



Statement of Accounts



2007/2008

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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;
- 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 14 present fairly the financial position and transactions of Stratford-on-Avon District Council for the year ended 31 March 2008.



Andrew Lovegrove
Head of Resources

Dated: 25 September 2008

A Financial Review from the Leader (2007/2008) and the Head of Resources

For 2007/2008 the District Council approved a net Revenue expenditure Budget of £12.6m.

The overall position on revenue net expenditure for all of the council's services was £12,595k against a revised budget of £12,839k resulting in an underspend of £244k. However, as a result of £171k slippage, the Council has an effective net overspend of £73k (0.6%) in 2007/2008. During the year the Council has taken positive action to implement and achieve all budgeted savings by consolidating budget management and control processes. This underspend enabled a contribution to reserves of £251k.

Major income received was £6.8m from general Government Grant and the National Non-Domestic Rate pool, plus £6.1m from Council Tax payers. The Government contribution was £198k higher than the previous year (3%). The Council Tax levy at Band D was increased by 3.5% from £114.93 to £118.98 per domestic property per year.

The 2007/2008 Capital expenditure Amended Estimate (inclusive of 2006/2007 slippage) was £8.9m, comprising mainly of, £2m for Affordable Housing, £624k for E-Government, £836k for World Class Stratford, £1.3m for Wellesbourne Community Hall and £586k for Stratford Football Club. Some spending on several major projects was deferred until 2008/2009. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations. The final 2007/2008 capital expenditure was £3.8m.

At 31 March 2008 the Council held £2.1m in Revenue balances, £21m 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 Income and Expenditure Account. This Account 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 Council Tax, Non-domestic Rates ('Business Rates') and residual Community Charge. Transactions between the Income and Expenditure Account and this account are shown "below the line" within the Income and Expenditure Account.
 - ii) Capital expenditure is expenditure that results in the creation or enhancement of fixed 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 2007/2008 was £12,595k compared to a budgeted £12,839k. This meant that the utilisation of reserves in the year was £244k less than anticipated. However, in the closure of the accounts, slippage has been identified totalling £171k that will be financed in 2008/2009. This therefore leads to an effective underspend of £73k for 2007/2008.

The major variances contained within the income and expenditure account include: -

	£000s
Building Control	(90)
Investment Interest	(226)
Housing	103
Street Cleansing	46
Change & Performance	(102)
Customer Services	(66)
Environmental Health	(53)
Corporate Estates	99
Recreational Amenities	40
Domestic Refuse	48
Local Land Charges	79
Other Services – Various Minor Overspend	49
Total	(73)

Foreword

4. The Income and Expenditure Account details the gross costs of service provision amounting to £49,554,511. This expenditure has been analysed as follows:



Employee expenses comprise all 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.

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

5. The gross income of £30,030,080, shown in the Income and Expenditure Account has been analysed as follows:



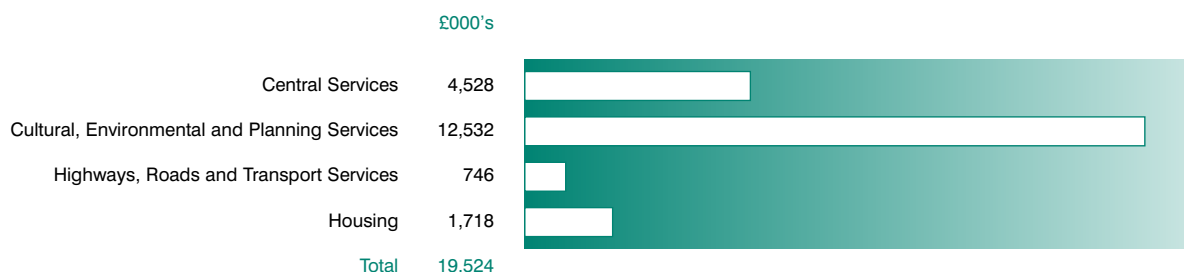
Government grant income includes £25,512,162 towards the cost of Council Tax Benefits, Housing Benefits, their administration and National Non-Domestic Rate administration.

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

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

Foreword

6. The net cost of services within the Income and Expenditure Account is £19,524,431. The services provided for this amount are summarised below:



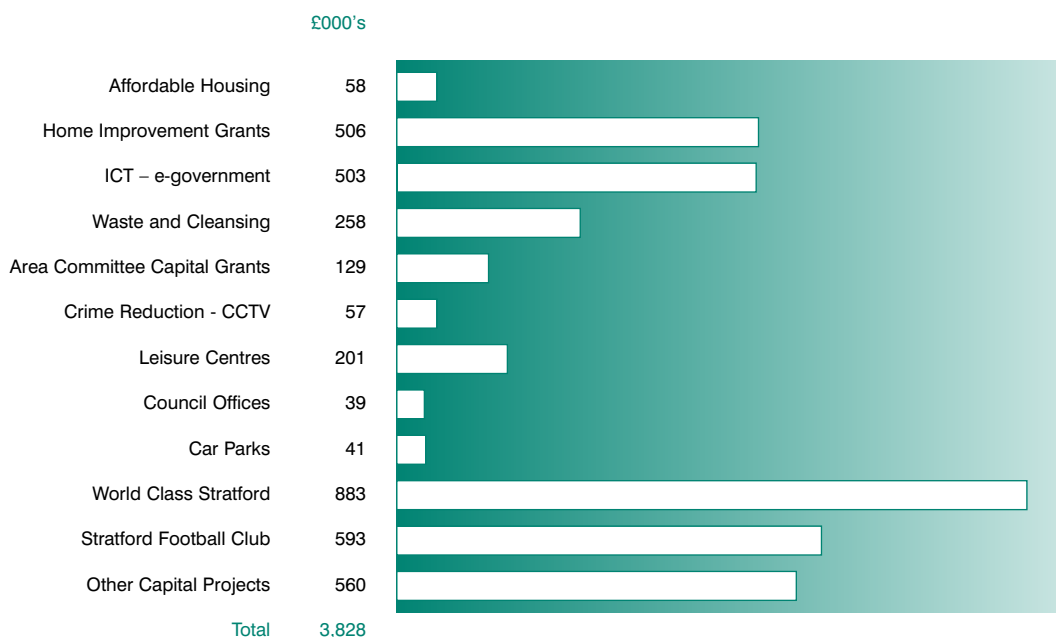
Precepts to town and parish councils, investment income, income from Council Tax payers, and Government grant to finance overall Council expenditure, along with various appropriations, are shown below the net cost of services within the Income and Expenditure Account. After these items, there is a surplus, i.e. a contribution to reserves, for the year of £251k. This compares to a budgeted contribution to reserves of £7k.

Capital Expenditure

7. Capital expenditure amounted to £3,828k in 2007/2008. This compares to an original estimate of £5.6m which was subsequently revised to £8.9m.

The underspend, compared to revised estimates, of (£5,067k) is largely attributable to delays in expenditure, notably Affordable Housing (£1,945k), IT Development (£122k), Wellesbourne Community Hall (£1,258k), Grants to Area Committees (£334k), Planned Maintenance (£136k), Strategic Property (£557k), CCTV Equipment (£194k) and various Section 106 projects (£94k).

8. A summary of capital expenditure in 2007/2008 is shown below:



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

Foreword

9. Capital income amounted to £2,885k in 2007/2008. This figure mainly comprises: Right to Buy Receipts (£131k), Sale of land at Masons Road, Stratford-upon-Avon (£1.7m) and various grants (£988k).

The level of capital receipts held as at the year end was £21,106k; this was £3,626k more than estimated. Assuming the slippage of £3,031k is approved, which would be financed from accumulated capital receipts, the adjusted level of receipts would be £18,075k.

The Future

10. The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Revenue Account balance stood at £2.3m as at 31 March 2008. However this is reduced to £2.1m after allowing for revenue slippage (£171k). This includes £200k for the risk management reserve.
11. Usable capital receipts amounted to over £21m at 31 March 2008. The Council plans to spend and finance over £11m on capital schemes in 2008/2009 which will include the E-Government Action Plan, Affordable Housing Investment Programme, Waste & Cleansing Contract, Disabled Facilities Grants, CCTV Equipment and World Class Stratford.

Foreword

The Accounting Statements

12. The Council's accounting statements for the year 2007/2008 are as follows:

Page

- 14 **The Income and Expenditure Account.** 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.
- 15 **Statement of the Movement on the General Fund Balance.** This statement compares the council's spending against the council tax that it has raised for the year, taking into account the use of reserves built up in the past and contributions to reserves for future expenditure.
- 15 **Statement of Total Recognised Gains and Losses.** This statement brings together all the recognised gains and losses of the council for the year and shows the aggregate increase in its net worth.
- 16 **The Balance Sheet.** This statement sets out the financial position of the Council as at the 31 March 2008. It shows the assets and liabilities of the Council as a whole including those relating to the Collection Fund.
- 17 **The Cash Flow Statement.** This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- 41 **The 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.

Where relevant, equivalent figures for the previous year 2006/2007 are shown for comparative purposes.

Further Information

14. Further information about the functions of the Council is contained within the Annual Report for 2007/2008.
15. 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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice. The Code of Practice is based on approved accounting standards, except where these conflict with specific statutory accounting requirements. The accounting convention adopted is historical cost, modified by the revaluation of specific categories of tangible fixed assets.

2. Accruals of Income and Expenditure

All revenue expenditure, revenue income and capital transactions are accounted for on an accrual basis. That is, sums due to or from the Council during the year are recorded whether or not the cash has actually been received or paid during the year.

3. Estimation Techniques

In some instances it has been necessary to make certain estimates in order to prepare the Statement of Accounts. Where this applies an informed decision has been made to ensure that these estimates are as accurate as could reasonably be expected.

4. Government Grants

- **Capital grants** and contributions are credited to capital grants/contributions unapplied when they are due. The credits are transferred into capital grants/contributions deferred when the grants or contributions are used to finance capital expenditure and as the assets to which they relate depreciate, the credits are transferred to the Income and Expenditure Account to offset depreciation charged.

Where capital grants and contributions received cannot be matched against the authority's assets these are accounted for by a transfer to the Capital Adjustment Account.

- **Revenue grants** are accrued and credited to the accounts in the same period in which the expenditure to which they relate is charged. Where claims were not settled, the best estimate of the grant income is used.

5. Overheads

Support services expenditure includes the following:

- i) 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 & Democratic Core (CDC)), reflecting the actual work of support staff and related expenses.
- ii) 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.
- iii) central expenses, including bank charges, audit fees and general insurances. Majority of the costs are charged to Corporate Management (CM).

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.

Statement of Accounting Policies

6. Tangible Fixed Assets

Tangible fixed assets 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 £5,000 on the acquisition, creation or enhancement of tangible fixed 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 at the lower of net current replacement cost or net realisable value in existing use.

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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve was implemented on 1 April 2007 so for the financial year 2007/2008 only contains revaluation gains since that date. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The value at which each category of assets is included in the balance sheet is reviewed and where impairment is identified this is accounted for by:-

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant services revenue account;
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains 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 to the Reserve from the Statement of Movement on the General Fund Balance.

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

Statement of Accounting Policies

Depreciation

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 bases:-

- freehold land and non-operational investment properties are not depreciated;
- newly acquired assets are not depreciated in the year of acquisition, assets in the course of construction are not depreciated until they are brought into use; and
- buildings are depreciated over a number of years as determined by the Council's valuer. Machinery and equipment are depreciated over five years and other assets such as infrastructure are mainly depreciated over forty years.

7. Charges to Revenue for Fixed Assets

These are charges for depreciation, impairment losses and amortisation of intangible fixed assets made to service revenue accounts, support services and trading accounts during the year.

The authority is not required to raise council tax to cover these charges. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of an amount considered to be prudent. These charges are, therefore, replaced by revenue provision in the Statement of Movement on the General Fund Balance by an adjusting transaction with the Capital Adjustment Account for the difference between the two.

8. Intangible Fixed Assets/Deferred Charges

Intangible assets' costs are IT software & training. IT Software and training costs are recognised/amortised in the revenue account over five/three years and one year respectively during which the Authority derives benefit from the expenditure.

Deferred charges are payments of a capital nature where no fixed asset is created but which may properly be financed over a number of years. In 2007/2008 deferred charges have been written off completely in the year, they are therefore not included in the Balance Sheet as at 31 March 2008.

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

a. Liabilities

As at 1 April 2007 and 31 March 2008 Stratford-on-Avon District had no borrowing.

b. Assets:-

Loans and Receivables

Investments at fixed interest rates with a fixed maturity date are recorded at amortised cost which corresponds to fair value.

Premiums and Discounts arising from premature repayment of debt

The authority has no external loans.

Statement of Accounting Policies

11. Stocks and Work-in-Progress

Stocks and work-in-progress are shown in the Balance Sheet at the lower of cost or net realisable value in accordance with the requirements of the Code of Practice and SSAP 9.

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

- i) Local authorities are required to pay for all expenditure from revenue, except for those items classed as capital. Special funds to meet future extraordinary expenditure cannot be maintained.
- ii) Provisions in respect of bad and doubtful debts are maintained. Potential bad debts include amounts in respect of Council Tax and Business Rate arrears. Provisions have been estimated in accordance with recommended practice and past experience. Provisions for bad and doubtful debts reduce the value of total debtors shown on the Balance Sheet.
- iii) Provisions for insurance claims outstanding and Council Tax appeals are raised when required.
- iv) Where the Council can estimate, with a degree of certainty, that a future event will confirm a contingent loss (cost) it has been included in the financial statements.
- v) Where a material loss cannot be accurately estimated or an event is not considered sufficiently certain it has not been included within the financial statements but shown in Disclosure Note 32 (page 37).
- vi) Contingent gains are not accrued for within the accounting statements.

14. Pensions

The Code governing Local Authority accounts requires authorities to account for their pension costs in accordance to FRS 17 Retirement Benefits. The Council has accounted for its pension costs arising from the Local Government Pension Scheme, and for all unfunded discretionary benefits which it has granted, as defined benefit schemes. The Local Government Superannuation Scheme is a funded, defined benefits scheme administered by Warwickshire County Council.

For those schemes treated as defined contribution schemes, pension fund assets are accounted for at fair value (i.e. market value for investments and properties). Pension liabilities are measured on an actuarial basis using the projected unit method. This requires the Council's actuaries to make various assumptions about future events.

Within the Income and Expenditure Account, service revenue accounts and trading services have been charged with their current service cost, which represents the extent to which pensions liabilities have increased as a result of employee service during the year. Past service costs, settlements 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 FRS 17 based pension costs in the Income and Expenditure Account 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.

Statement of Accounting Policies

15. Exceptional items, extraordinary items and prior year adjustments

Any material exceptional or extraordinary items are included within the cost of the relevant individual service or separately identified on the face of the revenue account. Details of any such items are given in the explanatory notes.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the statement of accounts and notes and by adjusting the opening balance of reserves for the cumulative effect.

16. 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.

17. Value Added Tax (TAX)

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.

18. Leases

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease.

19. Associated and subsidiary companies, group accounts

The local authority group is defined as the local authority and its interests in entities, except where such entities are local authorities, which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Acts. Stratford-on-Avon DC has no financial relationships with any entity that can be considered as a subsidiary, or an associate, or a joint venture, or as a simple investment. The Authority does not have a right to share in profits, a liability to contribute to losses, or an obligation to contribute to debts or expenses in winding-up of any entity.

The Authority has an agreement with the South Warwickshire Tourism Limited (SWT) relating to the carrying out of Tourism Functions. SWT act as principals not agents and consequently the relevant transactions form part of their company accounts and not those of the Authority. The Authority pay for all work done and services provided in respect of the Undertaking by providing 21.18% of the organisation core funding. Although, the Authority have influence over the organisation by providing some of its funds, this is not considered sufficient to generate a formal interest in the entity's (SWT) assets, liabilities or reserves.

Income and Expenditure Account

2006/2007 Net expenditure £000's		2007/2008 Gross expenditure £000's	2007/2008 Gross income £000's	2007/2008 Net expenditure £000's
	Services			
1,808	Central Services	8,651	(7,524)	1,127
11,318	Cultural, Environmental and Planning Services	16,020	(3,487)	12,533
717	Highways, Roads and Transport Services	839	(92)	747
2,657	Housing	20,629	(18,912)	1,717
2,350	Corporate and Democratic Core	2,440	(15)	2,425
99	Non Distributed Costs	977	(1)	976
18,949	Net cost of services	49,556	(30,031)	19,525
(105)	(Gains)/losses on the disposal of fixed assets			-
2,149	Precepts paid to town/parish councils			2,304
(1,148)	(Surplus)/Deficit from trading operations (note 1)			843
13	Interest payable			4
16	Contribution to Housing Pooled Capital Receipts (note 13)			9
(1,334)	Interest and Investment Income			(1,504)
114	Pensions interest cost and expected return on pensions assets			122
-	Right to Buy Clawback and other windfall capital receipts			(207)
18,654	Net operating expenditure			21,096
(7,988)	Precepts / demands on the Collection Fund			(8,393)
87	Collection fund balance			15
(1,098)	Revenue support grant			(973)
(5,475)	Contribution from National Non-Domestic Rates pool			(5,799)
4,180	(Surplus) / Deficit for the year			5,946

Statement of the Movement on the General Fund Balance

31 March 2007 £000's		31 March 2008 £000's
4,180	(Surplus) / Deficit for the year on the Income and Expenditure Account	5,946
(4,389)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 14)	(6,196)
(209)	(Increase) / Decrease in General Fund Balance for the year	(250)
(1,803)	General Fund Balance brought forward	(1,792)
(2,012)	General Fund Balance carried forward	(2,042)

NB:-

31 March 2007 – Balances include Earmarked and Building Control Reserves.

31 March 2008 – Balance is General Fund balance only.


See Balance Sheet on Page 16.

Statement of Total Recognised Gains and Losses

31 March 2007 £000's		31 March 2008 £000's
4,180	(Surplus) / Deficit for the year on the Income and Expenditure Account	5,946
(2,255)	Surplus arising on revaluation of fixed assets (Note 16)	(4,796)
(2,782)	Actuarial (gains) / losses on pension fund assets and liabilities	8,170
44	Collection Fund	67
(813)	Total recognised (gains) / losses for the year	9,387

Balance sheet

As at 31 March 2007 Restated £000's		As at 31 March 2008 £000's	As at 31 March 2008 £000's
	Fixed assets - operational (note 15)		
31,280	Other land and buildings	31,528	
1,246	Vehicles, plant, furniture and equipment	1,088	
1,268	Infrastructure assets	2,007	
326	Community assets	367	
12,403	Fixed assets - non-operational (note 15)	11,834	
	Investment properties		
<hr/>		<hr/>	
46,523			46,824
1,782	Intangible Fixed Assets (note 20)		1,724
47	Long term debtors - mortgages		407
<hr/>			<hr/>
48,352	Total long term assets		48,955
	Current assets		
50	Stock and work-in-progress (note 21)	27	
21,400	Investments (note 22)	21,395	
50,639	Pension Asset (note 5)	48,775	
9,242	Debtors (note 23)	7,194	
31	Debtor - Collection Fund	698	
164	Cash and bank	395	
<hr/>		<hr/>	
81,526		78,484	
	Current liabilities		
(4,025)	Creditors (note 24)	(2,650)	
(2,006)	Accruals (note 25)	(2,356)	
(63,726)	Pension Liability (note 5)	(70,908)	
-	Bank overdraft	-	
<hr/>		<hr/>	
(69,757)		(75,914)	
11,769	Net current assets		2,570
<hr/>			<hr/>
60,121	Total assets less current liabilities		51,525
(47)	Deferred credits (note 26)	(36)	
(1,199)	Capital grants / contributions unapplied	(1,739)	
(1,033)	Capital grants / contributions deferred	(1,294)	
(45)	Provisions (note 28)	(46)	
<hr/>		<hr/>	
(2,324)			(3,115)
<hr/>			<hr/>
57,797	Total assets less liabilities		48,410
(46,828)	Capital Adjustment Account (note 30)		(43,507)
-	Revaluation Reserve (note 29)		(3,696)
13,087	Pension Reserve (note 5)		22,133
(22,049)	Usable capital receipts reserve (note 31)		(21,106)
	Revenue balances		
	General Revenue Account		
(200)	Earmarked (Insurances)	(200)	
(1,792)	General	(2,042)	
(20)	Building Control Reserve	(64)	(2,306)
<hr/>		<hr/>	<hr/>
(57,802)			(48,482)
5	Collection Fund		72
<hr/>			<hr/>
(57,797)	Total Equity		(48,410)



Andrew Lovegrove
Head of Resources
Dated: 25 September 2008

Cash Flow Statement

2006/2007 £000's		2007/2008 £000's
	REVENUE ACTIVITIES	
	Cash Outflows	
10,697	Cash paid to and on behalf of employees	11,276
14,052	Other operating cash payments	13,592
16,539	Housing benefit (Rent allowances) paid out	18,264
40,605	National Non-Domestic Rate payments to National Pool	43,155
58,936	Precepts paid	63,113
16	Payments to capital receipts pool	9
<hr/> 140,845		<hr/> 149,409
	Cash Inflows	
(1,230)	Rents (after benefits)	(1,118)
(59,189)	Council Tax receipts	(63,754)
(5,475)	National Non-Domestic Rate receipts from National Pool	(5,799)
(43,405)	Non-Domestic Rate receipts	(43,792)
(1,098)	Revenue Support Grant / SSA Reduction Grant	(973)
(22,207)	Government grants for benefits (note 36)	(23,693)
(1,416)	Other Government grants (note 36)	(1,832)
(6,207)	Cash Received for goods and services	(5,724)
(2,104)	Other operating cash receipts	(1,686)
<hr/> (142,331)		<hr/> (148,371)
	Returns on investments and Servicing of Finance	
	Cash Outflows	
13	Interest paid	4
-	Interest Element of Finance Lease Rental Payments	-
	Cash Inflows	
(1,335)	Interest received	(1,504)
<hr/> (2,808)		<hr/> (462)
	Net cash outflow / (inflow) from Revenue Activities (note 34)	
	CAPITAL ACTIVITIES	
	Cash Outflows	
1,691	Purchase of fixed assets	1,341
3,909	Other Capital Payments	2,321
<hr/> 5,600		<hr/> 3,662
	Cash Inflows	
(2,362)	Capital Receipts	(1,897)
(897)	Capital grants received	(1,528)
<hr/> (3,259)		<hr/> (3,425)
(467)	Net cash outflow / (inflow) before financing	(225)
	FINANCING	
-	Repayments of amounts borrowed	-
<hr/> (467)	Decrease / (increase) in cash and equivalents (note 35)	<hr/> (225)

Notes to the Core Financial Statements

1. Trading Operations

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

Total Trading Operations 2006/2007 £000's		Avenue Farm Depot 2007/2008 £000's	Industrial Estates 2007/2008 £000's	Corporate Estate 2007/2008 £000's	Rec Grounds 2007/2008 £000's	Parking 2007/2008 £000's	Total Trading Operations 2007/2008 £000's
(882)	Income from commercial rents	(197)	(67)	(328)	(87)	(54)	(733)
<u>(3,832)</u>	Fees and charges income	<u>-</u>	<u>(2)</u>	<u>(43)</u>	<u>-</u>	<u>(3,748)</u>	<u>(3,793)</u>
(4,714)	Total income	(197)	(69)	(371)	(87)	(3,802)	(4,526)
<u>2,888</u>	Expenditure	<u>44</u>	<u>16</u>	<u>145</u>	<u>8</u>	<u>2,735</u>	<u>2,948</u>
(1,826)	Surplus on trading	(153)	(53)	(226)	(79)	(1,067)	(1,578)
678	Capital Charges	2	34	507	3	1,875	2,421
<u>(1,148)</u>	(Surplus) / Deficit after asset rental charge	<u>(151)</u>	<u>(19)</u>	<u>281</u>	<u>(76)</u>	<u>808</u>	<u>843</u>

2. Members' Allowances

Expenditure for the 2007/2008 on members' allowances is detailed below: -

2006/2007 £000's	Members' Allowances	2007/2008 £000's
329		334
<u>329</u>		<u>334</u>

A document detailing the Members' Allowances Scheme is available from the Head of Resources, Elizabeth House, Church Street, Stratford-upon-Avon, CV37 6HX. Details of amounts paid to individual members are also open to public inspection by prior arrangement with Resources, telephone 01789 260425. Members' Allowances were set in line with the recommendations of the report by the Independent Remuneration Panel in autumn 2001.

Notes to the Core Financial Statements

3. Finance and Operating Leases

During 2007/2008 no payments were made in respect of finance leases and there were no future commitments under finance leases as at 31 March 2008.

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 £89k in 2007/2008 and are in respect of printing equipment. Future commitments under these operating leases for printing equipment are estimated at £90k per annum until September 2011.

4. Employees' Remuneration

The Accounts and Audit Regulations 2003 require disclosure of certain information about officers' pay and other benefits in accounting statements. The relevant information for this Council is as follows: -

Remuneration Band	Number of Employees 2006/2007	Number of Employees 2007/2008
£90,000 - £100,000	-	1
£80,000 - £90,000	1	-
£70,000 - £80,000	2	2
£60,000 - £70,000	-	-
£50,000 - £60,000	1	2

Notes to the Core Financial Statements

5. 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 date of the last full actuarial valuation was 31 March 2007.

We recognise 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 I & E after Net Operating Expenditure. The following transactions have been made in the I & E during the year:

Revenue Items	2006/2007 £000's	2007/2008 £000's
Net Cost of Services		
Current Service Cost	1,503	1,352
Past Service Cost	-	471
Curtailement Gain Cost	-	202
Net Operating Expenditure		
Expected Return on Assets	(3,009)	(3,302)
Interest on Pension Liabilities	3,123	3,424
Amounts to be met from Government Grants and Local Taxation		
Net charges made for retirement benefits in accordance with FRS17	1,617	2,147
Actual amount charged against council tax for pensions in the year		
Employers contributions payable to scheme	(972)	(1,271)
Total	645	876

The current service cost figure of £1,352k represents 17.1% of pensionable payroll.

Details of movement in the reserve are shown in the Reserves note on page 35.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2008 are as follows: -

	2006/2007 £000's	2007/2008 £000's
Estimated liabilities in scheme	(63,726)	(70,908)
Estimated assets in scheme	50,639	48,775
Net asset/(liability)	(13,087)	(22,133)

Notes to the Core Financial Statements

The estimated position as at 31 March 2008, indicates that there is a deficit on the pension fund of around £22m, this is compared with a figure of £13m, on the previous year.

The Stratford-on-Avon DC Pension fund is managed over a significant period and an estimated deficit position on the pension fund at this stage has no direct impact upon the level of the Council's General Fund reserves.

Assets in the County Council Pension Fund are valued at fair value and consist of the following categories: -

	Equities £000's	Government Bonds £000's	Other Bonds £000's	Other £000's	Total £000's
Assets in the scheme	32,044	4,439	7,072	5,220	48,775

In order to produce the accounts within the requisite timescale it has been necessary for the actuary to estimate the value of assets using the actual return on assets to December 2007 and included an estimated return for January to March 2008. The final three months were based on an estimated rate of return of -3.8%.

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2007/2008 and shown on the Statement of Total Recognised Gains and Losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

Local Government Pension Scheme

	2007/08 £'000	%	2006/07 £'000	%	2005/06 £'000	%	2004/05 £'000	%
Difference between the expected and actual return on assets	(5,232)	10.7% of assets	(398)	0.8% of assets	6,670	13.8% of assets	960	2.4% of assets
Experience gains/(losses) on liabilities	(262)	0.4% of liab	0	0% of liab	(1,141)	1.8% of liab	(1,162)	2.1% of liab
Changes in financial assumptions underlying the present value of scheme liabilities	(2,676)	3.8% of liab	3,180	5.0% of liab	(4,952)	7.8% of liab	(9,157)	16.6% of liab
Actuarial gains / (losses)	(8,170)	11.5% of liab	2,782	4.4% of liab	577	0.9% of liab	(9,359)	16.9% of liab

Notes to the Core Financial Statements

Actuarial Assumptions

Split of assets between investment categories

- Equities
- Government Bonds
- Other Bonds
- Property
- Cash/Liquidity
- Other

2006/2007

79.2%
12.1%
8.0%
0%
N/A
0.7%

2007/2008

65.7%
9.1%
14.5%
4.2%
1.4%
5.1%

Financial Assumptions

- Rate of inflation
- Rate of increase in salaries
- Rate of increase in pensions
- Discount rate

Beginning of
year

3.1%
4.85%
3.1%
5.4%

End of year

3.6%
5.35%
3.6%
6.1%

Expected rate of return on assets

- Equities
- Government Bonds
- Other Bonds
- Property
- Cash/Liquidity
- Other

Beginning of
year

7.5%
4.7%
5.4%
6.5%
5.25%
N/A

End of year

7.5%
4.6%
6.1%
6.5%
5.25%
7.5%

Further information can be found in Warwickshire County Council's Superannuation Fund Actuarial Report, which is available on request from the County Treasurer, Warwickshire County Council, P.O. Box 3, Shire Hall, Warwick, CV34 4RH.

6. Section 137 (as amended) Expenditure

In 2007/2008 Section 137 expenditure amounted to £182,704 (£184,715 in 2006/2007). It is used largely to provide grants to voluntary bodies serving the community and is included within Cultural, Environmental and Planning Services in the Income and Expenditure Account.

7. Publicity Expenditure

Local authority expenditure on publicity is required to be recorded by Section 5 of the Local Government Act 1986. In 2007/2008 expenditure on advertising was £42,574 (£19,965 in 2006/2007). In addition, the gross expenditure of the Public Relations Unit (excluding advertising costs) was £116,154 (£134,391 in 2006/2007). Elements of this expenditure are included within each of the Council's services shown in the Income and Expenditure Account.

Notes to the Core Financial Statements

8. Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control unit divided between chargeable and non-chargeable activities. The chargeable deficit has been transferred to the Building Control Balance Account on the Balance Sheet, which had a balance of £21k at the start of the year.

Total 2006/2007 £000's	Building Control – Trading Account 2007/2008	Chargeable 2007/2008 £000's	Non-Chargeable 2007/2008 £000's	Total 2007/2008 £000's
	Expenditure			
470	Employee Expenses	348	149	497
37	Transport	27	12	39
25	Supplies & Services	17	7	24
10	Third Party Payments	36	18	54
26	Transfer Payments	3	1	4
198	Support Service Charges	128	55	183
766	Total Expenditure	559	242	801
	Income			
(522)	Building Regulation Charges	(602)	-	(602)
(522)	Total Income	(602)	-	(602)
244	(Surplus) / Deficit	(43)	242	199

9. Agency Income and Expenditure

There are no significant Agency costs to disclose in the 2007/2008 Statement of Accounts.

Notes to the Core Financial Statements

10. 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 2007 to 31 March 2008 is as follows:

Financial Transactions

	Transactions £000's	Balance 31 March 2008 £000's
South Warwickshire Housing Association - excludes Benefit Payments (note a)	160	-
Pensions Service	1,461	-
Warwickshire County Council - excludes Precepts (note b)	2,195	-
South Warwickshire Tourism (note c)	293	-
Stratford Town Management Trust	84	-

a. There were two District Councillors who served on the board of the South Warwickshire Housing Association namely:-

- Trevor Russel
- Roger Wright

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

b. There are also two District Councillors who are also Members of the Police Authority namely: -

- Richard Hobbs
- Isobel Seccombe

c. There were three District Councillors who were also on the Board of South Warwickshire Tourism namely: -

- Peter Barton
- Charles Bates
- Michael Perry

The transaction with South Warwickshire Tourism is in the form of a contribution towards their activities.

Notes to the Core Financial Statements

d. 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 (over/above £5k) between SDC and other Parishes are shown below:

Parish Councils	Number of Members	Payments other than Precepts £000's
Shipston-on-Stour	2	8
Southam	1	11

Non-Financial Transactions

None of which the Council is aware.

11. Audit Costs

In 2007/2008 Stratford-on-Avon District Council incurred the following fees relating to external audit and inspection:

	2006/2007 £000's	2007/2008 £000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	97	110
Fees payable to the Audit Commission in respect of statutory inspection	7	5
Fees payable to the Audit Commission for the certification of grant claims and returns	41	57
Fees payable in respect of any other services provided by the appointed auditor	6	7
Total Audit Costs	151	179

12. Income and Expenditure Under the Local Authority (Goods and Services) Act 1970

The Council is required to provide details of work carried out by Council departments for other public bodies. The purpose of this disclosure is to demonstrate the extent to which the Council is engaged in trading activities which would not otherwise be part of its function as a Local Authority.

The act allows the Council to provide services to other local authorities and public bodies. Under this Act, the Council did not have any income and expenditure in respect of these activities, nor any costs/income included in the Council's Income and Expenditure Accounts.

Notes to the Core Financial Statements

13. Housing Pooled Capital Receipts

With effect from 2004/2005 local authorities in England have to pay a proportion of specified housing related capital receipts (75%) into a Government pool for redistribution. This is then offset by an appropriation from usable capital receipts. In the case of Stratford-on-Avon DC the receipts arise from the repayment of principal on mortgages.

14. Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are as follows:-

As at 31 March 2007 £000's		As at 31 March 2008 £000's	As at 31 March 2008 £000's
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(2,736)	Amortisation of intangible fixed assets	(1,633)	
(1,406)	Depreciation and impairment of fixed assets	(4,203)	
313	Government Grants Deferred	275	
105	Net (gains) / loss on sale of fixed assets	-	
-	Right to Buy Clawback and other windfall capital receipts	207	
(1,617)	Net charges made for retirement benefits in accordance with FRS17	(2,147)	
<u>(5,341)</u>			<u>(7,501)</u>
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
(27)	Minimum Revenue Provision – Commutation Adjustment	-	
2	Financing of Capital Expenditure	-	
(16)	Transfer from Usable Capital Receipts (Housing Pooled Capital Receipts)	(9)	
972	Employer's contributions payable to the Warwickshire County Council Pension Fund	1,271	
<u>931</u>			<u>1,262</u>
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
21	Net transfer to Building Control Trading Account (Surplus) / Deficit		43
<u>21</u>			
<u>(4,389)</u>	Net additional amount required to be credited to the General Fund Balance for the year		<u>(6,196)</u>

Notes to the Core Financial Statements

15. Movement of Fixed Assets

	Other land and buildings £000's	Vehicles, plant and equipment £000's	Infrastructure assets £000's	Community assets £000's	Investment properties £000's	Total £000's
Certified valuation at 31 March 2007	33,407	2,741	1,684	420	12,403	50,655
Accumulated depreciation and impairment	(2,127)	(1,495)	(416)	(94)	-	(4,132)
Net book value of assets at 31 March 2007	<u>31,280</u>	<u>1,246</u>	<u>1,268</u>	<u>326</u>	<u>12,403</u>	<u>46,523</u>
<i>Movement in 2007/2008</i>						
Additions	301	382	791	45	31	1,550
Disposals	(142)	-	-	-	(1,700)	(1,842)
Revaluations	3,696	-	-	-	1,100	4,796
Depreciation in year	(754)	(540)	(52)	(4)	-	(1,350)
Impairments	(2,853)	-	-	-	-	(2,853)
Net book value of assets at 31 March 2008	<u><u>31,528</u></u>	<u><u>1,088</u></u>	<u><u>2,007</u></u>	<u><u>367</u></u>	<u><u>11,834</u></u>	<u><u>46,824</u></u>

16. Fixed Asset Valuation

Valuations were carried out during 2007/2008 by external independent valuers (Gerald Eve Chartered Surveyors) in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors in line with the Council's five year rolling programme of asset valuation.

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

Public Conveniences and various investment properties in March 2009;
Recreation Ground Pavilion and various investment properties in March 2010; and
Various Public Offices, Shipston Pool and various investment properties in 2011.

The basis of valuations is set out in the Statement of Accounting Policies (note 6).

Notes to the Core Financial Statements

17. Capital Expenditure and Financing

Capital Expenditure is expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset. The Council's de-minimis level is currently set at £5,000, which means relevant expenditure amounting to less than £5,000 will be included in the accounts as revenue expenditure rather than capital expenditure.

Capital expenditure is detailed below:

2006/2007 £000's		2007/2008 £000's
	Capital expenditure adding to fixed asset valuation:	
193	Leisure facilities	201
44	Car parks	41
223	Information technology development	52
101	Crime Reduction - CCTV	57
633	Improvement / refurbishment of Council offices	39
-	Waste & Cleansing	258
556	Other	902
<u>1,750</u>	Additions to fixed assets	<u>1,550</u>
	Capital expenditure not adding to fixed asset valuation:	
3,208	Intangible Fixed Assets (see note 20)	450
824	Deferred Charges (note 20)	1,578
-	Long Term Debtor	250
<u>4,032</u>		<u>2,278</u>
<u>5,782</u>	Total capital expenditure	<u>3,828</u>
	Financed by:	
2	Direct revenue financing	-
897	Grants / contributions	988
4,536	Capital receipts	2,840
347	Movement in creditors	-
<u>5,782</u>		<u>3,828</u>

18. Capital Commitments

The Council has Capital Commitments of approximately £1.9m, relating to Waste & Cleansing (£1.5m), CCTV (£55k), World Class Stratford (£62k), Capital Grants (£263k) and various miscellaneous (£55k), as at 31 March 2008. These will be financed from 2008/2009 resources in accordance with recommended practice.

Notes to the Core Financial Statements

19. Information on Assets Held

An analysis of the main fixed assets owned by the Council is shown below:

31 March 2007		31 March 2008
	Operational buildings	
1	Council offices	1
3	Area offices	3
1	Depot	1
25	Car parks and coach parks	20
4	Leisure centres	4
12	Public conveniences	12
1	Sports pavilions	1
1	Gypsy caravan site	1
	Vehicles, plant and equipment	
3	Vehicles	3
approx 807	Information technology equipment (items)	approx 930
	Community assets	
102	Parks and recreation land (hectares)	102
	Investment properties	
24	Commercial properties	24
13	Land available for development (plots)	11

20. Intangible Fixed Assets

	Balance at 1 April 2007	Expenditure in year	Expenditure met by grant income	Accounts written off to Income and Expenditure Account	Balance at 31 March 2008
	£000's	£000's	£000's	£000's	£000's
Improvement Grants	-	506	(258)	(248)	-
Capital Grants	-	465	-	(465)	-
Recreational Amenities	-	5	-	(5)	-
Disabled Adaptations	-	114	(6)	(108)	-
S.106 Agreements	-	17	(17)	-	-
SWHA Infrastructure	-	110	-	(110)	-
Affordable Housing	-	58	-	(58)	-
Other Small Misc.	-	201	(70)	(131)	-
World Class Stratford	-	102	(102)	-	-
IT Software & Training	1,782	450	-	(508)	1,724
	<u>1,782</u>	<u>2,028</u>	<u>(453)</u>	<u>(1,633)</u>	<u>1,724</u>

Notes to the Core Financial Statements

Any intangible asset not yet amortised to the Income and Expenditure Account are held as intangible assets on the balance sheet. Intangible assets' costs are IT software & training. IT Software and training costs are recognised/amortised in the revenue account over five/three years and one year respectively during which the Authority derives benefit from the expenditure.

Deferred charges are payments of a capital nature where no fixed asset is created but which may properly be financed over a number of years. They may be written off to revenue over an appropriate period so that the value of assets carried in the Balance Sheet is not overstated. In 2007/2008 deferred charges have been written off completely in the year, they are therefore not included in the Balance Sheet as at 31 March 2008.

21. Stocks

2006/2007 £000's		2007/2008 £000's
32	Departmental Stationery and other consumable stocks	12
11	Sports Equipment Bank	11
1	General Stationery stock	-
6	Environmental Health poison stock	4
50	Total Stocks	27

22. Financial Instruments

The investments disclosed in the balance sheet consist of the following categories of financial instrument:

	Long Term		Current	
	31 March 2007 £'000's	31 March 2008 £'000's	31 March 2007 £'000's	31 March 2008 £'000's
Financial Assets (Investments)				
at Amortised Cost	0	0	0	0
at Fair Value	0	0	21,400	21,395
Total Investments	0	0	21,400	21,395

Notes to the Core Financial Statements

Gains and losses recognised in the Income and Expenditure Account:

		2006/2007		2007/2008	
Financial Liabilities		At Amortised Cost £'000's	At Fair Value £'000's	At Amortised Cost £'000's	At Fair Value £'000's
	Interest Paid	<u>13</u>	<u>13</u>	<u>4</u>	<u>4</u>
		2006/2007		2007/2008	
Financial Assets		Loans and Receivables £'000's	At Fair Value £'000's	Loans and Receivables £'000's	At Fair Value £'000's
	Interest Received	<u>1,334</u>	<u>1,334</u>	<u>1,504</u>	<u>1,504</u>

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 31st March 2008 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31st March 2008 for equivalent loans.
- Investments; short term – carrying amounts in the balance sheet approximate to fair value.

The fair values calculated are as follows:

		31 March	
		Carrying Amount £'000's	At Fair Value £'000's
Financial Liabilities		0	0
Financial Assets		21,395	21,395

Financial assets - fair value is the same as the carrying amount because the authority holds investments where the interest rate is current market rate.

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 – 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. The highest limit for any counterparty is £2m.

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:-

	Amount at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000's	%	%	£000's
Deposits with banks and financial institutions	0	0	0	0
Sales ledger	1,027	0.62%	1.18%	12.1

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.

Notes to the Core Financial Statements

The sales ledger debt is £1,027k. The sales ledger debt can be analysed by age as follows:

	£000's
Less than three months	481
Three to six months	295
Six months to one year	80
More than one year	171
Total	1,027

(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 £5m in total.

All trade and other payables are due to be paid in less than one year.

(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 Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of up to 100% of its borrowings in variable rate loans.

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 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000's
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	242
Impact on Income and Expenditure Account	242
Decrease in fair value of fixed rate investment assets	0

Notes to the Core Financial Statements

Price Risk

The authority does not hold any equity shares, thus there is no price risk to the authority.

Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

23. Debtors

2006/2007 Restated £000's		2007/2008 £000's
	Amounts falling due in one year	
754	Central Government	1,141
295	HM Customs and Excise	180
3,712	Council Taxpayers	3,496
4,057	Business Ratepayers	2,284
171	Housing Benefit Overpayments	148
13	Mortgagors	6
1,790	Other	1,684
141	Prepayments	73
<u>10,933</u>		<u>9,012</u>
	Provisions for bad and doubtful debts	
(80)	General Revenue Account	(97)
(35)	Housing Benefit Overpayments	(40)
(1,545)	Collection Fund	(983)
<u>9,273</u>	Total debtors	<u>7,892</u>

24. Creditors

2006/2007 Restated £000's		2007/2008 £000's
(85)	Central Government	(382)
(269)	Inland Revenue	(277)
(10)	Other Local Authorities	(11)
(2)	Mortgagors	(2)
(523)	Council Taxpayers	(543)
(1,856)	Business Ratepayers	(189)
(1,280)	Other	(1,246)
<u>(4,025)</u>	Total creditors	<u>(2,650)</u>

Notes to the Core Financial Statements

25. Accruals

2006/2007 £000's		2007/2008 £000's
(2,006)	General Revenue Account	(2,356)
<u>(2,006)</u>	Total	<u>(2,356)</u>

26. Deferred Credits

Deferred Credits represent income of a capital nature derived from the sale of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council dwellings, which form the main part of mortgages under long term debtors.

27. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to earmark resources for future spending plans.

	Balance at 1 April 2007	Net Movement in year	Balance at 31 March 2008	Purpose of Reserve	Further Detail of Movements
	£000's	£000's	£000's		
Revaluation Reserve	-	(3,696)	(3,696)	Revaluation of fixed assets	Note 29
Capital Adjustment Account	(46,828)	3,321	(43,507)	Capital resources set aside	Note 30
Usable Capital Receipts	(22,049)	943	(21,106)	Proceeds of fixed asset Sales	Note 31
Pensions Reserve	13,087	9,046	22,133	Pensions Liability in the Balance Sheet	Note 5
General Fund	(2,012)	(294)	(2,306)	Resources available to meet future expenditure	Note 14 & Statement of Movement on General Fund Balance
Collection Fund	5	67	72		Page 41
	<u>(57,797)</u>	<u>9,387</u>	<u>(48,410)</u>		

Notes to the Core Financial Statements

28. Provisions

	Balance Restated at 1 April 2007	Expenditure in year	Write-back to Revenue Account	Additions in year	Balance at 31 March 2008
	£000's	£000's	£000's	£000's	£000's
Insurances - Outstanding Claims	(5)	1	-	(2)	(6)
Council Tax provision for change in previous years debit charge	(40)	-	-	-	(40)
	<u>(45)</u>	<u>1</u>	<u>-</u>	<u>(2)</u>	<u>(46)</u>

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.

Council Tax

Amount set aside for the change in previous years debit charge.

29. Revaluation Reserve

	£000's
Balance at 1 April 2007	-
Uplift for new valuation of fixed assets	(3,696)
Balance at 31 March 2008	<u>(3,696)</u>

The above reserve was introduced by the SORP(2007) and replaces the former Fixed Asset Restatement Account. The new system from 1 April 2007 has assumed that the historic cost and current value are the same. It represents the difference between the Current Value and Historic Cost on the revaluations that have taken place as at 31 March 2008.

Notes to the Core Financial Statements

30. Capital Adjustment Account

	£000's
Balance at 1 April 2007	(46,828)
2007/2008 capital financing from capital receipts	(2,840)
2007/2008 depreciation provision	1,350
Write down of grants and contributions deferred	(726)
Adjustment for Fixed Assets	3,452
Adjustment for Intangible Fixed Assets	2,085
Balance at 31 March 2008	<u><u>(43,507)</u></u>

The Capital Adjustment Account (implemented by the amalgamation of the Capital Financing Account and Fixed Asset Restatement Reserve on 1st April 2007) provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. It should be noted that the account is matched by fixed assets within the Balance Sheet and are not resources available to the authority.

31. Usable Capital Receipts Reserve

	£000's
Balance at 1 April 2007	(22,049)
Capital receipts received	(1,906)
Capital receipts used for financing	2,840
Appropriation to I + E - Housing Pooled Capital Receipts	9
Balance at 31 March 2008	<u><u>(21,106)</u></u>

The usable capital receipts account represents capital receipts available to finance capital expenditure in future years. In accordance with best practice, expenditure incurred in generating capital receipts has been used to offset gross capital receipts and thereby reduce the amount required by statute to be set aside.

32. Contingent Liabilities

The Council has no contingent liabilities.

Notes to the Core Financial Statements

33. Section 106

2006/2007 £000's		2007/2008 £000's
(201)	Balance at 1 April	(585)
(427)	S.106 monies received in year	(326)
(628)		(911)
27	Used to finance expenditure:-	17
16	Leisure Facilities	-
	Community Halls	
(585)	Balance at 31 March	(894)

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

The balances are included within capital grants/contributions unapplied in the balance sheet (See Page 16).

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

2006/2007 £000's		2007/2008 £000's
	(Surplus) / deficit for the year	
(209)	Income and Expenditure Account	5,946
	Statement of Movement on General Fund Balance – Note 14:-	
-	Amortisation of intangible fixed assets	(1,633)
-	Depreciation and impairment of fixed assets	(4,203)
-	Government Grants Deferred	275
-	Right to Buy clawback and other windfall receipts	207
-	Pensions	(876)
-	Housing Pooled Capital Receipts	(9)
-	Building Control Trading Account	43
(975)	Collection Fund	67
(1,184)		(183)
(105)	Non cash transactions	323
(1,289)		140
	Accruals basis items	
-	Increase / (Decrease) in stocks	(23)
1,218	Increase / (Decrease) in debtors	(1,953)
(2,764)	(Increase) / Decrease in creditors	1,374
(2,835)		(462)
27	Items classified elsewhere in the Cash Flow Statement	-
(2,808)	Net cash outflow / (inflow) from revenue activities	(462)

Notes to the Core Financial Statements

35. Decrease / (Increase) in Cash and Cash Equivalents

	As at 31 March 2007 £000's	As at 31 March 2008 £000's	Movement in year £000's
(Cash and bank) / bank overdraft	(165)	(395)	(230)
Temporary investments	21,400	21,395	5
Decrease/(increase) in cash and cash equivalents			(225)

36. Specific Government Grants

2006/2007 £000's		2007/2008 £000's
(5,440)	Grants for benefits	
(16,767)	Council Tax benefits	(5,872)
	Housing benefits	(17,821)
<u>(22,207)</u>		<u>(23,693)</u>
	Other Government grants	
(381)	Council Tax benefits - administration	(381)
(322)	Housing benefits - administration	(348)
(713)	Other grants / adjustments	(1,103)
<u>(1,416)</u>		<u>(1,832)</u>

37. Post Balance Sheet Events

There are no post balance sheet events to report as at the Audit Committee of 24 September 2008.

Notes to the Core Financial Statements

38. Local Area Agreements

Stratford District Council is a participant in a Local Area Agreement – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/2008, we have completed the first year of our agreement which was signed on 29 March 2007.

The purpose of the Local Area Agreement is:

- To form an agreement between Warwickshire Local Strategic Partnership, Government (represented by the Government Office of the West Midlands), and other external agencies, to ensure that together we achieve local sustainable community strategies.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Warwickshire by pooling and aligning funding streams.

The Local Area Agreement partners are:-

- Local government bodies – North Warwickshire Borough Council, Nuneaton & Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council and Warwick District Council, Warwickshire County Council
- Community Protection authorities – Warwickshire Police Authority, Warwickshire Probation Service
- Health bodies – NHS Warwickshire
- Learning bodies – The Warwickshire Further Education Colleges, Coventry & Warwickshire Learning & Skills Council, Connexions
- Voluntary organisations – The five district based Councils for Voluntary Services, Coventry & Warwickshire Chamber of Commerce, Coventry Diocese, Warwickshire Rural Community Council, Greater Warwickshire Sports Partnership, Warwickshire Race Equality Partnership, Coventry and Warwickshire Infrastructure Consortium
- Non-Statutory Organisations - The five district based Local Strategic Partnerships, Warwickshire Association of Local Councils, Coventry Solihull and Warwickshire Partnership

Warwickshire County Council acts as the accountable body for the Local Area Agreement. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but do not determine which bodies are due payments – this is determined by either the Government Office or the partnership.

The full amount of Local Area Agreement Grant received by the Local Strategic Partnership in 2007/2008 is £9.321 million. Stratford District Council received an allocation of £103,880 of this total to fund our own services. Under current guidance only our allocation of £103,880 will be recognised as income and accounted for on an accruals basis.

Collection Fund

2006/2007 £000's		2007/2008 £000's
	Income	
(60,280)	Income from Council Taxpayers (note 2)	(62,414)
(5,514)	Transfers from General Revenue Account	
-	Council Tax benefits	(5,802)
(40,784)	Transitional reduction scheme	5
-	Income from Business Ratepayers (note 3)	(43,038)
-	Contributions	
-	Adjustments of previous years' Community Charges (note 5)	-
(747)	Contributions to estimated Collection Fund deficit (note 4)	
(104)	Warwickshire County Council	(131)
(87)	Warwickshire Police Authority	(18)
	Stratford-on-Avon District Council	(15)
(107,516)	Total income	(111,413)
	Expenditure	
	Precepts and demands	
50,611	Warwickshire County Council	53,490
7,059	Warwickshire Police Authority	7,467
7,987	Stratford-on-Avon District Council	8,393
-	Contributions from estimated Collection Fund surplus (note 4)	
-	Stratford-on-Avon District Council	-
	Business rates	
40,605	Payable to the national pool	43,154
205	Costs of Collection Allowance	203
-	Movement in provision for Council Tax appeals (note 7)	-
	Provisions for bad and doubtful debts	
190	Council Tax	196
(59)	Council Tax write offs (note 8)	(438)
222	Business Rates	327
(248)	Business Rates write offs (note 8)	(646)
106,572	Total expenditure	112,146
(944)	(Surplus) / Deficit for the year	733
980	Balance at 1 April	36
(944)	(Surplus) / Deficit for the year	733
36	(Surplus) / Deficit balance at 31 March	769

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 2007/2008 was estimated as follows (figures have been rounded):-

	Number of properties	Adjustment for discounts	Notional properties	Band "D" ratio	Band "D" equivalents
Band "A"*	12	(1)	11	5/9	7
Band "A"	3,010	(432)	2,578	6/9	1,720
Band "B"	7,105	(853)	6,252	7/9	4,864
Band "C"	14,458	(1,376)	13,082	8/9	11,640
Band "D"	8,746	(749)	7,997	9/9	7,997
Band "E"	8,242	(531)	7,711	11/9	9,426
Band "F"	4,863	(257)	4,606	13/9	6,656
Band "G"	4,459	(194)	4,265	15/9	7,111
Band "H"	719	(37)	682	18/9	1,363
Total	<u>51,614</u>	<u>(4,430)</u>	<u>47,184</u>		<u>50,784</u>
Estimated change to band 'D' equivalent net of discount. (New properties)					523
Gross estimate of new tax base 2007/2008					<u>51,307</u>
Multiplied gross estimate by the assumed collection rate of 99.6%					51,102
Add estimated contributions in lieu of Ministry of Defence properties					75
Tax base					<u><u>51,177</u></u>

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

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

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 2007 the non-domestic rate multiplier was 44.1 p for small businesses and 44.4p for larger businesses. The total non-domestic rateable value at 31 March 2008 for the District Council area was £112,444,857 (£111,947,328 at 31 March 2007).

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 deficit in respect of Council Tax was identified in 2006/2007. The estimated deficit totalling £163,685 at 31 March 2007 was shared in 2007/2008 according to the respective amounts of precepts made on the Collection Fund in 2006/2007:

	£000's
Warwickshire County Council	131
Warwickshire Police Authority	18
Stratford-on-Avon District Council	15
	<hr/>
	164
	<hr/> <hr/>

5. Adjustment of Previous Years' Community Charges

All Community Charge debt has now been written off.

6. Town and Parish Councils

The District Council's demand on the Collection Fund includes an amount in respect of Town and Parish Councils which precept directly on the Council's Income and Expenditure Account (see page 14). In 2007/2008 this amount was £2,304,458 (£2,149,448 in 2006/2007).

7. Provision for Council Tax Appeals

In addition to provisions for bad and doubtful debts, provision is also made for Council Tax appeals, based on the estimated outcome of those appeals (see page 36).

Notes to the collection fund

8. Council Tax & 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 £438,326 in 2007/2008 (£58,998 in 2006/2007). This amount is included within the £62,413,605 included under Income from Council Taxpayers (page 41). Business Rates written off against this provision amounted to £645,777 in 2007/2008 (£248,139 in 2006/2007). This amount is included within the £42,551,281 detailed under Income from Business Ratepayers (page 41).

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

Description	Council Tax £000's	NNDR £000's
Brought forward 1 April 2007	(790)	(755)
Add provision made in year	(196)	(327)
Less amounts written off	438	646
Provision 31 March 2008	(548)	(436)

9. 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 is to be shared amongst the precepting authorities (prorata to the amount of the total precepts). The amount attributable to Stratford-on-Avon District Council is £67k (9.1%). This amount is shown within the Equity in the Balance Sheet as a Collection Fund Balance. The remainder is shown within debtors (see under Current Assets on page 16).

2006/2007 £000's		2007/2008 £000's
5	Stratford-on-Avon District Council Collection Fund balance	67
31	Debtor - Other Precepting Bodies	666
<u>36</u>		<u>733</u>

Annual Governance Statement 2007/2008

Scope of Responsibility

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

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

SDC is in the process of approving and adopting a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.stratford.gov.uk or can be obtained from main reception Elizabeth House. This statement explains how SDC has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives 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 SDC'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 effectively, efficiently and economically.

The governance framework has been in place at SDC for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

The Governance Framework

This is defined as 'the systems by which local authorities direct and control their functions and relate to their communities'.

As stated within the Good Governance in Local Government, to achieve good governance we will need to ensure:-

- SDC focuses on our Corporate Strategy and on outcomes for citizens and service users;
- SDC performs effectively in clearly defined functions and roles;
- SDC promotes values for the whole organisation and demonstrates values of good governance through behaviour;
- SDC takes informed, transparent decisions and manages risk;
- SDC develops the capacity and capability of governing bodies to be effective (this includes ourselves and the Council);
- SDC engages stakeholders and makes accountability real;
- SDC ensures all of its actions are legal, properly considers government guidance and in accordance with its Constitution.

The key elements of the Council's systems and processes that comprise the authority's governance arrangements are as follows. These arrangements are being reviewed during the coming year to ensure they result in a robust framework to deliver good governance.

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1. Community Focus and Vision

In carrying out its duties and responsibilities, the Council will:

- Develop a clear vision and corporate strategy in response to community needs. This will be a shared vision when working with partners and other agencies.
- Work for and with the local community, exercising leadership within the local community.
- Undertake an ambassadorial role to promote the well being of people within the District.
- Be accountable for its performance in terms of the effectiveness in delivering its services and the efficient and sustainable use of resources. The Council will measure and monitor its performance and take appropriate remedial action to respond to under-achievement.
- Communicate effectively with the community about the Council's activities, achievements, its financial position and its performance.
- Demonstrating inclusiveness through effective communication and engagement with the local community.

2. Members and Officers Working Together

The Council will:

- Provide a clear definition of the roles and responsibilities of Members and Senior Officers, including:
 - the respective roles of and the relationship between the Chief Executive and the Leader of the Council; and,
 - the roles and responsibilities of the Section 151 Officer and the Monitoring Officer.
- Define clearly the extent of responsibilities delegated to Members and Officers.
- Promote effective working relationships between the Members and Officers
- Maintain an effective mechanism for reviewing Members' Allowances.
- Ensure that Members are provided with opportunities to monitor and review service performance.
- When working in partnership, ensure that:
 - Members are clear about their roles and responsibilities both individually and collectively;
 - There is clarity about the legal status of the partnership; and,
 - Representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation

3. Standards of Conduct

The Council will:

- Exercise leadership by conducting itself as a role model for others to follow.
- Define standards of personal behaviour to be expected of Members and Officers.
- Put in place arrangements that ensure that Members and Officers are not influenced by prejudice, bias or conflicts of interest in fulfilling their roles.
- Show integrity, by ensuring objectivity and impartiality are maintained in all relationships.
- Be accountable, through establishing systems for investigating breaches and disciplinary problems, and taking action.
- Be effective, through monitoring compliance.
- Maintain and develop an effective Standards and Ethics Committee, comprising Council Members, Parish Representatives and Outside Members.
- Maintain and develop values for the Council that instil trust, promote positive behaviour and help build effective relationships.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council will:

- Monitor the implementation of its agreed policies and decisions and maintain continuous improvement in the procurement and delivery of services.
- Demonstrate accountability for service delivery at a local level.
- Develop and maintain an effective scrutiny function that promotes constructive challenge and enhances the Council's performance overall.
- Ensure effectiveness through measurement and analysis of performance.

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- Demonstrate openness and exclusivity through its consultation with key partners, community groups and service users.
- Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- Maintain an effective Audit committee (or equivalent) that is independent of the Cabinet and Scrutiny functions and make other appropriate arrangements for the discharge of the functions of such a committee.
- Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.
- Ensure that those making decisions whether for the Council or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
- Ensure that risk management is embedded into the culture of the authority, with Members and Officers at all levels recognising that risk management is part of their jobs.
- Operate an effective risk management strategy that provides robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks.
- Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the Council have access.
- Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the council by public law.
- Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.
- Document its structures and procedures and ensuring they are communicated and understood to demonstrate openness and inclusiveness.

5. Developing the capacity and capability of members and officers to be effective

The Council will:

- Provide induction programmes for Members and Officers tailored to individual needs and opportunities and will provide opportunities to update their knowledge on a regular basis. The process for decision-making is fully detailed within Article 13 of the Council's constitution.
- Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
- Assess the skills required by Members and Officers and make a commitment to developing those skills to enable roles to be carried out most effectively.
- Ensure that effective arrangements are in place for reviewing the performance of the Cabinet and agreeing an action plan that might, for example, aim to address any training or development needs.

6. Engaging with local people and other stakeholders to ensure robust public accountability

The Council will:

- Provide a clear statement on what functions and services the Council is accountable.
- Produce an annual report on the activity of the scrutiny function.
- Ensure that clear channels of communication are in place with all sections of the community.
- Encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council.
- Establish a clear policy on the types of issues the Council will meaningfully consult on, including a feedback mechanism for those consultees to demonstrate what has changed as a result.
- Be open and accessible in all its dealings, including partnerships, with the community, service users and its officers, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
- Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision-making.

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Delivery

The Council will deliver these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Nominating a lead officer for each of the six main themes that will be responsible for assessing the Council's effectiveness in practice.
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where, adherence has not been achieved.

Review of Effectiveness

Stratford-on-Avon DC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Management Team within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Managers annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council process for maintaining and reviewing the effectiveness of the governance framework includes:

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the external auditors and other review agencies and inspectorates.

At the meeting of Council on 22 April 2002, a new constitution was adopted. This document details the procedures and regulations that govern the Council operation of Council business. These rules and procedures provide the legal and financial framework for the Council to operate within. There are seven sections included in the Constitution:

1. Summary and Explanation
2. Articles of the Constitution
3. Responsibility for Functions
4. Rules of Procedures
5. Codes and Protocols
6. Members' Allowances Scheme
7. Management Structure

All Councillors and Officers of the Council adhere to the Constitution and codes of conduct. The duty to ensure compliance is predominantly the responsibility of the Council's three statutory officers:

- Head of the Paid Service (Chief Executive)
- Monitoring Officer
- Chief Financial Officer (Head of Resources)

The constitution is under constant review, during 2006/2007, the Council approved revisions to the document in relation to Contract Standing Orders, the scheme of officer delegation and Member/Officer Protocol. Currently work is on-going to review the remainder of the documents.

The Audit Committee is the member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters.

Internal Audit has used a risk assessment methodology in order to prioritise resources and establish a five-year audit programme. Elements used in the assessment of risk include:

- Stability
- Level of internal control
- The risk of fraud

These factors are then measured against sensitivity and materiality in order to establish an overall ranking as to the priority areas for investigation.

The Council has well developed procedures in place for the identification and reporting upon the adequacy of the

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internal control at SDC.

The Council's Chief Financial Officer has the overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with their 5-year audit plan. The Council's Internal Audit operates using the CIPFA Code of Practice Standards 2003.

Reporting Process for Internal Audit:

- When undertaking a review, the internal auditors produce a report for the Head of Service concerned, the relevant Director, the Council's Chief Financial Officer, and the Chief Executive.
- A summary report, containing the "high importance" recommendations is also prepared and sent to all Members of the Council. These items are then considered by the Council's Audit Committee.
- If a recommendation impacts upon the level of resources required to undertake an activity, the report will also be considered by the Council's Cabinet. These arrangements have been agreed and adopted by Council.

The Council's external audits rely significantly upon the professional work undertaken by the Internal Audit service. Due to the high standard of work undertaken internally, the Council incurs a lower audit fee from the external auditors. This allows the external auditors to have assurance on the internal control arrangements at the Council.

External audit reports are reviewed and considered by the Audit Committee and the Council's Management Team: -

- In relation to audits on the Financial Aspects of Corporate Governance, the Annual Audit Letter and/or any other Corporate Governance issue the Audit Committee considers these reports;
- In relation to resources or changes in procedures reports would be considered by the Council's Cabinet, with recommendations being considered by Council.

In addition to the reviews detailed above, the Council is also subject to formal review by other inspectorates, these reviews are considered by the Council's Cabinet. Examples of external scrutiny are:

- Department of Work and Pensions, through the Benefit Fraud Initiative;
- Food Standards Agency;
- Health and Safety Commission
- Audit Commission reports. In 2007/2008, the Council was subject to the Corporate Performance Assessment and rated as "good". In addition in relation to Use of Resources the Council is deemed to be performing well;
- Investors in People Compliance towards the Council's Eco-Management Audit through the EMAS verification.

The authority has been advised on the implications of the result of the review of the effectiveness of the Council system of internal control by the Council, the Cabinet and the Overview and Scrutiny Committee. Improvement plans are in place and being implemented to address weaknesses and ensure continuous improvement of systems.

Significant governance Issues

In the Statement of Internal Control for 2006/2007 a number of issues were identified which required improvement during 2007/2008, the following progress has been made in these areas:

- The Council has been rated as "Good" by the Audit Commission through the Comprehensive Performance Assessment;
- The Council is nearing the completion of the 2005-2008 Corporate Strategy and has approved a new four year strategy;
- A further round of Base Budget Reviews have been undertaken which have identified disinvestments and efficiencies to support the Council's overall financial position;
- Ensuring that there are sufficient Internal Control and Corporate Government arrangements in place in

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- relation to the Local Area Agreements.
- Improvements in procedures in relation to the administration of Housing Benefits claims particularly with reference to referrals to the rent officer for determination and “netting off”.
 - Improvements in the arrangements in relation to the physical security of the Council’s IT and custodial areas are continued;
 - Ensuring that the improvements that have been made in relation to the income reconciliations are maintained following the implementation of the new Cash Receipting and Income Management system;
 - Further improvements in relation to the information surrounding the reconciliations of the Council Tax and Non Domestic Rate Systems;
 - Ensuring that robust procedures are in place in relation to the acquisition and disposal of land, and ensuring that these procedures are in line with the Local Government Ombudsman’s best practice guidance;
 - Demonstrating under the Use of Resources arrangements that the Council is performing well in relation to Value for Money;
 - Implementing the recommendations identified arising from the Audit Commission’s report on the Planning Service;
 - Implementing the recommendations identified arising from the Audit Commission’s report on the Housing Service;

The main issues, which are being or need to be addressed during the coming year, include:

- Implementation of the new Corporate Strategy and the prioritisation of Resources;
- Requirement to undertake a fundamental Base Budget Review following the Local Government Financial Settlement;
- Continued improvements in relation to contract variations and conditions;
- Ensuring that the controls and reconciliations to National Non Domestic Rates are adhered to;
- Continuing to ensure a consistent approach to be followed regarding the identification, recording and review of operational risks;
- Implementation of the action plans in relation to the Planning and Housing Service;
- Implementation of the Council Improvement Plan including the response to the Corporate Performance Assessment and Use of Resources
- Plan for the implementation of the Corporate Area Assessment and the revised Use of Resources assessment;
- Implementation of the Data Quality Assurance Procedure Manual

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 annual review.



Les Topham
Leader



Paul Lankester
Chief Executive

Independent Auditor's Report to Stratford-on-Avon District Council

We have audited the financial statements of Stratford-on-Avon District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for Stratford-on-Avon District Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council and its income and expenditure and cashflows for the year.

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Stratford-on-Avon District Council as at 31 March 2008 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
19 Cornwall Street,
Birmingham,
B3 2DT.

Date 25 September 2008

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Stratford-on-Avon District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP
19 Cornwall Street,
Birmingham,
B3 2DT.

Date 25 September 2008

- (a) The maintenance and integrity of the Stratford-on-Avon District Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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