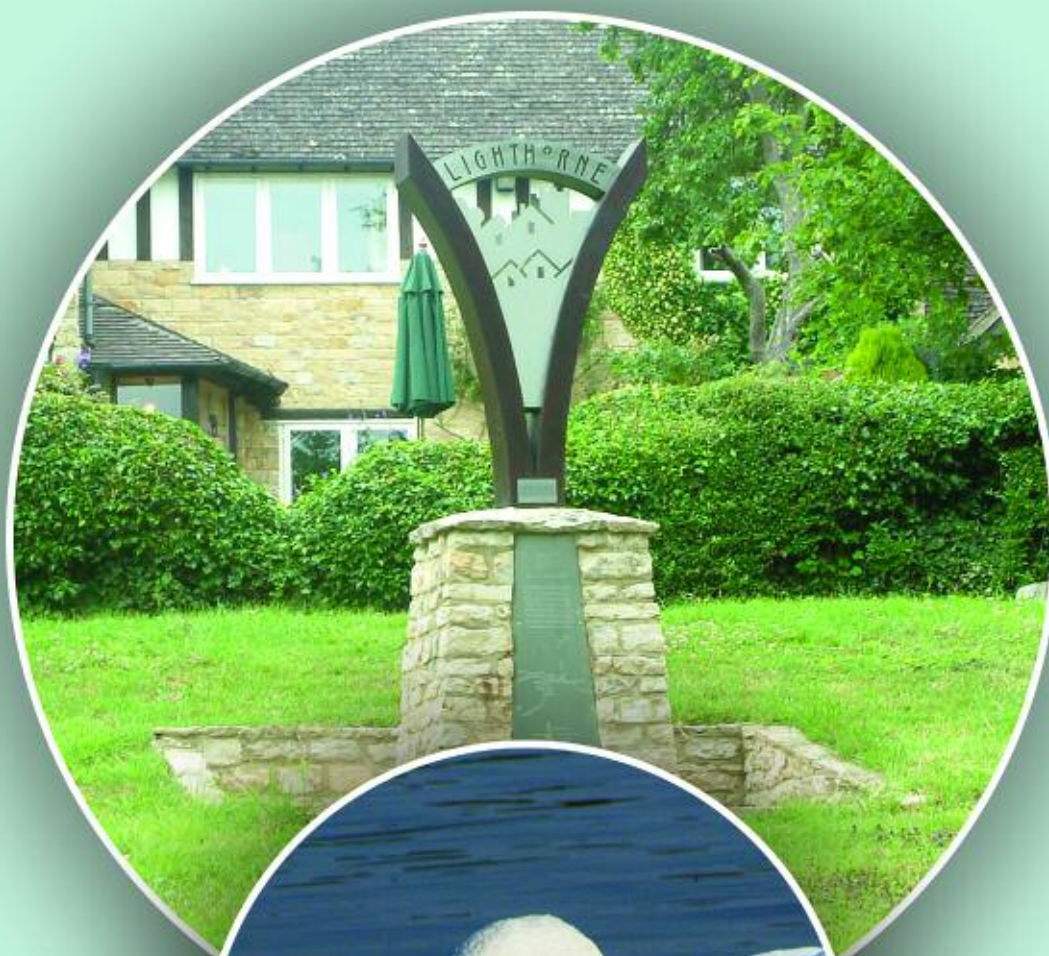




# Statement of Accounts 2005/2006

Stratford-on-Avon District Council



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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 (England and Wales only).

## 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.



D Buckland  
Head of Resources

Date: 2 October 2006

# Statement of Responsibilities for the Statement of Accounts

## Statement on Internal Control

### 1. Scope of Responsibility

Stratford-on-Avon DC (SDC) is responsible 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 also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of SDC functions and includes arrangements for the Management of Risk.

### 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It 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 Stratford-on-Avon DC's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised;
- the impact should they be realised;
- managing these risks efficiently, effectively and economically.

The system of internal control has been in place at Stratford-on-Avon DC for the year ended 31 March 2006 and up to the date of approval of the accounts.

### 3. The Internal Control Environment

#### 3.1 Monitoring Arrangements

Stratford-on-Avon DC has well developed Monitoring Arrangements to ensure that the Council establishes and achieves its objectives. This process is summarised as follows:

- During the past year regular monitoring reports detailing progress towards the achievement of the Corporate Strategy have been considered by the Management Team and the Executive, with corrective action identified and implemented where required;
- The Council has also continued to implement the Council Improvement Plan, which was drawn up following the Corporate Performance Assessment in 2004/2005. During the last year the Council has undertaken a positive progress assessment and received an encouraging Direction of Travel Statement;
- Establishment and adoption by Council of Service Plans for all of the Council's services, detailing how specific initiatives link to the Council's Corporate Strategy. Further work has been undertaken to ensure that the Service Plans are relevant in managing the activities whilst providing clear links to the Councils overall objectives;
- There are reports on performance in key services (e.g. Planning; Revenues) through the Council's monthly information sheets;
- The Council also produces and agrees a Best Value Performance Plan annually, which establishes targets and measures the Council's performance in these areas. This document is prepared by the Executive and adopted by Council, for the last two years this has been unqualified.
- In relation to Internal Control the Council has significantly strengthened this through the establishment of an Audit Committee during 2005/2006. This committee has been established in line with the recommendations from CIPFA and will consider items such as external audit reports and the Statement on Internal Control.
- The Council has also developed a Statement on Internal Control Action plan which is considered by the Council's Senior Management Team on a quarterly basis to ensure that areas have been addressed;

# Statement of Responsibilities for the Statement of Accounts

- During 2005/2006 Assurance Statements have been introduced for the Council's Senior Management in order to seek confirmation that Internal Control systems are in place and are being adhered to.

## 3.2 Policy and decision-making

The Council has established processes, which have been developed in order to facilitate policy and decision-making processes. These are detailed below:

- Every report that is considered by the Executive follows the same standard format. This ensures that all reports contain sufficient information and options to allow for robust and well-informed decision-making. The areas covered by each report include:
  - Purpose and Aim of the Report
  - Background information and Detailed Considerations
  - Options for consideration
  - Identification of issues covering:
    - Legal Implications
    - Financial Implications
    - Personnel Implications
    - Risk Management Issues
    - Environmental Impact (where appropriate)
  - Comments from Portfolio Holder and Shadow
  - Comments from Management Team
  - Summary and Conclusion
  - Recommendation

The process for decision-making is fully detailed within Article 13 of the Council's constitution.

## 3.3 Corporate Governance and Risk Management

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

To achieve good governance we will need to ensure:-

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

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 Corporate Governance 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

# Statement of Responsibilities for the Statement of Accounts

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)

It is planned in the near future to undertake a fundamental review of the Constitution to ensure that it remains fit for purpose. This review will involve all relevant stakeholders but will be led by the Monitoring Officer and the Head of Member Services.

The Audit Committee is the member forum that is responsible for reviewing and monitoring Corporate Governance.

Significant work has been undertaken during 2005/2006 in relation to the implementation of risk management to ensure that it is embedded across the Council. Additional resources were made available which has led to the identification of risk, the establishment of an internal monitoring system and the active management of risk in order to protect the Council.

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.

## Other Risk Management

Formal training on the identification of risk has been provided to a number of risk management champions within the authority and further training will be provided in the future to enable staff to be equipped to manage risk in a way appropriate to their authority and duties.

## 3.4 Best Value

The Council has an obligation to ensure that the best use is made of public money. The Council is constantly striving to deliver economy, efficiency and effectiveness. The Council has well developed procedures for undertaking Best Value reviews of particular themes (cross-cutting activities), services and functions at the Council.

During 2005/2006, no Best Value review has been undertaken. The Council decided to concentrate efforts in relation to meeting the challenge of implementing the Council Improvement Plan.

During 2004/2005 the Council received the Audit Commission inspection under the Corporate Performance Assessment. Throughout 2005/2006 work has progressed in making improvements in areas including:

- Ambition
- Focus
- Capacity
- Performance Management
- Achievement of Improvement
- Investment
- Learning
- Future Plans

# Statement of Responsibilities for the Statement of Accounts

In taking this action the Council has been implementing an Improvement Plan. This plan was established after consultation with the Improvement Board, which includes external experts appointed to the Council by the Office for the Deputy Prime Minister (ODPM), following the Council's decision to seek voluntary engagement. Following a positive Progress Assessment Report and Direction of Travel Statement the Council has made sufficient progress to satisfy the ODPM that the period of engagement will come to an end as soon as possible.

## 3.5 Financial Management

It is the responsibility of the Council's Chief Financial Officer (CFO), to ensure that adequate controls are in place to ensure the safe custody and utilisation of public funds. Within Part 4 of the Constitution, there are specific rules relating to the management of public funds.

During 2005/2006 the Audit Commission has undertaken the Use of Resources inspection. This inspection considers a wide range of factors in making an assessment on how well the Council manages financial and other resources. The assessment made by the Audit Commission is as follows:-

- Financial reporting – 2
- Financial Management - 3
- Financial Standing – 2
- Internal financial control – 2
- Value for Money – 2

It is the Council's intention over the next year to improve these scores to a minimum of level 3 in all areas.

The Council formally reviews financial management through budget control reports on a monthly basis to the Council's Executive. Any significant variance (as defined by Council) has to be explained and remedial action proposed. This is undertaken for both Revenue and Capital accounts.

In addition to the CFO, Internal Audit has a key role in ensuring that these rules are adhered to across the Council. If the internal auditors have any concerns relating to financial management they have direct reporting lines to the CFO, Monitoring Officer, the Chief Executive and, if necessary, senior Members.

Finally, the Council's external auditors undertake periodic reviews on the Financial Governance arrangements in place. These reviews make recommendations on improvements to Financial Management, which are agreed and then implemented.

## 3.6 Performance Management

The Council has a well developed procedure for the reporting of performance management. Robust and rigorous procedures are in place at the Council in order to measure and improve the performance of the Council's services. The formal reporting of performance management is undertaken by monitoring reports to the Management Team, the Council's Executive, with members' call-in and/or scrutiny by the relevant Overview and Scrutiny Committee. The areas reported include:

- Performance against key Performance and Best Value Indicators;
- Measurement against locally agreed Performance Indicators;
- Progress towards Service Plan targets;
- Progress against Financial targets;
- Best Value Performance Plan.

There is a dedicated team within Change and Performance Service to undertake this activity, the procedures have previously been reviewed by the Council's external auditors and were assessed as "Best Practice". During the coming year a Performance Management System will be fully implemented across the Council.

In addition during 2005/2006 significant work has been undertaken to enhance the service planning process at the Council to ensure that the "Golden Thread", from the Corporate Strategy to individual officer appraisal targets, is established.

# Statement of Responsibilities for the Statement of Accounts

## 4 Review of Effectiveness

Stratford-on-Avon DC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the:

- 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.

The Council has well developed procedures in place for the identification and reporting upon the adequacy of the internal control at Stratford-on-Avon DC. These are detailed overleaf.

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 Executive. 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 receives 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 Executive, 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 Executive. Examples of external scrutiny are:

- Department of Work and Pensions, through the Benefit Fraud Initiative;
- Investors in People;
- Compliance towards the Council's Eco-Management Audit – through the EMAS verification;
- Food Standards Agency;
- Health and Safety Commission;
- Audit Commission reports. In 2005/2006, there were key reports on: Ethical Governance and Best Value Performance Indicators.

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 Executive and the Overview and Scrutiny



# Statement of Responsibilities for the Statement of Accounts

Committee. Improvement plans are in place and being implemented to address weaknesses and ensure continuous improvement of systems.

## 5. Significant Internal Control Issues

In the Statement of Internal Control for 2004/2005 a number of issues were identified which required improvement during 2005/2006, the following progress has been made in these areas:

- The Council has made good progress in relation to the Council Improvement Plan and received a positive Progress Assessment Report from the Audit Commission;
- The Council continues to implement the Corporate Strategy, and is currently reviewing this strategy to take the authority beyond 2005/2006;
- The Council undertook the Base Budget Review process to ensure greater sustainability to the Council's Medium Term Financial Plan;
- The Council continued to implement Risk Management across the authority, and established a Risk Register at a strategic and operational level;
- Established partnerships as an area for a Best Value Review in 2006/2007;
- Review and implementation of a revised scheme of delegation.

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

- Further progress in relation to the Council Improvement plan;
- Continuation of the implementation of the Corporate Strategy;
- The implementation of the next phase of Base Budget Review;
- Ensuring the robustness and effectiveness of the consultation arrangements for formal reports to Members;
- The completion of the Best Value Review into Partnerships;
- Implementing the findings in relation to the ethical governance audit;
- Implementing any learning points arising from the review of the modernisation of Elizabeth House;
- Ensuring that a full inventory of software is maintained and reviewed on an annual basis;
- Ensuring the all contract documentation is signed before works/provision of service commences;
- Improvement in relation to overall client responsibilities, ensuring that the contract conditions are observed through robust contract management;
- Reviewing contract standing orders to ensure compliance with the Public Contract Regulations 2006;
- Further improvements are also planned in relation to Project Management and the Leading of Continual Process Improvement;
- To ensure that there are sufficient Internal Control and Corporate Government arrangements in place in relation to the Local Area Agreements.
- Procedures in relation to the administration of Housing Benefits claims particularly with reference to referrals to the rent officer for determination and "netting off".

Internal Control is central to the effective management of the Council, and at Stratford-on-Avon DC we take this responsibility extremely seriously. We will continue to review and where necessary review policies and procedures to ensure that such systems are secure and robust.



Les Topham  
Leader



Paul Lankester  
Chief Executive

June 2006

# A Financial Review from the Leader (2005/2006) and the Head of Resources

For 2005/2006 the District Council approved a net Revenue expenditure Budget of £11.3m (before the addition of town/parish precepts). This was £3.6m below the Formula Spending Share, the amount the Government used as our income if we set the Assumed National Council Tax. However, this was possible because of interest earned on investments and income from fees and charges.

The overall position on revenue net expenditure for all of the council's services was £11,926k against a revised budget of £12,212k resulting in an underspend of £286k. However, as a result of £217.9k slippage, the Council has an effective net underspend of £68k (0.56%) in 2005/2006. 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 reduced the amount the Council needed to use revenue reserves from £908.7k to £662.2k.

Major income received was £5.8m from general Government Grant and the National Non-Domestic Rate pool, plus £5.6m from Council Tax payers. The Government contribution was £352k higher than the previous year (6.5%). The Council Tax levy at Band D was increased by 3.7% from £106.80 to £110.79 per domestic property per year.

The 2005/2006 Capital expenditure Amended Estimate (original budget plus 2004/2005 slippage) was £9.7m, including £65k for SRB, £2.1m for Affordable Housing, £176k for the Elizabeth House Modernisation, £1.6m for E-Government, £150k for Bridgetown Cyclepath, £850k for development of Leisure Facilities in Alcester and £969k for Shipston Leisure Centre. Some spending on several major projects was deferred until 2006/2007. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations. The final 2005/2006 capital expenditure was £7.1m.

At 31 March 2006 the Council held £1.8m in Revenue balances, £24.6m 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 Consolidated Revenue 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 Consolidated Revenue Account and this account are shown "below the line" within the Consolidated Revenue 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 Consolidated Balance Sheet. There are implications for revenue accounts in respect of the amount of capital expenditure financed by revenue resources.

## Revenue Income and Expenditure

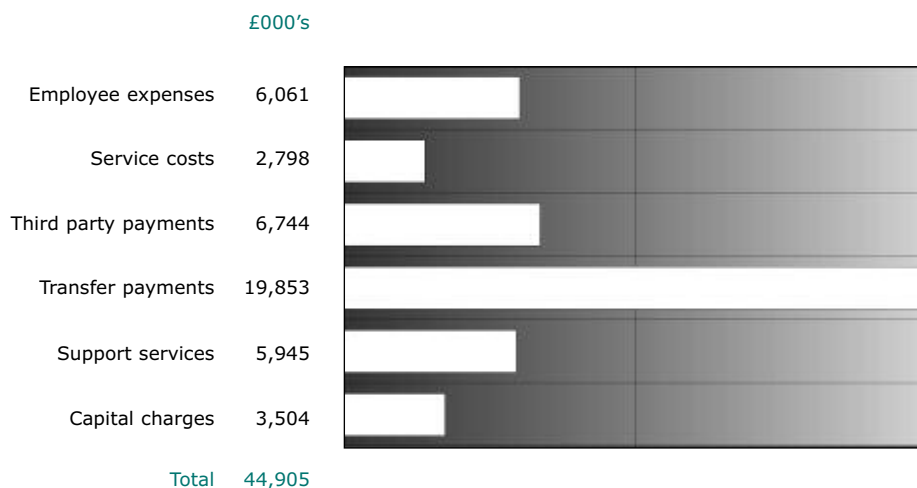
3. The net District Expenditure for 2005/2006 was £11,926k compared to a budgeted £12,212k. This meant that the utilisation of reserves in the year was £286k less than anticipated. However, in the closure of the accounts, slippage has been identified totalling £217.9k that will be financed in 2006/2007. This therefore leads to an effective underspend of £68k for 2005/2006.

The main reasons for the underspend which resulted in utilising fewer resources are detailed below: -

|  | £000s   |
|--|---|
| Council Tax & Housing Benefits Subsidy   | (297)   |
| Bed & Breakfast Costs                    | (137)   |
| Local Land Charges                       | 166   |
| Investment Interest                      | 85  |
| Public Offices                           | 101   |
| Other Services – Various Minor Overspend | 14  |
| Total                                    | <hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> <b>(68)</b> <hr style="width: 100%; border: 0.5px solid black;"/> |

# Foreword

4. The Consolidated Revenue Account details the gross costs of service provision amounting to £44,905,081. 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.

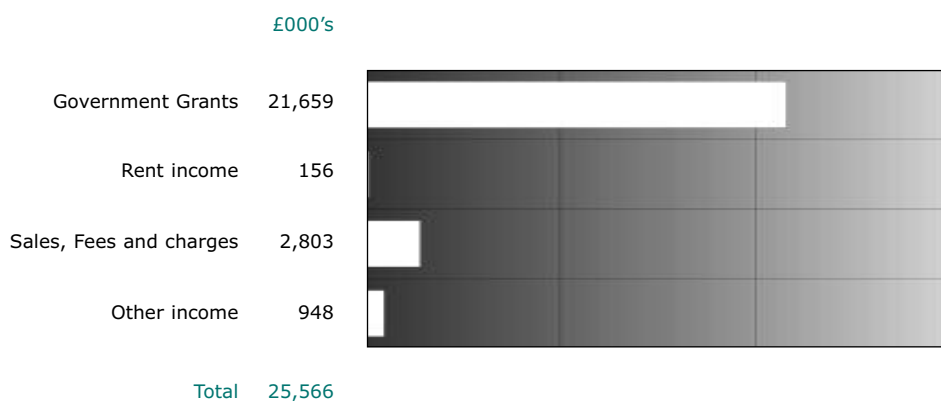
Third Party Payments are payments to others in respect of the provision of services and include mainly contract payments to companies providing services on the Council's behalf.

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 Chief Executive's Department, Member Services and Resources to direct services of the Council.

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

5. The gross income of £25,565,977 shown in the Consolidated Revenue Account has been analysed as follows:



# Foreword

Government grant income includes £21,524,726 towards the cost of Council Tax Benefits, Housing Benefits and their administration.

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

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

6. The net cost of services within the Consolidated Revenue Account is £19,339,104. The services provided for this amount are summarised below:

|   | £000's        |  |
|---|---------------|--|
| Central Services                              | 3,818         |  |
| Cultural, Environmental and Planning Services | 12,793        |  |
| Highways, Roads and Transport Services        | 370           |  |
| Housing                                       | 2,358         |  |
| <b>Total</b>                                  | <b>19,339</b> |  |

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 Consolidated Revenue Account. After these items, there is a deficit, i.e. use of reserves, for the year of £622k. This compares to a budgeted use of reserves of £909k.

## Euro Costs

7. There are no significant Euro costs to disclose in the 2005/2006 Statement of Accounts.

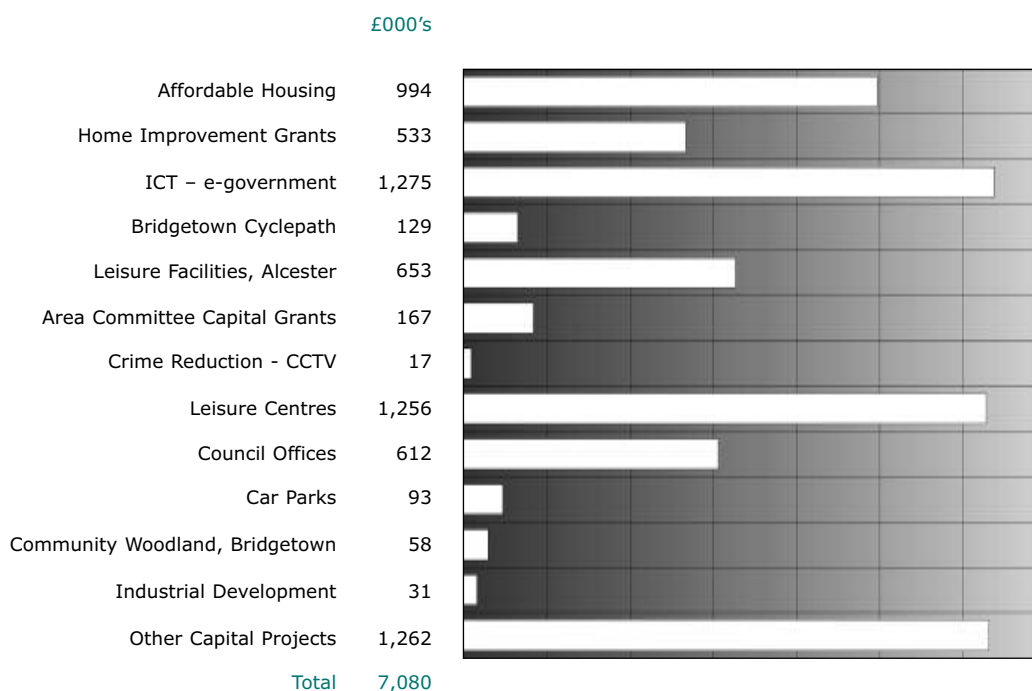
## Capital Expenditure

8. Capital expenditure amounted to £7,080k in 2005/2006. This compares to an original estimate of £6,954k, which was subsequently revised to £9,673k.

The underspend, compared to revised estimates, of (£2,593k) is largely attributable to delays in expenditure, notably SRB (£40k), Affordable Housing (£1,122k), IT Development (£289k), Alcester Leisure Facilities Development (£197k), Grants to Area Committees (£239k) and Stratford Football Club (£671k).

# Foreword

9. A summary of capital expenditure in 2005/2006 is shown below:



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

10. Capital income amounted to £4,519k in 2005/2006. This figure mainly comprises: Right to Buy Receipts (£228k), Sale of land at Shottery Brook Business Park (£1,310k), Sale of land at the Bridgetown Development (£1,665k), and ICT e-government (£250k).

The level of capital receipts held as at the year end was £24,683k; this was £2,157k less than estimated. Assuming the slippage of £3,258k is approved, which would be financed from accumulated capital receipts, the adjusted level of receipts would be £21,425k.

The Capital Programme was underspent by £2,593k in 2005/2006, after allowing for slippage, the overspend on projects will net to £664k overall. The level of capital receipts after slippage will be £21,425k, £5,414k below estimates.

## The Future

11. The Council has adequate revenue balances to provide financial security and a safety mechanism for unforeseen events. The General Revenue Account balance stood at £1.8m as at 31 March 2006. However this is reduced to £1.6m after allowing for revenue slippage (£218k). This includes £200k for the risk management reserve.

12. Usable capital receipts amounted to over £24m at 31 March 2006. The Council plans to spend and finance over £10.1m on capital schemes in 2006/2007 which will include the E-Government Action Plan, Affordable Housing Investment Programme, Disabled Facilities Grants, CCTV Equipment and World Class Stratford.

13. The Council has been working very closely with our Registered Social Landlord partners and has enabled the provision of new social housing units being supported with funds from the Council. During 2006/2007 the Council plans to spend £2m on such initiatives and has already earmarked a further £2m in 2007/2008.

# Foreword

## The Accounting Statements

14. The Council's accounting statements for the year 2005/2006 are as follows:

Page

- 20 **The Consolidated Revenue Account.** This is the Council's main revenue account, detailing income and expenditure on all services.
- 28 **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.
- 32 **The Consolidated Balance Sheet.** This statement sets out the financial position of the Council as at the 31 March 2006. It shows the assets and liabilities of the Council as a whole including those relating to the Collection Fund.
- 44 **The Statement of Total Movement in Reserves.** This statement brings together all the recognised gains and losses of the Authority during the period and illustrates those that have not been separately identified in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.
- 49 **The Cash Flow Statement.** This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Where relevant, equivalent figures for the previous year 2004/2005 are shown for comparative purposes.

## Further Information

15. Further information about the functions of the Council is contained within the Annual Report for 2005/2006.

16. Further information about the Council's finances is available from:

Head of Resources  
Stratford-on-Avon District Council  
Elizabeth House  
Church Street  
Stratford-upon-Avon  
CV37 6HX

e-mail address – [finance@stratford-dc.gov.uk](mailto:finance@stratford-dc.gov.uk)

# Statement of Accounting Policies

## 1. General

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, published in June 2002. The Code of Practice is based on approved accounting standards, except where these conflict with specific statutory accounting requirements. The following accounting statements "present fairly" the financial position and transactions of Stratford-on-Avon District Council for the year ended 31 March 2006.

## 2. Accruals of Income and Expenditure

All revenue expenditure 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 Consolidated Revenue Account to offset depreciation charged.
- **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 Chief Executive's Department, Member 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).



# Statement of Accounting Policies

## 6. Fixed Assets

Fixed Assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed Assets are classified into the groupings required by the 1998 Code of Practice on Local Authority Accounting.

Fixed assets are included in the Balance Sheet on the following basis: -

- i) **Land, operational properties and other operational assets** have been valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost;
- ii) **Non-operational assets, including investment properties and assets** have been valued on the basis of open market value; and
- iii) **Infrastructure assets and community assets** are included in the Balance Sheet at historical cost, net of depreciation, where applicable.

## 7. Depreciation

Depreciation is provided for on all fixed assets with a finite useful life (in accordance with FRS 15), which can be determined at the time of acquisition or revaluation, according to the following policy: -

- freehold land and non-operational investment properties are not depreciated;
- newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use; and
- for all other assets, depreciation is calculated using the straight line method over the estimated average useful life of the class of the asset.

## 8. Impairment

The value at which each category of assets is included in the balance sheet has been reviewed as at 31 March 2006 and where there is reason to believe that its value has changed materially, the valuation has been adjusted accordingly.

## 9. Charges to Revenue

Charges have been made to revenue for the use of assets. Capital charges comprise an element for depreciation where appropriate, and an element for interest. Depreciation where applicable has been calculated and charged using the straight-line method. Interest for the year 2005/2006 was 3.5% of the written down asset value, and 4.95% for infrastructure assets.

## 10. Intangible Fixed Assets

Intangible fixed assets are payments of a capital nature where no fixed asset is created for the Council 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 Consolidated Balance Sheet is not overstated. In 2005/2006, the intangible fixed assets were written down in line with this policy. The balance outstanding represents IT software and training costs, which are being written down over a five year period.

# Statement of Accounting Policies

## 11. Capital Receipts

The treatment of capital receipts arising from the sale of assets is determined by the requirements of the Local Government and Housing Act 1989. This Act requires the apportionment of all capital receipts between 'usable' and 'reserved' capital receipts, according to regulations. Usable capital receipts can be used to finance expenditure of a capital nature whereas reserved capital receipts must be set aside each year as part of a provision for credit liabilities or used instead of new borrowing. A more detailed explanation of capital expenditure financing is given in the notes to the Consolidated Balance Sheet.

## 12. Investments

The Council had two investment managers, each with a £11m investment portfolio as at 31 March 2006. Investments were made in accordance with the Council's strict criteria and guidelines, with capital preservation as priority. Investments are shown in the Consolidated Balance Sheet at the net realisable value. This method of valuation used provides for a more appropriate valuation of the investments. This is due to the fact that one of the criteria placed on the Fund Managers is to make half yearly payments to the Council of amounts in excess of a fund valuation of £11m.

## 13. Stocks and Work-in-Progress

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

## 14. Reserves

The Council maintains reserves for revenue balances, earmarked revenue functions, fixed asset restatement, capital financing and usable capital receipts. These are detailed in the Consolidated Balance Sheet and accompanying notes.

## 15. Provisions and Contingencies

- i) The Local Government and Housing Act 1989 requires local authorities 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 Consolidated Balance Sheet.
- iii) Provisions for insurance claims outstanding, commuted sums 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 contingent 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 20 (page 42).
- vi) Contingent gains are not accrued for within the accounting statements.

# Statement of Accounting Policies

## 16. 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 unfounded 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 Consolidated Revenue 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 Consolidated Revenue 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

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £865k and this has been included within Non-Distributed Costs on the face of the Consolidated Revenue Account. There is also an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets we have considered as part of our audit of the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2005 and has estimated the return on assets for January to March 2006. The final three months were based on an estimated rate of return of 23.7% compared with an actual return of 26.28%. As a result, the assets in the accounts are understated by 2.07%.

## 17. 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.

## 18. 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.

# Statement of Accounting Policies

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.

## 19. 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.

## 20. Bad debt provisions

Provisions have been made for doubtful debts, and known uncollectable debts have been written off in full.

## 21. Leases

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease. In addition operating leases' rentals payable are accounted for net of benefits received or receivable.

## 22. 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 24.1% 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.

## 23. Whole of Government Accounts

The Government will publish a fully audited **Whole of Government Accounts** for 2005/2006, covering the whole of the United Kingdom public sector.

In order to comply with the above and also the Accounts and Audit Regulations 2003, the deadline for having the authority's accounts for 2005/2006 approved is the end of June and published by the 30th September 2006.

# Consolidated revenue account

| 2004/2005<br>Net<br>expenditure<br>£000's |   | 2005/2006<br>Gross<br>expenditure<br>£000's | 2005/2006<br>Gross<br>income<br>£000's | 2005/2006<br>Net<br>expenditure<br>£000's |
|---|---|---|--|---|
|   | <b>Services</b>   |   |  |   |
| 1,838                                     | Central Services  | 8,077                                       | (6,091)                                | 1,986                                     |
| 12,352                                    | Cultural, Environmental<br>and Planning Services                                  | 16,001                                      | (3,208)                                | 12,793                                    |
| 444                                       | Highways, Roads and Transport Services  | 385   | (15)                                   | 370                                       |
| 3,021                                     | Housing   | 18,409                                      | (16,051)                               | 2,358                                     |
| 2,015                                     | Corporate and Democratic Core   | 2,459                                       | (201)                                  | 2,258                                     |
| 466                                       | Non Distributed Costs   | (426)                                       | 0                                      | (426)                                     |
| <b>20,136</b>                             | <b>Net cost of services</b>   | <b>44,905</b>                               | <b>(25,566)</b>                        | <b>19,339</b>                             |
| 1,708                                     | Precepts paid to town / parish councils   |   |  | 1,879                                     |
| 97  | (Surplus) / Deficit from trading operations (note 1)                              |   |  | (409)                                     |
| (2,054)                                   | Transfer from Asset Management Revenue Account (note 3)                           |   |  | (1,968)                                   |
| 0   | Contribution to Housing Pooled Capital Receipts (note 15)                         |   |  | 62  |
| (1,927)                                   | Interest income - including realised and unrealised gains and losses              |   |  | (1,493)                                   |
| 186                                       | Pensions interest cost and expected return on pensions assets                     |   |  | 355                                       |
| <b>18,146</b>                             | <b>Net operating expenditure</b>  |   |  | <b>17,765</b>                             |
| 0   | Financing of capital expenditure  |   |  | 6   |
| (1,250)                                   | Provision for depreciation  |   |  | (1,480)                                   |
| (115)                                     | Minimum Revenue Provision - Commutation Adjustment (note 4)                       |   |  | (85)                                      |
| 636                                       | Grants and contributions deferred   |   |  | 351                                       |
| (4,074)                                   | Capital expenditure financed from revenue (Intangible Fixed Assets)               |   |  | (2,760)                                   |
| (743)                                     | Contribution from pensions reserve (note 7)                                       |   |  | 70  |
| 0   | Transfer from Usable Capital Receipts (Housing Pooled Capital Receipts) (note 15) |   |  | (62)                                      |
| <b>12,600</b>                             | <b>Amount to be met from Government Grant and local taxpayers</b>                 |   |  | <b>13,805</b>                             |
| (6,943)                                   | Precepts / demands on the Collection Fund   |   |  | (7,446)                                   |
| 21  | Collection fund balance   |   |  | 42  |
| (2,345)                                   | Revenue support grant   |   |  | (2,451)                                   |
| (3,080)                                   | Contribution from National Non-Domestic Rates pool                                |   |  | (3,328)                                   |
| <b>253</b>                                | <b>(Surplus) / Deficit for the year</b>   |   |  | <b>622</b>                                |
| (2,493)                                   | <b>Balance at 1 April</b>   |   |  | (2,393)                                   |
| 253                                       | (Surplus) / Deficit for the year  |   |  | 622                                       |
| (3)                                       | Building Control Trading Account (Surplus) / Deficit (note 10)                    |   |  | (32)                                      |
| (150)                                     | Contribution from PDG   |   |  | 0   |
| <b>(2,393)</b>                            | Balance at 31 March   |   |  | <b>(1,803)</b>                            |

# Notes to the consolidated revenue account

## 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<br>2004/2005<br>£000's |  | Avenue Farm Depot<br>2005/2006<br>£000's | Industrial Estates<br>2005/2006<br>£000's | Corporate Estate<br>2005/2006<br>£000's | Rec Grounds<br>2005/2006<br>£000's | Parking<br>2005/2006<br>£000's | Total Trading Operations<br>2005/2006<br>£000's |
|---|--|--|---|---|------------------------------------|--------------------------------|---|
| (658)   | Income from commercial rents                     | (175)                                    | (67)                                      | (339)                                   | (122)                              | (38)                           | (741)   |
| <u>(2,582)</u>                                  | Fees and charges income                          | <u>0</u>                                 | <u>0</u>                                  | <u>(36)</u>                             | <u>-</u>                           | <u>(3,375)</u>                 | <u>(3,411)</u>                                  |
| (3,240)   | Total income                                     | (175)                                    | (67)                                      | (375)                                   | (122)                              | (3,413)                        | (4,152)   |
| <u>1,932</u>                                    | Expenditure                                      | <u>14</u>                                | <u>3</u>                                  | <u>204</u>                              | <u>11</u>                          | <u>2,422</u>                   | <u>2,654</u>                                    |
| (1,308)   | Surplus on trading                               | (161)                                    | (64)                                      | (171)                                   | (111)                              | (991)                          | (1,498)   |
| 1,405   | Notional asset rental charge                     | 71                                       | 207                                       | 209                                     | 20                                 | 582                            | 1,089   |
| <u>97</u>                                       | (Surplus) / Deficit<br>after asset rental charge | <u>(90)</u>                              | <u>143</u>                                | <u>38</u>                               | <u>(91)</u>                        | <u>(409)</u>                   | <u>(409)</u>                                    |

## 2. Members' Allowances

Expenditure for the 2005/2006 on members' allowances is detailed below: -

| 2004/2005<br>£000's | Members' Allowances | 2005/2006<br>£000's |
|---------------------|---------------------|---------------------|
| 299                 |                     | 323                 |
| <u>299</u>          |                     | <u>323</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 consolidated revenue account

## 3. Transactions on the Asset Management Revenue Account

This account is necessary so that the amount to be met by Government grant and local taxpayers remains unaffected as a result of the capital accounting system introduced in 1994/1995. The Code of Practice on Local Authority Accounting in Great Britain requires services to be charged for the use made of capital assets. These charges need to be credited back before deriving the total amount to be met by Government grants and Council Taxpayers.

| 2004/2005<br>£000's |   | 2005/2006<br>£000's |
|---------------------|---|---------------------|
|                     | <b>Income</b>                           |                     |
| (2,668)             | Capital charges                         | (3,097)             |
| (636)               | Write down of grants deferred           | (351)               |
| <u>(3,304)</u>      |   | <u>(3,448)</u>      |
|                     | <b>Expenditure</b>                      |                     |
| 1,250               | Depreciation                            | 1,480               |
| <u>1,250</u>        |   | <u>1,480</u>        |
| <u>(2,054)</u>      | Balance to Consolidated Revenue Account | <u>(1,968)</u>      |

## 4. Minimum Revenue Provision – Commutation Adjustment

The authority is debt free and as such is not required to charge a Minimum Revenue Provision (MRP) for the repayment of debt. However, in October 1992, Renovation Grants were repaid as a commuted sum by the Government and used to repay Public Works Loans Board (PWLB) long-term debt. The MRP Commutation Adjustment represents a calculated revenue loss between Renovation Grants that would have been paid to the Council offset by interest payment savings from debt that was repaid in 1992.

## 5. Finance and Operating Leases

During 2005/2006 no payments were made in respect of finance leases and there were no future commitments under finance leases as at 31 March 2006. Payments under operating leases amounted to £7k in 2005/2006.

## 6. Employees' Remuneration

The Accounts and Audit Regulations 1996 require disclosure of certain information about officers' pay and other benefits in accounting statements. The relevant information for this Council is as follows: -

| Remuneration<br>in 2005/2006 | Number<br>of Officers |
|------------------------------|-----------------------|
| £70,000 - £80,000            | 1                     |
| £60,000 - £70,000            | 2                     |
| £50,000 - £60,000            | 0                     |

# Notes to the consolidated revenue account

## 7. 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.

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 CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

| Revenue Items   | 2004/2005<br>£000's | 2005/2006<br>£000's |
|---|---------------------|---------------------|
| <b>Net Cost of Services</b>   |                     |                     |
| Current Service Cost  | 1,223               | 1,275               |
| Past Service Cost   | 271                 | (708)               |
| <b>Net Operating Expenditure</b>  |                     |                     |
| Expected Return on Assets   | (2,450)             | (2,630)             |
| Interest on Pension Liabilities   | 2,636               | 2,985               |
| <b>Amounts to be met from Government Grants and Local Taxation</b>        |                     |                     |
| Movement on pensions reserve  | 1,680               | 922                 |
| <b>Actual amount charged against council tax for pensions in the year</b> |                     |                     |
| Employers contributions payable to scheme                                 | (937)               | (992)               |
| <b>Total charged to CRA</b>   | <b>743</b>          | <b>(70)</b>         |

The current service cost figure of £1,275k represent 17.3% of pensionable payroll.

Further details on pension liabilities are provided in note 19 to the balance sheet.

Details of movement in the reserve are shown in the Statement of the Total Movement Reserves on page 44.

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.



# Notes to the consolidated revenue account

## 8. Section 137 (as amended) Expenditure

In 2005/2006 Section 137 expenditure amounted to £139,371 (£125,042 in 2004/2005). It is used largely to provide grants to voluntary bodies serving the community and is included within miscellaneous expenditure in the Consolidated Revenue Account.

## 9. Publicity Expenditure

Local authority expenditure on publicity is required to be recorded by Section 5 of the Local Government Act 1986. In 2005/2006 expenditure on advertising was £37,728 (£42,746 in 2004/2005). In addition, the gross expenditure of the Publicity and Marketing Unit (excluding advertising costs) was £93,581 (£135,480 in 2004/2005). Elements of this expenditure are included within each of the Council's services shown in the Consolidated Revenue Account.

## 10. 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 surplus has been transferred to the Building Control Balance Account on the Balance Sheet, which had a balance of £9k at the start of the year.

|   | Chargeable<br>2005/2006<br>£000's | Non<br>Chargeable<br>2005/2006<br>£000's | Total<br>2005/2006<br>£000's |
|---|-----------------------------------|--|------------------------------|
| <b>Building Control – Trading Account 2005/2006</b> |                                   |  |                              |
| <b>Expenditure</b>                                  |                                   |  |                              |
| Employee Expenses                                   | 319                               | 136                                      | 455                          |
| Transport   | 25                                | 10                                       | 35                           |
| Supplies & Services                                 | 19                                | 8  | 27                           |
| Third Party Payments                                | 9                                 | 7  | 16                           |
| Transfer Payments                                   | 8                                 | 4  | 12                           |
| Support Service Charges                             | 124                               | 52                                       | 176                          |
| Capital Charges                                     | 1                                 | 1  | 2                            |
| <b>Total Expenditure</b>                            | <b>505</b>                        | <b>218</b>                               | <b>723</b>                   |
| <b>Income</b>                                       |                                   |  |                              |
| Building Regulation Charges                         | (537)                             | 0  | (537)                        |
| Miscellaneous Income                                | 0                                 | (13)                                     | (13)                         |
| <b>Total Income</b>                                 | <b>(537)</b>                      | <b>(13)</b>                              | <b>(550)</b>                 |
| <b>(Surplus) / Deficit</b>                          | <b>(32)</b>                       | <b>205</b>                               | <b>173</b>                   |

# Notes to the consolidated revenue account

## 11. Agency Income and Expenditure

There are no significant Agency costs to disclose in the 2005/2006 Statement of Accounts.

## 12. 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 2005 to 31 March 2006 is as follows:

### Financial Transactions

|   | Transactions<br>£000's | Balance<br>31 March 2006<br>£000's |
|---|------------------------|------------------------------------|
| South Warwickshire Housing Association - excludes Benefit Payments (note a) | 1,159                  | 80                                 |
| Pensions Service  | 1,190                  | 0                                  |
| Warwickshire County Council - excludes Precepts (note b)                    | 1,784                  | 18                                 |
| South Warwickshire Tourism  | 268                    | 0                                  |

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

- Charles Bates
- Trevor Russel
- Roger Wright

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

b. There are seven District Councillors who were also County Councillors namely:-

- John Appleton
- Peter Barnes
- Richard Hobbs
- Mike Perry
- Chris Saint
- Isobel Seccombe
- Robert Stevens

# Notes to the consolidated revenue account

- c. There is a District Councillor who is also a Member of Police Authority namely: -
- Richard Hobbs
- d. There were three District Councillors who were also on the Board of South Warwickshire Tourism namely:-
- Clive Higgs
  - Mike Perry
  - Chris Williams

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

- e. Other Public Bodies:

The Council collects precepts on behalf of Warwickshire County Council, Warwickshire Police Authority, and the Town and Parish Councils.

Some Stratford-on-Avon District Council Councillors are also members of these bodies – major transactions (over/above £5k) between SDC and other Parishes are shown below:

| <b>Parish Councils</b> | Number of Members | Payments other than Precepts<br>£000's |
|------------------------|-------------------|--|
| Shipston On Stour      | 2                 | 9                                      |

## Non-Financial Transactions

None of which the Council is aware.

# Notes to the consolidated revenue account

## 13. Audit Costs

In 2005/2006 Stratford-on-Avon District Council incurred the following fees relating to external audit and inspection:

|  | 2004/2005<br>£000's | 2005/2006<br>£000's |
|--|---------------------|---------------------|
| Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor | 103                 | 88                  |
| Fees payable to the Audit Commission in respect of statutory inspection  | 0                   | 13                  |
| Fees payable to the Audit Commission for the certification of grant claims and returns                           | 27                  | 37                  |
| Fees payable in respect of any other services provided by the appointed auditor                                  | 0                   | 9                   |
| <b>Total Audit Costs</b>   | <b>130</b>          | <b>147</b>          |

## 14. 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 Consolidated Revenue Accounts.

## 15. 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.

# Collection fund

| 2004/2005<br>£000's |   | 2005/2006<br>£000's |
|---------------------|---|---------------------|
|                     | <b>Income</b>   |                     |
| (53,305)            | Income from Council Taxpayers (note 2)                        | (55,671)            |
| (4,741)             | Transfers from General Revenue Account                        |                     |
| 4                   | Council Tax benefits  | (5,094)             |
| (36,476)            | Transitional reduction scheme                                 | 3                   |
| 0                   | Income from Business Ratepayers (note 3)                      | (38,279)            |
|                     | Contributions   |                     |
|                     | Adjustments of previous years' Community Charges (note 5)     | 0                   |
| (183)               | Contributions to estimated Collection Fund deficit (note 4)   |                     |
| (25)                | Warwickshire County Council                                   | (364)               |
| (22)                | Warwickshire Police Authority                                 | (50)                |
|                     | Stratford-on-Avon District Council                            | (42)                |
| <hr/>               | <b>Total income</b>   | <hr/>               |
| (94,748)            |   | (99,497)            |
|                     | <b>Expenditure</b>  |                     |
|                     | Precepts and demands  |                     |
| 45,205              | Warwickshire County Council                                   | 47,712              |
| 6,203               | Warwickshire Police Authority                                 | 6,659               |
| 6,943               | Stratford-on-Avon District Council                            | 7,446               |
|                     | Contributions from estimated Collection Fund surplus (note 4) |                     |
| 1                   | Stratford-on-Avon District Council                            | 0                   |
|                     | Business rates  |                     |
| 36,403              | Payable to the national pool                                  | 38,139              |
| 204                 | Costs of Collection Allowance                                 | 204                 |
| 0                   | Movement in provision for Council Tax appeals (note 7)        | 0                   |
|                     | Provisions for bad and doubtful debts                         |                     |
| 191                 | Council Tax   | 215                 |
| (117)               | Council Tax write offs (note 8)                               | (111)               |
| (2)                 | Business Rates  | 378                 |
| (129)               | Business Rates write offs (note 8)                            | (442)               |
| <hr/>               | <b>Total expenditure</b>                                      | <hr/>               |
| 94,902              |   | 100,200             |
| <hr/>               | Deficit for the year  | <hr/>               |
| 154                 |   | 703                 |
|                     | Balance at 1 April  |                     |
| 123                 |   | 277                 |
| 154                 | Deficit for the year  | 703                 |
| <hr/>               | Deficit balance at 31 March                                   | <hr/>               |
| 277                 |   | 980                 |
| <hr/>               |   | <hr/>               |

# 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 2005/2006 was estimated as follows: -

|                 | Number of properties | Adjustment for discounts | Notional properties | Band "D" ratio | Band "D" equivalents |
|-----------------|----------------------|--------------------------|---------------------|----------------|----------------------|
| Band "A"*       | 20                   | (1)                      | 19                  | 5/9            | 11                   |
| Band "A"        | 2,966                | (460)                    | 2,507               | 6/9            | 1,671                |
| Band "B"        | 6,936                | (865)                    | 6,071               | 7/9            | 4,722                |
| Band "C"        | 14,049               | (1,353)                  | 12,696              | 8/9            | 11,285               |
| Band "D"        | 8,500                | (750)                    | 7,751               | 9/9            | 7,751                |
| Band "E"        | 7,917                | (542)                    | 7,375               | 11/9           | 9,013                |
| Band "F"        | 4,710                | (253)                    | 4,457               | 13/9           | 6,438                |
| Band "G"        | 4,283                | (186)                    | 4,097               | 15/9           | 6,828                |
| Band "H"        | 698                  | (45)                     | 653                 | 18/9           | 1,306                |
| <b>Total</b>    | <b>50,079</b>        | <b>(4,454)</b>           | <b>45,625</b>       |                | <b>49,025</b>        |
|                 |                      |                          |                     |                | 1,343                |
|                 |                      |                          |                     |                | 50,368               |
|                 |                      |                          |                     |                | 50,166               |
|                 |                      |                          |                     |                | 83                   |
| <b>Tax base</b> |                      |                          |                     |                | <b>50,249</b>        |

Estimated change to band 'D' equivalent net of discount. (New properties)

Gross estimate of new tax base 2005/2006

Multiplied gross estimate by the assumed collection rate of 99.6%

Add estimated contributions in lieu of Ministry of Defence properties

Figures have been rounded.

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 2005 the non-domestic rate multiplier was 41.5p for small businesses and 42.2p for larger businesses. The total non-domestic rateable value at 31 March 2006 for the District Council area was £112,422,873 (£94,554,765 at 31 March 2005), this reflected the revaluation of all properties effective from 1 April 2005. The amounts collectable are adjusted for transitional relief relating to this revaluation.

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 2004/2005. The estimated deficit totalling £455,795 at 31 March 2005 was shared in 2005/2006 according to the respective amounts of precepts made on the Collection Fund in 2004/2005:

|                                    | £000's |
|------------------------------------|--------|
| Warwickshire County Council        | 364    |
| Warwickshire Police Authority      | 50     |
| Stratford-on-Avon District Council | 42     |
|                                    | <hr/>  |
|                                    | 456    |
|                                    | <hr/>  |

## 5. Adjustment of Previous Years' Community Charges

All Community Charge debt has now been written off, however some income has been received during 2005/2006 and this income represents the adjustments in the year included within the Collection Fund.

## 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 Consolidated Revenue Account (page 20). In 2005/2006 this amount was £1,878,566 (£1,708,392 in 2004/2005).

## 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.

# 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 £110,781 in 2005/2006 (£116,968 in 2004/2005). This amount is included within the £55,671,184 included under Income from Council Taxpayers (page 28). Business Rates written off against this provision amounted to £442,077 in 2005/2006 (£129,750 in 2004/2005). This amount is included within the £38,279,443 detailed under Income from Business Ratepayers (page 28).

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

| Description                    | Council Tax<br>£000's | NDR<br>£000's |
|--------------------------------|-----------------------|---------------|
| Brought forward 1 April 2005   | (555)                 | (846)         |
| Add provision made in year     | (215)                 | (378)         |
| Less amounts written off       | 111                   | 442           |
| <b>Provision 31 March 2006</b> | <u>(659)</u>          | <u>(782)</u>  |



# Consolidated balance sheet

| As at<br>31 March 2005<br>£000's |  | As at<br>31 March 2006<br>£000's | As at<br>31 March 2006<br>£000's |
|----------------------------------|--|----------------------------------|----------------------------------|
|                                  | Fixed assets - operational (note 1)                |                                  |                                  |
| 31,292                           | Other land and buildings                           | 30,802                           |                                  |
| 1,580                            | Vehicles, plant, furniture and equipment           | 1,544                            |                                  |
| 2,016                            | Infrastructure assets                              | 937                              |                                  |
| 325                              | Community assets                                   | 316                              |                                  |
| 9,171                            | Fixed assets - non-operational (note 1)            | 12,082                           |                                  |
|                                  | Investment properties                              |                                  |                                  |
| 44,384                           |  |                                  | 45,681                           |
| 603                              | Intangible Fixed Assets (note 7)                   |                                  | 1,318                            |
| 117                              | Long term debtors - mortgages                      |                                  | 68                               |
| <b>45,104</b>                    | <b>Total long term assets</b>                      |                                  | <b>47,067</b>                    |
|                                  | Current assets                                     |                                  |                                  |
| 67                               | Stock and work-in-progress (note 8)                | 50                               |                                  |
| 30,000                           | Investments (note 9)                               | 22,000                           |                                  |
| 39,403                           | Pension Asset (note 19)                            | 48,445                           |                                  |
| 5,312                            | Debtors (note 10)                                  | 8,168                            |                                  |
| 40                               | Cash and bank                                      | 0                                |                                  |
| 74,822                           |  | 78,663                           |                                  |
| (4,260)                          | Current liabilities                                |                                  |                                  |
| (1,857)                          | Creditors (note 11)                                | (2,090)                          |                                  |
| (55,274)                         | Accruals (note 12)                                 | (1,843)                          |                                  |
| -                                | Pension Liability (note 19)                        | (63,669)                         |                                  |
|                                  | Bank overdraft                                     | (903)                            |                                  |
| (61,391)                         |  | (68,505)                         |                                  |
| 13,431                           | <b>Net current assets</b>                          |                                  | 10,158                           |
| <b>58,535</b>                    | <b>Total assets less current liabilities</b>       |                                  | <b>57,225</b>                    |
| (117)                            | Deferred credits (note 13)                         | (68)                             |                                  |
| (229)                            | Capital grants / contributions unapplied (note 14) | (229)                            |                                  |
| (2,404)                          | Capital grants / contributions deferred (note 14)  | (3,146)                          |                                  |
| (159)                            | Provisions (note 15)                               | (173)                            |                                  |
| (2,909)                          |  |                                  | (3,616)                          |
| <b>55,626</b>                    | <b>Total assets less liabilities</b>               |                                  | <b>53,609</b>                    |
| 10,631                           | Fixed asset restatement reserve (note 16)          |                                  | 10,533                           |
| (52,774)                         | Capital financing reserve (note 17)                |                                  | (53,945)                         |
| 15,871                           | Pension Reserve (note 19)                          |                                  | 15,224                           |
| (27,238)                         | Usable capital receipts reserve (note 18)          |                                  | (24,598)                         |
|                                  | Revenue balances                                   |                                  |                                  |
|                                  | General Revenue Account                            |                                  |                                  |
| (200)                            | Earmarked (Insurances)                             | (200)                            |                                  |
| (2,184)                          | General  | (1,561)                          |                                  |
| (9)                              | Building Control Reserve                           | (42)                             | (1,803)                          |
| (55,903)                         |  |                                  | (54,589)                         |
| 277                              | Collection Fund                                    |                                  | 980                              |
| <b>(55,626)</b>                  | <b>Total Equity</b>                                |                                  | <b>(53,609)</b>                  |



D M Buckland  
Head of Resources

# Notes to the consolidated balance sheet

## 1. Movement of Fixed Assets 2005/2006

|  | Other land<br>and<br>buildings<br>£000's | Vehicles,<br>plant and<br>equipment<br>£000's | Infrastructure<br>assets<br>£000's | Community<br>assets<br>£000's | Investment<br>properties<br>£000's | Total<br>£000's      |
|--|--|---|------------------------------------|-------------------------------|------------------------------------|----------------------|
| Certified valuation<br>at 31 March 2005      | 33,477                                   | 5,132   | 2,409                              | 382                           | 9,171                              | 50,571               |
| Accumulated depreciation<br>and impairment   | (2,185)                                  | (3,552)                                       | (392)                              | (58)                          | -                                  | (6,187)              |
| Net book value of assets<br>at 31 March 2005 | <u>31,292</u>                            | <u>1,580</u>                                  | <u>2,017</u>                       | <u>324</u>                    | <u>9,171</u>                       | <u>44,384</u>        |
| <i>Movement in 2005/2006</i>                 |  |   |                                    |                               |                                    |                      |
| Additions                                    | 1,970                                    | 540   | 135                                | 17                            | 16                                 | 2,678                |
| Disposals                                    | -  | -   | (1,159)                            | -                             | (246)                              | (1,405)              |
| Revaluations                                 | (1,637)                                  | -   | -                                  | -                             | 3,141                              | 1,504                |
| Depreciation                                 | (823)                                    | (576)   | (56)                               | (25)                          | -                                  | (1,480)              |
| Impairments                                  | -  | -   | -                                  | -                             | -                                  | -                    |
| Net book value of assets<br>at 31 March 2006 | <u><u>30,802</u></u>                     | <u><u>1,544</u></u>                           | <u><u>937</u></u>                  | <u><u>316</u></u>             | <u><u>12,082</u></u>               | <u><u>45,681</u></u> |

Depreciation of £1,480k has been charged to services using the Straight Line method. In general, buildings and public conveniences are depreciated over 40 years and equipment over five years.

## 2. Fixed Asset Valuation

Other land and buildings and investment properties have been valued by an 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. All these assets are valued in line with current accounting practice on an open market value, existing use value or depreciated replacement cost basis depending on the nature of the asset.

Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value. Detailed valuation work carried out during 2005/2006 (i.e. April 2006) has revealed revaluations of £1,504k in the value of Other Land and Buildings and Investment Properties.

Vehicles, plant and equipment are valued at historic cost, net of depreciation.

Infrastructure assets and community assets are valued at historical cost, net of depreciation.

Valuations were carried out during 2005/2006 in line with the Council's five year rolling programme of asset valuation, which includes the requirements of FRS15 following the introduction of SORP 2000. All fixed assets included in the Balance Sheet are in accordance with the requirements of SORP 2002. The programme for future valuations of the Council's main assets is as follows:-

Public Offices – Globe House in March 2007;  
Leisure Centres between March 2007 & 2008;  
Car Parks in March 2008; and  
Public Conveniences in March 2009

# Notes to the consolidated balance sheet

## 3. 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:

| 2004/2005<br>£000's |  | 2005/2006<br>£000's |
|---------------------|--|---------------------|
|                     | Capital expenditure adding to fixed asset valuation:     |                     |
| 268                 | Leisure facilities                                       | 1,256               |
| 34                  | Car parks  | 93                  |
| 443                 | Information technology development                       | 518                 |
| 28                  | Crime Reduction - CCTV                                   | 17                  |
| 5,652               | Improvement / refurbishment of Council offices           | 612                 |
| 122                 | Industrial development                                   | 31                  |
| 451                 | Other  | 151                 |
| <u>6,998</u>        | Additions to fixed assets                                | <u>2,678</u>        |
|                     | Capital expenditure not adding to fixed asset valuation: |                     |
| 6,138               | Intangible Fixed Assets (see note 7)                     | 4,402               |
| <u>6,138</u>        |  | <u>4,402</u>        |
| <u>13,136</u>       | Total capital expenditure                                | <u>7,080</u>        |
|                     | Financed by:   |                     |
| 0                   | Direct revenue financing                                 | 6                   |
| 1,983               | Grants / contributions                                   | 1,440               |
| 11,104              | Capital receipts   | 5,782               |
| 49                  | Movement in creditors                                    | (148)               |
| <u>13,136</u>       |  | <u>7,080</u>        |

## 4. Capital Commitments

The Council has Capital Commitments of approximately £1.5m, relating to E-Government (£455k), Stratford Football Club (£424k), Greig Centre Development (£191k) and various miscellaneous (£473k), as at 31 March 2006. These will be financed from 2006/2007 resources in accordance with recommended practice.

# Notes to the consolidated balance sheet

## 5. Information on Assets Held

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

| 31 March 2005 |  | 31 March 2006 |
|---------------|--|---------------|
|               | <b>Operational buildings</b>             |               |
| 2             | Council offices                          | 1             |
| 3             | Area offices                             | 3             |
| 1             | Depot                                    | 1             |
| 1             | Tourist Information Centre               | -             |
| 25            | Car parks and coach parks                | 25            |
| 3             | Leisure centres                          | 4             |
| 13            | Public conveniences                      | 12            |
| 1             | Sports pavilions                         | 1             |
| 1             | Gypsy caravan site                       | 1             |
|               | <b>Vehicles, plant and equipment</b>     |               |
| 3             | Vehicles                                 | 3             |
| approx 722    | Information technology equipment (items) | approx 771    |
|               | <b>Community assets</b>                  |               |
| 102           | Parks and recreation land (hectares)     | 102           |
|               | <b>Investment properties</b>             |               |
| 19            | Commercial properties                    | 24            |
| 13            | Land available for development (plots)   | 13            |

## 6. Finance Leases

The Council does not currently finance capital expenditure through credit arrangements.

# Notes to the consolidated balance sheet

## 7. Intangible Fixed Assets

|                        | Balance at<br>1 April<br>2005 | Expenditure<br>in year | Expenditure<br>met by grant<br>income | Accounts<br>written off to<br>Consolidated<br>Revenue<br>Account<br>£000's | Balance at<br>31 March<br>2006 |
|------------------------|-------------------------------|------------------------|---------------------------------------|--|--------------------------------|
|                        | £000's                        | £000's                 | £000's                                | £000's   | £000's                         |
| Improvement Grants     | -                             | 533                    | (199)                                 | (334)  | -                              |
| Capital Grants         | -                             | 193                    | -                                     | (193)  | -                              |
| Recreational Amenities | -                             | 184                    | (52)                                  | (132)  | -                              |
| Disabled Adaptations   | -                             | 114                    | (32)                                  | (82)   | -                              |
| S.106 Agreements       | -                             | 379                    | (379)                                 | -  | -                              |
| SWHA Infrastructure    | -                             | 45                     | -                                     | (45)   | -                              |
| Leisure Development    | -                             | 818                    | -                                     | (818)  | -                              |
| Affordable Housing     | -                             | 994                    | -                                     | (994)  | -                              |
| Other Small Misc.      | -                             | 295                    | (264)                                 | (31)   | -                              |
| IT Software & Training | 603                           | 847                    | -                                     | (132)  | 1,318                          |
|                        | <u>603</u>                    | <u>4,402</u>           | <u>(926)</u>                          | <u>(2,761)</u>   | <u>1,318</u>                   |

Any intangible asset not yet amortised to the Consolidated Revenue Account are held as intangible assets on the balance sheet. Intangible assets costs include capital grants, IT software & training, and other capital expenditure that does not generate a fixed asset. IT Software and Training costs are recognised/amortised in the revenue account over five years and one year respectively during which the Authority derives benefit from the expenditure.

## 8. Stocks

| 31 March 2005<br>£000's |   | 31 March 2006<br>£000's |
|-------------------------|---|-------------------------|
| 40                      | <b>Stocks</b>                                       |                         |
| 12                      | Departmental Stationery and other consumable stocks | 32                      |
| 3                       | Sports Equipment Bank                               | 9                       |
| 5                       | General Stationery stock                            | 2                       |
| 7                       | Environmental Health poison stock                   | 4                       |
|                         | Registration of Electors postage stock              | 3                       |
| <u>67</u>               | <b>Total Stocks</b>                                 | <u>50</u>               |

# Notes to the consolidated balance sheet

## 9. Investments

| 31 March 2005<br>£000's |                                | 31 March 2006<br>£000's |
|-------------------------|--------------------------------|-------------------------|
| 30,000                  | Externally Managed Investments | 22,000                  |
| 0                       | Internally Managed Investments | 0                       |
| <u>30,000</u>           | <b>Total</b>                   | <u>22,000</u>           |

## 10. Debtors

| 31 March 2005<br>£000's |                                       | 31 March 2006<br>£000's |
|-------------------------|---------------------------------------|-------------------------|
| 659                     | Amounts falling due in one year       |                         |
| 436                     | Central Government                    | 929                     |
| 1,955                   | HM Customs and Excise                 | 148                     |
| 1,974                   | Council Taxpayers                     | 2,146                   |
| 119                     | Business Ratepayers                   | 4,641                   |
| 18                      | Housing Benefit Overpayments          | 124                     |
| 1,478                   | Mortgagors                            | 13                      |
| 152                     | Sundry debtors                        | 1,551                   |
| <u>6,791</u>            | Prepayments                           | 166                     |
| 15                      | Amounts falling due after one year    | <u>9,718</u>            |
| <u>6,806</u>            | Employee car loans                    | 18                      |
| (76)                    | Provisions for bad and doubtful debts | <u>9,736</u>            |
| (17)                    | General Revenue Account               | (110)                   |
| (1,401)                 | Housing Benefit Overpayments          | (18)                    |
| <u>5,312</u>            | Collection Fund                       | (1,440)                 |
|                         | <b>Total debtors</b>                  | <u>8,168</u>            |

# Notes to the consolidated balance sheet

## 11. Creditors

| 2004/2005<br>£000's |                         | 2005/2006<br>£000's |
|---------------------|-------------------------|---------------------|
| (1,000)             | Central Government      | (143)               |
| (656)               | Inland Revenue          | (260)               |
| (43)                | Other Local Authorities | (22)                |
| (5)                 | Mortgagors              | (3)                 |
| (134)               | Council Taxpayers       | (106)               |
| (517)               | Business Ratepayers     | (66)                |
| (1,905)             | Other                   | (1,490)             |
| <u>(4,260)</u>      | <b>Total creditors</b>  | <u>(2,090)</u>      |

## 12. Accruals

| 2004/2005<br>£000's |  | 2005/2006<br>£000's |
|---------------------|--|---------------------|
| (1,857)             | Provisional creditors<br>General Revenue Account | (1,843)             |
| <u>(1,857)</u>      | <b>Total</b>                                     | <u>(1,843)</u>      |

## 13. 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.

## 14. Capital Grants / Contributions Unapplied and Deferred

All 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 utilised to finance capital expenditure. When the assets to which the capital grants / contributions relate are depreciated, the credits are transferred to the Consolidated Revenue Account to offset the depreciation charged.

# Notes to the consolidated balance sheet

## 15. Provisions

|  | Balance at<br>1 April<br>2005 | Expenditure<br>in year | Write-back<br>to<br>Revenue<br>Account<br>£000's | Additions<br>in year | Balance at<br>31 March<br>2006 |
|--|-------------------------------|------------------------|--|----------------------|--------------------------------|
|  | £000's                        | £000's                 | £000's   | £000's               | £000's                         |
| Insurances - Outstanding Claims                  | (7)                           | 1                      | -  | -                    | (6)                            |
| Open Spaces - Commuted Sums                      | (112)                         | -                      | -  | (15)                 | (127)                          |
| Council Tax provision for<br>previous years debt | (40)                          | -                      | -  | -                    | (40)                           |
|  | <u>(159)</u>                  | <u>1</u>               | <u>-</u>   | <u>(15)</u>          | <u>(173)</u>                   |

### Insurances

The insurance provision covers all insurance claims for which the Council has a potential legal liability.

### Commuted Sums

Amounts received from developers for the future maintenance of open spaces. These amounts are generally written down to the General Fund over 20 years.

### Council Tax

Amount set aside for the previous years debit.

## 16. Fixed Asset Restatement Reserve

|  |               |
|--|---------------|
|  | £000's        |
| <b>Balance at 1 April 2005</b>           | 10,631        |
| Uplift for new valuation of fixed assets | (98)          |
| <b>Balance at 31 March 2006</b>          | <u>10,533</u> |

The balance on the Fixed Asset Restatement Account equals the difference between the value of assets under the old system of capital accounting and their "new" value on 1 April 1994. Since that date, the Account has been reduced by the balance sheet value of assets that were sold. Adjustments have also been made to take account of any changes to the value of assets during the year.



# Notes to the consolidated balance sheet

## 17. Capital Financing Reserve

|   | £000's          |
|---|-----------------|
| <b>Balance at 1 April 2005</b>                  | (52,774)        |
| 2005/2006 capital financing                     |                 |
| from capital receipts                           | (5,896)         |
| from revenue                                    | (6)             |
| 2005/2006 depreciation provision                | 1,480           |
| 2005/2006 MRP - commutation adjustment          | (85)            |
| Write down of grants and contributions deferred | (351)           |
| Adjustment for deferred charges                 | 3,687           |
| <b>Balance at 31 March 2006</b>                 | <u>(53,945)</u> |

The capital financing account includes the amounts which are required by statute to be set aside from capital receipts for the repayment of loans - the provision for credit liabilities.

## 18. Usable Capital Receipts Reserve

|  | £000's          |
|--|-----------------|
| <b>Balance at 1 April 2005</b>                         | (27,238)        |
| Capital receipts received                              | (3,289)         |
| Capital receipts used for financing                    | 5,867           |
| Appropriation to CRA - Housing Pooled Capital Receipts | 62              |
| <b>Balance at 31 March 2006</b>                        | <u>(24,598)</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.

# Notes to the consolidated balance sheet

## 19. Pensions

The Council operates a defined benefit pension scheme for its staff under the Superannuation Act 1972 and is subject to the Local Government Superannuation Regulations 1995. The scheme is managed on the Council's behalf by Warwickshire County Council as part of its superannuation fund. The date of the last full Actuarial Valuation was 31 March 2004.

Note 7 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme (administered by Warwickshire County Council) in providing the Authority's employees with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2006 are as follows: -

|                                 | 2004/2005<br>£000's | 2005/2006<br>£000's |
|---------------------------------|---------------------|---------------------|
| Estimated liabilities in scheme | (55,274)            | (63,669)            |
| Estimated assets in scheme      | 39,403              | 48,445              |
| Net asset/(liability)           | <u>(15,871)</u>     | <u>(15,224)</u>     |

The estimated position as at 31 March 2006, indicates that there is a deficit on the pension fund of around £15.2m, this is compared with a figure of £15.9m, 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<br>£000's | Government<br>Bonds<br>£000's | Other<br>Bonds<br>£000's | Other<br>£000's | Total<br>£000's |
|----------------------|--------------------|-------------------------------|--------------------------|-----------------|-----------------|
| Assets in the scheme | 37,545             | 6,104                         | 4,312                    | 484             | 48,445          |

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 2005 and included an estimated return for January to March 2006. The final three months were based on an estimated rate of return of 23.7% compared with an actual return of 26.28%. As a result, the assets stated in the accounts are understated by 2.07%.

# Notes to the consolidated balance sheet

| <b>ACTUARIAL ASSUMPTIONS</b>                         | 2004/2005         | 2005/2006   |
|--|-------------------|-------------|
| <b>Split of assets between investment categories</b> |                   |             |
| Equities   | 75.3%             | 77.5%       |
| Government Bonds                                     | 8.9%              | 12.6%       |
| Other Bonds  | 13.9%             | 8.9%        |
| Property   | 0%                | 0%          |
| Other  | 1.9%              | 1%          |
| <b>Financial Assumptions</b>                         |                   |             |
|  | Beginning of year | End of year |
| Rate of inflation                                    | 2.95%             | 2.9%        |
| Rate of increase in salaries                         | 4.65%             | 4.65%       |
| Rate of increase in pensions                         | 2.96%             | 2.9%        |
| Discount rate  | 5.4%              | 4.9%        |
| <b>Expected rate of return on assets</b>             |                   |             |
|  | Beginning of year | End of year |
| Equities   | 7.5%              | 7.0%        |
| Government Bonds                                     | 4.7%              | 4.3%        |
| Other Bonds  | 5.4%              | 4.9%        |
| Property   | 6.5%              | 6.0%        |
| Cash/Liquidity                                       | 4.75%             | 4.5%        |
| Other  | 7.5%              | 7.5%        |

## 20. Contingent Liabilities

- (a) In 2003 a contractor was engaged in relation to the Elizabeth House modernisation contract, with sub-contract packages such as roofing, mechanical & electrical works, while the windows were let to specialist sub-contractors.

The Council is currently in dispute with a contractor who has made a claim in relation to building work undertaken. The value of the claim is in the region of £580k and there is the chance that the claim could be referred to adjudicator for resolution.

- (b) The Department of Work & Pensions are currently considering the position in relation to the Council's 2004/2005 claim for Housing and Council Tax Benefit Subsidy. It has been highlighted through the audit of the claim undertaken by the Audit Commission on behalf of the DWP that there are potential issues in relation to referrals to the Rent officer for determination and the "netting off" of overpayments. Although the Council has provided further evidence to the DWP to support the stance that there has been no "loss" to the public purse in respect of these issues the Council could be in a position where it is required to make a repayment of subsidy in the region of £520k. This issue is currently with the Secretary of State for their consideration.

It has also been suggested by the Audit Commission that there could be similar issues arising as part of the audit of the 2005/2006 Housing and Council Tax Benefit Subsidy claim, however, it is not possible to quantify the financial implications for the Council.

# Notes to the consolidated balance sheet

## 21. Section 106

| 31 March 2005<br>£000's |                               | 31 March 2006<br>£000's |
|-------------------------|-------------------------------|-------------------------|
| (430)                   | <b>Balance at 1 April</b>     | (579)                   |
| (314)                   | S.106 monies received in year | -                       |
| (744)                   |                               | (579)                   |
| 165                     | Used to finance expenditure:- |                         |
| -                       | Leisure Facilities            | 200                     |
| -                       | Community Halls               | 98                      |
|                         | Affordable Housing            | 80                      |
| (579)                   | <b>Balance at 31 March</b>    | (201)                   |

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 other creditors (See Note 11).

# Statement of the Total Movement in Reserves

| 2004/2005<br>£000's |  | 2005/2006<br>£000's |
|---------------------|--|---------------------|
|                     | <b>MOVEMENT IN REVENUE RESOURCES</b>   |                     |
| 100                 | General Fund surplus/(deficit)   | 590                 |
| 154                 | Movement on Collection Fund  | 703                 |
| -                   | Appropriation from pension reserve   | -                   |
| 9,359               | Actuarial gains and losses relating to pensions  | (577)               |
| <b>9,613</b>        | <b>Total increase/(decrease) in revenue reserves</b> (note 2)                                | <b>716</b>          |
|                     | <b>MOVEMENT IN REALISED CAPITAL RESERVES</b>   |                     |
| (1,243)             | Increase/(decrease) in usable capital receipts   | 2,640               |
| 1,000               | Increase/(decrease) in unapplied capital grants and contributions                            | -                   |
| <b>(243)</b>        | <b>Total increase/(decrease) in realised capital reserves</b> (note 3)                       | <b>2,640</b>        |
|                     | <b>MOVEMENT IN UNREALISED VALUE OF LONG TERM ASSETS</b>                                      |                     |
| (638)               | Gains/(losses) on revaluation of fixed assets  | (1,504)             |
| 308                 | Impairments losses on fixed assets due to general changes in prices                          | -                   |
| <b>(330)</b>        | <b>Total increase/(decrease) in unrealised value of fixed assets</b> (note 4)                | <b>(1,504)</b>      |
|                     | <b>VALUE OF ASSETS SOLD, DECOMMISSIONED OR REALISED</b>                                      |                     |
| 1,436               | Fixed assets   | 1,406               |
| -                   | Long term investments realised   | -                   |
| <b>1,436</b>        | <b>Total value of assets sold, disposed of or decommissioned</b> (note 5)                    | <b>1,406</b>        |
|                     | <b>MOVEMENT IN AMOUNTS TO BE USED TO FINANCE CAPITAL INVESTMENT</b>                          |                     |
| (11,150)            | Capital receipts set aside   | (5,896)             |
| 7,635               | Revenue resources set aside  | (91)                |
| 6,342               | Movement on Government Grants Deferred   | 4,816               |
| -                   | Movements on Major Repairs Reserve   | -                   |
| <b>2,827</b>        | <b>Total increase/(decrease) in amounts set aside to finance capital investment</b> (note 6) | <b>(1,171)</b>      |
|                     | <b>MOVEMENT IN OTHER RESERVES</b>  |                     |
| <b>743</b>          | Movement on Pensions Reserve (note 1 & 7)  | <b>(70)</b>         |
| <b>14,046</b>       | <b>Total recognised gains and losses</b>   | <b>2,017</b>        |

# Notes to the Statement of the Total Movement in Reserves

## 1. Explanation

The statement brings together all the recognised gains and losses of the District Council during 2005/2006 and illustrates those that have not been separately identified in the Consolidated Revenue Account.

## 2. Movement in revenue reserves

|  | General Revenue Account Balance<br>£000's | Collection Fund Balance<br>£000's | Pension Reserve Balance<br>£000's | Total<br>£000's      |
|--|---|-----------------------------------|-----------------------------------|----------------------|
| Net deficit/(surplus) for 2005/2006        | 622                                       | 703                               | -                                 | 1,325                |
| Appropriations to/from reserves            | (32)                                      | -                                 | (70)                              | (102)                |
| Actual (gains)/losses relating to pensions | -   | -                                 | (577)                             | (577)                |
|  | <u>590</u>                                | <u>703</u>                        | <u>(647)</u>                      | <u>646</u>           |
| Balance at 1 April 2005                    | (2,393)                                   | 277                               | 15,871                            | 13,755               |
| <b>Balance at 31 March 2006</b>            | <u><u>(1,803)</u></u>                     | <u><u>980</u></u>                 | <u><u>15,224</u></u>              | <u><u>14,401</u></u> |

## 3. Movement in realised capital reserves

|   | Usable capital receipt<br>£000's | Unapplied capital grants and contributions<br>£000's | Total<br>£000's        |
|---|----------------------------------|--|------------------------|
| Amount receivable in 2005/2006  | (3,289)                          | -  | (3,289)                |
| Other capital expenditure/(income)  | 5,867                            | -  | 5,867                  |
| Amount appropriated to CRA for Housing Pooled Capital Receipts              | 62                               | -  | 62                     |
| <b>Total increase/(decrease) in realised capital resources in 2005/2006</b> | <u>2,640</u>                     | <u>-</u>   | <u>2,640</u>           |
| Balance at 1 April 2005   | (27,238)                         | (229)  | (27,467)               |
| <b>Balance at 31 March 2006</b>   | <u><u>(24,598)</u></u>           | <u><u>(229)</u></u>                                  | <u><u>(24,827)</u></u> |

# Notes to the Statement of the Total Movement in Reserves

## 4. Movement in unrealised value of fixed assets

|   | Fixed Asset<br>Restatement<br>Account<br>£000's | Total<br><br>£000's   |
|---|---|-----------------------|
| Gain/losses on revaluation of fixed assets in 2005/2006                         | (1,504)   | (1,504)               |
| Impairment losses on fixed assets due to general changes in prices in 2005/2006 | -   | -                     |
| <b>Total increase/(decrease) in unrealised capital resources in 2005/2006</b>   | <b><u>(1,504)</u></b>                           | <b><u>(1,504)</u></b> |

## 5. Value of assets sold, disposed of or decommissioned

|   | Fixed Asset<br>Restatement<br>Account<br>£000's | Total<br><br>£000's  |
|---|---|----------------------|
| Total increase/(decrease) in unrealised capital resources in 2005/2006 - (b/d note 4) | (1,504)   | (1,504)              |
| <b>Amount written off fixed asset balances for disposals in 2005/2006</b>             | <b><u>1,406</u></b>                             | <b><u>1,406</u></b>  |
| Total movement on reserve in 2005/2006  | (98)  | (98)                 |
| Balance at 1 April 2005   | 10,631  | 10,631               |
| <b>Balance at 31 March 2006</b>   | <b><u>10,533</u></b>                            | <b><u>10,533</u></b> |

# Notes to the Statement of the Total Movement in Reserves

## 6. Movement in amounts set aside to finance capital investment

|  | Capital<br>Financing<br>Account<br>£000's | Government<br>Grants<br>Deferred<br>£000's | Total<br>£000's |
|--|---|--|-----------------|
| Capital receipt set aside in 2005/2006:  |   |  |                 |
| - Reserved receipts  | (114)                                     | -  | (114)           |
| - Usable receipts applied  | (5,782)                                   | -  | (5,782)         |
| <b>Total capital receipts set aside in 2005/2006</b>                               | <b>(5,896)</b>                            | <b>-</b>                                   | <b>(5,896)</b>  |
| Revenue resources set aside in 2005/2006:  |   |  |                 |
| - Capital expenditure financed from revenue  | (6)                                       | -  | (6)             |
| - Reconciling amount for provisions for loan repayment                             | (85)                                      | -  | (85)            |
| <b>Total capital resources set aside in 2005/2006</b>                              | <b>(91)</b>                               | <b>-</b>                                   | <b>(91)</b>     |
| Grant applied to capital investments in 2005/2006                                  | 390                                       | (741)                                      | (351)           |
| Amount credited to the AMRA in 2005/2006   | 5,167                                     | -  | 5,167           |
| <b>Movement on Government Grant Deferred</b>                                       | <b>5,557</b>                              | <b>(741)</b>                               | <b>4,816</b>    |
| <b>Total increase/(decrease) in amount set aside to finance capital investment</b> |   |  |                 |
| Total movement in reserve in 2005/2006   | (430)                                     | (741)                                      | (1,171)         |
| Balance at 1 April 2005  | (50,370)                                  | (2,404)                                    | (52,774)        |
| <b>Balance at 31 March 2006</b>  | <b>(50,800)</b>                           | <b>(3,145)</b>                             | <b>(53,945)</b> |



# Notes to the Statement of the Total Movement in Reserves

## 7. Pensions Reserve

The Council is required under the SORP to fully implement FRS 17 (Retirement Benefits) in its accounts. The objective of FRS 17 is to ensure that the Council's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have already been set aside to fund them. This means that FRS 17 based pensions assets and liabilities are included in 2005/2006 Consolidated Revenue Account and Balance Sheet, rather than being disclosed as additional note to the accounts.

The inclusion of the net pensions liabilities and the corresponding pensions reserve in the Consolidated Balance Sheet represents a significant decrease in the overall level of reserves. However, this does not represent a reduction in the cash reserves held by the Council, and does not impact on Council Tax levels. Under the Local Authorities (Capital Finance) (Amendment No 2) Regulations, Local Authorities are not required to fund expenditure relating to an FRS 17 based pensions reserve from Council Tax.

The actuarial gains/losses identified as movements on the Pensions Reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

| <b>Analysis of Movement in Net Pension Asset/(Liability)</b>   | 2003/2004            | 2003/2004                   | 2004/2005            | 2004/2005                   | 2005/2006            | 2005/2006                   |
|--|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
|  | Gain/(Loss)<br>£000s | % of Total<br>Asset/(Liab.) | Gain/(Loss)<br>£000s | % of Total<br>Asset/(Liab.) | Gain/(Loss)<br>£000s | % of Total<br>Asset/(Liab.) |
| Gain/(loss) on difference between expected and actual return on assets                               | 5,437                | 15%                         | 960                  | 2.4%                        | 6,670                | 13.8%                       |
| Gain/(loss) on difference between actuarial assumptions on liabilities and actual experience         | -                    | -                           | (9,157)              | 16.6%                       | (4,952)              | 7.8%                        |
| Gain/(loss) on changes in demographic and financial assumptions affecting estimation of liabilities. | -                    | -                           | (1,162)              | 2.1%                        | (1,141)              | 1.8%                        |
| <b>Total</b>   | <b>5,437</b>         |                             | <b>(9,359)</b>       |                             | <b>577</b>           |                             |

Note:

**Liab. = Liabilities.**

# Cash Flow Statement

| 2004/2005<br>£000's |   | 2005/2006<br>£000's |
|---------------------|---|---------------------|
|                     | <b>REVENUE ACTIVITIES</b>                               |                     |
|                     | <b>Cash Outflows</b>                                    |                     |
| 9,600               | Cash paid to and on behalf of employees                 | 10,466              |
| 10,511              | Other operating cash payments                           | 14,822              |
| 14,170              | Housing benefit (Rent allowances) paid out              | 15,166              |
| 36,403              | National Non-Domestic Rate payments to National Pool    | 38,140              |
| 52,909              | Precepts paid   | 55,836              |
| -                   | Payments to capital receipts pool                       | 62                  |
| <u>123,593</u>      |   | <u>134,492</u>      |
|                     | <b>Cash Inflows</b>                                     |                     |
| (913)               | Rents (after benefits)                                  | (1,058)             |
| (53,569)            | Council Tax receipts                                    | (55,564)            |
| 1                   | Community Charge income                                 | -                   |
| (3,081)             | National Non-Domestic Rate receipts from National Pool  | (3,328)             |
| (36,768)            | Non-Domestic Rate receipts                              | (35,603)            |
| (2,345)             | Revenue Support Grant / SSA Reduction Grant             | (2,451)             |
| (18,186)            | Government grants for benefits (note 3)                 | (20,489)            |
| (1,582)             | Other Government grants (note 3)                        | (1,039)             |
| (4,900)             | Cash Received for goods and services                    | (5,784)             |
| (682)               | Other operating cash receipts                           | (1,449)             |
| <u>(122,025)</u>    |   | <u>(126,765)</u>    |
|                     | <b>Returns on investments and Servicing of Finance</b>  |                     |
|                     | <b>Cash Outflows</b>                                    |                     |
| -                   | Interest paid   | 12                  |
| -                   | Interest Element of Finance Lease Rental Payments       | -                   |
|                     | <b>Cash Inflows</b>                                     |                     |
| (1,929)             | Interest received                                       | (1,504)             |
| <u>(361)</u>        | <b>Net cash inflow from Revenue Activities (note 1)</b> | <u>6,235</u>        |
|                     | <b>CAPITAL ACTIVITIES</b>                               |                     |
|                     | <b>Cash Outflows</b>                                    |                     |
| 13,087              | Purchase of fixed assets                                | 2,705               |
| -                   | Other Capital Payments                                  | 4,522               |
| <u>13,087</u>       |   | <u>7,227</u>        |
|                     | <b>Cash Inflows</b>                                     |                     |
| (4,711)             | Capital Receipts  | (3,227)             |
| (948)               | Capital grants received                                 | (1,292)             |
| <u>(5,659)</u>      |   | <u>(4,519)</u>      |
| 7,067               | <b>Net cash outflow before financing (note 2)</b>       | 8,943               |
|                     | <b>FINANCING</b>  |                     |
| -                   | Repayments of amounts borrowed                          | -                   |
| <u>7,067</u>        | <b>Decrease in cash and equivalents (note 2)</b>        | <u>8,943</u>        |

# Notes to the Cash Flow Statement

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

| 2004/2005<br>£000's |  | 2005/2006<br>£000's |
|---------------------|--|---------------------|
| 100                 | <b>(Surplus) / deficit for the year</b>                      | 590                 |
| 154                 | Consolidated Revenue Account                                 | 703                 |
| 154                 | Collection Fund  | 703                 |
| <hr/> 254           |  | <hr/> 1,293         |
| (164)               | <b>Non cash transactions</b>                                 | (221)               |
| <hr/> 90            |  | <hr/> 1,072         |
|                     | <b>Accruals basis items</b>                                  |                     |
| (33)                | Increase / (Decrease) in stocks                              | (18)                |
| 572                 | Increase / (Decrease) in debtors                             | 2,930               |
| (1,155)             | (Increase) / Decrease in creditors                           | 2,170               |
| <hr/> (526)         |  | <hr/> 6,154         |
| 165                 | <b>Items classified elsewhere in the cash flow statement</b> | 81                  |
| <hr/> (361)         | Net cash inflow from revenue activities                      | <hr/> 6,235         |
| <hr/> <hr/>         |  | <hr/> <hr/>         |

## 2. Decrease in Cash and Cash Equivalents

|  | As at<br>31 March 2005<br>£000's | As at<br>31 March 2006<br>£000's | Movement<br>in year<br>£000's |
|--|----------------------------------|----------------------------------|-------------------------------|
| (Cash and bank) / bank overdraft             | 40                               | 903                              | 943                           |
| Temporary investments                        | 30,000                           | 22,000                           | 8,000                         |
| <b>Decrease in cash and cash equivalents</b> |                                  |                                  | <hr/> 8,943                   |

# Notes to the Cash Flow Statement

## 3. Specific Government Grants

| 2004/2005<br>£000's |                                       | 2005/2006<br>£000's |
|---------------------|---------------------------------------|---------------------|
| (4,887)             | <b>Grants for benefits</b>            | (5,219)             |
| (13,299)            | Council Tax benefits                  | (15,270)            |
| <u>(18,186)</u>     | Housing benefits                      | <u>(20,489)</u>     |
|                     | <b>Other Government grants</b>        |                     |
| (207)               | Council Tax benefits - administration | (214)               |
| (321)               | Housing benefits - administration     | (311)               |
| (931)               | Other grants / adjustments            | (435)               |
| (123)               | Verification Framework                | (79)                |
| <u>(1,582)</u>      |                                       | <u>(1,039)</u>      |

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

## Opinion on the financial statements

I have audited the financial statements of Stratford on Avon District Council for the year ended 31st March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. This report is made solely to Stratford on Avon District Council in accordance with Part II of 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.

## Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government" published in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.



John Cotterill  
District Auditor

Audit Commission  
No1 Friarsgate  
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Date 28th September 2006

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