

STATEMENT OF ACCOUNTS 2016/17

CONTENTS

	<u>Page numbers</u>
Welcome to the Statement of Accounts and Narrative Report	2-9
Statement of Responsibilities for the Statement of Accounts	10
Financial Statements:-	
➤ Movement in Reserves Statement	11-12
➤ Comprehensive Income and Expenditure Statement	13
➤ Balance Sheet	14
➤ Cash Flow Statement	15
Notes to the Accounts	16-74
Supplementary Financial Statements:-	
➤ Collection Fund	75-76
Notes to the Collection Fund	77-78
Glossary of Terms	79-80

WELCOME TO THE STATEMENT OF ACCOUNTS

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

The Statement reflects the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and introduces a new Expenditure and Funding Analysis (EFA) as a result of the "Telling the Story" review of the presentation of local authority financial statements.

The Expenditure and Funding Analysis (EFA) is new and provides an analysis based on how the revenue budget is monitored throughout the year. The EFA explains what adjustments are put through to get from the management accounts to the statutory accounts.

Previously the CIES was based on the SeRCOP (Service Reporting Code of Practice) for Local Authorities. SeRCOP guidance provided a number of mandatory service divisions leading to consistency across authorities whereas the new CIES is based on the head of services within the council and so more reflects the management accounts.

The net revenue expenditure for all of the Council's services was £12.570m compared to a revised budget of £13.662m resulting in a service underspend of £1.1m. This underspend along with the budgeted contribution to the General Fund Reserve, slippage and other movements such as allocations to and from Earmarked Reserves, has resulted in an overall General Fund Reserve increase of £1.926m.

Major income received was £8m from general Government Grant and the National Non-Domestic Rate pool, plus £9.6m (inclusive of Parish Precepts) from Council Tax payers. The Council Tax levy at Band D was £133.05 per domestic property per year.

The 2016/17 Capital Expenditure Amended Estimate (inclusive of 2015/16 slippage) was £5.6m, comprising mainly of £1.1m for Disabled Facilities Grants, £544k for Planned Maintenance, £250k for the Grieg Centre, £137k for Home Repairs Grants, £100k for Empty Homes Grants and £1.9m for Section 106 Projects. Due to circumstances beyond the control of the Council, including progress by external bodies or organisations, spending on some major projects was deferred until 2017/18. The final 2016/17 capital expenditure was £2.4m.

At 31 March 2017 the Council held a total £8m in General Fund Balance with £6.2m in available capital resources and had no outstanding debt.

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

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

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

NARRATIVE REPORT

1. Introduction

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2017. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This narrative report provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

The narrative report replaces the Explanatory Foreword included in previous Statements of Accounts. It provides information about Stratford-on-Avon District Council and the key issues affecting the Council and its accounts, including a summary of its financial position at 31 March 2017.

2. An Introduction to Stratford-on-Avon

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

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

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

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

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

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

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

Narrative Report (cont)

3. About Stratford-on-Avon District Council

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

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

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

During 2016/17 the Council fully implemented a revised Senior Management Structure; the main purpose was in order to generate recurring savings in order to support the budget. The Council employs a work force of approximately 250 staff to manage and deliver services to residents. The new structure is under the management of 2 directors and 4 heads of service. The revised management structure for the Council is shown below:



Dave Webb

Executive Director
and Head of Paid Service

Telephone
01789 260100

Email
dave.webb@
stratford-dc.gov.uk



David Buckland

Executive Director
and S151 Officer

Telephone
01789 260425

Email
david.buckland@
stratford-dc.gov.uk



Phil Grafton

Head of Governance and
Democracy
and Monitoring Officer

Telephone
01789 260400

Email
phil.grafton@
stratford-dc.gov.uk



Robert Weeks

Head of Planning
and Housing

Telephone
01789 260810

Email
robert.weeks@
stratford-dc.gov.uk



Tony Perks

Head of Technical and
Community Services

Telephone
01789 260620

Email
tony.perks@
stratford-dc.gov.uk



David Platts

Head of ICT
and Revenues

Telephone
01789 260470

Email
david.platts@
stratford-dc.gov.uk

Narrative Report (cont....)

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

Council Provided

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

Jointly Working

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

Strategic Partnerships

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

Provided by Third Parties

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

4. The 2016/17 Budgeting Process

The 2016/17 budget process was influenced by the on-going need for savings whilst maintaining council services to residents. The draft budget net budget of £13,292,721 was approved by the Cabinet and Council in February 2016. The approved budget included an increase in the Council's council tax precept of £5 and an assumed increase of 2.7% in Council Tax base resulted in an income from council tax of £6,756,360.

5. Financial Performance 2016/17

The net revenue budget approved by the Cabinet and Council in February was increased by £363,000, for spending brought forward from 2015/16. In addition during the financial year further budget was provided for issues including the development of a Heat Mapping report, the total revised budget for 2016/17 was £13,662,441. Actual net expenditure for the year was £12,569,846, an underspend of £1,092,595, as can be seen in the table below. It should be noted that this table details the Council's final net revenue expenditure analysed by service. This reflects the net amount to be met by local taxpayers. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Statement by the exclusion of costs relating to depreciation, revenue expenditure funded from capital under statute and certain pension adjustments.

Narrative Report (cont....)

Service	2016/17	2016/17	Variance
	Revised Budget	Actual	
	£	£	£
Executive Director (HoPS)	1,912,829	1,603,478	(309,351)
Executive Director (s151 Officer)	3,081,958	2,746,916	(335,042)
Governance and Democracy	1,278,852	1,109,193	(169,659)
Planning and Housing	1,527,746	1,575,528	47,782
Revenues and ICT	1,397,760	1,561,399	163,639
Technical & Community	4,463,296	3,973,332	(489,964)
Total	13,662,441	12,569,846	(1,092,595)

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

- Car Park fee income – significantly higher car parking income than allowed within the budget for the year generated net additional income of £243k;
- Inflation remaining lower than had been allowed within the budgets, this saved the Council around £171k

There were numerous other variances all of which were reported in detail to the meeting of the Cabinet on 5 June 2017. The Council's General Fund unallocated reserves as at 31 March 2017 totalled £8.010m. The minimum level of reserves for the Council to maintain as specified by the Council's Chief Finance Officer is £2m. Whilst with forecast reductions in government grants these reserves will be in part utilised, the Council will maintain balances above this level.

The gross cost of service provision amounts to £52,504,275, and has been analysed by type as shown below:

Expenditure Types	2015/16 £000	2016/17 £000
Employees	7,759	7,495
Service Costs	2,561	2,595
Third party payments	7,311	7,206
Transfer payments	27,700	27,508
Support Services	4,804	4,816
Capital charges	5,347	2,884
Gross Cost of Services	55,482	52,504

The Council received gross income of £35,219,638 and this is analysed by type as follows:

Income Type	2015/16 £000	2016/17 £000
Government Grants	(28,992)	(29,114)
Rent Income	(38)	(49)
Sales, Fees & Charges	(4,516)	(4,036)
Other Income	(2,156)	(2,021)
Total Income	(35,702)	(35,220)

Narrative Report (cont....)

The capital budget of £2.6m was approved by the Cabinet and Council in February 2016. This was subsequently revised to £5.6m with the addition of schemes brought forward from the previous financial year and further approvals in year. Capital expenditure for 2016/17 was £2.396m (£6.574m 2015/16).

There was an underspend of £3.216m on the revised capital programme compared to budgeted expenditure of £5.613m. From this underspend carry forwards of £3.010m have been approved into the 2017/18 capital programme to meet on-going commitments.

A summary of the capital expenditure in 2016/17 is shown below, £715,260 was added to the value of fixed assets, £340,802 was spent on Section 106 Projects and the balance was written off in year as a deferred charge.

Capital Programme	Expenditure £000	Underspend £000
Property Projects	715	477
IT Technology	460	561
Section 106 Projects	341	791
Other	880	1,387
Total	2,396	3,216

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

Capital Financing	£000
Usable Capital Receipts	1,228
Capital Grants and Contributions	821
Section 106 Monies	347
Total	2,396

A total of £6.202m has been carried forward in capital reserves to preserve funding for existing projects in future years.

The Council's general balances totalled £8.010m at 31 March 2017 (£6.084m at 31 March 2016) and cash balances were £3.890 at 31 March 2017 (£3.838m at 31 March 2016).

6. Non Financial Performance 2016/17

The Council approved its Corporate Strategy 2015-19 at its meeting in February 2015, this strategy identifies the priorities for the Council over the next four years and is used to help determine the allocation of resources. Annually to support high level Strategy, an annual action plan is also approved which identified the specific projects to be addressed during the year 2016/17.

Fifteen (56%) of the tasks have been achieved. A further 9 tasks are Ongoing with completion dates in future action plans. Of the 9, 8 (30%) are on target and 1 (4%) is currently off target. 3 (11%) tasks have not been achieved in the Year 2 Plan. One task has been removed as is no longer relevant. This relates to the Land and Property System across shared Councils.

Key achievements during 2016/17 include:

- Adoption of the Core Strategy. To put this achievement into context, research (by Nathaniel Lichfield and Partners published April 2016) shows that less than a third of Local Planning Authorities have an NPPF compliant up-to-date plan.
- The Council is one of the top 10 performing Councils in the country for recycling composting rate.
- Garden village application secured for Long Marston site.
- Record year for the construction of 288 new affordable homes in Stratford-on-Avon District.
- New District Council Financial Management System implemented

Narrative Report (cont....)

7. Corporate Strategy and Strategic Review

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

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

Within the Corporate Strategy there are key objectives:

Key Objective 1 – A flourishing local economy

The Council will work with partners and local businesses to create jobs through **business retention, growth and new inward investment** from the UK and abroad. The Council will encourage local businesses to remain and grow and welcomes new business investment. The Council will continue to assist in delivering an increase in economic prosperity in helping to create jobs for residents and supporting businesses to grow and expand.

Key Objective 2 – People and their environment

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

Key Objective 3 – Responsible community leadership

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

The Corporate Strategy is being used as the primary tool for the allocation of resources to meet these key objectives, however, this only covers the period to 2019. In addition to the Corporate Strategy the Council is embarking upon a Strategic Review, the purpose of which will be to ensure that with reduced resources the Council delivers relevant and necessary services to our residents. The time horizon being covered by the Strategy Review is the next 10-15 years. The review is due to inform the budget process for 2018/19, and is based upon 5 discrete work streams:-

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

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

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

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

➤ **Work Stream 3 – Ways of Working**

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

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

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

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

This overarching work stream would cover national issues which are affecting the Council such as welfare reform, employment issues and local taxation strategies. Final recommendations are

Narrative Report (cont...)

expected in this area which will have significant implications on the funding of the Council and therefore the mix of services which are sustainable.

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

8. Summary Position

The Council has faced significant challenges and change during 2016/17 but has maintained financial stability and high level of service performance. The financial challenge will continue, but the Council is well placed through its Business Plan and Five Year Plan to meet the challenge.

9. Further Information

Further information about the accounts is available from:

Executive Director,
Stratford-on-Avon District Council,
Elizabeth House,
Church Street,
Stratford-upon-Avon,
Warwickshire,
CV37 6HX.
E-mail: david.buckland@stratford-dc.gov.uk

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Executive Director and S151 Officer's Responsibilities

The Executive Director and S151 Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the code').

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

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

The Executive Director and S151 Officer has also:

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

I certify that the Statement of Accounts from page 11 to page 74 as presented give a true and fair view of the financial position of Stratford-on-Avon District Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Signature:



Date 25 September 2017

Executive Director and S151 Officer

Financial Statements

Movement in Reserves Statement

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

Movement in Reserves Statement 2016/17	General Fund Balance (Note 31) £000's	Earmarked Reserves (Note 10) £000's	Usable Capital Receipts Reserve (Note 31) £000's	Capital Grants Unapplied Account (Note 31) £000's	Total Usable Reserves £000's	Unusable Reserves (Note 32) £000's	Total Authority Reserves £000's
Balance at 1 April 2016	6,084	1,762	6,018	75	13,939	24,850	38,789
Surplus/(Deficit) on provision of services	(494)	0	0	0	(494)	0	(494)
Other Comprehensive Expenditure and Income (see item (a) on face of CI and E)	0	0	(1,216)	0	(1,216)	2,522	1,306
Total Comprehensive Expenditure and Income	(494)	0	(1,216)	0	(1,710)	2,522	812
Adjustments between accounting basis and funding basis under regulations (note 9)	2,083	0	1,401	(46)	3,438	(3,438)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,589	0	185	(46)	1,728	(916)	812
Transfers (to)/from Earmarked Reserves (note 10)	337	(337)	0	0	0	0	0
Increase/(Decrease) in year	1,926	(337)	185	(46)	1,728	(916)	812
Balance at 31 March 2017	8,010	1,425	6,203	29	15,667	23,934	39,601

Financial Statements

Movement in Reserves Statement

Movement in Reserves Statement 2015/16	General Fund Balance (Note 31) £000's	Earmarked Reserves (Note 10) £000's	Usable Capital Receipts Reserve (Note 31) £000's	Capital Grants Unapplied (Note 31) £000's	Total Usable Reserves £000's	Unusable Reserves (Note 32) £000's	Total Authority Reserves £000's
Balance at 1 April 2015	5,106	1,725	9,562	159	16,552	10,360	26,912
Surplus/(Deficit) on provision of services	(5,232)	0	0	0	(5,232)	0	(5,232)
Other Comprehensive Expenditure and Income (see item (a) on face of CI and E)	0	0	(4,961)	0	(4,961)	22,070	17,109
Total Comprehensive Expenditure and Income	(5,232)	0	(4,961)	0	(10,193)	22,070	11,877
Adjustments between accounting basis and funding basis under regulations (note 9)	6,247	0	1,417	(84)	7,580	(7,580)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,015	0	(3,544)	(84)	(2,613)	14,490	11,877
Transfers (to)/from Earmarked Reserves (note 10)	(37)	37	0	0	0	0	0
Increase/(Decrease) in year	978	37	(3,544)	(84)	(2,613)	14,490	11,877
Balance at 31 March 2016	6,084	1,762	6,018	75	13,939	24,850	38,789

Financial Statements

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2015/16 Gross Expenditure £000's Restated	2015/16 Gross Income £000's Restated	2015/16 Net Expenditure £000's Restated		2016/17 Gross Expenditure £000's	2016/17 Gross Income £000's	2016/17 Net Expenditure £000's
4,030	(910)	3,120	Executive Director & Head of Paid Service	2,825	(553)	2,272
1,386	(49)	1,337	Executive Director & s151 Officer	1,228	(44)	1,184
2,256	(746)	1,510	Head of Governance & Democracy	2,162	(712)	1,450
6,095	(3,295)	2,800	Head of Planning & Housing	6,270	(3,042)	3,228
30,028	(28,817)	1,211	Head of ICT & Revenues	30,025	(28,715)	1,310
11,686	(1,884)	9,802	Head of Technical & Community Services	9,994	(2,153)	7,841
55,481	(35,701)	19,780	Cost of Services	52,504	(35,219)	17,285
3,974	(1,417)	2,557	Other Operating Income and Expenditure (note 6)	2,850	(1,401)	1,449
2,816	(3,416)	(600)	Financing and Investment Income and Expenditure (note 7)	2,952	(3,486)	(534)
		(16,506)	Taxation and Non-Specific Grant Income (note 8)			(17,706)
		5,231	(Surplus)/Deficit on Provision of Services			494
		(6,497)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets (a) (note 32b)			(3,798)
		493	Impairment losses on non-current assets charged to the Revaluation Reserve (a) (note 32b)			82
		(11,104)	Remeasurement of the net defined benefit liability(asset)(a) (note 17)			2,410
		(17,108)	Expenditure			(1,306)
		(11,877)	Total Comprehensive Income and Expenditure Account			(812)

Financial Statements

Balance Sheet

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

31 March 2016		31 March 2017
£000's		£000's
46,943	Property, Plant and Equipment (note 19)	48,825
9,491	Investment Properties (note 22)	9,806
2,365	Heritage Assets (note 21)	2,395
192	Intangible Assets (note 24)	246
1,590	Long Term Debtors (note 25)	1,577
60,581	Long Term Assets	62,849
16,000	Investments (note 27 & 38)	16,000
90	Inventories	78
3,574	Short Term Debtors (note 28)	4,712
3,838	Cash and Cash Equivalents (note 38)	3,890
23,502	Current Assets	24,680
(4,867)	Short Term Creditors (note 29)	(3,828)
(1,443)	Provisions (note 30)	(1,030)
(2,372)	Accruals (note 40)	(2,767)
(8,682)	Current Liabilities	(7,625)
(2,400)	Capital Grants Receipts in Advance (note 33)	(2,211)
(34,211)	Pensions (note 17)	(38,091)
(36,611)	Long Term Liabilities	(40,302)
38,790	Net Assets	39,602
(13,940)	Usable Reserves (note 31)	(15,668)
(24,850)	Unusable Reserves (note 32)	(23,934)
(38,790)	Total Reserves	(39,602)

The notes on pages 16 to 74 form part of the financial statements.



Date: 25 September 2017

Executive Director and S151 Officer

Financial Statements

Cash Flow Statement

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

31 March 2016		31 March 2017
£000's		£000's
5,231	Net(surplus)/deficit for the year (note 34)	494
(10,948)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 34)	(2,692)
2,916	Adjustments for items included in the net surplus or deficit on the provision of services that are investing financing activities (note	2,524
<hr/>		
(2,801)	Net cash flows from Operating Activities (note 34)	326
4,150	Investing Activities (note 36)	(421)
(401)	Financing Activities(note 37)	43
<hr/>		
948	Net (increase)/decrease in cash and cash equivalents	(52)
(20,786)	Cash and cash equivalents at the beginning of the reporting period	(19,838)
<hr/>		
(19,838)	Cash and cash equivalents at the end of the reporting period (note 38)	(19,890)
<hr/>		

Notes to the Accounts (cont....)

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instruments rather than cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Exceptional Items

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

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

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

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

Notes to the Accounts (cont....)

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

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

v. Government Grants and Contributions

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

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

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

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

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

vi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

Notes to the Accounts (cont....)

vii. Property, Plant and Equipment

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

Recognition

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

Measurement

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

- infrastructure, vehicles, plant and equipment, community assets and assets under construction – depreciated historical cost;
- all other assets – fair value, the amount that would be paid for the asset in its existing use. The valuation is on the basis of existing use value (EUUV) and where it is significantly different Market Value (MV) is used. All of the assets which were valued in March 2017 were valued on the basis of Fair Value (EUUV) as MV was not seen to be significantly higher.

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in value, but at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Component Accounting

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

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

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

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

Impairment

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

Notes to the Accounts (cont....)

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Depreciation

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

Notes to the Accounts (cont....)

Depreciation is calculated on the following basis (see depreciation note on page 52):-

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

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

Revaluations gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

viii. Investment Properties

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

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

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

ix. Charges to Revenue for Non-current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible assets attributable to the service.

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

x. Intangible Assets

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

Notes to the Accounts (cont....)

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

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

Intangible assets' costs are IT software and training and are included in the balance sheet at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There have been no impairments in 2016/17.

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

xi. Revenue Expenditure Funded from Capital under Statute

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

xii. Financial Instruments

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

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

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

Loans and Receivables -

Loans and Receivables (assets that have fixed or set payments but are not quoted on the market) are shown on the balance sheet at their amortised cost. Details of the financial instruments held are given in note 27 to the financial statements on page 59.

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

Notes to the Accounts (cont....)

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

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

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

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

xiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the notes to the accounts (note 32).

xiv. Provisions and Contingencies

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

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

Notes to the Accounts (cont....)

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

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

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

xv. The Local Government Pension Scheme

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

- The liabilities of the Warwickshire County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, based on the indicative rate of return on high quality corporate bond, the iBoxx Sterling Corporates AA Over 15 Years Index.
- The assets of the Warwickshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value based on information provided by the Administering Authority and allowing for index returns where necessary and an analysis of which can be found on page 45.

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

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

Notes to the Accounts (cont....)

6. actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
7. contributions paid to the Warwickshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

xvi. Events After the Reporting Period

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

xvii. VAT

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

xviii. Leases

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

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

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

Finance Leases

The Authority as Lessor

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease,

the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Notes to the Accounts (cont....)

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to [the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

The Authority as Lessee

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

The Authority as Lessor

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

xix. Cash and Cash Equivalents

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

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

xx. Heritage Assets

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

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

Notes to the Accounts (cont....)

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

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, or every 6 years, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note vii in this summary of significant accounting policies. The Authority's will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xii and vii in this summary of significant accounting policies).

xxi. Employee Benefits

Termination Benefits

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

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

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs

Notes to the Accounts (cont....)

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

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

Amendments to IAS 19 *Employee Benefits* (Amendment to the reporting of pension fund scheme transactions costs)

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

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out from page 16, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

Notes to the Accounts (cont....)

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

The Statement of Accounts contained estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Uncertainties	Effect if Actual Results Differ from Assumptions
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £544k for every year useful lives had to be reduced.
The Authority has made provision of £1,029k for various claims, the details of which can be found in note 30 on page 65. Included in the total provision of £1,029k is a sum of £930k which is set aside for NNDR Appeals. This provision has been ongoing for a number of years and relates to the current list of live appeals lodged with the Valuation Office.	An increase over the forthcoming year of 10% in settlements would add £103k to the provision needed.
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes to individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £11.131m. However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pensions liability had increased by £15.8m which was attributable to updating of the assumptions.
At 31 March 2017, the Authority had a balance of debtors for £5.4m (note 28). A review of the significant balances suggested that an impairment of doubtful debts of 15% (£687k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £687k set aside as an allowance.

Notes to the Accounts (cont....)

5. Events After the Reporting Period

The financial statements were authorised for issue by the Executive Director and S151 Officer to the Authority on the 25 September 2017. All events relevant to the financial year ended 31 March 2017 have been taken into consideration up to this date and where considered material recognised in the statement of accounts. There can be no reasonable expectation that events could have been taken into account by the Authority after this date.

6. Other Operating Income and Expenditure

	2015/16	2016/17
	£000's	£000's
Parish Council precepts	2,701	2,850
Right to Buy Clawback and other windfall capital receipts	(1,389)	(1,401)
(Gains)/Losses on the disposal of non-current assets	1,245	0
Total	<u>2,557</u>	<u>1,449</u>

7. Financing and Investment Income and Expenditure

	2015/16	2016/17
	£000's	£000's
Interest receivable and similar income	(246)	(263)
Pension interest cost and expected return on pension assets	1,396	1,201
Income and expenditure in relation to investment properties and changes in their fair value	(959)	(834)
Trading Operations - Expenditure	1,751	1,998
Trading Operations - Income	(2,542)	(2,636)
Total	<u>(600)</u>	<u>(534)</u>

8. Taxation and Non-Specific Grant Income

	2015/16	2016/17
	£000's	£000's
Council Tax Income	(9,068)	(9,646)
Contribution from National Non-Domestic Pool	(2,674)	(3,527)
General Government Grants:-		
Revenue Support Grant	(1,547)	(1,117)
Local Services Support Grant	(97)	0
Council Tax Grants	(373)	0
New Homes Bonus	(2,255)	(3,041)
Other Government Grants	(57)	(358)
Capital Grants and Contributions (note 33)	(435)	(17)
Total	<u>(16,506)</u>	<u>(17,706)</u>

Notes to the Accounts (cont....)

9. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied Account

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

Notes to the Accounts (cont....)

2016/17

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	
	£000's	£000's	£000's	£000's
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):-				
Charges for depreciation and impairment of non-current assets (items marked (*) in note 19)	(2,548)	0	0	2,548
Amortisation of intangible assets	(113)	0	0	113
Revenue expenditure funded from capital under statute	(1,485)	0	0	1,485
Capital grants and contributions applied	1,112	0	0	(1,112)
Movements in the market value of Investment Properties	312	0	0	(312)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	11	0	(11)	0
Application of grants to capital financing transferred to the Capital Adjustment Account		0	57	(57)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,401	(1,401)	0	0
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 17)	(3,009)	0	0	3,009
Employer's pension contributions and direct payment to pensioners payable in the year	1,539	0	0	(1,539)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(12)	0	0	12
NNDR	693	0	0	(693)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	16	0	0	(16)
Total Adjustments	(2,083)	(1,401)	46	3,438

Notes to the Accounts (cont....)

2015/16 Comparative

	Usable Reserves			Movement in Unusable Reserves £000's
	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):-				
Charges for depreciation and impairment of non-current assets (items marked (*) in note 19)	(4,330)	0	0	4,330
Amortisation of intangible assets	(206)	0	0	206
Revenue expenditure funded from capital under statute	(1,742)	0	0	1,742
Capital grants and contributions unapplied credited to the CIES	1,536	0	0	(1,536)
Movements in the market value of Investment Properties	479	0	0	(479)
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(1,245)	0	0	1,245
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	(21)	0	21	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	63	(63)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,389	(1,389)	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	12	0	0	(12)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 17)	(3,501)	0	0	3,501
Employer's pension contributions and direct payment to pensioners payable in the year	1,520	0	0	(1,520)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	29	0	0	(29)
NNDR	(163)	0	0	163
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	0	0	4
Total Adjustments	(6,247)	(1,389)	84	7,552

Notes to the Accounts (cont....)**10. Transfers (To)/From Earmarked Reserves**

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

	Balance at 31 March 2015 £000's	Transfers Out 2015/16 £000's	Transfers In 2015/16 £000's	Balance at 31 March 2016 £000's	Transfers Out 2016/17 £000's	Transfers In 2016/17 £000's	Balance at 31 March 2017 £000's
Earmarked Reserves:-							
Risk Management (Insurance Reserve)	(171)	19	0	(152)	0	0	(152)
Investment Income (Interest Equalisation Reserve)	(64)	0	0	(64)	0	0	(64)
Building Control Trading Account ((Surplus)/Deficit for trading side of building control)	(133)	0	(58)	(191)	0	(63)	(254)
Insurance Excess Reserve (to meet insurance excess payments)	(50)	0	0	(50)	0	0	(50)
ICT Graduate Reserve	(60)	0	0	(60)	0	0	(60)
Planning Appeal Reserve	(400)	0	0	(400)	400	0	0
HS2 Reserve	(49)	2	0	(47)	0	0	(47)
Coventry & Warwickshire Local Enterprise Partnership Reserve	(20)	0	0	(20)	0	0	(20)
Business Rate Retention Scheme Levy Reserve	(779)	0	0	(779)	0	0	(779)
Total	(1,726)	21	(58)	(1,763)	400	(63)	(1,426)

Notes to the Accounts (cont....)

11. Expenditure and Funding Analysis

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

2015/16			2016/17		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
		Executive Director Head of Paid Service			
1,932	1,189	3,121	1,603	669	2,272
2,950	(1,614)	1,336	2,747	(1,563)	1,184
1,137	373	1,510	1,109	340	1,449
955	1,845	2,800	1,576	1,653	3,229
1,412	(201)	1,211	1,561	(251)	1,310
		Head of Technical & Community Services			
4,102	5,700	9,802	3,974	3,867	7,841
12,488	7,292	19,780	12,570	4,715	17,285
		Net Cost of Services			
(13,466)	(1,082)	(14,548)	(14,096)	(2,695)	(16,791)
(978)	6,210	5,232	(1,526)	2,020	494
		Surplus or Deficit			
5,106		Opening General Fund	6,084		
978		Less/Plus Surplus or (Deficit)	1,926		
6,084		Closing General Fund Balance at 31 March	8,010		

Notes to the Accounts (cont....)

11a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis				
2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Executive Director Head of Paid Service	245	15	408	668
Executive Director s151 Officer	(4,281)	135	2,583	(1,563)
Head of Governance & Democracy	(796)	21	1,115	340
Head of Planning & Housing	178	31	1,444	1,653
Head of Revenues & ICT	(1,528)	39	1,238	(251)
Head of Technical & Community Services	819	23	3,026	3,868
Net Cost of Services	-5,363	264	9,814	4,715
Other income and expenditure from the Expenditure and Funding Analysis	-1,732	1,201	-2,163	-2,694
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-7,095	1,465	7,651	2,021

Adjustments between Funding and Accounting Basis				
2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Executive Director Head of Paid Service	676	69	443	1,188
Executive Director s151 Officer	(2,542)	112	816	(1,614)
Head of Governance & Democracy	1	67	305	373
Head of Planning & Housing	323	120	1,403	1,846
Head of Revenues & ICT	279	116	(596)	(201)
Head of Technical & Community Services	3,600	85	2,015	5,700
Net Cost of Services	2,337	569	4,386	7,292
Other income and expenditure from the Expenditure and Funding Analysis	(579)	1,396	(1,899)	(1,082)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,758	1,965	2,487	6,210

Notes to the Accounts (cont....)

Adjustments for Capital Purposes

(1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustment

(2) Net change for the removal of pension contributions and the addition of *IAS 19 Employee Benefits* related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

(3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the state of the years and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses and Deficits on the Collection Fund.

Notes to the Accounts (cont....)

12. Expenditure and Funding Analysis – Segmental Reporting

The Expenditure and Funding Analysis includes the following items – these are reported on a segmental basis below.

2016/17	Executive Director & head of Paid Service £000	Executive Director & S151 Officer £000	Head of Governance & Democracy £000	Head of Planning & Housing £000	Head of Revenues & ICT £000	Head of Technical & Community £000	Total £000
Revenues from External Customers	(172)	(41)	(818)	(1,994)	(438)	(4,414)	(7,877)
Interest Revenue	0	(264)	0	0	0	0	(264)
Interest Expense	0	1	0	0	0	0	1
Total	(172)	(304)	(818)	(1,994)	(438)	(4,414)	(8,140)

2015/16	Executive Director & head of Paid Service £000	Executive Director & S151 Officer £000	Head of Governance & Democracy £000	Head of Planning & Housing £000	Head of Revenues & ICT £000	Head of Technical & Community £000	Total £000
Revenues from External Customers	(139)	(71)	(834)	(2,632)	(986)	(4,296)	(8,958)
Interest Revenue	(1)	(251)	0	0	0	0	(252)
Interest Expense	0	6	0	0	0	0	6
Total	(140)	(316)	(834)	(2,632)	(986)	(4,296)	(9,204)

Notes to the Accounts (cont....)**13. Trading Operations**

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

2016/17	Avenue Farm Depot £000's	Miscellaneous Properties £000's	Recreation Ground £000's	Parking £000's	Total £000's
Income from commercial rents	(70)	(22)	(94)	(57)	(243)
Fees and charges income	0	(8)	(15)	(2,370)	(2,393)
Total income	(70)	(30)	(109)	(2,427)	(2,636)
Expenditure	14	200	23	1,219	1,456
Surplus on trading	(56)	170	(86)	(1,208)	(1,180)
Capital Charges	12	103	19	408	542
(Surplus)/Deficit after asset rental charge	(44)	273	(67)	(800)	(638)
2015/16	Avenue Farm Depot £000's	Miscellaneous Properties £000's	Recreation Ground £000's	Parking £000's	Total £000's
Income from commercial rents	(70)	(38)	(126)	(52)	(286)
Fees and charges income	0	(3)	(9)	(2,244)	(2,256)
Total income	(70)	(41)	(135)	(2,296)	(2,542)
Expenditure	17	169	29	1,218	1,433
Surplus on trading	(53)	128	(106)	(1,078)	(1,109)
Capital Charges	30	18	17	254	319
(Surplus)/Deficit after asset rental charge	(23)	146	(89)	(824)	(790)

Notes to the Accounts (cont....)**14. External Audit Costs**

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

	2015/16 £000's	2016/17 £000's
Fees payable to the appointed auditors with regard to external audit services carried out by the appointed auditor for the year	61	47
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	17	13
Total	78	60

15. Members' Allowances

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

	2015/16 £000's	2016/17 £000's
Allowances	248	251
Expenses	14	13
Total	262	264

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

Notes to the Accounts (cont....)

16. Employees' Remuneration

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

	2015/16	2015/16 Restated	2016/17
£135,000 - £139,999	1	1	0
£80,000 - £84,999	0	0	1
£75,000 - £79,999	0	0	1
£70,000 - £74,999	1	1	0
£65,000 - £69,999	2	2	2
£60,000 - £64,999	3	3	1
£50,000 - £54,999	0	2	3

The 2015/16 figures have been restated to take into account two officers who fell into the £50,000 - £54,999 bracket but were omitted from the original statement of accounts.

The Authority underwent a Senior Management Restructure with effect from 1 April 2016 – the individual remuneration details by post title for senior employees who have the responsibility for the management of the Authority are disclosed in the tables below:-

2016/17 Post Title	Salary (Including fees and allowances) £	Expenses Allowances £	Compensation for Loss Of Office £	Pensions Contributions £	Total Remuneration including Pension Contributions £
Executive Director & Head of Paid Service	78,276	3,707	0	12,374	94,357
Executive Director & S151 Officer	78,276	1,275	0	11,820	91,371
Head of Governance & Democracy	66,357	1,239	0	10,020	77,616
Head of Planning & Housing	62,016	4,627	0	9,364	76,007
Head of Technical & Community Services	62,016	1,275	0	9,364	72,655
Head of ICT & Revenues (Part year only - commenced 05/09/2016)	33,041	709	0	4,989	38,739
Total	379,982	12,832	0	57,931	450,745

Notes to the Accounts (cont....)

2015/16	Salary (Including fees and allowances)	Expenses Allowances	Compensation for Loss Of Office	Pensions Contributions	Total Remuneration including Pension Contributions
Post Title	£	£	£	£	£
Chief Executive	127,721	9,651	144,621	16,266	298,259
Monitoring Officer	63,435	1,239	0	9,071	73,745
Section 151 Officer	71,460	1,275	0	10,219	82,954
Head of Enterprise, Housing & Revenues	61,401	3,596	0	9,071	74,068
Head of Technical Services	61,401	1,275	0	8,780	71,456
Head of Customer Access	61,576	4,564	0	8,401	74,541
Head of Environment & Planning	61,401	4,194	0	8,780	74,375
Total	508,395	25,794	144,621	70,588	749,398

Notes to the Accounts (cont....)

17. Pension Costs

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Accounts (cont....)

	2015/16 £000's	2016/17 £000's
Comprehensive Income and Expenditure Statement		
Cost of Services:-		
Service cost comprising:		
- Current Service Cost	(2,105)	(1,692)
- Past Service Costs	<u>0</u>	<u>(116)</u>
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	<u>(2,105)</u>	<u>(1,808)</u>
Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement		
comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(868)	(9,185)
Actuarial gains and losses arising on changes to demographic assumptions	0	(1,216)
Actuarial gains and losses arising on changes to financial assumptions	10,336	16,990
Other	<u>1,636</u>	<u>(4,179)</u>
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	<u>11,104</u>	<u>2,410</u>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	<u>3,501</u>	<u>3,009</u>
Actual amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to scheme	<u>1,520</u>	<u>1,539</u>

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2015/16 £000's	2016/17 £000's
Present value of the defined benefit obligation	(107,172)	(121,090)
Fair value of plan assets	72,961	82,999
Net liability arising from defined benefit obligation	<u>(34,211)</u>	<u>(38,091)</u>

Notes to the Accounts (cont....)

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

	2015/16 £000's	2016/17 £000's
Opening fair value of scheme assets	72,911	72,961
Interest Income	2,311	2,523
Remeasurements gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	(868)	9,185
Contributions from employer	1,520	1,539
Contributions from employees into the scheme	459	446
Benefits paid	(3,372)	(3,655)
Net Pensions Assets as at 31 March	72,961	82,999

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary benefits	
	£000's		£000's	
	2015/16	016/17	2015/16	2016/17
Opening balance at 1 April	114,562	105,655	1,683	1,517
Current service cost	2,105	1,692	0	0
Past service cost	0	116	0	0
Interest cost	3,655	3,673	52	51
Contributions from scheme participants	459	446	0	0
Remeasurement (gains) and losses:				
Actuarial (gains)/losses arising from changes in demographic assumptions	0	(1,197)	0	(19)
Actuarial (gains)/losses arising from changes in financial assumptions	(10,295)	16,904	(41)	86
Other	(1,558)	(4,275)	(78)	96
Benefits paid	(3,273)	(3,556)	(99)	(99)
Closing balance at 31 March	105,655	119,458	1,517	1,632

Scheme History

	2012/13 Total £000's	2013/14 Total £000's	2014/15 Total £000's	2015/16 Total £000's	2016/17 Total £000's
Present value of liabilities	(92,370)	(99,501)	(116,245)	(107,172)	(121,090)
Fair value of assets	61,819	66,006	72,911	72,961	82,999
Surplus/(Deficit) in the Scheme	(30,551)	(33,495)	(43,334)	(34,211)	(38,091)

The liabilities show the estimated underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £121,090k has a significant impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's Actuary.

Notes to the Accounts (cont....)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the last formal valuation of the fund as at 31 March 2016. The principal assumptions adopted were:-

ACTUARIAL ASSUMPTIONS	2015/16	2016/17
Rate of RPI inflation	3.3%	3.4%
Rate of CPI inflation	2.3%	2.4%
Rate of increase in salaries	4.2%	3.0%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%
Take-up of option to convert annual pension into retirement grant	50.0%	50.0%
Mortality Assumptions:-		
Longevity at 65 for current pensioners		
- Men	22.4	22.5
- Women	24.4	24.7
Longevity at 65 for future pensioners		
- Men	24.3	24.3
- Women	26.6	26.7

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

Asset Category	Period Ended 31 March 2016				Period Ended 31 March 2017			
	Quoted prices in active markets £000's	Quoted prices not in active markets £000's	Total £000's	% of Total Assets	Quoted prices in active markets £000's	Quoted prices not in active markets £000's	Total £000's	% of Total Assets
Equity Securities:								
Consumer	8,207	0	8,207	11%	9,658	0	9,658	12%
Manufacturing	3,060	0	3,060	4%	3,530	0	3,530	4%
Energy & Utilities	1,397	0	1,397	2%	1,556	0	1,556	2%
Financial Institutions	3,976	0	3,976	5%	4,440	0	4,440	5%
Health & Care	2,432	0	2,432	3%	3,007	0	3,007	4%
Information Technology	1,994	0	1,994	3%	2,368	0	2,368	3%
Other	2,790	0	2,790	4%	3,958	0	3,958	5%
Private Equity:								
All	0	1,975	1,975	3%	0	2,919	2,919	4%
Real Estate:-								
UK Property	8,371	0	8,371	11%	7,780	0	7,780	9%
Overseas Property	62	0	62	0%	55	0	55	0%
Investment Funds & Unit Trusts:								
Equities	17,987	0	17,987	25%	20,590	0	20,590	25%
Bonds	12,251	0	12,251	17%	14,085	0	14,085	17%
Hedge Funds	0	3,631	3,631	5%	0	3,623	3,623	4%
Infrastructure	0	643	643	1%	0	1,000	1,000	1%
Other	3,337	0	3,337	5%	3,307	0	3,307	4%
Cash & Cash Equivalents:								
All	848	0	848	1%	1,123	0	1,123	1%
Total	66,712	6,249	72,961	100%	75,457	7,542	82,999	100%

Notes to the Accounts (cont....)

Sensitivity Analysis

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

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

Change in assumptions at year ended 31 March 2017	Approximate % increase to Employer	Approximate monetary amount £000's
0.5% decrease in Real Discount Rate	9%	11,131
0.5% increase in the Salary Increase Rate	1%	1,662
0.5% increase in the Pension Increase Rate	8%	9,308

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

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

This analysis has been provided by the schemes actuaries.

Projected defined benefit cost for the period to 31 March 2018

Period Ended 31 March 2018	Assets £000's	Obligations £000's	Net(liability)/asset £000's	% of pay
Projected Current service cost*	0	2,726	(2,726)	-40.6%
Total Service Cost	0	2,726	(2,726)	-40.60%
Interest income on plan assets	2,140	0	2,140	31.9%
Interest cost on defined benefit obligation	0	3,144	(3,144)	-46.80%
Total Net Interest Cost	2,140	3,144	(1,004)	-14.9%
Total Included in Profit and Loss	2,140	5,870	(3,730)	-55.5%

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

The estimated employers contribution for the period to 31 March 2018 will be approximately £1,578,000.

Notes to the Accounts (cont....)

The maturity profile was assessed and is based on the last actuarial valuation dated 31 March 2016:-

Employer Valuation Results	31 March 2010	31 March 2013	31 March 2016
	£000's	£000's	£000's
Actives (Final Salary)	27,065	27,861	26,155
Actives (CARE)	0	0	3,583
Deferred Pensioners	6,216	14,451	17,645
Pensioners	31,140	43,075	43,320
Total	64,421	85,387	90,703
Asset Share	51,746	63,153	71,311
Surplus/(Deficit)	(12,675)	(22,233)	(19,391)
Funding Level	80%	74%	79%

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

Notes to the Accounts (cont....)

18. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 12 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2017 are shown in note 33.

Chief Officers

There are no related party transactions in respect of Chief Officers for the period 1 April 2016 to 31 March 2017.

Council Members

The information as relates to this Authority for 1 April 2016 to 31 March 2017 is as follows:

Expenditure Transactions

	Creditor Transactions 2015/16 £000's	Balance 31 March 2016 £000's	Creditor Transactions 2016/17 £000's	Balance 31 March 2017 £000's
Orbit Heart of England Housing Association – excludes Benefit Payments (note a)	240	0	301	5
Pension Service (note b)	1,909	0	2,363	0
Warwickshire County Council – excludes Precepts (note c)	1,124	1020	396	0
Stratford Town Council – excludes Precepts (note d)	32	0	16	0

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

Notes to the Accounts (cont....)

e. Other Public Bodies:

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

Major transactions (£5k and over – excluding precepts) for 2016/17 where Stratford District Councillors are also members of Parish Councils are shown below:-

Parish Councils	No of Members	Creditor Payments £000's	Balance 31 March 2016 £000's	No of Members	Creditor Payments £000's	Balance 31 March 2017 £000's
Stratford-upon-Avon: Shakespeare Celebrations and Hire of Halls for Planning Enquiries	4	32	0	4	17	0
Southam Town Council: Regeneration Scheme	2	6	0	2	0	0
Alcester Town Council: Drainage	0	0	0	2	7	0

Major transactions (£5k and over) for 2016/17 where Stratford District Councillors are also members of public bodies are shown below:-

Public Bodies	No of Members	Creditor Payments £000's	Balance 31 March 2016 £000's	No of Members	Creditor Payments £000's	Balance 31 March 2017 £000's
Citizens Advice Bureau: Stratford Branch	1	46	0	1	46	0
Cotswold Conservation Board	2	8	0	2	8	0
Warwick District Council	1	108	0	1	103	0
Warwickshire Rural Community Council	1	38	0	1	38	0
Stratford-upon-Avon College*	1	60	0	1	45	0

f. Other Outside Bodies:-

Major transactions (£5k and over) for 2016/17 where Stratford District Councillors are also members of other outside bodies are shown below:-

Other Outside Bodies	No of Members	Creditor Payments £000's	Balance 31 March 2016 £000's	No of Members	Creditor Payments £000's	Balance 31 March 2017 £000's
Act on Energy	1	14	0	1	14	0
Stratforward Business Improvement District Ltd	2	406	0	2	418	0
Shakespeare's England Ltd (Destination Management)	1	75	0	1	83	0

Notes to the Accounts (cont....)

19. Property, Plant and Equipment

Movement in Assets – 31 March 2017

	Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Infrastructure £000's	Community £000's	Total Property, Plant and Equipment £000's
Cost or valuation at 1 April 2016	41,440	6,171	6,251	906	54,768
Additions	291	316	106	0	713
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,793	0	0	0	1,793
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (*)	(371)	0	0	0	(371)
At 31 March 2017	43,153	6,487	6,357	906	56,903
Accumulated Depreciation and Impairment at 1 April 2016	(944)	(5,034)	(1,526)	(321)	(7,825)
Depreciation charge (*)	(1,951)	(293)	(149)	(26)	(2,419)
Depreciation written out to the Revaluation Reserve	2,005	0	0	0	2,005
Impairments losses/(reversals) recognised in the Revaluation Reserve	(82)	0	0	0	(82)
Impairments losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services (*)	243	0	0	0	243
At 31 March 2017	(729)	(5,327)	(1,675)	(347)	(8,078)
Net book value at 31 March 2017	42,424	1,160	4,682	559	48,825
Net book value at 31 March 2016	40,496	1,137	4,725	585	46,943

Items marked (*) can be found in note 9 and 32a

Notes to the Accounts (cont....)

Movement in Assets – 31 March 2016

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

Items marked (*) can be found in note 9 and 32a

Notes to the Accounts (cont....)

Depreciation

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

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

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by an external independent valuer (Gerald Eve Chartered Surveyors) as at 31 March 2017 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. For information the basis of valuations and impairments is set out in the Statement of Accounting Policies (note vii). Assets valued at 31 March 2017 include Stratford Leisure and Visitor Centre, Shipston Leisure Centre, Venture House, Avenue Farm Depot (Part) and Elizabeth House all of which were valued at depreciated replacement cost or fair value.

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

- 2018 - Southam Leisure Centre/Stratford-upon-Avon and District Car Parks
- 2019 - Stratford-upon-Avon and District Public Conveniences/Recreation Ground Pavilion
- 2020 - None
- 2021 - Elizabeth House, Stratford-upon-Avon/Avenue Farm Depot (part)/Venture House, Stratford-upon-Avon/Stratford Leisure & Visitor Centre/Shipston Leisure Centre
- 2022 - Globe House, Alcester/Studley Leisure Centre/Avenue Farm Depot (part)

	Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Infrastructure £000's	Community £000's	Total Property, Plant and Equipment £000's
Carried at historical cost	0	1,160	4,682	559	6,401
Valued at fair value as at:-					
31 March 2017	4,510	0	0	0	4,510
31 March 2016	18,680	0	0	0	18,680
31 March 2015	0	0	0	0	0
31 March 2014	1,586	0	0	0	1,586
31 March 2013	17,648	0	0	0	17,648
Total Cost or Valuation	42,424	1,160	4,682	559	48,825

Notes to the Accounts (cont....)

20. Capital Commitments

The Authority has capital commitments of approximately £508k as at 31 March 2017 and these will be financed from 2017/18 resources in accordance with recommended practice.

An analysis of the commitments is given below:-

	31 March 2016 £000's	31 March 2017 £000's
Projects:-		
Disabled Facilities Grants	223	319
Leisure	182	148
Other Schemes	7	7
CCTV	24	25
Venture House	19	0
Information Technology	11	2
Minor Works Grants	6	7
World Class Stratford	6	0
Public Offices	3	0
Car Parks	8	0
Total	489	508

21. Heritage Assets

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

The carrying amount of these assets will be reviewed with sufficient frequency to ensure that the valuations remain current as per the accounting policy - the next revaluation being due to take place as at 31 March 2018. The last revaluation took place in 2011/12.

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

There have been no revaluations, additions, disposals or impairments during the 2016/17 financial year, therefore, the carrying value of Heritage Assets held by the authority is shown in the table below:-

	31 March 2016 £000's	31 March 2017 £000's
Balance at 31 March	2,365	2,365
Additions	0	30
Balance at 31 March	2,365	2,395

Notes to the Accounts (Cont....)

22. Investment Properties

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

	31 March 2016 £000's	31 March 2017 £000's
Rental income from investment property	623	586
Direct operating expenses arising from investment property	(143)	(64)
Net gain/(loss)	480	522

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

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

	31 March 2016 £000's	31 March 2017 £000's
Balance at start of year	9,030	9,491
Additions	0	3
Revaluations	809	288
Impairments	570	24
Disposals	(900)	0
Transfer to Property, Plant and Equipment	(160)	0
Other Changes	142	0
Balance at end of the year	9,491	9,806

Notes to the Accounts (Cont....)**23. Capital Expenditure and Capital Financing**

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

	31 March 2016 £000's	31 March 2017 £000's
Opening Capital Financing Requirement	440	440
Capital Investment:		
Property, Plant and Equipment	4,829	713
Investment Properties	0	2
Intangible Assets	3	166
Heritage Assets	0	30
Revenue Expenditure Funded from Capital under Statute	1,742	1,485
Sources of finance:		
Capital receipts	(4,974)	(1,228)
Grants/Contributions/Section 106	(1,600)	(1,168)
Closing Capital Financing Requirement	440	440

Notes to the Accounts (cont....)

24. Intangible Assets

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

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

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

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

	31 March 2016			31 March 2017		
	Internally Generated Assets £000's	Other Assets £000's	Total £000's	Internally Generated Assets £000's	Other Assets £000's	Total £000's
Balance at start of year:						
Gross carrying amounts	2,307	2,566	4,873	2,307	2,569	4,876
Accumulated Amortisation	(2,118)	(2,359)	(4,477)	(2,258)	(2,425)	(4,683)
Net carrying amount at start of year	189	207	396	49	144	193
Additions:-						
Purchases	0	3	3	0	166	166
Amortisation for the period	(140)	(66)	(206)	(49)	(64)	(113)
Net carrying amount at end of year	49	144	193	0	246	246
Comprising:						
Gross carrying amounts	2,307	2,569	4,876	2,307	2,735	5,042
Accumulated Amortisation	(2,258)	(2,425)	(4,683)	(2,307)	(2,489)	(4,796)
Total	49	144	193	0	246	246

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £113k charged to revenue in 2016/17 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings as described in the Comprehensive Income and Expenditure Statement.

Notes to the Accounts (cont....)**25. Long Term Debtors**

	31 March 2016	31 March 2017
	£000's	£000's
Stratford Football Club – Loan (a)	239	239
Cox's Yard – Finance Lease (b) – See note 26	1,201	1,190
4/5 Sheep Street – Finance Lease (b) – See note 26	150	148
Balance at 31 March	<u>1,590</u>	<u>1,577</u>

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

26. Leases – The Authority as Lessor**Finance Leases**

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

As listed in note 25 above, the Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:-

	31 March 2016	31 March 2017
	£000's	£000's
Finance lease debtor (net present value of minimum lease payments):		
Current	14	14
Non Current	1,350	1,336
Unearned finance income	8,149	8,070
Gross investment in the lease	<u>9,513</u>	<u>9,420</u>

Notes to the Accounts (cont....)

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

	Net Investments in the Lease		Minimum Lease Payments	
	31 March 2016 £000's	31 March 2017 £000's	31 March 2016 £000's	31 March 2017 £000's
Not later than one year	14	14	93	93
Later than one year and not later than five years	70	70	465	465
Later than five years	1,280	1,266	8,955	8,862
Total	1,364	1,350	9,513	9,420

Operating Leases - The Authority as Lessor

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

The value of investment properties included in the Balance Sheet at 31 March 2017 is £9.8m.

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

	31 March 2016 £000's	31 March 2017 £000's
Not later than one year	1,157	770
Later than one year and not later than five years	3,237	2,105
Later than five years	21,902	21,869
Total	26,296	24,744

Operating Leases – The Authority as Lessee

Rentals paid under operating leases by this Authority amounted to £55k in 2016/17 and are in respect of printing equipment.

	2015/16 £000's	2016/17 £000's
(a) Not later than one year	59	55
(b) Later than one year and not later than five years	54	53
Total	113	108

Notes to the Accounts (cont....)**27. Financial Instruments**

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

Financial Assets	Long Term	Current	Long Term	Current
	31 March 2016	31 March 2016	31 March 2017	31 March 2017
	£000's	£000's	£000's	£000's
Loans and Receivables:-				
Loan	239	0	239	0
Finance Lease Lessor - Debtor	1,351	14	1,338	14
Trade Debtors	0	1,517	0	1,664
Money Market Funds	0	16,000	0	16,000
Financial Asset - Interest	88	88	188	188
Bank	0	3,838	0	3,890
Total	1,678	21,457	1,765	21,756

Financial Liabilities	Long Term	Current	Long Term	Current
	31 March 2016	31 March 2016	31 March 2017	31 March 2017
	£000's	£000's	£000's	£000's
Amortised Cost:-				
Trade Creditors	0	2,232	0	1,580
Deposits and Other Funds	0	1,330	0	2,210
Total	0	3,562	0	3,790

As prescribed in IFRS 13, the Council applies level 1 inputs for its fair value hierarchy in order to measure the fair value of the assets. Levels 2 and 3 are not applicable.

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

Financial Assets	Loans and Receivables	Loans and Receivables
	31 March 2016	31 March 2017
	£000's	£000's
Interest Received	(252)	(264)
Total	(252)	(264)
Financial Liabilities	At Amortised Cost	At Amortised Cost
	31 March 2016	31 March 2017
	£000's	£000's
Interest Paid	5	1
Total	5	1

Notes to the Accounts (cont....)

Fair Value of Assets and Liabilities carried at amortised cost

Financial liabilities and financial assets, including loans and receivables and creditors, represented by Borrowings and Investments are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- PWLB and Market debt; estimated interest rates at 31 March 2017 for new debt with the same maturity date from comparable lenders.
- Investments; long term – estimated interest rates at 31 March 2017 for equivalent loans.
- Investments; short term – carrying amounts in the balance sheet approximate to fair value.

The fair values calculated are as follows:

Financial Assets	Carrying Amount	At Fair Value	Carrying Amount	At Fair Value
	31 March 2016	31 March 2016	31 March 2017	31 March 2017
	£000's	£000's	£000's	£000's
Short Term:-				
Money Market Funds	16,000	16,000	16,000	16,000
Financial Asset - Interest	88	88	188	188
Trade Debtors	1,531	1,531	1,678	1,678
Bank	3,838	3,838	3,890	3,890
Long Term:-				
Loan	239	239	239	239
Finance Lease Lessor	1,353	1,353	1,338	1,338

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

Financial Liabilities	Carrying Amount	At Fair Value	Carrying Amount	At Fair Value
	31 March 2016	31 March 2016	31 March 2017	31 March 2017
	£000's	£000's	£000's	£000's
Short Term:-				
Trade Creditors	2,232	2,232	1,580	1,580

The Council has no borrowings as at 31 March 2017 (none at 31 March 2016).

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

Notes to the Accounts (cont....)

Disclosure of nature and extent of risks arising from financial instruments

Investment Policy

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

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

Creditworthiness Policy

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

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

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

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

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

Liquidity risk

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

The only financial liability as at 31 March 2017 is the trade and other creditors that are due to be paid in less than one year.

Notes to the Accounts (cont....)

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

31 March 2017	Amount at 31 March 2017 £000's	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability £000's
Deposit held with Fund	16,000	0	0	0
Sales Ledger	1,181	0.34%	0.34%	4

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

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

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

The sales ledger debt is £1,181k (£976k in 2015/16). The sales ledger debt can be analysed by age as follows:

	31 March 2016 £000's	Past due but not impaired £000's	31 March 2017 £000's	Past due but not impaired £000's
Less than a year	721	721	996	996
More than one year	255	159	185	149
Total	976	880	1,181	1,145

All classes of debt are assessed for impairment on the basis of a provision being made of 25%, 50% and 75% for debts 1 to 2 years, 2 to 3 years and over 3 years respectively. Historical default rates have proved this calculation to be sufficient. The only exception to this are the debts raised in respect of the Rent Express scheme totalling £124k as at 31 March 2017. These invoices are repaid via the housing benefit system or landlord when the tenant moves out so there is no default expected on these debts.

Notes to the Accounts (cont....)**(iii) Market risk****Interest rate risk**

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

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

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

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

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2015/16 £000's	2016/17 £000's
Increase in interest receivable on variable rate investments	203	175
Impact on Comprehensive Income and Expenditure Statement	203	175

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

Notes to the Accounts (cont....)**28. Short Term Debtors**

	31 March 2016	31 March 2017
	£000's	£000's
Central Government	1,079	1,809
Other local authorities	243	285
Other entities and individuals	2,906	3,305
	<hr/>	<hr/>
	4,228	5,399
Less Provision for bad and doubtful debts:-		
General Revenue Account	(413)	(395)
Housing Benefit overpayments	(56)	(75)
Collection Fund	(185)	(217)
	<hr/>	<hr/>
Total	3,574	4,712
	<hr/>	<hr/>

The amount charged in year for bad and doubtful debts amounts to £33k.

29. Short Term Creditors

	31 March 2016	31 March 2017
	£000's	£000's
Central Government	(1,978)	(1,190)
Other Local Authorities	(42)	(41)
Other entities and individuals	(2,847)	(2,597)
	<hr/>	<hr/>
Total	(4,867)	(3,828)
	<hr/>	<hr/>

Notes to the Accounts (cont....)**30. Provisions**

	Insurances £000's	Local Land Charges £000's	NNDR Appeals £000's	Total £000's
Balance at 1 April 2016	(6)	(120)	(1,317)	(1,443)
Additonal Provisions in year	0	0	(581)	(581)
Amounts used in year	0	27	968	995
Balance at 31 March 2017	(6)	(93)	(930)	(1,029)

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

Insurances

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

Local Land Charges

The original provision was made in respect of a claim by Property Search Companies over the refund of fees paid to the Council to access land charges in the past which has been settled during the year. This provision has now been identified to meet the need to digitise the service required by the Infrastructure Act 2015 which provides for the transfer of responsibility for Local Land Charges from local authorities to Land Registry.

NNDR Appeals

The NNDR Appeals provision covers all appeals against NNDR charges as at 31 March 2017. Appeals are made against the business rate valuations issued as a result of the 2010 Rating List. Based on local knowledge of settlement of appeals and national trends by property class the sum of £930k is deemed an appropriate level of provision.

Notes to the Accounts (cont....)**31. Usable Reserves**

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

	31 March 2016	31 March 2017
	£000's	£000's
Usable Capital Receipts Reserve (Proceeds of asset sales to be used to fund capital expenditure)	(6,018)	(6,203)
Earmarked Reserves (note 10)	(1,763)	(1,425)
Capital Grants Unapplied Account (Grants received from outside bodies to fund capital expenditure)	(75)	(30)
General Fund Balance (Resources available to meet future expenditure)	(6,084)	(8,010)
Total	<u>(13,940)</u>	<u>(15,668)</u>

32. Unusable Reserves

	31 March 2016	31 March 2017
	£000's	£000's
Capital Adjustment Account (note 32a)	(40,266)	(39,654)
Revaluation Reserve (note 32b)	(18,536)	(21,428)
Deferred Capital Receipts Reserve (note 32c)	(1,353)	(1,341)
Pensions Reserve (note 32d)	34,211	38,091
Collection Fund Adjustment Account (note 32e)	943	263
Accumulated Absences Account (note 32f)	151	135
Total	<u>(24,850)</u>	<u>(23,934)</u>

Notes to the Accounts (cont....)**32a. Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

	31 March 2016		31 March 2017
	£000's		£000's
Balance at 1 April	(39,521)		(40,265)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment (see items marked (*) in note 9 and 19)	4,329		2,548
Amortisation of Intangible Assets	206		113
Revenue Expenditure Funded from Capital under Statute	1,742		1,485
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<u>1,169</u>	7,446	<u>0</u>
			4,146
Adjusting amounts written out of the Revaluation Reserve		<u>(1,138)</u>	<u>(825)</u>
		(33,213)	(36,944)
Capital financing applied in the year:			
Capital expenditure financed from capital receipts	(4,974)		(1,228)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,536)		(1,112)
Application of grants to capital financing from the Capital Grants Unapplied Account	<u>(63)</u>	(6,573)	<u>(57)</u>
			(2,397)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(479)	(313)
Balance at 31 March		<u>(40,265)</u>	<u>(39,654)</u>

Notes to the Accounts (cont....)**32b. Revaluation Reserve**

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

	31 March 2016 £000's	31 March 2017 £000's
Balance at 1 April	(13,774)	(18,536)
Upward revaluation of assets	(6,497)	(3,798)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>493</u>	<u>82</u>
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(6,004)	(3,716)
Difference between fair value depreciation and historical cost depreciation	1,138	824
Accumulated gains on assets sold	<u>104</u>	<u>0</u>
Amount written off to the Capital Adjustment Account	1,242	824
Balance at 31 March	<u>(18,536)</u>	<u>(21,428)</u>

32c. Deferred Capital Receipts Reserve

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

	31 March 2016 £000's	31 March 2017 £000's
Balance at 1 April	(1,367)	(1,353)
Transfer to Capital Receipts Reserve upon receipt of cash	14	12
Balance at 31 March	<u>(1,353)</u>	<u>(1,341)</u>

Notes to the Accounts (cont....)**32d. Pensions Reserve**

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

	31 March 2016	31 March 2017
	£000's	£000's
Balance at 1 April	43,334	34,211
Actuarial (gains) or losses on pensions assets and liabilities	(11,104)	2,410
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement	3,501	3,009
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,520)	(1,539)
Balance at 31 March	<u>34,211</u>	<u>38,091</u>

32e. Collection Fund Adjustment Account

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

	31 March 2016	31 March 2017
	£000's	£000's
Balance at 1 April:		
Council Tax	(34)	(63)
NNDR	843	1,006
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements:-		
Council Tax - In year	(29)	12
Business Rates - In Year	163	(692)
Balance at 31 March:		
Council Tax	(63)	(51)
NNDR	<u>1,006</u>	<u>314</u>

Notes to the Accounts (cont....)**32f. Accumulated Absences Account**

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

	31 March 2016 £000's	31 March 2017 £000's
Balance at 1 April	146	151
Settlement or cancellation of accrual made at the end of the preceding year	5	(16)
Balance at 31 March	<u>151</u>	<u>135</u>

32g. Financial Instruments Adjustment Account

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

	31 March 2016 £000's	31 March 2017 £000's
Balance at 1 April	12	0
Interest Received	(12)	0
Balance at 31 March	<u>0</u>	<u>0</u>

Notes to the Accounts (cont....)**33. Grant Income**

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

	31 March 2016	31 March 2017
	£000's	£000's
Credited to Taxation and Non-Specific Grant Income:-		
Revenue Support Grant	1,547	1,117
Redistributed Non-Domestic Rates	3,363	3,484
Homelessness Prevention	97	0
Council Tax Grant	373	0
New Homes Bonus	2,255	3,041
Rural Services Delivery Grant	0	297
Other Government Grants	57	62
Capital Grants and Contributions:		
Skatepark	0	2
Venture House	435	15
Total	8,127	8,018
Credited to Services:-		
DWP subsidy for benefits	28,285	28,034
Disabled Facilities Grant (DCLG)	373	662
S106 contributions towards social housing, leisure facilities etc	728	310
Housing and Homelessness	118	198
NNDR Administration Grant	228	220
Social Transport	16	11
Market Town Funding	64	0
CCTV	66	49
Various small grants and contributions	2	5
Crime Reduction and Anti-Social Behaviour	51	60
Parks, Playing Fields & Open Spaces	0	9
Individual Electoral Registration/Elections	0	26
Neighbourhood Plan Consultation	65	91
Council Tax	0	47
Local Land Charges	0	6
Policy	0	144
Transparency Grant	0	8
ICT	0	24
Consultation/Insight & Performance Management	0	10
Total	29,996	29,914

Notes to the Accounts (cont....)

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

Capital Grants/Contributions Receipts in Advance	31 March 2016	31 March 2017
	£000's	£000's
Regional Housing Pot (DCLG)	163	163
Stratford Skate Park	2	0
LPSA2 - Affordable Housing	114	0
Ken Kennett Centre (WCC)	0	6
S106 contributions towards social housing, leisure facilities, car parking etc	2,121	2,042
Total	<u>2,400</u>	<u>2,211</u>

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

	31 March 2016	31 March 2017
	£000's	£000's
(Surplus)/Deficit on provision of services (page 13)	5,231	494
Adjustments to net surplus or deficit on the provision of services for non-cash movements:		
Charges for depreciation and impairment	(4,330)	(2,548)
Amortisation of Intangible Assets	(206)	(113)
Revenue Expenditure Funded from Capital under Statute	(1,742)	(1,485)
Pensions	(1,981)	(1,470)
Collection Fund	(134)	681
Accumulated Absences Account	(4)	16
Movement in market value of investment properties	479	312
Transfers (from)/to earmarked reserves	37	63
Gains/Losses on disposal of non-current assets	(1,245)	0
Other (movement in debtors, creditors etc)	<u>(1,822)</u>	<u>1,852</u>
	(10,948)	(2,692)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Right to Buy clawback and other windfall receipts	1,389	1,401
Government grants used against capital expenditure	1,515	1,123
Financial Instruments Adjustment Account	<u>12</u>	<u>0</u>
	2,916	2,524
Net cash flows from Operating Activities	<u>(2,801)</u>	<u>326</u>

Notes to the Accounts (cont....)**35. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

	2015/16 £000's	2016/17 £000's
Interest Paid	6	1
Interest received	(252)	(164)
Total	(246)	(163)

36. Cash Flow Statement – Investing Activities

	2015/16 £000's	2016/17 £000's
Purchase of property, plant and equipment, investment property and intangible assets	5,051	813
Other payments for investing activities	1,900	1,112
Other receipts from investing activities	(2,801)	(2,346)
Total	4,150	(421)

37. Cash Flow Statement – Financing Activities

	2015/16 £000's	2016/17 £000's
Other payments for financing activities	(401)	43
Total	(401)	43

38. Cash and Cash Equivalents

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

	As at 31 March 2016 £000's	As at 31 March 2017 £000's	Movement in year £000's
Bank current accounts	3,838	3,890	(52)
Temporary investments	16,000	16,000	0
Total	19,838	19,890	(52)

Notes to the Accounts (cont....)**39. Termination Benefits**

There were three contracts terminated in 2016/17. These are detailed below:-

Bands	2015/16			2016/17		
	No of Packages Compulsory	No of Packages Other	No of Packages Total	No of Packages Compulsory	No of Packages Other	No of Packages Total
£100,000 - £149,999	1	0	0	0	0	0
£60,000 - £79,999	0	0	0	1	0	1
£40,000 - £59,999	0	0	0	1	1	2
Total	1	0	0	2	1	3

These packages incurred redundancy costs as follows:-

Bands	2015/16			2016/17		
	£000's Compulsory	£000's Other	£000's Total	£000's Compulsory	£000's Other	£000's Total
£100,000 - £149,999	144	0	144	0	0	0
£60,000 - £79,999	0	0	0	61	0	61
£40,000 - £59,999	0	0	0	47	42	89
Total	144	0	144	108	42	150

40. Accruals

	31 March 2016 £000's	31 March 2017 £000's
General Fund Provisional Creditors	(1,321)	(1,295)
Capital Provisional Creditors	(24)	(536)
Year End Revenue Purchase Order Accruals	(725)	(640)
Building Control Fees Prepaid	(151)	(161)
Accumulated Absences Account	(151)	(135)
Total	(2,372)	(2,767)

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

SUPPLEMENTARY FINANCIAL STATEMENTS**Collection Fund**

2015/16 £000's	Council Tax	2016/17 £000's
	Income	
(78,164)	Income from Council Taxpayers	(83,220)
0	Transfers from General Revenue Account:- Transitional reduction scheme	0
<u>(78,164)</u>	Total Income	<u>(83,220)</u>
	Expenditure	
	Precepts and Demands:-	
59,392	Warwickshire County Council	63,426
9,308	Police & Crime Commissioner	9,749
6,332	Stratford-on-Avon District Council	6,756
2,701	Parish Councils	2,851
	Contributions from estimated Collection Fund (Surplus)/Deficit:-	
49	Warwickshire County Council	481
8	Police & Crime Commissioner	75
5	Stratford-on-Avon District Council	51
	Provisions for Bad and Doubtful Debts:-	
284	Council Tax	149
(271)	Council Tax - Write Offs	(169)
<u>77,808</u>	Total Expenditure	<u>83,369</u>
<u>(356)</u>	(Surplus)/Deficit for the year	<u>149</u>
(398)	Balance at 1 April	(754)
(356)	(Surplus)/Deficit for the year	149
<u>(754)</u>	(Surplus)/Deficit balance at 31 March	<u>(605)</u>
	The surplus is split between:-	
(64)	Stratford-on-Avon District Council	51
(596)	Warwickshire County Council	480
(94)	Police & Crime Commissioner	74
<u>(754)</u>		<u>605</u>

Collection Fund

2015/16 £000's	Business Rates	2016/17 £000's
	Income	
(52,975)	Income from Business Ratepayers	(54,585)
(52,975)	Total Income	(54,585)
	Expenditure	
	Pool Payments:-	
27,072	Central Government/DCLG	27,280
5,414	Warwickshire County Council	5,456
21,658	Stratford DC/Coventry & Rugby Pool	21,824
	Contributions from estimated NNDR Surplus/(Deficit):-	
(910)	Central Government/DCLG	(562)
(182)	Warwickshire County Council	(112)
(728)	Stratford DC/Coventry & Rugby Pool	(449)
218	Cost of Collection allowance	218
505	Transitional Payment protection due to DCLG	41
63	Renewable Energy Payments	40
6	Transitional Relief	0
250	Provision for Appeals	(968)
	Provisions for Bad and Doubtful Debts:-	
583	Business Rates	341
(566)	Business Rates - Write Offs	(257)
53,383	Total Expenditure	52,852
408	(Surplus)/Deficit for the year	(1,733)
2,109	Balance at 1 April	2,517
408	(Surplus)/Deficit for the year	(1,733)
2,517	(Surplus)/Deficit balance at 31 March	784
	The deficit is split between:-	
1,007	Stratford DC/Coventry & Rugby Pool	314
1,258	Central Government	392
252	Warwickshire County Council	78
2,517	Total	784

Notes to the Collection Fund

1. General

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

2. Business Rate Pooling

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

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

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

Notes to the Collection Fund

3. Council Tax

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

The Council Tax base for 2016/17 was estimated as follows (*figures have been rounded*):-

	Number of Properties	Adjustments for Discounts	Notional Properties	Band 'D' Ratio	Band 'D' Equivalents
Band A *	10	(1)	9	5/9	5
Band A	3,229	(454)	2,775	6/9	1,850
Band B	7,511	(903)	6,608	7/9	5,140
Band C	15,467	(1,418)	14,049	8/9	12,488
Band D	9,187	(755)	8,432	9/9	8,432
Band E	8,749	(564)	8,185	11/9	10,004
Band F	5,205	(272)	4,933	13/9	7,124
Band G	4,804	(211)	4,593	15/9	7,655
Band H	841	(29)	812	18/9	1,625
	<u>55,003</u>	<u>(4,607)</u>	<u>50,396</u>		<u>54,323</u>
Estimated change to band 'D' equivalent net of discount (new properties)					963
Estimated changes to discounts and exemptions					(89)
Estimated changes due to Council Tax Support, empty and homes discounts/exemptions					(4,288)
Gross estimate of new taxbase 2016/17					50,909
Add estimated contributions in lieu of Ministry of Defence properties					<u>75</u>
					50,984
Less estimated non-collection (0.4%)					(204)
Tax Base					<u>50,780</u>

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

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

4. Business Rates

Subject to the effects of transitional arrangements, local businesses pay an amount equivalent to the rateable value of property multiplied by the Government specified national non-domestic rate multiplier for the year. With effect from April 2016 the non-domestic rate multiplier was 48.4p for small businesses and 49.7p for larger businesses. The total non-domestic rateable value at 5 March 2016, used to raise accounts for the District Council area for 2016/17, was £134,486,182.

ACCOUNTING POLICIES

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

ACCRUALS

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

ASSETS

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

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL EXPENDITURE FINANCED FROM REVENUE

Revenue resources used to finance capital expenditure.

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

EARMARKED RESERVES

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

GOVERNMENT GRANTS

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

Stratford-on-Avon District Council
GLOSSARY OF TERMS (continued)

HOUSING BENEFITS

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

IMPAIRMENT

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

LIABILITY

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

NON-DISTRIBUTED COSTS

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

PRECEPT

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

PROVISIONS

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

RATEABLE VALUE

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

RESERVES

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

REVENUE EXPENDITURE

Expenditure incurred on the day to day provision of services.

REVENUE SUPPORT GRANT

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