
Member Contributions	(517)	(493)
Curtailments	(35)	(266)
Interest on Pension Liabilities	(4,191)	(4,535)
Actuarial Gains/(Losses)	(19,002)	5,030
Benefits/Transfer paid	3,045	2,814
Net Pensions Liability as at 31 March	(81,478)	(75,634)

Reconciliation of fair value of the scheme assets:-

	2009/2010 £000's	2010/ 2011 £000's
1 April	38,588	50,434
Expected return on plan assets	2,402	3,174
Actuarial Gains/(Losses)	10,663	1,930
Employer Contributions	1,309	1,575
Member Contributions	517	493
Benefits/Transfer paid	(3,045)	(2,814)
Net Pensions Assets as at 31 March	50,434	54,792

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experiences in the respective markets. The actual return on scheme assets in the year was £5,104,000 (£13,065,000 in 2009/2010).

Change from RPI to CPI

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Authority's liabilities in the Pension Fund by £4,723k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be in relation to benefit entitlement. There is no impact upon the General Fund.

Scheme History

	2006/2007 *see note £000's	2007/2008 As restated £000's	2008/2009 As restated £'000	2009/2010 Total £000's	2010/2011 Total £000's
Present value of liabilities	(63,726)	(70,908)	(59,857)	(81,478)	(75,634)
Fair value of assets	50,487	48,627	38,588	50,434	54,792
Surplus/(Deficit) in the Scheme	(13,239)	(22,281)	(21,269)	(31,044)	(20,842)

*The Council has elected not to restate the fair value of scheme assets for 2006/2007 permitted by the then FRS 17 (as revised).

Notes to the Core Financial Statements

The liabilities show the estimated underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £75,634k 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.

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 Mercer Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2007. The principal assumptions adopted were: -

	2009/2010	2010/2011
ACTUARIAL ASSUMPTIONS		
Rate of RPI inflation	3.30%	3.40%
Rate of CPI inflation	2.80%	2.90%
Rate of increase in salaries	5.05%	4.90%
Rate of increase in pensions	3.30%	2.90%
Rate for discounting scheme liabilities	5.60%	5.50%
Take-up of option to convert annual pension into retirement grant	50.00%	50.00%
Mortality Assumptions: -		
Longevity at 65 for current pensioners		
- Men	21.2	22.0
- Women	24.1	23.7
Longevity at 65 for future pensioners		
- Men	22.2	22.9
- Women	25.0	26.0
Expected rate of return on assets: -		
Equities	7.50%	7.50%
Government Bonds	4.50%	4.40%
Other Bonds	5.20%	5.10%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	0.50%
Other	7.50%	7.50%

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

	Beginning of year	End of year
Equities	67.00%	66.00%
Government Bonds	9.00%	5.00%
Other Bonds	13.00%	13.00%
Property	4.00%	10.00%
Cash/Liquidity	2.00%	1.00%
Other	5.00%	5.00%

Notes to the Core Financial Statements

History of experience Gains and Losses

The actuarial loss/gain identified as movement on the Pension Reserve in 2010/2011 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:-

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
	As restated %	As restated %	Total %	Total %	Total %
Difference between the expected and actual returns on assets	(0.8)	(9.1)	(32.7)	21.1	3.5
Experience gains and losses on liabilities	0.0	(1.5)	0.0	0.0	6.5

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.

Notes to the Core Financial Statements

18. Related Parties

It is a requirement that the Statement of Accounts of an authority, contains disclosure of any transactions with a related party, this includes non-financial transactions. This is in order that any reader is aware of the possibility that the financial position and results of an authority may have been affected by material transactions with related parties. A related party is defined as being an organisation with which the authority has dealings, and where either officers or members of the authority have a controlling interest in that organisation.

The information as relates to this Authority for 1 April 2010 to 31 March 2011 is as follows:

Expenditure Transactions

Creditor Transactions £000's	Balance 31 March 2010 £000's		Creditor Transactions £000's	Balance 31 March 2011 £000's
0	0	Orbit Heart of England Housing Association – excludes Benefit Payments (note a)	264	0
1,630	0	Pension Service (note b)	1,647	0
3,151	0	Warwickshire County Council – excludes Precepts (note c)	3,384	73
223	0	Shakespeare Country (note d)	0	0
27	0	Stratford Town Management Trust (note e)	0	0

a. There were two District Councillors who served on the service board of the Orbit Heart of England Housing Association namely: -

- Ronald Cockings
- Sue Main

The majority of the transactions were in respect of infrastructure maintenance, ie cost of works incurred and fees for supervising works.

- b. Payments to Warwickshire County Council in respect of the Authority's contributions to the Pension Fund.
- c. These payments mainly relate to Concessionary Fares, Social Transport and On-Street Parking. Also, included here is a transaction of £54k with Warwickshire County Council for the secondment to this Authority of the Head of Resources/S.151 Officer.
- d. South Warwickshire Tourism (Shakespeare Country) ceased trading on 31 March 2010. Payments previously made were in the form of a contribution towards their activities.
- e. Stratford Town Management Trust – Payments previously made were contributions towards operating costs and festivals ie Food Festival.

Notes to the Core Financial Statements

f. 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) where Stratford District Councillors are also members of Parish Councils are shown below: -

Parish Councils	Number of Members	Creditor Payments other than Precepts £000's
Alcester: Payment of capital grant	3	43
Shipston-on-Stour: Payment of capital grant and contributions to Parish Cleansing and Verge Trimming	1	13

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

2009/2010		Public Bodies	2010/2011	
Number of Members	Creditor Payments £000's		Number of Members	Creditor Payments £000's
1	45	Citizens Advice Bureau: Stratford Branch	1	45
0	0	Cotswold Conservation Board	1	7

Notes to the Core Financial Statements

19. Movement of Assets

Movement in Assets – 31 March 2011	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community	Total Property, Plant and Equipment	Investment Properties	Total Assets
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation at 1 April 2010	32,408	5,335	5,965	662	44,370	7,512	51,882
Additions	500	329	154	93	1,076	0	1,076
Revaluation increases/(decreases) recognised in the Revaluation Reserve	675	0	0	0	675	0	675
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,208)	0	0	0	(2,208)	(20)	(2,228)
Derecognition – disposals	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	(122)	(122)	0	(122)
Other movements in cost or valuation	(279)	0	0	122	(157)	0	(157)
At 31 March 2011	31,096	5,664	6,119	755	43,634	7,492	51,126
Accumulated Depreciation and Impairment at 1 April 2010	(1,186)	(2,501)	(646)	(149)	(4,482)	0	(4,482)
Depreciation charge	(1,280)	(595)	(143)	(30)	(2,048)	0	(2,048)
Depreciation written out to the Revaluation Reserve	105	0	0	0	105	0	105
Depreciation written out to the Surplus/Deficit on the Provision of Services	577	0	0	0	577	0	577
Derecognition - Disposals	0	0	0	0	0	0	0
At 31 March 2011	(1,784)	(3,096)	(789)	(179)	(5,848)		(5,848)
Net book value at 31 March 2011	29,312	2,568	5,330	576	37,786	7,492	45,278
Net book value at 31 March 2010	31,222	2,834	5,319	513	39,888	7,512	47,400

Notes to the Core Financial Statements

Movement in Assets – 31 March 2010	Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community	Total Property, Plant and Equipment	Investment Properties	Total Assets
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation at 1 April 2009	31,444	5,877	5,247	465	43,033	7,746	50,779
Additions	964	302	718	197	2,181	16	2,197
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – disposals	0	(844)	0	0	(844)	0	(844)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	(250)	(250)
At 31 March 2010	32,408	5,335	5,965	662	44,370	7,512	51,882
Accumulated Depreciation and Impairment at 1 April 2009	(116)	(2,468)	(522)	(123)	(3,229)	0	(3,229)
Depreciation charge	(1,070)	(877)	(124)	(26)	(2,097)	0	(2,097)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition - Disposals	0	844	0	0	844	0	844
At 31 March 2010	(1,186)	(2,501)	(646)	(149)	(4,482)		(4,482)
Net book value at 31 March 2010	31,222	2,834	5,319	513	39,888	7,512	47,400
Net book value at 31 March 2009	31,328	3,409	4,725	342	39,804	7,746	47,550

Notes to the Core Financial Statements

20. Asset Valuation

Valuations in line with the Council's rolling programme were carried out by external independent valuers (Gerald Eve Chartered Surveyors) as at 31 March 2011 in accordance with the Statement of Asset Valuation Practice and Guidance Notes 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 5).

The programme for future valuations of the Council's main assets is as follows:-
Alcester Area Office, Studley Leisure Centre and various investment properties in 2012;
Stratford Leisure Centre, Southam Leisure Centre, various car parks in 2013 and
Public Conveniences and various investment properties in 2014.

21. Capital Expenditure and Financing

Capital Expenditure is expenditure on the acquisition of an asset or expenditure, which adds to and not merely maintains the value of an existing asset. The Council's de-minimis level is currently set at £10,000, which means relevant expenditure amounting to less than £10,000 will be included in the accounts as revenue expenditure rather than capital expenditure. Capital expenditure is detailed below:

31 March 2010 £000's		31 March 2011 £000's
66	Capital expenditure adding to asset valuation:	
17	Leisure facilities	13
77	Car Parks	82
3	Information technology development	106
0	Crime reduction – CCTV	0
109	Improvement / refurbishment of Council offices	144
967	Waste and Cleansing	40
928	World Class Stratford	410
30	Travellers Sites	260
	Other	21
2,197	Additions to assets	1,076
516	Capital expenditure not adding to asset valuation:	
	Intangible Assets (note 24)	539
1,969	Revenue Expenditure Funded from Capital under Statute	2,735
2,485		3,274
4,682	Total capital expenditure	4,350
	Financed by:	
3,065	Grants / contributions	2,354
1,536	Capital receipts	1,749
81	Revenue contributions	247
4,682	Total capital financing	4,350

Notes to the Core Financial Statements

22. Capital Commitments

The Council has Capital Commitments of approximately £469k as at 31 March 2011 and these will be financed from 2011/2012 resources in accordance with recommended practice.

An analysis of the commitments is given below: -

31 March 2010 £000's		31 March 2011 £000's
49	Capital Grants	11
964	World Class Stratford	0
56	Land Drainage	23
389	Pathlow Gypsy Site	158
103	CCTV	103
27	Parking Equipment	0
5	Various Miscellaneous	36
39	Area Community Committee Grants	9
0	Public Offices	78
0	Leisure	25
0	Car Parks	26
1,632	Total	469

23. Heritage Assets

A change in accounting policy in respect of the treatment of heritage assets held by the Authority will need to be adopted in the 2011/2012 financial statements as per The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

The Authority is required to disclose information relating to how the accounting changes will impact on the financial statements for 2011/2012 when the new policy for heritage assets is adopted. The new policy will also require that these assets are disclosed separately on the Authority's balance sheet in the 2011/2012 financial statements.

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

The statues are not currently recognised in the financial statements due to no information being available as to the cost of the assets which would have enabled them to be held on an historic cost basis in the balance sheet. For the financial statements from 2011/2012 these assets will need to be measured at valuation along with the 2010/2011 comparative. However, the Authority expects to be able to bring these assets onto the balance sheet by using the insurance valuations carried out by Gerald Eve in February 2008. The insurance valuations are as follows: -

The Gower Memorial	£1,330,100
Narcissus Statue	£133,950
Jester Statue	£40,664

The carrying amount of these assets will then be reviewed with sufficient frequency to ensure that the valuations remain current.

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.

Notes to the Core Financial Statements

24. 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
1 year	N/a	Training
3 years	PC Replacement Programme	PC Replacement Programme
5 years	Website Development, Remote Working and various systems	Website Development, Remote Working and various systems

	31 March 2010			31 March 2011		
	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	1,153	2,103	3,256	1,598	2,174	3,772
Accumulated Amortisation	(303)	(1,281)	(1,584)	(536)	(1,637)	(2,173)
Net carrying amount at start of year	850	822	1,672	1,062	537	1,599
Additions: -						
Internal Development	445	0	445	461	0	461
Purchases	0	71	71	0	78	78
Amortisation for the period	(233)	(356)	(589)	(324)	(290)	(614)
Net carrying amount at end of year	1,062	537	1,599	1,199	325	1,524
Comprising:						
Gross carrying amounts	1,598	2,174	3,772	2,059	2,252	4,311
Accumulated Amortisation	(536)	(1,637)	(2,173)	(860)	(1,927)	(2,787)
	1,062	537	1,599	1,199	325	1,524

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £614k charged to revenue in 2010/2011 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Notes to the Core Financial Statements

25. Long Term Debtors

31 March 2009 £000's	31 March 2010 £000's		31 March 2011 £000's
20	13	Mortgages (a)	8
230	220	Stratford Football Club – Loan (b)	210
131	131	Grove Road Car Park – Finance Lease (c) – See note 26	131
1,278	1,267	Cox's Yard – Finance Lease (c) – See note 26	1,256
0	165	4/5 Sheep Street – Finance Lease (c) – See note 26	163
1,659	1,796	Balance at 31 March	1,768

- (a) Mortgages relate to mortgages on the sale of council houses;
 (b) Loan to Stratford Football Club repayable over 25 years; and
 (c) 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.

26. 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 25 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 2009 £000's	31 March 2010 £000's		31 March 2011 £000's
106	106	Finance lease debtor (net present value of minimum lease payments):	
1,409	1,563	Current	106
		Non current	1,549
1,515	1,669	Gross investment in the lease	1,655

Notes to the Core Financial Statements

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

	Gross Investments in the Lease			Minimum Lease Payments		
	31 March 2011 £000's	31 March 2010 £000's	31 March 2009 £000's	31 March 2011 £000's	31 March 2010 £000's	31 March 2009 £000's
Not later than one year	106	106	106	106	106	106
Later than one year and not later than five years	530	530	465	530	530	465
Later than five years	1,019	1,033	944	1,019	1,033	944
Total	1,655	1,669	1,515	1,655	1,669	1,515

Operating Leases

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

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

	31 March 2011 £000's	31 March 2010 £000's	31 March 2009 £000's
Not later than one year	818	870	870
Later than one year and not later than five years	3,410	3,247	2,990
Later than five years	7,498	7,606	7,990
Total	11,726	11,723	11,850

Notes to the Core Financial Statements

27. Financial Instruments

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

Long Term 31 March 2009 £000's	Current 31 March 2009 £000's	Long Term 31 March 2010 £000's	Current 31 March 2010 £000's	Financial Assets	Long Term 31 March 2011 £000's	Current 31 March 2011 £000's
230	10	220	10	Loans and Receivables:-		
1,409	22	1,563	25	Loan	210	10
0	16,702	0	11,440	Finance Lease Lessor	1,549	25
				Money Market Funds	0	21,109
				Deposits		
0	431	0	60	Bank/Building		
0	1,484	0	1,456	Societies	0	2,891
0	0	0	0	Trade Debtors	0	1,017
				Bank	0	534
1,639	18,649	1,783	12,991	Total	1,759	25,586

Long Term 31 March 2009 £000's	Current 31 March 2009 £000's	Long Term 31 March 2010 £000's	Current 31 March 2010 £000's	Financial Liabilities	Long Term 31 March 2011 £000's	Current 31 March 2011 £000's
0	714	0	872	Amortised Cost:-		
0	6	0	321	Trade Creditors	0	872
				Overdraft	0	0
0	720	0	1,193	Total	0	872

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

Loans and Receivables 31 March 2009 £000's	At Fair Value 31 March 2009 £000's	Loans and Receivables 31 March 2010 £000's	At Fair Value 31 March 2010 £000's	Financial Assets	Loans and Receivables 31 March 2011 £000's	At Fair Value 31 March 2011 £000's
1,406	1,406	706	706	Interest Received	311	311
1,406	1,406	706	706	Total	311	311

At Amortised Cost 31 March 2009 £000's	At Fair Value 31 March 2009 £000's	At Amortised Cost 31 March 2010 £000's	At Fair Value 31 March 2010 £000's	Financial Liabilities	At Amortised Cost 31 March 2011 £000's	At Fair Value 31 March 2011 £000's
37	37	3	3	Interest Paid	1	1
37	37	3	3	Total	1	1

Notes to the Core Financial Statements

Fair Value of Assets and Liabilities carried at amortised cost

Financial liabilities and financial assets 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 2011 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31 March 2011 for equivalent loans.
- Investments; short term – carrying amounts in the balance sheet approximate to fair value.

The fair values calculated are as follows:

Carrying Amount 31 March 2009 £000's	At Fair Value 31 March 2009 £000's	Carrying Amount 31 March 2010 £000's	At Fair Value 31 March 2010 £000's	Financial Assets	Carrying Amount 31 March 2011 £000's	At Fair Value 31 March 2011 £000's
16,702	16,702	11,440	11,440	Short Term:-		
				Money Market Funds	21,109	21,109
				Deposits		
298	298	60	60	Bank/Building		
				Societies	2,891	2,891
133	133	24	24	Financial Asset -		
1,506	1,506	1,481	1,481	Interest	235	235
10	10	10	10	Trade Debtors	1,042	1,042
0	0	0	0	Loan	10	10
				Bank	534	534
				Long Term:-		
230	230	220	220	Loan	210	210
1,409	1,409	1,563	1,563	Finance Lease Lessor	1,549	1,549

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.

Carrying Amount 31 March 2009 £000's	At Fair Value 31 March 2009 £000's	Carrying Amount 31 March 2010 £000's	At Fair Value 31 March 2010 £000's	Financial Liabilities	Carrying Amount 31 March 2011 £000's	At Fair Value 31 March 2011 £000's
714	714	872	872	Short Term:-		
6	6	321	321	Trade Creditors	872	872
				Overdraft	0	0

The Council has no borrowings as at 31 March 2011 (none at 31 March 2010).

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

Notes to the Core Financial Statements

Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- (i) Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- (ii) Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- (iii) Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the treasury limits and treasury risk of the activities of the council. Risk management is carried out as part of the Annual Investment Strategy contained within the Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

(i) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

Banking institutions must have the highest possible short term credit rating as assessed by the credit-rating agency Fitch F1+ short term or AA- long (or Moody's equivalent), or be a wholly-owned subsidiary of that bank, to qualify as counterparty for deposits. Building Societies similarly need to attain an appropriate credit rating as assessed by Fitch (or Moody's equivalent) with a minimum of £10bn of assets (top 7) to be acceptable. Maximum limits for funds on loan and maturity dates exist for each institution and vary according to credit rating.

Customers are not assessed for credit risk (other than for those entering into agreements for the rental of corporate property).

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 2011	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability
	£000's	%	%	£000's
Deposit held with Fund Manager	22,000	0	0	0
Deposits with banks and financial institutions	2,000	0	0	0
Sales Ledger	698	0.71%	0.77%	9.0

Notes to the Core Financial Statements

31 March 2010 Comparative	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability
	£000's	%	%	£000's
Deposit held with Fund Manager	11,500	0	0	0
Sales Ledger	964	0.58%	0.78%	10.2

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 £698k. The sales ledger debt can be analysed by age as follows:

	31 March 2011	Past due but not impaired
	£000's	£000's
Less than a year	390	390
More than one year	308	286
Total	698	676

	31 March 2010	Past due but not impaired
	£'000	£'000
Less than a year	824	824
More than one year	140	119
Total	964	943

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 £228k as at 31 March 2011. 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.

(ii) 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 2011 is the trade and other creditors that are due to be paid in less than one year.

Notes to the Core Financial Statements

(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 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	229
Impact on Comprehensive Income and Expenditure Statement	229

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 Core Financial Statements

28. Short Term Debtors

31 March 2009 £000's Restated	31 March 2010 £000's		31 March 2011 £000's
2,143	2,235	Central Government	715
132	169	HM Customs and Excise	181
241	263	Council Taxpayers	239
1,647	1,160	Major Preceptors – WCC/WPA	918
4,344	7,998	Business Ratepayers *	1,344
138	491	Housing Benefit overpayments	464
2	0	Mortgagors	0
911	964	Sundry Debtors Control	706
699	551	Provisional Debtors	400
0	24	Financial Asset – Interest	235
229	330	Payments in Advance	195
59	67	Other	61
10,545	14,252		5,458
(104)	(101)	Less Provision for bad and doubtful debts:-	
(34)	(245)	General Revenue Account	(125)
(838)	(503)	Housing Benefit overpayments	(139)
		Collection Fund	(373)
9,569	13,403	Total	4,821

The amount charged in year for bad and doubtful debts amounts to £212k.

* Change of £6.6m due to overpayment to the NNDR pool for 2009/2010.

29. Short Term Creditors

31 March 2009 £000's Restated	31 March 2010 £000's		31 March 2011 £000's
(208)	(113)	Central Government	(336)
(263)	(246)	Inland Revenue	(17)
(151)	(50)	Other Local Authorities	(2)
(1)	(1)	Mortgagors	(1)
(230)	(497)	Creditors Control	(437)
(482)	(485)	Receipts in Advance	(471)
(151)	(185)	Open Spaces Commuted Sums	(288)
(57)	(102)	Council Taxpayers	(99)
(287)	(84)	Business Ratepayers *	(5,764)
(181)	(139)	Other	(144)
(2,011)	(1,902)	Total	(7,559)

* Change of £5.7m due to underpayment to the NNDR pool for 2010/2011.

Notes to the Core Financial Statements

30. Provisions

31 March 2010		31 March 2011				
All £000's		Insurances £000's	Dept of Work and Pensions £000's	Pension Strain £000's	Other Provisions £000's	Total £000's
(6)	Balance at 1 April	(6)	(100)	0	0	(106)
(102)	Additional provisions made in year	(2)	(89)	(210)	(272)	(573)
2	Amounts used in year	1	100	0	0	101
(106)	Balance at 31 March	(7)	(89)	(210)	(272)	(578)

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.

Department of Work and Pensions

This provision covers all outstanding issues in relation to the 2009/2010 Housing and Council Tax Benefit subsidy claim. It is expected that these will be resolved within 12 months and any payments due will be made within this period.

Pension Strain Provision

This provision has been made in respect of the pension strain associated with the retirement of the directors following the senior management restructure.

Other Provisions

The provisions included under this heading have not been disclosed due to their commercially sensitive nature.

It is anticipated that the above provisions will be settled within 12 months.

Notes to the Core Financial Statements

31. Usable Reserves

31 March 2009 £000's Restated	31 March 2010 £000's Restated		31 March 2011 £000's
(16,859)	(15,714)	Usable Capital Receipts Reserve	(14,105)
(200)	(783)	Earmarked Reserves	(602)
(702)	(968)	Capital Grants Unapplied Account	(611)
37	31	Building Control Reserve	(10)
(2,640)	(2,913)	General Fund Balance	(2,462)
(20,364)	(20,347)	Total	(17,790)

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 17.

32. Unusable Reserves

31 March 2009 £000's Restated	31 March 2010 £000's Restated		31 March 2011 £000's
(6,738)	(5,032)	Revaluation Reserve (note 32a)	(5,370)
(42,436)	(43,910)	Capital Adjustment Account (note 32b)	(41,487)
(1,278)	(1,434)	Deferred Capital Receipts Reserve (note 32c)	(1,421)
21,269	31,044	Pensions Reserve (note 32d)	20,842
32	(23)	Collection Fund Adjustment Account (note 32e)	(53)
176	177	Accumulated Absences Account (note 32f)	122
(28,975)	(19,178)	Total	(27,367)

32a. Revaluation Reserve

31 March 2010 £000's Restated		31 March 2011 £000's
(6,738)	Balance at 1 April	(5,032)
246	Depreciation charge	248
0	Upward revaluation of assets	(651)
0	Decrease due to impairments	65
10	Decrease due to transfer of property to finance lease	0
1,450	Decrease due to transfer of revaluation reserve on Investment Properties to the Capital Adjustment Account	0
(5,032)	Balance at 31 March	(5,370)

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.

Notes to the Core Financial Statements

32b. Capital Adjustment Account

31 March 2010 £000's Restated		31 March 2011 £000's
(42,436)	Balance at 1 April	(43,910)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,097	Charges for depreciation and impairment	3,633
589	Intangible Assets	614
1,969	Revenue Expenditure Funded from Capital under Statute	2,735
0	Revaluations re Assets Held for Sale	28
(37,781)		(36,900)
(1,456)	Adjusting amounts written out of the Revaluation Reserve	(248)
(39,237)		(37,148)
(1,536)	Capital financing applied in the year:	(1,749)
	Capital expenditure financed from capital receipts	
(2,772)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,997)
(294)	Application of grants to capital financing from the Capital Grants Unapplied Account	(357)
(81)	Capital expenditure financed from revenue	(246)
10	Write down of Long Term Debtors	10
(43,910)	Balance at 31 March	(41,487)

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.

Notes to the Core Financial Statements

32c. Deferred Capital Receipts Reserve

31 March 2010 £000's Restated		31 March 2011 £000's
(1,278)	Balance at 1 April	(1,434)
(167)	Transfer of Deferred Proceeds	0
11	Transfer to Capital Receipts Reserve upon receipt of cash	13
(1,434)	Balance at 31 March	(1,421)

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.

32d. Pensions Reserve

31 March 2010 £000's		31 March 2011 £000's
21,269	Balance at 1 April	31,044
8,339	Actuarial gains or losses on pensions assets and liabilities	(6,960)
2,745	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	(1,667)
(1,309)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,575)
31,044	Balance at 31 March	20,842

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 employments 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.

Notes to the Core Financial Statements

32e. Collection Fund Adjustment Account

31 March 2010 £000's Restated		31 March 2011 £000's
32	Balance at 1 April	(23)
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
(55)		(30)
(23)	Balance at 31 March	(53)

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

32f. Accumulated Absences Account

31 March 2010 £000's Restated		31 March 2011 £000's
176	Balance at 1 April	177
	Settlement or cancellation of accrual made at the end of the preceding year	
1		(55)
177	Balance at 31 March	122

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.

Notes to the Core Financial Statements

33. Capital Grants Receipts in Advance

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

31 March 2010 £000's		31 March 2011 £000's	31 March 2011 £000's
(2,477)	Balance at 1 April		(1,131)
	Received in year: -		
(447)	Government Grants		(444)
(1,460)	Other Grants		(1,402)
(79)	S106 monies received		(889)
(4,463)			(3,866)
	Credited to Services: -		
427	Affordable Housing	230	
376	Disabled Facilities Grants	352	
0	Playbuilder Scheme	203	
445	World Class Stratford	739	
20	S106 Schemes – Leisure Facilities, Regeneration etc	109	1,633
1,268			
	Credited to Taxation and Non-Specific Grant Income (note 8):-		
60	Wheeled Bins	11	
716	World Class Stratford	353	
1,201	Pathlow Gypsy Site	0	
20	Stratford Skatepark	0	
67	Various small grants	0	364
2,064			1,997
(1,131)	Balance at 31 March		(1,869)

34. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/2010 £000's Restated		2010/2011 £000's
(817)	Interest received	(101)
3	Interest paid	1

Notes to the Core Financial Statements

35. Cash Flow Statement – Investing Activities

2009/2010 £000's Restated		2010/2011 £000's
2,580	Purchase of property, plant and equipment, investment property and intangible assets	990
2,513	Other payments for investing activities	3,159
(2,377)	Other receipts from investing activities	(2,875)
2,716	Total	1,274

36. Cash Flow Statement – Financing Activities

2009/2010 £000's Restated		2010/2011 £000's
(487)	Other receipts from financing activities	(12,066)
5,078	Other payments for financing activities	0
4,591	Total	(12,066)

The main differences are overpayments to the NNDR National pool being refunded by the DCLG.

37. Cash and Cash Equivalents

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

	As at 31 March 2010 £000's	As at 31 March 2011 £000's	Movement in year £000's
Bank current accounts	(321)	534	855
Temporary investments	11,500	24,000	12,500
Total	11,179	24,534	13,355

The increase in cash and cash equivalents is mainly due to overpayment to the DCLG of contributions to the NNDR National pool being refunded in 2010/2011.

Notes to the Core Financial Statements

38. Contingent Liabilities

There is a possible contingent liability and this is as follows: -

- (a) Rent Express – The Rent Express scheme operated by the council issues bonds to landlords as a means of securing the tenancy. These bonds are returned when the tenant moves out and are only called upon should damage be caused to the property during the period of the let. As at the 31 March 2011 there have been bonds issued to the value of £53k (£20k in 2009/2010).
- (b) Orbit Heart of England Housing Association - the Council is currently engaged in a mediation process with Orbit as part of a process of seeking to reach agreement in relation to the condition of council housing stock transferred to Orbit as part of the large Scale Voluntary Transfer in 1996. Due to the complexity of the issues and the numbers of dwellings potentially affected it is not possible to accurately calculate the scale of the claim.

39. Termination Benefits

As part of a restructuring exercise the Authority terminated the contracts of a number of employees in 2010/2011 incurring redundancy costs of £595,427 (£142,363 in 2009/2010).

Collection Fund

2009/2010 £000's		2010/2011 £000's
	Income	
(68,907)	Income from Council Taxpayers (note 2)	(70,593)
(7,121)	Transfers from General Revenue Account	
2	Council Tax benefits	(7,635)
(44,569)	Transitional reduction scheme	1
	Income from Business Ratepayers (note 3)	(45,086)
(363)	Contributions to estimated Collection Fund Deficit (note 4)	
(55)	Warwickshire County Council	0
(41)	Warwickshire Police Authority	0
	Stratford-on-Avon District Council	0
(121,054)	Total Income	(123,313)
	Expenditure	
	Precepts and Demands	
57,910	Warwickshire County Council	59,650
8,788	Warwickshire Police Authority	8,989
9,100	Stratford-on-Avon District Council	9,327
	Contributions from estimated Collection Fund Surplus (note 4)	
0	Warwickshire County Council	80
0	Warwickshire Police Authority	12
0	Stratford-on-Avon District Council	9
	Business Rates	
44,695	Payable to the national pool	44,986
215	Cost of Collection Allowance	215
	Provisions for Bad and Doubtful Debts	
348	Council Tax	20
(268)	Council Tax – Write Offs (note 7)	(194)
397	Business Rates	282
(738)	Business Rates – Write Offs (note 7)	(397)
120,447	Total Expenditure	122,979
(607)	(Surplus) / Deficit for the year	(334)
	Balance at 1 April	(258)
349	(Surplus) / Deficit for the year	(334)
(607)		
(258)	(Surplus) / Deficit balance at 31 March	(592)

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. 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 2010/2011 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	(2)	8	5/9	4
Band 'A'	3,067	(429)	2,638	6/9	1,759
Band 'B'	7,134	(875)	6,259	7/9	4,868
Band 'C'	14,793	(1,421)	13,372	8/9	11,886
Band 'D'	8,818	(751)	8,067	9/9	8,067
Band 'E'	8,370	(549)	7,821	11/9	9,559
Band 'F'	4,920	(277)	4,643	13/9	6,707
Band 'G'	4,565	(200)	4,365	15/9	7,275
Band 'H'	752	(38)	714	18/9	1,428
Total	52,429	(4,542)	47,887		51,553
Estimated change to band 'D' equivalent net of discount. (New properties)					213
Gross estimate of new tax base 2010/2011					51,766
Multiplied gross estimate by the assumed collection rate of 99.6%					51,559
Add estimated contributions in lieu of Ministry of Defence properties					75
Tax base					51,634

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.

Notes to the Collection Fund

3. 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 2010 the non-domestic rate multiplier was 40.7p for small businesses and 41.4p for larger businesses. The total non-domestic rateable value at 1 March 2010, used to raise accounts for the District Council area for 2010/2011, was £132,636,046 (£115,729,168 at 1 March 2009).

The Non-Domestic Rate Pool is maintained by Central Government. All Business Rates are paid into this Pool, with the money being re-distributed to local authorities based on population.

4. Collection Fund – Estimated Surplus and Deficits

The estimated surplus or deficit on the Collection Fund at the end of each year is required to be distributed to the District Council, Warwickshire County Council and Warwickshire Police Authority. An estimated surplus in respect of Council Tax was identified in 2009/2010. The estimated surplus totalling £101,807 at 31 March 2010 was shared in 2010/2011 according to the respective amounts of precepts made on the Collection Fund in 2009/2010:

2009/2010 £000's		2010/2011 £000's
363	Warwickshire County Council	(80)
55	Warwickshire Police Authority	(12)
41	Stratford-on-Avon District Council	(9)
459	Total	(101)

5. Adjustment of Previous Years' Community Charges

All Community Charge debt has now been written off.

6. Town and Parish Councils

This Authority's demand on the Collection Fund includes an amount in respect of Town and Parish Councils which precept directly on the Council's Comprehensive Income and Expenditure Statement (page 19). In 2010/2011 this amount was £2,648,411 (£2,559,473 in 2009/2010).

Notes to the Collection Fund

7. Council Tax and Business Rates Written Off

In accordance with generally accepted accounting principles, a charge for provision for bad and doubtful Council Tax and Business Rate debts is made to the Collection Fund Revenue Account. Council Tax written off against this provision amounted to £194,363 in 2010/2011 (£268,185 in 2009/2010). This amount is included within the £70,592,552 included under Income from Council Taxpayers (page 62). Business Rates written off against this provision amounted to £396,716 in 2010/2011 (£738,353 in 2009/2010). This amount is included within the £45,085,687 detailed under Income from Business Ratepayers (page 62).

Summarised provisions that have been made against possible non-collection of debt relating to the Collection Fund:

Council Tax 31 March 2010 £000's	NNDR 31 March 2010 £000's		Council Tax 31 March 2011 £000's	NNDR 31 March 2011 £000's
(386)	(804)	Brought Forward 1 April	(466)	(463)
(348)	(397)	Add Provisions made in year	(20)	(282)
268	738	Less Amounts written off	194	397
(466)	(463)	Carried Forward 31 March	(292)	(348)

8. Collection Fund Balance

The Collection Fund Balance represents the overall balance of the council tax due but not recovered from the precepting authorities. The deficit/(surplus) is to be shared amongst the precepting authorities (prorata to the amount of the total precepts). The amount attributable to this Authority is £29k (8.68%). This amount is shown within the Equity in the Balance Sheet as the Collection Fund Balance in the Collection Fund Adjustment Account. The remainder is shown within debtors (see under Current Assets on page 20).

2009/2010 £000's		2010/2011 £000's
(55)	Stratford-on-Avon District Council Collection Fund Balance	(29)
(552)	Debtor – Other Precepting Bodies	(305)
(607)	Total	(334)

Annual Governance Statement

1. Scope of Responsibility

Stratford on Avon District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code for corporate governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council have complied with the code and it also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, (as amended) in relation to the publication of a statement of internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2011 and up to the date of approval of the annual report and statements of accounts.

3. The Governance Framework

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The Council's vision has been reviewed as part of the review of the Corporate Strategy that was approved by full Council on 28th February 2011.

Following adoption of the Strategy the performance measures that will be used to oversee the delivery of the Strategy are currently under review and will be reported to the Cabinet in June 2011. As with the previous corporate strategy the Council's performance against corporate strategy targets is reported on publicly.

Reviewing the authority's vision and its implications for the authority's governance.

The Council adopted a corporate governance code based on the CIPFA/SOLACE model in 2008. The Code itself is an express commitment to high standards of corporate governance and acknowledges the relationship between the vision and the corporate strategy.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources.

Annual Governance Statement (Continued)

The Council Plan and associated performance measures were approved in February 2010 and reviewed in July 2010. These documents set out the corporate strategy targets and the high level actions arising from service plans. These targets are managed by Heads of Service, and overseen by Portfolio Holders with regular performance reports produced by Cabinet.

The Council has a medium term financial strategy (MTFS) and the corporate strategy has been reviewed in accordance with the finance available over the period of the MTFS. Service budgets are delegated to each Head of Service with revenue monitoring being undertaken by the Cabinet.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, along with the delegations from Cabinet and the Council are set out in the constitution. In addition, there are member role profiles and an officer/member protocol that sets out the respective responsibilities and relationships of officers and members. The constitution is kept under regular review under the supervision of the Audit and Regulatory Committee and the document is fully reviewed every three years.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.

The Council has a code of conduct for members and officers and also a member/officer protocol that sets out the expected behaviours and responsibilities of both. Extensive training has been provided on the code of conduct and all members are aware that the Monitoring Officer will provide advice as and when required.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals which clearly define how decisions are taken and the processes and controls required to manage risks.

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure transparency of decision making.

A risk management framework has been established and in the last year has been supplemented by expert advice from the County Council. The provision of such advice is now built into the service level agreement for audit services. Operational risks form part of the service plans and high level risks are identified in the strategic risk register which is periodically reviewed by the Management Team.

Ensuring the authority's financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Head of Resources, as the nominated section 151 officer, has the delegated responsibility for ensuring there are arrangements in place for the proper administration of financial affairs. The Council meets the five principles laid out in the CIPFA statement.

Undertaking the core functions of an audit committee as defined in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

The Council's Audit and Regulatory Committee operate to agreed terms of reference which define its functions and responsibilities. These are published in the Constitution.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

Key compliance roles are played by the Monitoring Officer and Head of Resources. All reports with legal or financial implications are checked by a member of the legal and finance teams, and those with the most significant implications are checked by the Monitoring Officer and the Head of Resources.

Annual Governance Statement (Continued)

The Council has improved its resilience through its internal audit function being provided by the County Council. A programme of risk based audits is carried out by the Risk and Assurance service and a summary of work, and the detail of unsatisfactory audits are reported to the Audit and Regulatory Committee.

Whistleblowing and receiving and investigating complaints from the public.

The Council has a whistleblowing code that has been benchmarked against the best practice recommended by Public Concern at Work. This is publicised throughout Elizabeth House. A confidential register of complaints received and their outcome is held by the Monitoring Officer and an annual report is considered by the Standards and Ethics Committee.

Complaints from members of the public are addressed according to the corporate complaints procedure and a summary of complaints made to the Ombudsman are reported to the Standards and Ethics Committee.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Council holds the LGA Member Charter as a reflection of the high quality of training. Each member undergoes an induction programme and there is a programme of training structured to meet member needs in their different roles. All of the Heads of Service receive appraisals from the Chief Executive which set out their development needs for the forthcoming year. Key training needs are set out in the corporate Training Plan.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The Council has mapped its stakeholders and forms of consultation through the Community Engagement Strategy. The Council also runs specific consultation programmes to ascertain the views of residents and the business sector, and targeted consultation programmes on matters such as tourism.

Structured engagement is undertaken through the Community Fora.

The Council also has a Forward Plan that allows interested parties to express views on Key Decisions.

There is a residents' newsletter "Stratford View", produced jointly with Warwickshire County Council. There is a joint newsletter for Parishes and Partners.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

Any partnership that involves a financial commitment or a formal decision making arrangement is reviewed by legal and financial officers, and any proposal to delegate decision making is reported to the Cabinet. However the Council does not apply the Audit Commission guidelines in their entirety and further consideration is needed as to whether this is feasible within the resources available to the Council.

4. Review of Effectiveness

The Council has responsibility for conducting at least annually a review of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service who have responsibility for the development and maintenance of the governance environment, internal audit reports and reports from the external auditor and other review agencies and inspectorates.

Annual Governance Statement (Continued)

The review of effectiveness was co-ordinated by the Heads of service who assessed the following:

- (i) The approach of the Council to establishing its principal statutory obligations and organisational objectives;
- (ii) The approach of the Council to identifying principal risks to the achievement of those obligations and objectives;
- (iii) The key control frameworks that the Council has in place to manage its principal risks;
- (iv) The results of external and internal inspections;
- (v) Identified areas of weakness stemming from the above analysis.

In carrying out their review the evaluation team considered the following:

- (1) Internal Audit reports for 2010/11 with a limited opinion
- (2) Annual Audit Letter 2009/10 (November 2010)
- (3) Strategic Risk Register
- (4) IDEA Corporate Peer Review
- (5) EFQM Midlands Excellence Corporate Assessment
- (6) Emerging service plans following the restructure.

We have been advised on the implications of the result of the review of effectiveness by the Audit and Regulatory Committee and plan to address the weakness and ensure continuous improvement of the system is in place.

5. Governance Issues

Issues from 2010/11 – Areas for Improvement

(i) Parking

Following an internal audit investigation in October 2010 weaknesses were identified in the control framework and the operation of controls in relation to parking machines. These weaknesses were reported to the Audit and Regulatory Committee in confidential session and new control measures have been put in place.

(ii) Audit of Accounts

In successive years there have been significant discrepancies between estimates of housing benefit subsidy entitlement and actual outturn. This has resulted in subsidy being reclaimed by the Department of Work and Pensions in excess of that budgeted for. The matter was considered by the Management Team on the 15th December 2010 from which it was agreed to;

- (a) Re-focus the audit process around the subsidy claim and quality control procedures
- (b) Re-focus in-service checks around overpayment issues
- (c) Identify new performance measures that are customer focussed.

(iii) Fixed Asset Accounting

A number of control weaknesses were identified in the 2009/10 External Auditors report in relation to the Council's accounting for its fixed assets. However, these are not such as to prevent an unqualified audit opinion.

(iv) IFRS Compliance

The same report referred to in (iii) identified a need to ensure that the appropriate knowledge and skills were acquired to fully understand the accounting treatment required by IFRS.

Annual Governance Statement (Continued)

(v) Insufficient Funding/Savings

The Council has an extremely challenging medium term financial strategy and the scale of budget reductions over the next four years will require fundamental changes to the ways in which the Council currently operates.

(vi) Robustness of Business Continuity Arrangements

The strategic risk register identifies that business continuity is a "work in progress". Further work is needed to align and update all operational plans against the new structure whilst also being consistent with the approach to business continuity being adopted across the county. A revised corporate Business Continuity Plan will be reported to Management Team in October 2011.

(vii) Access to Services

During the last year the Council has experienced particular difficulties with its call centre performance and which have impeded service quality and reputation. A review of the current arrangements will be undertaken with the objective of improving performance by 25% on 2009/10.

(viii) Core Strategy

The Council's initial timetable for introducing a new core strategy slipped by nearly 12 months. Whilst this has had the advantage of being able to accommodate emerging government policy on localism, it also means that the Council is increasingly reliant on saved policies that are becoming out of date. A new timetable has been approved by the Local Development Framework Working Group, that will result in submission of the Core Strategy to the Secretary of State in May/June 2012. The LDF Working Group will continue to monitor progress within the Planning Policy Team and ensure that competing priorities are not pursued at the risk of further delays to the programme.

(ix) Emergence of Unauthorised Gypsy and Traveller Sites

A number of sites across the district have been purchased by Gypsy and Traveller families and some have become occupied as Gypsy Traveller sites without the benefit of planning permission. The Council has taken enforcement action against these sites and this has included injunction action where intelligence has been received indicating the likelihood of imminent occupation.

The situation has been exacerbated by a policy which is not site specific and which has been exploited by site owners to gain temporary planning permission at appeal.

The Council is developing an interim policy to address these issues pending the introduction of a substantive policy as part of the Local Development Framework.

(x) Section 106 Funding

The Council collects funds through this mechanism for specific community benefits. There have been examples where the Council have had difficulty committing the funds and delivering the outcomes within the timescales required by the specific agreements. In addition there is some disconnect between what funds are collected for and what the Council is able to deliver.

Further work is needed in respect of that process to ensure greater clarity in identifying community needs and clear and unambiguous delivery mechanisms.

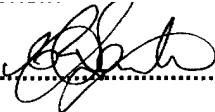
(xi) Partnership Governance

As identified in the body of this report, the Council has not implemented the Audit Commission standards on partnership governance and does not have a systematic framework of evaluation. This is an area that requires further consideration. Furthermore, the Council is now running at 50% of its senior management capacity for 2010/11. This will require the Council to have a more robust approach to determining the partnerships that it can realistically support and engage with by assessing their value added contribution to the work of the Council.

Annual Governance Statement (Continued)

Conclusion

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
Signed.....
Leader

Signed.....
Chief Executive

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 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.