REPORT FOR DISCUSSION

STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

Date: 31 August 2011

Agenda Item: No. 4

Contact Officer: Jane Kitchen
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SUBMISSION OF DIRECTOR OF FINANCE, REVENUES AND BENEFITS

STATEMENT OF ACCOUNTS 2010/11

1. Purpose of Report

1.1 It is a requirement of the Accounts and Audit Regulations 2011 to submit for approval the Council's Statement of Accounts for the period 1 April 2010 to 31 March 2011.

2. Recommendation

2.1 The Committee is asked to recommend to Council the approval of the Summary of Accounts and the Statement of Accounts for 2010/11.

3. Statement of Reasons

2.1 Summary of Accounts 2010/11 is attached as **APPENDIX A**

2.2 The Statement of Accounts 2010/11 is attached as **APPENDIX B.**

2.3 The Statement of Accounts is one of the key documents under the broad "Corporate Governance" heading. A copy of the Statement of Accounts will be placed on the Council's website after the external auditors have issued their opinion and certificate for the 2010/11 accounts.

4. Consultation

4.1 The Chief Financial Officer (S151 Officer) has the statutory responsibility for the production of this statement.

5. Financial Implications

5.1 There are no direct financial implications from the recommendations; however the Statement of Accounts represents the major financial statement of the Councils activity.

6. Strategic Plan Implications

6.1 The Statement of Accounts feeds into the medium term financial forecast process enabling members to monitor progress against plan in a timely manner to ensure resources are allocated in line with priorities and ambitions of the council.

7.	Sustainability Issues

7.1 The Statement of Accounts is an integral part of the medium financial planning process and enables members to monitor progress and to ensure resources are allocated in line with the priorities and ambitions of the Council.

8.	Human Right Issues

8.1 None.

9.	Crime and Community Safety Issues

9.1 None.

10.	Risk Management Issues

Risk	Likelihood/ Impact	Risk Category	Countermeasure	Responsibility
The Statement of Accounts records all items of Expenditure and Income for the year. Its completion is therefore crucial in terms of financial management of the Councils affairs. Non/late completion of the final accounts would give rise to major concerns for the External Auditors.	Tolerable	Financial	Comprehensive planning timetabling of tasks.	Chief Financial Officer (Section 151 Officer)
The need to ensure compliance with the Accounts and Audit Regulations 2003.	Medium	Financial	Comprehensive Training scrutinising	Chief Financial Officer (Section 151 Officer)

Background Documents:
Statement of Accounts working papers 2010/11
The Accounts and Audit (England) Regulations 2011
CIPFA Code of Practice on Local Government Accounting in the United Kingdom

Summary of Accounts
2010/2011

looking after our assets

Lichfield district council
www.lichfielddc.gov.uk






Throughout the document a number of finance terms and words are used. If you are not familiar with these and what they mean, refer to our handy glossary on pages 13-14. We hope you find it useful.

Contents

Councillor Michael Wilcox

Leader of Lichfield District Council and Cabinet Member for Finance, Revenues & Benefits

This statement of accounts explains the financial management of Lichfield District Council. From how we are funded, through to what we spent our money on, through to how well we performed financially. We are very proud to be one of the lowest charging councils in the country, and despite this, still deliver top quality and in many cases award winning services. However the recession has had a big impact on the council's finances and we now need to deliver local services with less money. We are achieving this by becoming as efficient as we can be. From joining forces with nearby councils to deliver services like recycling and print, through to developing new systems that help us to deliver services at a lower cost, innovation is key. Moving forward we will continue to lower our costs, whilst ensuring our services still meet the needs of our community.

Nina Dawes

Chief Executive

We are focused on delivering good value services in areas that matter to local people, whilst getting our costs down year on year. This year we've teamed up with some of our neighbouring councils to help us achieve this. From building control, to business services, we're confident our partnerships will allow us to serve our communities even better. We face ever rising costs, so delivering top services, whilst cutting costs, gets harder each year. Our financial performance in 2010/2011 was sound. To find out how our financial performance supports the delivery of our services, and where we are heading next, visit www.lichfielddc.gov.uk/performance where you can download our strategic plan and annual reports.

Throughout the document a number of finance terms and words are used. If you are not familiar with these and what they mean, refer to our handy glossary on pages 13-14. We hope you find it useful.

Welcome

As the council's statutory Chief Financial Officer, I have great pleasure in writing this explanatory foreword to our Statement of Accounts for 2010/2011.

Jane Kitchen
Director of Finance, Revenues & Benefits

"We prepare a Summary of Accounts to give you a clear picture of the story behind the numbers that make up our Annual Statement of Accounts. We hope this document clearly outlines how we used our finances in 2010/2011 to deliver good local services."

In my role, my key priorities are to:

- maintain sound financial management practices across the council
- make financial reporting more meaningful for everyone
- ensure our money is spent in line with the council's priorities
- prepare our financial statements in accordance with relevant codes of practice

Please let me know how you think we are progressing with our financial reporting, as we are always working to improve in this area.
jane.kitchen@lichfielddc.gov.uk

Where we're heading

Our purpose

Our council is committed to enhancing the general quality of life of the people who live in, work in and visit our district.

We do this through the promotion and improvement of economic, social and environmental wellbeing.

This means that sustainable development must be at the heart of everything we do.

Our ambitions for the district

We want to create a clean and safe environment. We are working to nurture and develop a thriving economy where businesses prosper and our residents have access to local job opportunities.

We want our district to be a good place to live, with quality housing that meets local people's needs. We want all our residents to be able to experience a better quality of life, with easy access to leisure and cultural activities that can enhance health and lifelong learning.

We believe that the best way to achieve our ambitions and meet the needs of our community is to work in partnership with our partners, local organisations and local people.

Our strategic plan
2008/2012

We're centred on people

We are working with our partners to:

- create strong and proud communities
- improve people's health and wellbeing
- help local people realise their potential
- involve local people and partners, so we can make good decisions and achieve more

We're focused on place

We are working to:

- help people access a home that's right for them and to live independently
- create and support vibrant towns and villages
- protect and enhance our environment for future generations
- attract even more investment into our district

We're delivering through improvement

We are a high performing, low cost council. We strategically manage our services, to make sure we deliver in the areas that mean the most to our communities. The financial climate means that our focus on reducing costs by making our services more efficient year on year is now even more important. We work with our partners in innovative ways to achieve more and better. Overall our approach to improvement helping us to deliver in the ways that matter to local people.

Summary of accounts
2010/2011

What did we spend the money on?

We show the cost of running our services in our revenue account. The account shows you the cost in 2010 - 2011 and the amount left to be financed from local and national tax income.

	2010/2011 £000's
Central services	1,017
Cultural, environmental and planning services	9,272
Housing services	980
Highways/roads and transport services	(186)
Corporate and democratic core services	2,234
Non-distributed costs	(7,361)
Net cost of service	5,956
Less: money transferred from capital and pension reserves	6,044
Less: income from cash investments	(206)
Add: payment of interest	95
Add: money transferred to earmarked reserves	(535)
Cost of local services met by local and national taxes	11,354

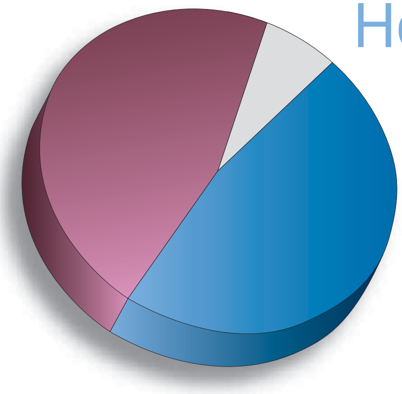
For a full explanation of what services are delivered under each area, refer to our handy glossary on pages 13-14.

How did we fund this?

We spent £11,354 million on running services after allowing for income.
We financed our spending using local and national taxes as follows:

	2010/2011 £000's
Local taxes - Council Tax	5,324
National taxes - Formula Grant	770
Business Rates	5,301
Area Based Grant	44
Total	11,439

How we paid for this



Our local and national taxes income for 2010/2011 was £11.439 million. This pie chart shows:

- 47% came from Council Tax
- 46% came from Redistributed Business Rates
- 7% came from Government Grant

Throughout the document a number of finance terms and words are used. If you are not familiar with these and what they mean, refer to our handy glossary on pages 13-14. We hope you find it useful.

Summary of accounts
2010/2011

How did we perform?

We made a surplus of £85,000 in last year.
We transferred this surplus to our cash balances.

Revenue account deficit	2010/2011 £000's
Cost of services	11,354
Income from taxes	(11,439)
Surplus for the year	(85)

The cash transfer means that we have a new cash balance of £3.4 million.

We handled significant amounts of cash during the year.

Our cash flow	2010/2011 £000's
Cash in	(477,138)
Cash out	477,030
Cash in hand on 31st March 2011	(108)

Capital spending

What did we spend the money on?

We also spend money on buying, improving and repairing our land and property, so we can offer first class public facilities. We have to account for this type of spending separately from the running cost of day-to-day services.

	2010/2011 £000's
Improve people's health and well being	115
Help people access a home that's right for them and to live independently	558
Vibrant towns and villages	3,977
Protect and enhance our environment for future generations	1,880
Provide great value services centred on customer's needs	217
Total capital expenditure	6,747

How did we fund this?

We spent £6.747 million on our land, property and other assets. We paid for this as follows:

	2010/2011 £000's
Capital receipts from the sale of assets	634
Burntwood Leisure Centre sinking fund	74
Capital Grants and contributions	2,164
Section 106	1,438
Revenue and earmarked reserves	721
Finance leases and a reduction in our investments	1,716
Total capital funding	6,747

Our worth

At the end of each financial year, we draw up a balance sheet that represents how much Lichfield District Council's land and buildings are worth, what is owed to others, what others owe us, and how much cash we have:

Revenue reserves & balances	2010/2011 £000's
Working balances	3,407
Earmarked reserves	2,570
	5,977

Net assets	2010/2011 £000's
Long term assets	50,885
Current assets	16,091
Current liabilities	(7,821)
Long term liabilities	(22,325)
Total assets less total liabilities	36,830

Lichfield District Council's net worth as an organisation is £36,830 million. This is represented by capital reserves of £4,471 million, revenue reserves of £5.977 million and non cash-backed reserves of £26,382 million.

Our handy glossary

Business rates
Money we collect from businesses on behalf of the government.

Capital receipts
Money we have in savings from the sale of assets like buildings and land.

Central services include:
Revenue collection, emergency planning, personnel services and more.

Corporate and democratic core services include:
Democratic representation, corporate management.

Council tax
Money residents pay us to help us deliver local services as well as services on behalf of central government. Residents pay either monthly or yearly.

Cultural, environmental and planning services include:
Culture and heritage, sports, parks and open spaces, waste collection, planning, street cleansing, community safety, public conveniences, environmental health and licensing, economic development and more.

Earmarked reserves
Money we've set aside for specific projects.

Government grants
Money the government gives us every year to help us deliver local services.

Grants and contributions

We apply for various grants for specific projects and this money is called a grant or contribution. The government also give us extra money in the form of revenue support grant, which helps us to run our day to day services.

Housing services include:

Preventing homelessness, housing & council tax benefits, housing services.

Highways, roads and transport services include:

Car parking, concessionary fares and more.

Non distributed costs include:

Retirement benefits.

Revenue finance

The money we receive from services we provide such as leisure centres, the Lichfield Garrick and bulky waste collection, where residents pay us directly for our services.

Working balance

The amount of money we set aside for unforeseen circumstances.

Long term assets

These are predominantly related to land and property owned by the council.

Current assets

Amount owed to the council.

Current liabilities

Amounts due to individuals or organisations, which are usually payable within one year of the balance sheet date.

Long term liabilities

Amounts due to individuals or organisations, which will be paid sometime in the future.

Helping you to find out about us

We hope you found this document easy to read and understand.

Please let us know your comments and thoughts by emailing the team at **jane.kitchen@lichfielddc.gov.uk**

If you have a query

- visit our website **www.lichfielddc.gov.uk**
- call our Lichfield Connects team on **01543 308000**
- pop in and see us in our Lichfield office in Frog Lane, or in Burntwood Library at Sankeys Corner

Did you know, there are over 40 interactive forms on our website that help you to report problems and order services, any time of day or night? From checking whether you might be eligible for housing or council tax benefits, to ordering a new brown bin, to reporting a pothole, why not log on?

If you would like this booklet in another format from audio tapes, to Braille, to large print, call **01543 308000**.

Lichfield district council
www.lichfielddc.gov.uk

Statement of Accounts 2010/11

Lichfield district council

www.lichfielddc.gov.uk

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If you have any comments on this **Statement of Accounts 2010/2011** or would like any further information please contact:

Director of Finance, Revenues and Benefits
Lichfield District Council,
District Council House,
Frog Lane,
Lichfield,
Staffordshire.
WS13 6YY.

Telephone: 01543 308000
E-mail: finance@lichfielddc.gov.uk

Further information is also available on the Councils website **www.lichfielddc.gov.uk**

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Revenues & Benefits - Chief Finance Officer (CFO);
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The Director of Finance Revenues & Benefits Responsibilities

The Director of Finance, Revenues & Benefits (CFO) is responsible for the preparation of the Authority's Financial Statements. These, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code of Practice'), are required to present the true and fair financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Director of Finance, Revenues & Benefits (CFO) has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and decisions that were reasonable and prudent; and
- Complied with the Code of Practice.

The Director of Finance, Revenue & Benefits (CFO) has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Director of Finance, Revenue & Benefits (CFO)

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year.

Jane Kitchen BSc (Hons), CPFA, FRRV
Director of Finance, Revenues & Benefits (CFO)
Lichfield District Council

Explanatory Foreword by the Director of Finance, Revenues & Benefits (CFO)

Introduction

The Statement of Accounts for the year ended 31 March 2011 has been prepared in accordance with the Accounts and Audit (England) Regulations 2011. The format reflects the requirements of the 'Code of Practice in Local Authority Accounting in the United Kingdom' adopting International Financial Reporting Standards (IFRS) and the Best Value Accounting Code of Practice 2010/11 (2009), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's core financial statements, beginning at page 15, are listed below along with a brief explanation of their purpose: -

- ***Movement in Reserve Balances*** – 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 Earmarked Reserve line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.
- ***Comprehensive Income & 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.
- ***Balance Sheet*** - this explains the Council's financial position at the year-end. It provides details of the Council's balances and reserves and its long-term indebtedness. It also includes the fixed and net current assets employed in Council operations together with summarised information on the fixed assets held; and
- ***Cash Flow Statement*** - this illustrates the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

In addition, the Council is also required to produce one supplementary financial statement: -

- ***Collection Fund*** - this reflects the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and to the National Non-Domestic Rate (NNDR) Pool.

Financial Summary 2010/11

The financial activities of the Council can be categorised as either Revenue or Capital:-

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset, which will provide benefit to the District over a number of years.

Revenue Spending

What we planned to spend

The Council set an original net Revenue budget for 2010/2011 of **£12,605,400** for spending on services. The savings from the Expenditure Review 2010 enabled a reduction in the original net transfer out of Revenue Reserves of **£679,560**. This was made up of an additional transfer from Earmarked Reserves of **£153,640** and a reduction in transfer from General Reserves of **£833,200**. This reduced the revised net Revenue budget to **£11,932,680**. It was anticipated financing available from external grants and Council Tax income would be **£11,430,360** leaving **£171,520** to be funded by a transfer from Earmarked Reserves and **£330,800** from General Reserves held both as a contingency and to support spending.

What we actually spent

The actual spend on activities during 2010/11 was **£44,201** lower than anticipated. This positive impact on the 2010/11 accounts has been further increased by **£7,916** in additional funding received from central Government.

The actual funding from a transfer from Earmarked Reserves was an extra **£363,100.** The majority of this funding was from a specific earmarked reserve for the Birmingham Road Multi-storey Car Park.

The cumulative effects of the reduced spend and additional funding has produced a **£52,117** operational surplus in 2010/11. Overall, the net effect is that General Reserves have increased by **£84,417** overall and the Council's total Revenue Reserves have decreased by **£450,203**.

Variance Analysis	Revised Budget £	Actual £	Variance £
Funding	(11,430,360)	(11,438,276)	(7,916)
- activities	11,932,680	11,888,479	(44,201)
Sub Total	£502,320	£450,203	£52,117
- to/(from) Earmarked Reserves	(171,520)	(534,620)	(363,100)
- to/(from) General Revenue Reserves	(330,800)	84,417	415,217
Sub Total	£(502,320)	£(450,203)	£(52,117)

Overall, the result has been a contribution to General Revenue Reserves of **£84,417**. This represents an improvement of **£415,217** in comparison with the net revised budget for the use of General Revenue Reserves.

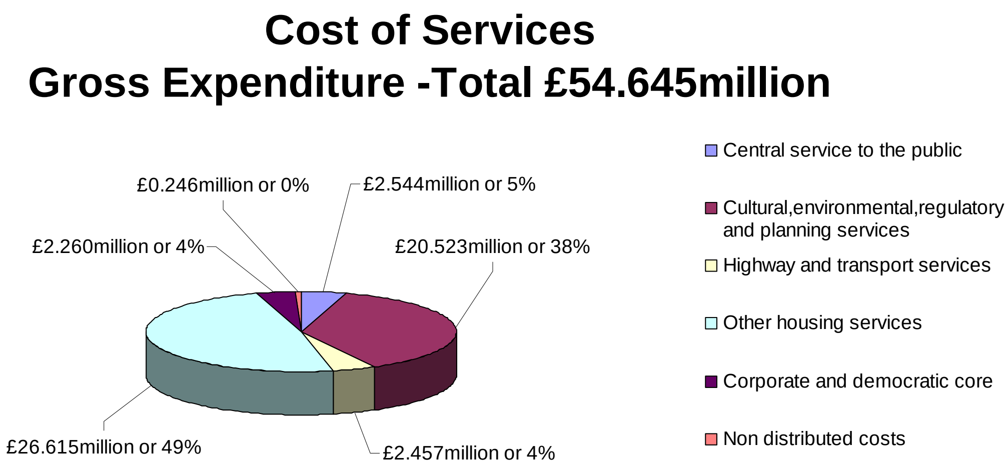
The total impact of the budgeted and additional contribution from Revenue Reserves has been to decrease overall Revenue Reserves to **£5,976,038** as illustrated below.

Revenue Reserves	Brought Forward £	2010/2011 Net Change Increase/ (Decrease) £	Carried Forward £
Earmarked Reserves	3,104,109	(534,620)	2,569,489
General Revenue Reserves	3,322,132	84,417	3,406,549
	£6,426,241	**£(450,203)**	**£5,976,038**

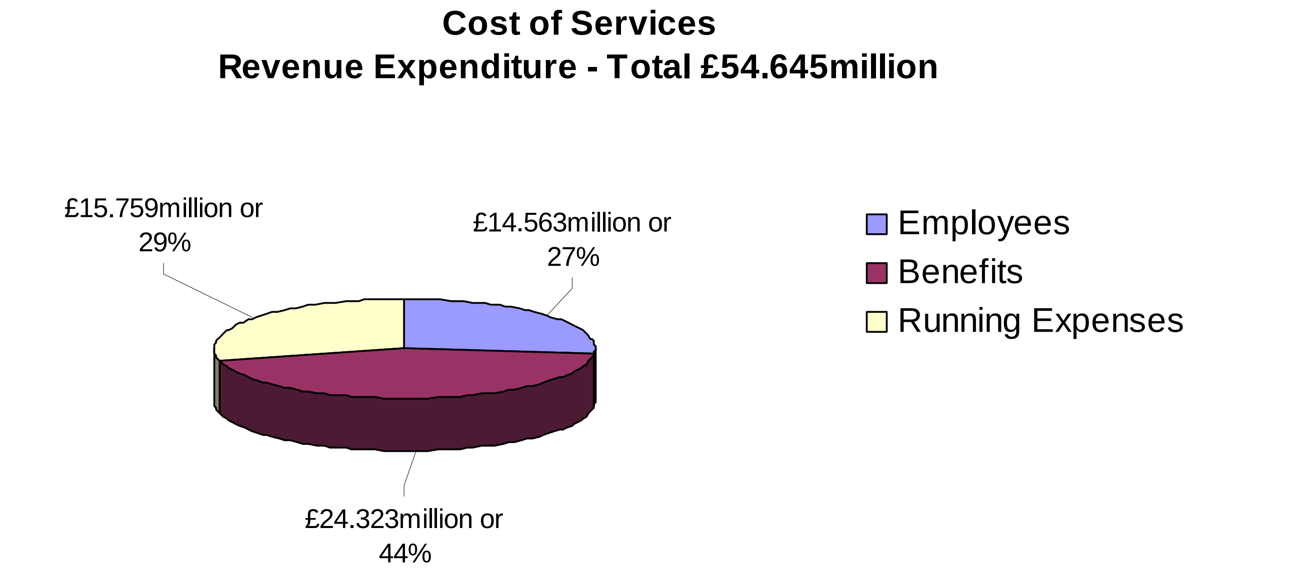
Both the Earmarked and General Revenue Reserves have been built up over time to provide funding for future projects and specific activities in line with the Authority's medium term aims and objectives. The General Revenue Reserve is primarily held as a contingency to provide the Authority with operational funds and as a safeguard against financial risk. Current risk-based assessments set the Council's need for a Revenue contingency at **£1,000,000.** As the Reserve stands at **£3,406,549**, the surplus **£2,406,549** will be used, over the next three years, to support the Council's Medium Term Financial Strategy.

How the money was spent

The Comprehensive Income and Expenditure Account (**Page 16**) summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows Gross Expenditure for the year was **£54.645 million** across six defined service areas. These are common to all councils to facilitate comparison, but they do not match the service areas around which this Council is organised. The chart below illustrates the profile of gross expenditure based on the defined services areas.

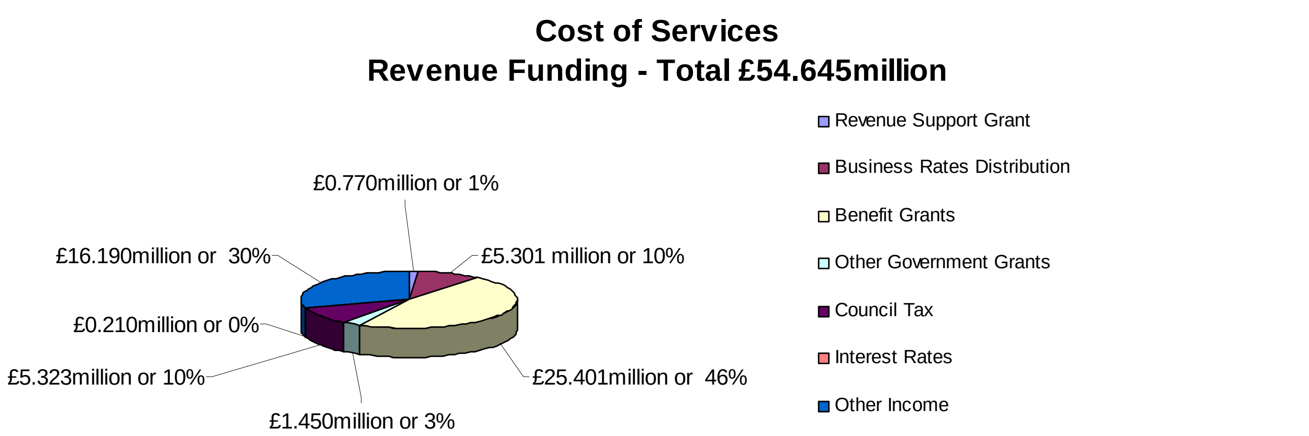


Cost of Services - Revenue expenditure for the year was **£54.645million**. It represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, vehicle costs, and supplies and services. The chart below illustrates the proportion in which expenditure was incurred on these categories of expenditure.



How it was paid for

Central Government provided the majority of funding. It supported general expenditure through the Revenue Support Grant (RSG) and the contribution from the National Non-Domestic Rate (NNDR) Pool. Other Government grants were received to support specific service areas, including the largest grant – Housing Benefits – at **£25.401 million**.



A total of **£5.323 million** was raised from Council Tax, and fees and charges levied by the Council form a substantial part of the **£16.190 million** of other income generated. A further **£0.210 million** in Interest was received from investments during the year.

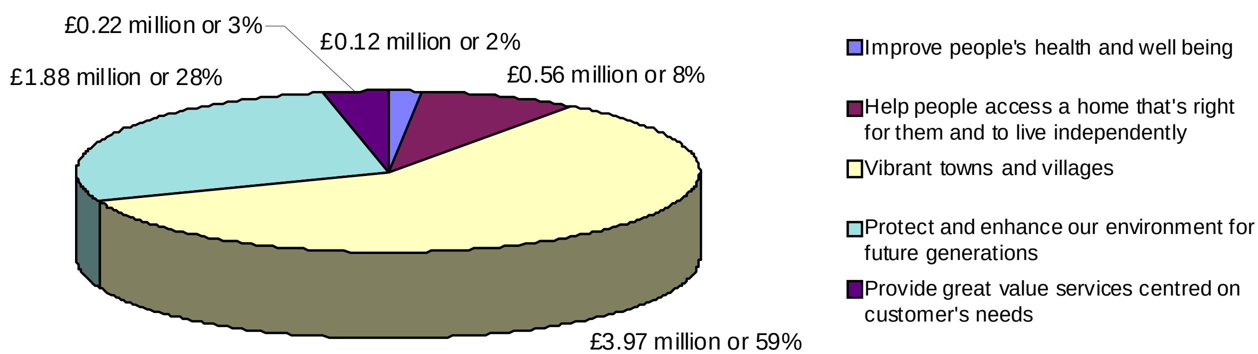
Capital Spending

Capital spending either maintains or creates new assets or is expenditure that is capital under statute that will contribute to the Council's aims and objectives over more than one year. The Council therefore plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme. This programme was last updated in February 2011 and included capital commitments of **£19.121[1] million** with estimated capital spending in 2010/11 of **£10.583 million**. In addition, there have been some other minor changes under delegation that have reduced the budget by a further **£0.402 million**. Therefore, the net capital budget was **£10.181 million**.

How the money was spent

The actual spending in 2010/11 was **£6.747 million.** This was **£3.434 million (33%)** lower than estimated. Spend by top priority for the 2010/11 financial year was:

Capital Expenditure Profile - Total £6.75 million



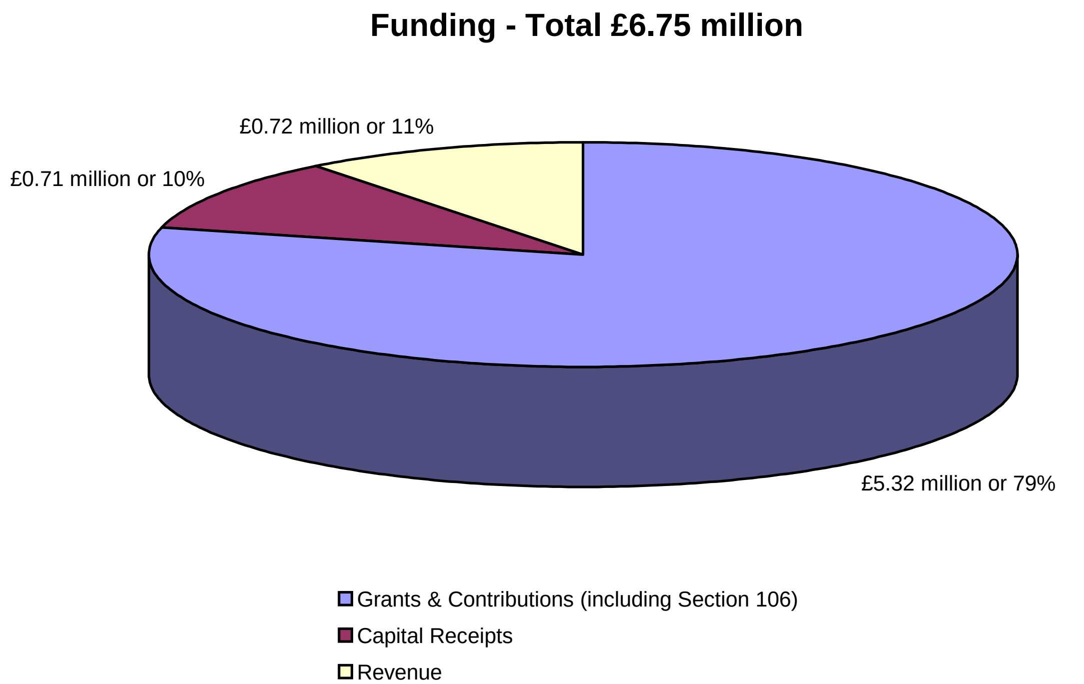
Major areas of capital expenditure and significant individual projects included:

- Community, Housing and Health - financing of the Council's private sector housing assistance policy targeted at improving the District's private sector housing stock - Home Repairs, Energy Efficiency, Renovation and Disabled Facilities Grants **(£0.558 million)**;
- Leisure, Parks and Play – enhancement works to Chasewater Dam **(£1.442 million)**,the majority of these costs will be transferred to Staffordshire County Council;
- Lichfield District Venture – enhancement works to the Multi Storey Car Park **(£0.576 million)** and the Heritage Parks Project **(£2.409 million).**

[1] 2010/11 **£10.583 million**, 2011/12 **£3.383 million**, 2012/13 **£3.332 million** and 2013/14 **£1.823 million**

How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2010/11 Capital Programme is illustrated below:



- Capital Receipts – these are receipts generated from the sale of assets.
- Grants and Contributions – such as Government grants supporting Housing, Heritage Lottery Fund Grant and Section 106 Planning Obligations.

So what was achieved for the money?

The Revenue and Capital transactions recorded in these statements supported all the Council's activities in 2010/11. A wide variety of statutory and non-statutory services were delivered and numerous Council aims and objectives progressed. In particular, substantial achievements were made with regard to the Council's Strategic key priorities:

Create Safe, strong and proud communities

- Deliver community development activities focused in the areas with higher rates of deprivation. The focus for 2010/11 was on Armitage with Handsacre, Fazeley and Mile Oak Burntwood North Lichfield. Highlights for the year include Community Hubs at Fazeley (Mill Lane Link), Curborough (Jigsaw) and Chasetown (Old Mining College Centre). Through these hubs we offered opportunities for training, learning and support to local businesses and voluntary organisations. We also continued to lead and co ordinate the multi agency response to getting people in work, successfully achieving the targets set for Childcare Training and Incapacity Benefit claimants with learning disabilities and mental health issues. The Community and Partnerships team has also set up Work Clubs across the District working with our partners.

- Investing more in activities for younger people delivered through our leisure centres and neighbourhood projects such as the proposed skateboard park. This work for the Skatepark will be carried forward in 2011/12.
- The Lichfield District Safer Community Partnership developed a new partnership plan (2011-2014) taking into account the findings of the New Strategic Assessment 2010, which provides an understanding of the key Community Safety issues that affect the district.
- Following extensive consultation the allocation of **£193K** of S106 Funding was made for several projects in Burtnwood.
- With our partners, we developed opportunities for volunteering including access to accredited learning through projects such as the Young Enterprise Programme, Lichfield District in to Work Group and the St Johns Youth Project.
- Last year saw a 14% reduction in recorded crimes in comparison with the previous year across the district.

Improve People's health and well being.

- In 2010/11 our three leisure centres remained popular; indeed, despite the economic circumstances, they generated more income and cost us less to run than in 2009/10. We were also successful in attracting grants to support the positive Futures and Aspire programmes – and from the local primary care trust to encourage even more people to be active.
- We have continued to promote our Leisure Activity Passport to the over 60s and we are delighted that we have seen the number of passport holders in this age group increase by 21%.
- Our Play Rangers hosted over 4000 visits from children and we were pleased to open a new recreation area at Darwin Park in Lichfield.
- The Warmer Homes Greener District campaign has contributed to improving the health of 453 households of which 208 households have received loft insulation, 158 cavity wall insulation and 27 had new heating systems. A total of 59 households received assistance from the Warmer Homes Greener district grant funding of **£32K**.
- Homelessness has been prevented for 128 families; **£16K** has been invested from the homelessness prevention fund.
- The Council has undertaken 350 interventions helping to protect the Health and Safety of employees across the District.
- The Council has undertaken 650 interventions in food premises which has helped to ensure that people can dine out safely.
- Carrying out 10 intrusive investigations of previously used land; that has determined over 300 residential properties suitable for use, at a cost of **£60K** of which **£50K** was external funding.
- The "Let's Work Together" project - working with the Local Strategic Partnership, we are developing a model to enable home visitors from a range of public and community/ voluntary

agencies to spot risks within the home and refer vulnerable people on for help. The risks include cold, fire, poor housing conditions, debt, risk of falls and lifestyle factors (smoking, alcohol consumption and obesity) all of which impact upon health. The funding for this has, in the main been generated from external sources with LDC contributing officers time.

Help people realise their potential

- Improve training opportunities to help prepare young people for adulthood and be able to enter employment, education or training via our Community Training Centre, the Learndirect Contract and the Burntwood Live at Home Scheme. The Community Training Team at Venture House continues to focus their work on improving training opportunities for all residents to realize their potential. Via the Learndirect contract we were able to offer 409 courses in a variety of areas leading to nationally recognized qualifications. The usage of the centre continues to increase with some 350 learner visits for our Learndirect service each month, as well as a further 150 client visits for room hire.
- “Simply Cooking” from Friary School won the 2009/10 Young Enterprise Tamworth and Lichfield Area Competition finals in April 2010.

Involve local people and partners

- The Council successfully publicised and administered the 6 May 2010 Parliamentary Elections.
- E-Petitions Scheme agreed at Council and reviewed through Overview and Scrutiny Committee. An Overview and Scrutiny tool kit has also been agreed.
- The Council has made great progress in developing its online solutions known as “Voice It” This helps residents to access consultations that relate to issues in the local area.
- Consultation with partners and stakeholders fed into the S106 planning process. Forward Action Burntwood (FAB) is well established with strong multi agency and resident support/participation.
- The Lichfield District into Work Group, managed and led by LDC, is delivering a highly effective locality working capacity building project addressing worklessness. A childcare training initiative has been highlighted as Best Practice within Staffordshire and innovative work is underway with Incapacity Benefit claimants suffering mental health and/or learning impairment.

Help people to access a home that’s right for them and to live independently

- New housing completions for 2009/10 we reported and published. Annual Monitoring Report (AMR) - 316 homes completed in 2010/11 including a range of types, sizes and tenures. 40 new affordable homes were delivered during 2010-11 of which 13 were social rented, 6 shared ownership, 4 mortgage rescue and 17 Homebuy direct. The Homes and Communities Agency contributed **£629K** towards the delivery of some of these homes.
- The length of stay in Bed & Breakfast for families has reduced from an average of 6 weeks in 2009/10 to 0.14 weeks in 2010/11.
- 20 households were helped by loans from the Homelessness Prevention Fund at a total expenditure of **£16K** and 4 households were able to remain in their own homes through the

Mortgage Rescue Scheme. No repeat homelessness applications were received from households who had been homeless within the last two years.

Vibrant towns and villages

- The Conservation Area Improvements Programme has now been completed, with the works at Colton (railings at closed burial ground), Whittington (environmental improvements at Main Street/ Langton Crescent) and Alrewas (shop forecourt improvements) all being finished.
- In relation to Trunk Road cleansing Partnership working has been undertaken with Amey (Highways Agency Contractors) and Staffordshire County Council to improve working practices undertaken for the cleansing of the Trunk Road network. By working with partners, this has enabled us to share the financial cost of street closures and reduce the inconvenience to road users.
- Lichfield District Council has obtained an "effective" rating in 2009/10 for dealing with fly tipping; this is the highest possible score for this national indicator. It has seen a reduction in the number of fly tipping incidents; 341 incidents in 2009/10, to 278 incidents in 2010/11. The number of items fly tipped also reduced from 1,616 items in 2009/10 to 1,474 items in 2010/2011.
- In the last twelve months, the service issued 7,340 penalty notices for on street and off street offences.
- During 2010/2011 work was focused around the re opening of the refurbished Birmingham Road Multi Storey Car Park which took place in November 2010.
- The Council has contributed **£566K** from capital S106 expenditure in 2010/11 to facilitate improvements in Beacon Park, relating to the Heritage Lottery Scheme. The Council has been awarded a grant from the Heritage Lottery Fund for **£2.8 million** to assist with this work.

Protect and enhance our environment for future generations.

- The provisional figures indicate that Lichfield has improved its recycling performance from 55.6% in 2009/10 to 56.9% in 2010/11.
- Identify and sustainably reuse any formerly used land, obtained DEFRA Grants for 6 sites totalling **£99K**.
- The Joint Waste Service for Lichfield and Tamworth District Councils was launched on 5 July 2010, the anticipated savings are being achieved.
- Increase the amount we recycle and reduce the amount of waste sent to landfill.
- Seven schemes entered in the Staffs Built in Quality Awards with three winners and two runners-up.
- The Council has had responsibility for Chasewater Country Park and Dam for a number of years. The Dam has recently required considerable enhancement work and this has resulted in the Council incurring **£1.4 million** of Capital Expenditure in 2010/11. As of May 2011, Staffordshire County Council has assumed responsibility for this asset.

Attract even more investment into our district

- Business Engagement Strategy completed and in the process of being implemented via the Lichfield and Tamworth Business and Economic Partnership.
- A joint venture partner is about to be appointed on Friarsgate and steps have been taken to implement the confirmed CPO. A planning submission to seek approval for some minor material design amendments has been approved. More progress has been made on Friary Outer which now, with the benefit of some **£2.4 million** grant from the Homes and Communities Agency and the involvement of Bromford, proposes 60 units of affordable housing, a 414 space car park and a hotel and restaurant/retail showroom. A development Agreement between Harrison, Bromford and the Council has been completed and development is expected to commence in the Summer of 2011.
- The Heritage Lottery Fund (HLF) funded refurbishment of our City Centre Parks is progressing and is expected to be completed by late summer.

Provide great value services that are centred on that that are centred on customers' needs.

- The District Council House reception area refurbishment has now been completed.
- Considerable progress has been made on the development of shared services. New shared services such as the Joint Waste arrangement with Tamworth are now live and delivering significant savings. Work is progressing in exploring the potential for shared working in other areas such as Legal Services. Other projects such as Business Matters, Tell us Once and Staffordshire Cares are benefiting from the collaborative work and funding.
- Lichfield Connects handled 134,241 telephone enquiries in 2010/11, 97.8% of calls were answered, of which 87.5% were answered within 20 seconds. There were also 25,706 face to face enquires received.
- A new customer service for the Joint Waste Service has now been delivered.
- The upgrade to Oracle Financials IT system, in conjunction with Solihull MBC, was completed in December 2010 and went "live" in January 2011.
- The Council has incurred general capital expenditure for IT Upgrades of **£141K** in 2010/11 to improve and support its IT infrastructure.

Overall, the 20010/11 Statement of Accounts demonstrates that the finances of Lichfield District Council remain sound. Both revenue and capital spending is constrained within affordable budgets, and assets and reserves exist to support future service provision and the achievement of the Council's key priorities.

Jane Kitchen

Director of Finance, Revenue & Benefits (Chief Finance Officer)

30 June 2011

MOVEMENT IN RESERVES STATEMENT

This statement on Pages 15, 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 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 purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line, shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	3,322	3,105	3,319	2,189	11,935	8,297	20,232
Movement in Reserves 2010/11							
Surplus/(Deficit) on provision of services	7,000	-	-	-	7,000	-	7,000
Other Comprehensive Income and Expenditure	-	-	-	-	-	9,598	9,598
Total Comprehensive Income and Expenditure	**7,000**	**-**	**-**	**-**	**7,000**	**9,598**	**16,598**
Adjustments between accounting basis & funding basis **(Note 7)**	(7,450)	-	(484)	(553)	(8,487)	8,487	-
Net Increase/Decrease before Earmarked Reserves	**(450)**	**-**	**(484)**	**(553)**	**(1,487)**	**18,085**	**16,598**
Transfers to/from Earmarked Reserves **(Note 8)**	535	(535)	-	-	-	-	-
Increase/Decrease in Year	**85**	**(535)**	**(484)**	**(553)**	**(1,487)**	**18,085**	**16,598**
Balance at 31 March 2011	**3,407**	**2,570**	**2,835**	**1,636**	**10,448**	**26,382**	**36,830**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	3,979	2,747	3,740	3,115	13,581	29,649	43,230
Movement in Reserves 2009/10							
Surplus/(Deficit) on provision of services	(3,629)	-	-	-	(3,629)	-	(3,629)
Other Comprehensive Income and Expenditure	-	(23)	-	-	(23)	(19,346)	(19,369)
Total Comprehensive Income and Expenditure	**(3,629)**	**(23)**	**-**	**-**	**(3,652)**	**(19,346)**	**(22,998)**
Adjustments between accounting basis & funding basis **(Note 7)**	3,353	-	(421)	(926)	2,006	(2,006)	-
Net Increase/Decrease before Earmarked Reserves	**(276)**	**(23)**	**(421)**	**(926)**	**(1,646)**	**(21,352)**	**(22,998)**
Transfers to/from Earmarked Reserves **(Note 8)**	(381)	381	-	-	-	-	-
Increase/Decrease in Year	**(657)**	**358**	**(421)**	**(926)**	**(1,646)**	**(21,352)**	**(22,998)**
Balance at 31 March 2010	**3,322**	**3,105**	**3,319**	**2,189**	**11,935**	**8,297**	**20,232**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2009/10 Restated				2010/11		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
3,383	(2,034)	1,349	Central services to the public	2,544	(1,527)	1,017
18,959	(8,847)	10,112	Cultural, environmental, regulatory and planning services	20,523	(10,851)	9,672
1,542	(2,219)	(677)	Highways and transport services	2,457	(2,643)	(186)
25,196	(24,369)	827	Other housing services	26,615	(25,635)	980
2,162	(21)	2,141	Corporate and democratic core	2,260	(26)	2,234
-	-	-	Exceptional Item	-	(7,607)	(7,607)
235		235	Non distributed costs	246	-	246
51,477	**(37,490)**	**13,987**	**Cost of Services**	**54,645**	**(48,289)**	**6,356**
1,463	(177)	1,286	Other Operating Expenditure **(Note 9)**	1,422	(140)	1,282
3,183	(1,114)	2,069	Financing and Investment income and Expenditure **(Note 10)**	1,405	(986)	419
-	(13,713)	(13,713)	Taxation and Non-Specific Grant Income **(Note 11)**	-	(15,057)	(15,057)
56,123	**(52,494)**	**3,629**	**(Surplus) or Deficit on Provision of Services**	**57,472**	**(64,472)**	**(7,000)**
		632	Surplus or deficit on revaluation of Property, Plant and Equipment assets			-
		18,714	Actuarial gains/losses on pension assets/liabilities			(9,600)
		23	Other gains/losses			2
		19,369	**Other Comprehensive Income and Expenditure**			**(9,598)**
		22,998	**Total Comprehensive Income and Expenditure**			**(16,598)**

BALANCE SHEET

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

1 April 2009 Restated £000	31 March 2010 Restated £000		Notes	31 March 2011 £000
40,536	40,564	Property, Plant & Equipment	12	43,637
8,422	6,957	Investment Property	13	6,870
97	85	Intangible Assets	14	142
79	189	Long Term Debtors	15	236
49,134	**47,795**	**Long Term Assets**		**50,885**
14,255	9,014	Short Term Investments	15	7,448
78	82	Inventories		88
3,582	8,016	Short Term Debtors	16	5,709
965	439	Cash and Cash Equivalents	17	2,846
18,880	**17,551**	**Current Assets**		**16,091**
-	(6)	Short Term Borrowing	15	(5)
(4,824)	(5,553)	Short Term Creditors	19	(7,569)
(77)	(79)	Provisions	20	-
(115)	(1,089)	Capital Grants Receipts in Advance	34	(247)
(5,016)	**(6,727)**	**Current Liabilities**		**(7,821)**
-	(39)	Long Term Borrowing	15	(35)
(1,501)	(1,516)	Long Term Liabilities: Finance Leases	37	(1,240)
(17,120)	(36,373)	Long Term Liabilities: Defined Benefit Pension	39	(20,187)
(1,147)	(459)	Capital Grants Receipts in Advance	34	(863)
(19,768)	**(38,387)**	**Long Term Liabilities**		**(22,325)**
43,230	**20,232**	**Net Assets**		**36,830**
13,581	11,935	Usable Reserves	21	10,448
29,649	8,297	Unusable Reserves	22	26,382
43,230	**20,232**	**Total Reserves**		**36,830**

CASH FLOW STATEMENT

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

2009/10 Restated £000		**2010/11 £000**
3,629	Net (surplus) or deficit on the provision of services	(7,000)
(1,506)	Adjustments to net surplus or deficit on the provision of services for non-cash movements **(Note 26)**	2,284
(272)	Adjust for revenue grants and contributions reflected on an accruals basis in the deficit on provision of services	(770)
(4,509)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,315)
(2,658)	**Net cash flows from Operating Activities (Note 23)**	**(8,801)**
(4,380)	Investing Activities **(Note 24)**	1,287
7,564	Financing Activities **(Note 25)**	5,107
526	**Net increase or decrease in cash and cash equivalents**	**(2,407)**
(965)	Cash and cash equivalents at the beginning of the reporting period	(439)
(439)	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**(2,846)**

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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:

- 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 instrument rather than the 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.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Therefore, our policy is to treat all instant access bank accounts and money market funds as cash equivalents and all other investments for less than one year (including any investments with notice periods) are treated as short term investments.

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 Council's cash management.

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.

Prior Period Adjustments, Changes in Accounting Policies and Estimates

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, i.e. 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 Council's financial position or financial performance.

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.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance known as the Minimum Revenue Provision (MRP). Our MRP policy is:

- For finance leases, the MRP will match the annual principal repayment for the lease and;
- For all other assets, the MRP is based on the initial estimated life of the asset.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

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 Council.

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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council 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 Council 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.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Staffordshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the Staffordshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond [iBoxx Sterling Corporates AA Over 15 Years Index].

- The assets of Staffordshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price.

- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

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

  - 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;
  - 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;
  - 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;
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, 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;
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Council 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;
  - 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 – debited to the Pensions Reserve;
  - Contributions paid to the Staffordshire 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 Council 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.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

The Council only has one type of financial asset: loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables 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. This means that the amount 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.

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 Council when there is reasonable assurance that:

- The Council 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 contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non ringfenced and is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets

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

Intangible assets are measured initially at cost and carried at amortised 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 service line(s) in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation and impairment losses are not permitted to have an impact on the General Fund Balance. The losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account-

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Property

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.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity.

The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- Any charge for services (charged to the relevant service line of the Comprehensive Income and Expenditure Statement). Where this charge cannot be separately identified, it is assumed to be the difference between the lease payment and the total of the charges for acquisition of the interest in the property, plant and equipment and the finance charge.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements (known as Minimum Revenue Provision or MRP). Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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 life 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 Council as Lessor

Finance Leases

Where the Council 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 Council'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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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

Where the Council 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.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

De Minimis Level

Expenditure below £10,000 is not capitalised and therefore is charged to the Comprehensive Income and Expenditure Statement.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Component Accounting policy for Property, Plant and Equipment

International Accounting Standard 16 (IAS 16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and derecognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1st April 2010.

All historical cost based assets with short lives, land and investment properties will be excluded from our Component Accounting Policy.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.

Policy for Componentisation

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be group together for deprecation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a carrying value of **£500K** and over will be considered for componentisation.
- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of **15%** in relation to the overall value of the asset or over **£500k** will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

To enable a structured approach to component accounting the following principles are applied:

To be considered for componentisation an individual asset (or a group of similar assets) must:

(i) Have a carrying value of at least **£500K**, <u>or</u>
(ii) Have been acquired, <u>or</u>
(iii) Have undergone revaluation, <u>or</u>
(iv) Undergo a change in category classification

A component must:

(v) Have a cost of at least **£100K**, or
(vi) Cost at least **15%** of the overall asset (whichever is higher), and
(vii) Have a useful life which is at least **plus or minus five years** from other components of the overall asset.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

Valuation

The 5-year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio in excess of the **£500K** threshold.

In addition in each financial year, a list of assets that have had capital expenditure incurred will be considered in terms of this component accounting policy and enhancement spend (at cost) will be

added to the relevant assets. These assets will then be subject to revaluation as part of our normal revaluation cycle.
Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
Where decreases in value 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.

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.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

With our Valuer we will continue to complete a desktop Impairment review on an annual basis.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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).

Deprecation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life as estimated by Managers.
- Infrastructure – straight-line allocation over the useful life as estimated by Managers.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
Revaluation 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.

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 losses previously 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 for depreciation, amortisation 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 reclassified 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 received for a disposal in excess of £10,000 are categorised as capital receipts.
Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the

capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Contingent Liabilities

Contingent liabilities arise when 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 is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Reserves

The Council 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 Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

HERITAGE ASSETS: IMPACT OF THE ADOPTION OF THE NEW STANDARD ON THE FINANCIAL STATEMENTS - EFFECTIVE FOR THE 2011/12 FINANCIAL YEAR

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.
The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.
Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored. The six principal collections of heritage assets held are:

- Parian
- Glassware,
- Arms and armour,
- Paintings, maps and prints,
- Coins and medallions,
- Miscellaneous items such as pottery and statues etc.

The collection is not currently recognised in the financial statements, as the cost of the assets is estimated to not be material in total (these assets are held in the asset register of the Authority and detailed records are kept on each asset by the Communications Team).

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet.

The Authority anticipates that it will be able to recognise an element of its paintings, maps and prints collection and statues and other items on the Balance Sheet using as its base the estimates of insurance and market values held by the Authority in respect of the collection. The authority is unlikely to be able to recognise the majority of the remainder of the collection in future financial statements as it is of the view that obtaining valuations for the vast majority of the collection would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

The authority estimates that the value of paintings (where the value is in excess of £10K) is £70k and other items such as statues to be £310K as at 1 April 2010. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £380K, ie a revaluation gain.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

The movements of heritage assets in the 2010/11 financial year are set out in the table below. Note that the authority is of the view that there are no material revaluation gains or losses on its holdings of heritage assets as at 31 March 2011.

Details	**£000**
Heritage Assets (previously classified as community assets in property plant and equipment) at valuation as at 1 April 2010	0
Heritage Assets recognised for the first time at valuation as at 1 April 2010	380
Carrying Value as at 31 March 2011	**380**

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in **Note 1**, the Council 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 future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council 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 assets falls. It is estimated that the annual depreciation charge for buildings would increase by **£88K** and for vehicles; plant and equipment would increase by **£399K** for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of **£6,384K**. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability has reduced by **£16,186K** as a result of estimates being corrected as a result of experience and decreased by **£7,607K** attributable to updating of the assumptions .
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for **£1,216K**. A review of significant balances suggested that an impairment of doubtful debts of **21% (£256K**) 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 **£256K** to set aside as an allowance.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. Exceptional Item

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing Lichfield District Council's liabilities in the Local Government Pension Scheme by **£7.607m** and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the general fund.

6. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. There were no events taking place before this date which provided information about conditions existing at 31 March 2011.

In particular, the financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- Throughout 2010/11, Lichfield District Council and Staffordshire County Council were negotiating the transfer of Chasewater Country Park. Heads of Terms were agreed in March 2011, and all the District Council's asset and liabilities at Chasewater Country Park were transferred to the County Council, on 18 April 2011. The value of assets to be transferred are **circa £3 million**.

7. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It is detailed overleaf:

NOTES TO THE ACCOUNTS

	2010/11				2009/10			
	Usable reserves				Usable reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	2,082			(2,082)	1,916			(1,916)
Movements in the market value of Investment Properties	-			-	1,422			(1,422)
Amortisation of intangible assets	42			(42)	34			(34)
Revenue expenditure funded from capital under statute	1,492			(1,492)	1,303			(1,303)
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	88			(88)	318			(318)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(502)			502	(455)			455
Capital expenditure charged against the General Fund	(721)			721	(237)			237
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,058)		67	2,991	(1,018)			1,018
Application of grants to capital financing transferred to the Capital Adjustment Account			(610)	610			(926)	926
Transfers to Revenue and Interest	7		(10)	3				
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(88)	88			(256)	256		
Unattached Capital Receipts not related to current year asset disposal	(138)	138			(176)	176		
Use of the Capital Receipts Reserve to finance new capital expenditure		(708)		708		(851)		851
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	1	(1)				-		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1	(1)			1	(1)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		1		(1)		1		(1)
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	(1)			1	(1)		
Adjustments primarily involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	(4,869)			4,869	2,196			(2,196)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,717)			1,717	(1,657)			1,657
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(42)			42	(6)			6
Adjustment primarily involving the Accumulated Absences Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(28)			28	(34)			34
Total Adjustments	**(7,450)**	**(484)**	**(553)**	**8,487**	**3,352**	**(421)**	**(926)**	**(2,006)**

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1 April 2009 Restated £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 Restated £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund:							
Earmarked General Reserve	(1,218)	-	(279)	(1,497)	82		(1,415)
Election Reserve	(78)	-	(24)	(102)	8	-	(94)
Public Open Spaces Reserve	(12)	5	-	(7)	-	-	(7)
Building Regulations Reserve	-	-	-	-	-	(6)	(6)
Development Grant Aid Reserve	(40)	5	-	(35)	-	(3)	(38)
Birmingham Road Car Park Capital Reserve	(1,382)	-	(65)	(1,447)	454	-	(993)
Lombard Street Car Park Capital Reserve	(17)	-	-	(17)			(17)
Total	**(2,747)**	**10**	**(368)**	**(3,105)**	**544**	**(9)**	**(2,570)**

9. Other Operating Expenditure

2009/10 Restated £000		2010/11 £000
1,397	Parish council precepts	1,421
1	Payments to the Government Housing Capital Receipts Pool	1
65	Gains/losses on the disposal of non-current assets	-
(177)	Unattached Capital Receipts	(140)
1,286	**Total**	**1,282**

10. Financing And Investment Income And Expenditure

2009/10 £000		2010/11 £000
102	Interest payable and similar charges	95
1,280	Pensions interest cost and expected return on pensions assets	929
(380)	Interest receivable and similar income	(206)
1,113	Income and expenditure in relation to investment properties and changes in their fair value	(315)
(46)	Net (Surplus)/Deficit on Trading Undertakings (Note 27)	(84)
2,069	**Total**	**419**

11. Taxation And Non Specific Grant Incomes

2009/10 Restated £000		2010/11 £000
(6,584)	Council tax income	(6,787)
(4,888)	Non domestic rates	(5,301)
(1,563)	Non-ringfenced government grants	(814)
(678)	Capital grants and contributions	(2,155)
(13,713)	**Total**	**(15,057)**

Non-ring fenced government grants are comprised of:

2009/10 £000		2010/11 £000
(23)	Area Based Grant	(44)
(368)	Housing planning Delivery Grant	-
(1,128)	Formula Grant	(770)
(44)	Local Authority Business Growth Incentive Grant	-
(1,563)		**(814)**

12. Property, Plant and Equipment

Movements in 2010/11:

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2010	**36,326**	**8,582**	**943**	**415**	**1,476**	**47,742**
Additions	784	513	43	259	3,555	5,155
Derecognition – disposals	0	(225)	0	0	0	(225)
At 31 March 2011	**37,111**	**8,871**	**986**	**674**	**5,031**	**52,671**
Accumulated Depreciation and Impairment						
At 1 April 2010	**(1,858)**	**(5,214)**	**(105)**	**0**	**0**	**(7,178)**
Depreciation charge	(918)	(936)	(17)	0	0	(1,871)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(210)	0	0	0	0	(210)
Derecognition – disposals	0	225	0	0	0	225
At 31 March 2011	**(2,986)**	**(5,925)**	**(123)**	**0**	**0**	**(9,034)**
Net Book Value						
At 31 March 2011	34,124	2,946	864	674	5,030	43,637
At 31 March 2010	34,469	3,368	837	415	1,476	40,564

Comparative Movements in 2009/10:

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2009 Restated	**36,191**	**7,483**	**943**	**278**	**464**	**45,359**
Additions	135	1,601	0	137	1,012	2,884
Derecognition – disposals	0	(502)	0	0	0	(502)
At 31 March 2010 Restated	**36,326**	**8,582**	**943**	**415**	**1,476**	**47,742**
Accumulated Depreciation and Impairment						
At 1 April 2009 Restated	**0**	**(4,735)**	**(88)**	**0**	**0**	**(4,823)**
Depreciation charge	(830)	(862)	(17)	0	0	(1,710)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(822)	0	0	0	0	(822)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(206)	0	0	0	0	(206)
Derecognition – disposals	0	383	0	0	0	383
At 31 March 2010 Restated	**(1,858)**	**(5,214)**	**(105)**	**0**	**0**	**(7,178)**

Depreciation

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

- Buildings – 4 to 49 years
- Vehicles, Plant, Furniture & Equipment – 1 to 14 years
- Infrastructure – 39 to 40 years
- Minster Pool – 92 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost **£3.550 million**. Similar commitments at 31 March 2010 were **£3.846m**. The major commitments are:

- Heritage Lottery Parks - **£1.355 million**
- Chasewater Dam - **£2.195 million** (see the note in relation to Post Balance Sheet Events)

Effects of Changes in Estimates

In 2010/11, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council 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 are carried out by the District Valuer Service. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant, furniture and equipment are based on the historic cost of the asset. Carrying values below are shown net of accumulated depreciation.

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	110	2,946	0	3,056
Valued at fair value as at:				
- 31 March 2011	530	0	0	530
- 31 March 2010 restated	10,295	0	0	10,295
- 31 March 2009 restated	23,189	0	0	23,189
Total Cost or Valuation	**34,124**	**2,946**	**0**	**37,070**

13. Investment Properties

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

	2010/11 £000	2009/10 £000
Rental income from investment property	400	402
Direct operating expenses arising from investment property	(85)	(1,515)
Net gain / (loss)	**315**	**(1,113)**

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

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

	2010/11 £000	**2009/10 Restated £000**
Balance at the start of the year	**6,957**	**8,422**
Disposals	(87)	(197)
Gains from fair value adjustments	0	154
Losses from fair value adjustments	0	(1,422)
Balance at the end of the year	**6,870**	**6,957**

14. Intangible Assets

The Council 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 only purchased licences.

Where software licenses are for a defined period of time this is assumed to be the life of the software and the life for software suites used by the Council is three or five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of **£42K** charged to revenue in 2010/11 was charged either directly to the Service that is responsible for the software **(£23K)** or to the IT Administration cost centre **(£19K)** and this charge is then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balance during the year is as follows:

	2010/11 £000	**2009/10 £000**
Balance at the start of the year:		
- Gross carrying amounts	201	178
- Accumulated amortisation	(116)	(81)
Net carrying amount at the start of the year	**85**	**97**
Additions:		
- Purchases	100	22
Amortisation for the Period	(42)	(34)
Net carrying amount at the end of the year	**142**	**85**

Comprising:		
- Gross carrying amounts	300	200
- Accumulated amortisation	(158)	(115)
	142	**85**

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		**Short Term**	
	31 March 2011 £000	**31 March 2010 Restated £000**	**31 March 2011 £000**	**31 March 2010 Restated £000**
Investments				
Investments	0	0	7,448	9,014
Cash and Cash Equivalents	0	0	2,846	439
Loans and Receivables	**0**	**0**	**10,294**	**9,453**
Debtors				
Long Term Debtors	236	189	0	0
Trade Debtors	0	0	3,156	2,468
Loans and Receivables	**236**	**189**	**3,156**	**2,468**
Borrowings				
Borrowing	(35)	(39)	(5)	(6)
Financial Liabilities at Amortised Cost	**(35)**	**(39)**	**(5)**	**(6)**
Other Long Term Liabilities				
Finance Leases	(1,240)	(1,516)	(523)	(500)
Financial Liabilities at Amortised Cost	**(1,240)**	**(1,516)**	**(523)**	**(500)**
Creditors				
Trade Creditors	0	0	(4,668)	(4,035)
Financial Liabilities at Amortised Cost	**0**	**0**	**(4,668)**	**(4,035)**

Income, Expense, Gains and Losses

	2010/11			2009/10 Restated		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	95		95	153		153
Total expense in Surplus or Deficit on the Provision of Services	**95**	**0**	**95**	**153**	**0**	**153**
Interest income		(208)	(208)		(431)	(431)
Total income in Surplus or Deficit on the Provision of Services	**95**	**(208)**	**(113)**	**153**	**(431)**	**(278)**
Net gain/(loss) for the year	**95**	**(208)**	**(113)**	**153**	**(431)**	**(278)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors 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:

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2011		31 March 2010 Restated	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities				
Trade Creditors	(4,668)	(4,668)	(4,035)	(4,035)
Short Term Borrowing	(5)	(5)	(6)	(6)
Long-term creditors - Borrowing	(35)	(35)	(39)	(39)
Loans and receivables				
Short Term Investments	7,448	7,448	9,014	9,014
Cash & Cash Equivalents	2,846	2,846	439	439
Trade Debtors	3,156	3,156	2,468	2,468
Long-term debtors	236	236	189	189

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

16. Short Term Debtors

	1 April 2009 Restated £000	31 March 2010 Restated £000	31 March 2011 £000
Central government bodies	980	5,002	2,436
Council tax payers	147	148	156
Total statutory debtors	**1,127**	**5,150**	**2,592**
Manual prepayments	**187**	**596**	**259**
Other local authorities	847	924	1,399
Public corporations and trading funds	0	0	6
Other entities and individuals	1,760	1,544	1,751
Total trade debtors	**2,607**	**2,468**	**3,156**
Total debtors	**3,921**	**8,214**	**6,007**
Less: Bad debt provsion			
Collection fund	(41)	(38)	(43)
General debtors	(298)	(160)	(256)
Total debtors	**3,582**	**8,016**	**5,709**

17. Cash and Cash Equivalents

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

31 March Restated 2010 £000		31 March 2011 £000
14	Cash held by the Authority	13
425	Bank Accounts[2]	2,103
0	Money Market Funds	730
439		**2,846**

18. Assets Held For Sale

The Council currently has no assets that have been classified as held for sale.

19. Short Term Creditors

	1 April 2009 Restated £000	31 March 2010 Restated £000	31 March 2011 £000
Central government bodies	(402)	(402)	(1,501)
Council tax payers	(125)	(134)	(118)
Total statutory creditors	**(527)**	**(536)**	**(1,619)**
Receipts in advance	**(803)**	**(982)**	**(1,282)**
Other local authorities	(754)	(1,035)	(1,396)
Public corporations and trading funds	(13)	(27)	(28)
Other entities and individuals	(2,727)	(2,973)	(3,244)
Total trade creditors	**(3,494)**	**(4,035)**	**(4,668)**
Total creditors	**(4,824)**	**(5,553)**	**(7,569)**

[2] Bank Investment Call Accounts (plus accrued interest) are **£2.008** million of this figure in 2010/11.

20. Provisions

The Council had one provision in relation to the City Centre Paving project and this has been reversed during 2010/11 following the settlement of the final account for the project.

	Total **£000**
Balance at 1 April 2010	79
Unused amounts reversed in 2010/11	(79)
Balance at 31 March 2011	**0**

21. Usable Reserves

1 April 2009 Restated £000	**31 March 2010 Restated £000**			**31 March 2011** **£000**
3,979	3,322		General Fund	3,407
3,115	2,189		Capital Grants Unapplied	1,636
3,740	3,319		Capital Receipts Reserve	2,835
2,747	3,105		Earmarked Reserves	2,570
13,581	**11,935**		**Total Usable Reserves**	**10,448**

Further details on the movements within Useable reserves are shown in Note 7 and 8.

22. Unusable Reserves

1 April 2009 Restated £000	**31 March 2010 Restated £000**			**31 March 2011** **£000**
6,028	5,100		Revaluation Reserve	4,932
41,085	39,875		Capital Adjustment Account	41,873
13	12		Deferred Capital Receipts	11
(17,120)	(36,373)		Pensions Reserve	(20,187)
(62)	(56)		Collection Fund Adjustment Account	(14)
(295)	(261)		Accumulated Absences Account	(233)
29,649	**8,297**		**Total Unusable Reserves**	**26,382**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are 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 arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 Restated £000			**2010/11 £000**
6,028	**Balance at 1 April**		**5,100**
185	Upward revaluation of assets	0	
(822)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
(637)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		0
(141)	Difference between fair value depreciation and historical cost depreciation	(119)	
(150)	Accumulated gains on assets sold or scrapped	(49)	
(291)	Amount written off to the Capital Adjustment Account		(168)
5,100	**Balance at 31 March**		**4,932**

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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account 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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 Restated £000			2010/11 £000
41,085	**Balance at 1 April**		**39,875**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,916)	• Charges for depreciation and impairment of non-current assets	(2,081)	
0	• Revaluation losses on Property, Plant and Equipment	0	
(34)	• Amortisation of intangible assets	(42)	
(1,303)	• Revenue expenditure funded from capital under statute	(1,492)	
(165)	• 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 Account	(39)	
(3,418)			(3,654)
141	Adjusting amounts written out of the Revaluation Reserve		119
37,808	Net written out amount of the cost of non-current assets consumed in the year		36,340
	Capital financing applied in the year:		
850	• Use of the Capital Receipts Reserve to finance new capital expenditure	708	
1,014	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,992	
926	• Application of grants to capital financing from the Capital Grants Unapplied Account	610	
462[3]	• Statutory provision for the financing of capital investment charged against the General Fund	502	
237	• Capital expenditure charged against the General Fund	721	
3,489			5,533
(1,422)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
39,875	**Balance at 31 March**		**41,873**

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 Council 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 Council 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 Council 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 be paid.

[3] Charge for the year is £455k plus an accounting adjustment.

2009/10 £000		2010/11 £000
(17,120)	**Balance at 1 April**	(36,373)
(18,714)	Actuarial gains or losses on pensions assets and liabilities	9,600
(2,196)	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	4,869
1,657	Employer's pensions contributions and direct payments to pensioners payable in the year	1,717
(36,373)	**Balance at 31 March**	**(20,187)**

Deferred Capital Receipts Reserve

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

2009/10 £000		2010/11 £000
13	**Balance at 1 April**	**12**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(1)	Transfer to the Capital Receipts Reserve upon Receipt of Cash	(1)
12	**Balance at 31 March**	**11**

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
(62)	**Balance at 1 April**	**(56)**
6	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	42
(56)	**Balance at 31 March**	**(14)**

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.

2009/10 £000		2010/11 £000
(295)	**Balance at 1 April**	**(261)**
34	Amounts accrued at the end of the current year	28
34	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	28
(261)	**Balance at 31 March**	**(233)**

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 Restated £000		2010/11 £000
(358)	Interest received	(183)
38	Interest paid	2
(320)	**Net cash flows from operating activities**	**(181)**

24. Cash Flow Statement – Investing Activities

2009/10 Restated £000		2010/11 £000
2,226	Purchase of property, plant and equipment, investment property and intangible assets	4,845
(120)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(219)
(1,035)	Receipts from Capital Grants	(1,743)
(5,451)	Other receipts from investing activities	(1,596)
(4,380)	**Net cash flows from Investing activities**	**1,287**

25. Cash Flow Statement – Financing Activities

2009/10 Restated £000		2010/11 £000
(45)	Cash receipts of short- and long-term borrowing	-
412	Cash payments for the reduction of the outstanding liabilities relating to finance leases	619
-	Repayments of short- and long-term borrowing	5
7,197	Net payments relating to Precepting Authorities Council Tax & National Non-Domestic Rates	4,483
7,564	**Net cash flows from Financing activities**	**5,107**

26. Adjustments to Net Surplus or Deficit on the provision of services for non cash movements

2009/10 Restated £000		2010/11 £000
(3,441)	Depreciation, Amortisation and Impairment	(2,123)
(2)	(Increase) / Decrease in Provisions	79
4	Increase in Stock	6
2,036	Increase / (Decrease) in Debtors	(1,585)
(439)	Increase in Creditors	(1,887)
336	Other non-cash adjustments	7,794
(1,506)	**Adjust net surplus or deficit on the provision of services for non-cash movements**	**2,284**

These items are included in the Surplus on Provision of Services however need to be adjusted for Cashflow Statement purposes. They do not represent an actual Cashflow during the year.

27. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

NOTES TO THE ACCOUNTS

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11	Chief Executive £000	Finance Revenues & Benefits £000	Culture & Leisure £000	Democratic, Development and Legal Services £000	Community, Health and Housing £000	Operational Services £000	Organisational development £000	Other £000	Total £000
Fees, charges & other service income	(182)	(480)	(4,289)	(2,946)	(815)	(5,769)	(77)	(3)	(14,561)
Government grants	-	(25,291)	(200)	(157)	(482)	(557)	(126)	-	(26,813)
Total Income	**(182)**	**(25,771)**	**(4,489)**	**(3,103)**	**(1,297)**	**(6,326)**	**(203)**	**(3)**	**(41,374)**
Employee expenses	412	888	2,744	1,812	760	3,113	355	538	10,622
Other service expenses	135	25,383	3,855	698	1,206	3,433	84	302	35,096
Depreciation, amortisation and impairment	3	9	718	1,028	577	1,154	126	0	3,615
Support service recharges	121	762	814	1,109	973	718	173	935	5,605
Total Expenditure	**671**	**27,042**	**8,131**	**4,647**	**3,516**	**8,418**	**738**	**1,775**	**54,938**
Net Expenditure	**489**	**1,271**	**3,642**	**1,544**	**2,219**	**2,092**	**535**	**1,772**	**13,564**

Directorate Income and Expenditure 2009/10	Chief Executive £000	Finance Revenues & Benefits £000	Culture & Leisure £000	Democratic, Development and Legal Services £000	Community, Health and Housing £000	Operational Services £000	Organisational development £000	Other £000	Total £000
Fees, charges & other service income	(102)	(430)	(4,086)	(2,121)	(697)	(4,316)	(14)	(22)	(11,788)
Government grants	(15)	(24,130)	(183)	(277)	(332)	(676)	(155)	-	(25,768)
Total Income	**(117)**	**(24,560)**	**(4,269)**	**(2,398)**	**(1,029)**	**(4,992)**	**(169)**	**(22)**	**(37,556)**
Employee expenses	391	853	2,720	1,805	1,169	2,160	766	529	10,393
Other service expenses	103	24,009	3,847	884	758	3,382	36	308	33,327
Depreciation, amortisation and impairment	3	66	715	794	600	505	153	1,422	4,258
Support service recharges	90	396	545	895	818	733	297	858	4,632
Total Expenditure	**587**	**25,324**	**7,827**	**4,378**	**3,345**	**6,780**	**1,252**	**3,117**	**52,610**
Net Expenditure	**470**	**764**	**3,558**	**1,980**	**2,316**	**1,788**	**1,083**	**3,095**	**15,054**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2010/11 £000	**2009/10 £000**
Net expenditure in the Directorate Analysis	13,564	15,054
Net expenditure of services and support services not included in the Analysis	399	(1,067)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7,607)	-
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	6,356	13,987

Reconciliation to Subjective Analysis

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

2010/11	Directorate Analysis £000	Amounts not reported to management £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(13,869)	-	(7,154)	(692)	-	(21,715)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	0
Exceptional item -Past Service Costs	-	(7,607)	-	-	-	(7,607)
Interest and investment Income	-	-	-	-	(206)	(206)
Income from council tax	-	-	-	-	(6,787)	(6,787)
Government grants and contributions	(26,813)	-	-	-	(8,409)	(35,222)
Total Income	**(40,682)**	**(7,607)**	**(7,154)**	**(692)**	**(15,402)**	**(71,537)**
Employee expenses	10,575	-	3,988	47	-	14,610
Other service expenses	34,884	-	1,755	211	-	36,850
Support Service recharges	5,571	-	1,411	35	-	7,017
Depreciation, amortisation and impairment	3,615	-	-	-	-	3,615
Interest Payments	-	-	-	-	95	95
Pension interest and Expected return on Assets					929	929
Precepts & Levies	-	-	-	-	1,421	1,421
Payments to Housing Capital Receipts Pool	-	-	-	-	1	1
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	(1)	(1)
Total expenditure	**54,645**	**0**	**7,154**	**293**	**2,445**	**64,537**
Surplus or deficit on the provision of services	**13,963**	**(7,607)**	**0**	**(399)**	**(12,957)**	**(7,000)**

2009/10	Directorate Analysis £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(11,106)	(6,486)	(683)	-	(18,275)
Surplus or deficit on associates and joint ventures		-	-	-	0
Interest and investment Income	-	-	-	(380)	(380)
Income from council tax	-	-	-	(6,584)	(6,584)
Government grants and contributions	(25,769)	-	-	(7,306)	(33,075)
Total Income	**(36,875)**	**(6,486)**	**(683)**	**(14,270)**	**(58,314)**
Employee expenses	10,282	3,247	112	-	13,641
Other service expenses	33,165	1,935	163	-	35,263
Support Service recharges	4,579	1,304	53	-	5,936
Depreciation, amortisation and impairment	2,836	-	1,422	-	4,258
Interest Payments	-	-	-	102	102
Pension Interest and Expected return on Assets	-	-	-	1,280	1,280
Precepts & Levies	-	-	-	1,397	1,397
Payments to Housing Capital Receipts Pool	-	-	-	1	1
Gain or Loss on Disposal of Fixed Assets	-	-	-	65	65
Total expenditure	**50,862**	**6,486**	**1,750**	**2,845**	**61,943**
Surplus or deficit on the provision of services	**13,987**	**0**	**1,067**	**(11,425)**	**3,629**

28. Trading Operations

The Council has established 1 trading unit where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

Trade Waste	2008/09 £000	2009/10 £000	2010/11 £000
Turnover	(350)	(281)	(292)
Expenditure	380	235	208
(Surplus)/Deficit	30	(46)	(84)

29. Agency Services

The Council provides a Building Control Service for Lichfield District Council and Tamworth Borough Council, involving Building Control Chargeable and Non-Chargeable Services.

Building Control Service	2010/11 £000	2009/10 £000
Expenditure incurred	518	486
Income Received	(382)	(343)
Fee payable by Tamworth Borough Council	(80)	(80)
Lichfield Distrct Council's Contribution	**56**	**63**

30. Jointly Controlled Operation

The Authority is engaged in a jointly controlled operation with Tamworth Borough Council for waste collection for both the Lichfield District and Tamworth Borough areas, known as the Joint Waste Service. The Authority provides the financial administration service for this joint operation. The Service is administered through the Lichfield and Tamworth Joint Waste Board.

The assets of the operation in respect of vehicles, equipment and land and buildings are held by Lichfield District Council and are shown on this Authority's balance sheet.

The parties have an agreement in place for funding this operation with contributions to the agreed budget of 57.5% from the Lichfield District Council and 42.5% from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

The revenue account for the operation covers all operating costs. The operation went live in July 2010 and details for this financial year are as follows:

	2010/11 £000
Funding provided to the operation	
Contribution from Lichfield	1,742
Contribution from Tamworth	1,272
Total funding provided to the operation	**3,014**
Expenditure met by the operation	
Pay and allowances	1,904
Premises costs	19
Transport costs	1,129
Supplies and Services	486
Support Costs	190
Revenue income	(949)
Total expenditure	**2,779**
Net surplus/(deficit) arising on the pooled budget during the year	**235**
Lichfield District Council's share of 57.5% of the net surplus/(deficit) arising on the operation	**135**

31. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2010/11 £000	2009/10 £000
Salaries	-	-
Allowances	262	271
Expenses	29	24
Total	**291**	**295**

32. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Pension Contribution £	Total £
Chief Executive	2010/11	108,480	18,228	126,708
	2009/10	108,674	17,802	126,476
Strategic Director Organisational Development	2010/11	85,296	13,795	99,091
	2009/10	85,167	13,256	98,423
Strategic Director Democratic , Development and Legal Services	2010/11	81,201	13,573	94,774
	2009/10	81,274	13,256	94,530
Strategic Director Community, Housing and Health	2010/11	80,372	13,573	93,945
	2009/10	80,262	13,256	93,518
Director of Operational Services	2010/11	73,623	12,254	85,877
	2009/10	73,753	11,967	85,720
Director of Finance, Revenues and Benefits	2010/11	72,762	12,254	85,016
	2009/10	72,181	11,904	84,085
Director of Leisure, Parks and Play	2010/11	69,045	11,673	80,718
	2009/10	53,795	8,905	62,700

The Council's other employees receiving more than **£50K** remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2010/11 Number of employees	2009/10 Number of employees
£50,000 – £54,999	2	1

33. External Audit Costs

The Council 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 Council's external auditors:

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	98	101
Fees payable to the Audit Commission in respect of statutory inspections	-	8
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	21	25
Fees payable in respect of other services provided by the Audit Commission during the year	1	-
Total	**120**	**134**

The fees for other services payable in 2010/11 related to the National Fraud Initiative.

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Heritage Lottery Fund	1,236	94
Local Public Service Agreement	0	280
West Midlands Regional Improvement and Efficiency Programme	0	100
Regional Housing	0	106
Other Grants	29	60
Lichfield City Council	135	11
Section 106 – Shortbutts Lane	445	12
Section 106 – City Wharf	202	0
Section 106 – Walsall Road	0	(110)
Other Contributions	108	125
Sub Total (Capital)	**2,155**	**678**
Council Tax Income	6,787	6,584
Non-Domestic rates	5,301	4,888
Non Ring Fenced Government Grants	814	1,563
Sub Total (Revenue)	**12,902**	**13,035**
Total	**15,057**	**13,713**

	2010/11 £000	2009/10 £000
Credited to Services		
Heritage Lottery Fund	348	25
Disabled Facilities Grant	317	300
Other Contributions	237	20
Sub Total (Capital)	**902**	**345**
Housing and Council Tax Benefits	24,946	23,777
Concessionary Travel	219	209
Department for Communities and Local Government	272	375
Home Office - Crowded Places	-	140
Other Government Departments and Agencies	232	193
Staffordshire County Council LPSA	835	750
Staffordshire County Council Building Safer Communities	93	111
Positive Futures	191	183
Contributions from other Local Authorities	278	81
Contributions From other Local Authorities-Shared Services	1,202	-
Sub Total (Revenue)	**28,268**	**25,819**
Total	**29,170**	**26,164**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

		31st March 2011 £000
Capital Grants Receipts in Advance		
Other Contributions	248	
Current Liabilities		**248**
Section 106 – Vulcan Road, Lichfield	158	
Section 106 – Hammerwich Hospital, Burntwood	113	
Section 106 – Laurel House, Fazeley	176	
Section 106 – Victoria Hospital, Lichfield	179	
Other Contributions	237	
Long Term Liabilities		**863**
Total		**1,111**

		31st March 2011 £000
Revenue Grants Receipts in Advance		
Natural England-Environmental Stewardship	42	
Heritage Lottery Fund	290	
Other Contributions	34	
Current Liabilities		**366**
Total		**366**

35. Related Parties

The Council 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 Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid is shown in Note 34. During 2010/11, works and services to the value of **£516K** were commissioned from companies in which five members had an interest **(£111K** in 2009/10). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£150K** to voluntary organisations **(£150K** in 2009/10) in which 2 members had positions on the governing body.

Details of these declarations are recorded in the Register of Members' Interest, open to public inspection by appointment.

Other Public Bodies

The Council has representatives on the board of Bromford Housing Association (HomeZone). The Council received the sum of **£108K** from Bromford in 2010/2011 in respect of the right to buy clawback on the sale of dwellings

Entities Controlled or Significantly Influenced by the Council

The net amount owed to the Council by entities controlled or significantly influenced by the Council at the end of 2010/11 was **£364K (£4.9 million** in 2009/10).

These include Staffordshire County Council, the Police Authority, the Fire Authority and Parish Councils, all of which issue precepts on the Council shown in the Collection Fund.

Staffordshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown as a note to the accounts. Lichfield District Council works together with the County Council in a number of areas and is in receipt of funding in relation to Children's Services, Safer Community Partnership and Local Strategic Funding. In addition the County Council provides services in relation to Environmental Health sampling, Land Search and structural survey fees, hire of school premises and joint user leisure facilities.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2009/10 Restated £000
Opening Capital Financing Requirement	**2,631**	**1,934**
Capital Investment		
Property, Plant & Equipment	5,155	2,854
Investment Properties	0	0
Intangible Assets	100	22
Revenue Expenditure Funded from Capital under Statute	1,492	1,303
Sources of Finance		
Capital receipts	(709)	(850)
Government grants and other contributions	(3,602)	(1,940)
Sums set aside from revenue:		
Direct revenue contributions	(721)	(237)
Minimum revenue provision	(502)	(455)
Closing Capital Financing requirement	**3,844**	**2,631**

Explanation of movements in year		
Increase in underlying need to borrowing (Supported by government financial assistance)	0	0
Increase in underlying need to borrowing (Unsupported by government financial assistance)	1,442	612
Assets acquired under finance leases	273	540
Minimum revenue provision	(502)	(455)
Increase / (decrease) in Capital Financing Requirement	**1,213**	**697**

37. Leases

Council as Lessee

Finance Leases

The Council has acquired vehicles, plant furniture and equipment for waste collection, grounds maintenance, vending machines and printing devices under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2010 Restated £000
Other Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	1,433	1,692
Total	**1,433**	**1,692**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 Restated £000
Finance lease liabilities (net present value of minimum lease payments)		
- current	523	500
- non-current	1,240	1,516
Finance costs payable in future years	187	255
Minimum lease payments	**1,951**	**2,271**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 Restated £000	31 March 2011 £000	31 March 2010 Restated £000
Not later than one year	598	586	523	500
Later than one year and not later than five years	1,303	1,670	1,230	1,500
Later than five years	50	16	10	16
Total	**1,951**	**2,271**	**1,763**	**2,016**

The Council has sub let three vehicles to two other Local Authorities. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was **£7K** (**£124K** at 31 March 2010)

Operating Leases

The Council leases land, vehicles, plant and equipment to enable the provision of services to the area in line with the Council's strategic priorities.

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

	31 March 2011 £000	31 March 2010 Restated £000
Not later than one year	116	139
Later than one year and not later than five years	175	272
Later than five years	1,276	1,296
Total	**1,568**	**1,707**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £000	31 March 2010 Restated £000
Minimum Lease Payments	139	115
Total	**139**	**115**

Council as Lessor

Finance Leases

The Council only has three leases categorised as finance leases:

- The Guildhall complex in Lichfield with Lichfield City Council that has been assessed as a finance lease. This lease is from 20 February 1987 for 999 years and is for a peppercorn rent. Therefore, no asset or long-term debtor is shown within the Council's Financial Statements.
- Former Arts Centre Site, Lichfield with Pergola Properties for 125 years from 25 February 2005. The Council received a single lease premium and this was treated as a usable capital receipt. Therefore, no asset or long-term debtor is shown within the Council's Financial Statements.
- 55 to 57 Wade Street, Lichfield with Lowe Properties Ltd for 125 years from 17 December 2003. The Council received a single lease premium and this was treated as a usable capital receipt. Therefore, no asset or long-term debtor is shown within the Council's Financial Statements.

Operating Leases

The Council leases out shops, industrial units, offices, leisure facilities and other property under operating leases to third party organisations for the following purposes:

- To provide services to the area in line with the Council's strategic priorities.
- To generate income for the Council.

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

	31 March 2011 £000	31 March 2010 Restated £000
Not later than one year	841	853
Later than one year and not later than five years	2,627	2,928
Later than five years	45,291	45,831
Total	**48,759**	**49,612**

38. Impairment Losses

The Council undertook structural repairs to its Multi Storey Car Park in Frog Lane, Lichfield at a cost of **£575K** and following depreciation for the year of **£115K** the net book value at 31st March 2011 was **£460K**. However, as required by the Code, the District Valuer undertook an impairment review at the 31st March 2011 and assessed the recoverable amount to be **£230K**. This has meant that an impairment charge of **£230K** for the building less an impairment reversal for the land of **£20K** has been made in the Comprehensive Income and Expenditure Statement.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Staffordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The Council recognises 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits 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:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2010/11 £000	**2009/10 £000**
Cost of Services:		
- current service cost	1,753	843
- past service costs	(7,575)	-
- settlements and curtailments	24	73
Financing and Investment Income and Expenditure		
- interest cost	4,105	3,282
- expected return on scheme assets	(3,176)	(2,002)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(4,869)	2,196
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(4,869)	2,196
Movement in Reserves Statement - reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,586	(539)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	**1,717**	**1,657**

Statement of Recognised Income and Expenses (SRIE)	Local Government Pension Scheme	
	31 March 2011 £000	**31 March 2010 £000**
Actuarial Gains/(Losses) on Plan Assets	(1,388)	11,064
Actuarial Gains/(Losses) on Obligations	10,988	(29,788)
Actuarial Gains/(Losses) Recognised in SRIE	**9,600**	**(18,714)**
Cumulative Actuarial Gain/(loss) Recognised in SRIE	**(15,781)**	**(25,381)**

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme £000	
	2010/11	**2009/10**
Opening balance at 1 April	80,412	47,761
Current service cost	1,753	843
Interest cost	4,105	3,282
Contributions by scheme participants	586	579
Actuarial gains and losses	(10,988)	29,778
Benefits paid	(1,974)	(1,788)
Unfunded Benefits Paid	(109)	(116)
Past service costs	(7,575)	-
Entity combinations	-	-
Curtailments	24	73
Settlements	-	-
Closing balance at 31 March	**66,234**	**80,412**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme £000	
	2010/11	**2009/10**
Opening balance at 1 April	44,039	30,641
Expected rate of return	3,176	2,002
Actuarial gains and losses	(1,388)	11,064
Employer contributions	1,608	1,541
Employer contributions unfunded Benefits	109	116
Contributions by scheme participants	586	579
Benefits paid	(1,974)	(1,788)
Unfunded Benefits paid	(109)	(116)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	**46,047**	**44,039**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing Lichfield District Council's liabilities in the Local Government Pension Scheme by **£7.607 million** and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the general fund

The actual return on scheme assets in the year was **£3.741 million** (2009/10: £**13.067 million**).

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(53,515)	(48,967)	(47,761)	(80,412)	(66,234)
Fair value of assets in the Local Government Pension Scheme	**41,356**	**39,337**	**30,641**	**44,039**	**46,047**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	**(12,159)**	**(9,630)**	**(17,120)**	**(36,373)**	**(20,187)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of **£20.187 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a overall balance of **£36.830 million**. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is **£1.6 million.**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Staffordshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2009/10
	Percentage	Percentage
Long-term expected rate of return on assets in the scheme		
Equity investments	7.5	7.8
Bonds	4.9	5.0
Property	5.5	5.8
Cash	4.6	4.8
Expected Return on Assets	6.9	7.2
Rate of inflation	2.8	3.8
Rate of increase in salaries	5.1	5.3
Rate of increase in pensions	2.8	3.8
Rate for discounting scheme liabilities	5.5	5.5
Take-up of option to convert annual pension into retirement lump sum		
- Pre April 2008	50	50
- Post April 2008	75	75
	Years	Years
Mortality assumptions		
Longevity at 65 for current pensioners:		
- Men	21.2	20.8
- Women	23.4	24.1
Longevity at 65 for future pensioners:		
- Men	23.3	22.3
- Women	25.6	25.7

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets

	31 March 2011 Percentage	31 March 2010 Percentage
Equity investments	78	79
Debt Instruments	11	11
Property	7	6
Cash	4	4
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 Percentage	2007/08 Percentage	2008/09 Percentage	2009/10 Percentage	2010/11 Percentage
Differences between the expected and actual return on assets	(0.7)	(12.5)	(38.8)	25.1	(3.0)
Experience gains and losses on liabilities	(0.1)	(4.6)	-	-	6.4

40. Contingent Liabilities

- Under the Deed of Transfer of the Council's Housing Stock to Bromford Housing Association (HomeZone) on 24 March 1997, the Council entered into certain limited warranties and covenants, which will terminate on the fortieth anniversary. The amount of any potential liability cannot be estimated.

- In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal claims, which will take many years to materialise and finalise. In the event of MMI's insolvency during this period, local authority policy holders have agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential liability if the scheme is triggered is **£62K**. Currently, it is not considered necessary to provide an amount for the Authority's financial exposure arising from risks formerly insured with MMI as a solvent wind-up of the business is forecast by the directors of the company. It will be many years, however, before the final outcome of MMI's financial position is known for certain and the Authority's financial exposure will continue to be reviewed annually for this purpose.

- The Council manages risk associated with insurance cover by a combination of external insurance and self funding; the latter being limited to the policy excess. The estimated potential liability of the Council for existing claims as at 31st March 2011 is **£178K**. No provision has been made for this amount as the outcome of the claims is currently unknown.

- As a result of the abolition of Regional Assemblies, it is no longer considered sustainable for the West Midlands Council (WMC) to remain an employing body due to the size of its liabilities within the Local Government pension Scheme. The cessation of WMC as an employer requires the settlement of all pension liabilities based on the staffing position 31 March 2011. The actuarial assessment of actual liabilities will be undertaken in May/June 2010-2011.The proposed options to be considered are:

  - The authority chooses to remain part of the 'closed' Admission arrangement (with WMC no longer admitting new members) this would require defined annual payments over 25 years.

  - To settle liabilities by payment of a 'one off' lump sum.

A decision as to which option to take will be made in 2011-2012 financial year.

41. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Cabinet and Full Council in the annual Treasury Management Strategy Report. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the three major ratings agencies – Fitch, Standard and Poor and Moodys. In addition, we will continue to monitor the credit standard of financial institutions on a regular basis through reference to:

- Credit Default Swaps (where quoted).
- Share prices (where quoted).
- Gross Domestic Product and Net Debt as a percentage of GDP.
- Sovereign Support Mechanisms/potential support from well resourced parent institutions.
- Macro economic indicators.

- Corporate developments and information in the general and financial media.

The Annual Investment Strategy also imposes a maximum sum to be invested with each financial institution together with limits in relation to groups of counterparties.

The credit criteria in respect of financial assets held by the Council are as detailed overleaf:

Specified Investments[4]

Financial Asset Category	Strategy Approved 22 February 2011		Strategy Approved 23 February 2010	
	Minimum Criteria	**Limits**	**Minimum Criteria**	**Limits**
UK Banks and Building Societies	Minimum Short Term Rating Fitch = F1 Moody's = P-1 Standard and Poors = A-1 Minimum Long Term Rating Fitch = A+ Moody's = A1 Standard and Poors = A+	**£2 million** and subject to Arlingclose advice	Minimum Short Term Rating Fitch = F1 Moody's = P-1 Standard and Poors = A-1 Minimum Long Term Rating Fitch = A+ Moody's = A1 Standard and Poors = A+	**£3 million** / less than 1 year and subject to Arlingclose advice
Deposits with Money Market Funds	Fitch = AAAmmf Moodys = Aaa/MR1+ Standard and Poors = AAAm	**£2 million**	Fitch = AAAmmf Moodys = Aaa/MR1+ Standard and Poors = AAAm	**£1.5 million**
UK Government	Not applicable	No limit	Not applicable	No limit
Local Authorities, Parish Councils etc	Not applicable	No limit	Not applicable	No limit

	Strategy Approved 22 February 2011	Strategy Approved 23 February 2010
Group Limit	**£3 million**	**£4 million**
Money Market Funds Limit	**£10 million**	**£6 million**
Sovereign Limit	100% UK	100% UK

Non Specified Investments

Financial Asset Category	Strategy Approved 22 February 2011		Strategy Approved 23 February 2010	
	Minimum Criteria	**Limits**	**Minimum Criteria**	**Limits**
The Council's own bank (where credit ratings are not sufficient)	Now a specified investment		Not applicable	£100,000
Deposits with a maturity of greater than one year	Minimum Short Term Rating Fitch = F1+ Moody's = P-1 Standard and Poors = A-1+ Minimum Long Term Rating Fitch = AA- Moody's = Aa3 Standard and Poors = AA-	**£2.3 million**	Minimum Short Term Rating Fitch = F1+ Moody's = P-1 Standard and Poors = A-1+ Minimum Long Term Rating Fitch = AA- Moody's = Aa3 Standard and Poors = AA-	**£2.5 million**
Group Limit	**£3 million**		**£4 million**	
Sovereign Limit	100% UK		100% UK	

[4] Specified Investments are the lowest risk investments being in high security and high liquidity investments made in Sterling, Short term investments made with UK Government and other Local Authorities and short term money market transactions with a "high credit quality".

Customers for goods and services are assessed for credit, taking into account their financial position, past experience and other factors.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £10.186m (£7.448m of short term investments and £2.738m of cash equivalents) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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

	Amount at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 £000	Estimated maximum exposure to default at 31 March 2011 £000	Estimated maximum exposure to default at 31 March 2010 £000
Deposits with Banks, Building Societies and Money Market Funds	a	b	c	(a x c)	
AAA rated counterparties	1,730	0.00%	0.00%	0	0
AA rated counterparties	3,018	0.09%	0.09%	3	2
A rated counterparties	5,438	0.69%	0.69%	37	43
Trade debtors	3,033	8.45%	8.45%	256	160
Total	**13,219**			**296**	**205**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

	31 March 2011 £000	**31 March 2010 Restated £000**
Less than three months	2,485	1,840
Three to six months	96	128
Six months to one year	177	173
More than one year	275	327
Total	**3,033**	**2,468**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	31 March 2011 £000	31 March 2010 Restated £000
Less than one year	4,673	4,041
Between one year and two years	5	6
Between two and five years	30	32
More than five years	0	0
Total	**4,708**	**4,079**

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

Market Risk

Interest Rate Risk

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

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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 changes to be accommodated.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2011 £000
Increase in interest payable on variable rate borrowings/liabilities	11
Increase in interest receivable on variable rate investments	(74)
Increase in Government Grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(63)
Decrease in fair value of fixed rate investment assets	0
Impact on other Comprehensive Income and Expenditure	(63)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Comprehensive Income and Expenditure)	0

Due to the current low level of interest rates and the fact that we only have a very small sum of external borrowing, the impact of a fall in interest rates to zero would be a net reduction in interest receivable of **£6K.**

Price Risk

The Council does not invest in equity shares.

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

42. Material differences between amounts presented under the 2009 SORP and the IFRS-based Code

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1. Short-term accumulating compensated absences

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

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

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

Accruing for short-term accumulating compensated absences has resulted in an opening balance in 2009/10 of **£295K** with this reducing by **£34K** to **£261K** as at 31 March 2010.

2. 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. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

Finance Leases Reclassified as Operating Leases.

The Council has two leases for land related to:

- King Edwards Leisure Centre from Staffordshire County Council. The lease term is 80 years from 1 September 1995. This lease was previously classified as a finance lease, but under the Code the land element has been classified as an operating lease. As a consequence of classifying the land as an operating lease, the financial statements have been amended as follows:

Balance Sheet	**1 April 2009 £000**	**31 March 2010 £000**
Property, Plant and Equipment	(326)	(326)
Capital Adjustment Account	326	326

- Burntwood Leisure Centre from the Coal Industry Social Welfare Organisation (CISWO). The lease term is 125 years from 25 March 1997. This lease was previously classified as a finance lease, but under the Code the land element has been classified as an operating lease. As a consequence of classifying the land as an operating lease, the financial statements have been amended as follows:

Balance Sheet	**1 April 2009 £000**	**31 March 2010 £000**
Property, Plant and Equipment	(254)	(254)
Capital Adjustment Account	254	254

Operating Leases Reclassified as Finance Leases.

The Council has a number of leases for vehicles and plant. These leases were previously classified as a operating leases, but under the Code, they have been classified as finance leases. As a consequence of classifying them as finance leases, the financial statements have been amended as follows:

1st April 2009

Balance Sheet	Gullivers £000	Go Plant £000	ING £000	Dawsons £000	Total £000
Property, Plant and Equipment	774	669	22	33	1,498
Finance Lease Liability (current and non current)	(899)	(766)	(29)	(39)	(1,733)
Capital Adjustment Account	125	97	7	6	235

31st March 2010

Balance Sheet	Gullivers £000	Go Plant £000	ING £000	Dawsons £000	Total £000
Property, Plant and Equipment	685	787	6	22	1,500
Finance Lease Liability (current and non current)	(827)	(919)	(10)	(28)	(1,784)
Capital Adjustment Account	142	134	4	6	284

2009/10

Comprehensive Income and Expenditure Statement	Gullivers £000	Go Plant £000	ING £000	Dawsons £000	Total £000
Cultural, Environmental, Regulatory and Planning Services – lease payments	(277)	(143)	(21)	(13)	(454)
Cultural, Environmental, Regulatory and Planning Services – Depreciation	248	164	18	11	441
Net Cost of Services	**(29)**	**21**	**(3)**	**(2)**	**(13)**
Financing and investment Income and Expenditure - Interest Element of Finance Leases	45	10	2	2	59
(Surplus) or Deficit on Provision of Services	**16**	**31**	**(1)**	**0**	**46**
Minimum Revenue Provision	232	133	19	11	395
Depreciation	(248)	(164)	(18)	(11)	(441)
Movement in Reserves	**(16)**	**(31)**	**1**	**0**	**(46)**

3. Government grants

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

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

1st April 2009

Balance Sheet	1 April 2009 £000
Government Grants Deferred	6,664
Capital Adjustment Account	(6,664)

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants and contributions were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants and contributions, which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grants and contributions have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Comprehensive Income and Expenditure Statement	Government Grants Deferred in 2009/10 £000	Grants & Contributions Received in 2009/10 £000	Total £000
Central Services to the Public	21	0	21
Cultural, Environmental, Regulatory and Planning Services	877	(45)	832
Highways, Roads and Transport Services	4	0	4
Housing Services	375	(300)	75
Non Distributed Costs	35	0	35
Net Cost of Services	**1,312**	**(345)**	**967**
Other Operating Expenditure	47	0	47
Taxation and Non Specific Grant Income	0	(678)	(678)
(Surplus) or Deficit on Provision of Services	**1,359**	**(1,023)**	**336**

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

4. Cash and cash equivalents

The Code requires 'cash and cash equivalents' to be presented in the Balance Sheet and reported as cash flows in the Cash Flow Statement. The SORP did not use the concept of cash equivalents. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has reclassified instant access and money market fund investments as cash equivalents.

This has resulted in the following changes being made to the 2009/10 financial statements:

Balance Sheet	1 April 2009 £000	31 March 2010 £000
Cash and Cash Equivalents	905	567
Short Term Investments	(905)	(567)

5. Investment Properties

The Code requires that only assets owned for the purposes of rental income and / or capital appreciation can be classified as investment properties. One major asset related to the land the Council owns in Bakers Lane, Lichfield is the site of the Three Spires Shopping Centre and has been reclassified from investment properties to Property, Plant and Equipment. In addition, the asset has been revalued at the 1 April 2009 and the 31 March 2010 to reflect this new classification. The impact on the financial statements is shown below:

Balance Sheet	**1 April 2009 £000**		**31 March 2010 £000**	
	Investment Property	**Property, Plant & Equipment**	**Investment Property**	**Property, Plant & Equipment**
Asset Value as an Investment Property	(3,000)	3,000	(2,625)	2,625
Revaluation based on valuation as a Property, Plant & Equipment Asset		3,900		3,575
Asset Value		**6,900**		**6,200**
Revaluation Reserve		**(3,900)**		**(3,575)**

The Code also requires expenditure and income related to Investment Properties is to be shown in the Financing and Investment Income and Expenditure area of the Comprehensive Income and Expenditure Statement, the impact on the financial statements in 2009/10 is shown below:

Comprehensive Income and Expenditure Statement	**2009/10 £000**
Cultural, Environmental, Regulatory and Planning Services	309
Non Distributed Costs	(1,422)
Net Cost of Services	(1,113)
Financing and Investment Income and Expenditure	1,113
(Surplus) or Deficit on Provision of Services	**0**

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of council tax and non-domestic rates.

2009/10 £000		2010/11 £000
	Income	
48,230	Council Tax	49,421
	Transfer from general fund	
5,563	Council Tax Benefit	5,757
29,447	Income collectable from business ratepayers	28,747
381	Contribution towards previous years estimated collection fund deficit	491
83,621	**Total income**	**84,416**
	Expenditure	
54,086	Precepts and demands from major preceptors and the authority	55,262
	Business rates	
29,074	Payment to national pool	28,447
127	cost of collection	126
	Impairment of debts	
12	Write-offs of uncollectible amounts	70
271	Allowance for impairment	171
83,570	**Total expenditure**	**84,076**
(51)	**Movement on Fund (Surplus)/Deficit**	**(340)**
505	Balance a beginning of year	**454**
454	Balance at end of year	**114**

2009/10 £000	Precepts and demands on the Collection Fund	Precept Demands £000	Share of 31 March deficit £000	2010/11 £000
6,568	Lichfield District Council	6,805	14	6,791
38,072	Staffordshire County Council	39,130	81	39,049
6,513	Staffordshire Police Authority	6,755	14	6,741
2,479	Staffordshire Fire Authority	2,572	5	2,567
53,632		**55,262**	**114**	**55,148**

COUNCIL TAX INCOME ACCOUNT, NATIONAL NON DOMESTIC RATES (NNDR) AND NOTES

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council and the Fire and Police Authority for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted by **0.5%** to cover appeals, changes in discounts and bad debts that arise) **38,033.4** for 2010/11. This basic amount of Council Tax for a Band D property (**£1,452.98** for 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions expressed as a percentage (%) for Bands A to H:

Band	**Band Width**	**2010/11 Band D Equivalent (Tax Base)**			**2009/10 Band D Equivalent (Tax Base)**		
	£	**Number of Dwellings**	**%**	**99.5%**	**Number of Dwellings**	**%**	**99.5%**
A	0 to 40,000	3,177	8	3,161	3,173	8	3,158
B	40,001 to 52,000	6,883	18	6,849	6,889	18	6,855
C	52,001 to 68,000	8,045	21	8,005	8,050	21	8,010
D	68,001 to 88,000	5,629	15	5,601	5,597	15	5,568
E	88,001 to 120,000	5,335	14	5,308	5,337	14	5,310
F	120,001 to 160,000	4,551	12	4,528	4,522	12	4,499
G	160,001 to 320,000	3,819	10	3,800	3,845	10	3,825
H	320,001 upwards	693	2	689	692	2	689
Class O		92		92	115		115
TOTAL		**38,224**	**100**	**38,033**	**38,220**	**100**	**38,029**

PRECEPTS

Schedule of authorities, which made a precept on the Collection Fund in 2010/11:

2009/10 £000		2010/11 £000
38,394	**Staffordshire County Council**	**39,130**
6,568	**Staffordshire Police Authority**	**6,755**
2,500	**Staffordshire Fire Authority**	**2,572**
5,227	**Lichfield District Council**	**5,384**
	Parish Precepts: -	
38	Alrewas & Fradley with Streethay	34
56	Armitage with Handsacre	62
251	Burntwood Town Council	251
11	Clifton Campville with Thorpe Constantine	12
10	Colton	10
3	Curborough & Elmhurst, Farewell & Chorley	3
22	Drayton Bassett	22
11	Edingale	11
11	Elford	13
58	Fazeley Town Council	58
38	Fradley and Streethat	51
20	Hammerwich	20
3	Hamstall Ridware	3
5	Harlaston	5
5	Hints and Canwell	5
13	Kings Bromley	13
14	Longdon	14
12	Mavesyn Ridware	14
129	Shenstone	129
2	Swinfen and Packington	3
5	Wall	5
1	Weeford	2
42	Whittington and Fisherwick	42
10	Wigginton and Hopwas	10
627	Lichfield City Council	629
1,397	**Total Parish Precepts**	**1,421**
54,086		**55,262**

NATIONAL NON DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **41.4p** (2009/10 **48.5p**) and the small business non-domestic rating multiplier **40.7p** (2009/10 **48.1p**) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the business ratepayers in its area and pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' general funds on the basis of a standard amount per head of resident population.

2009/10 £000		**2010/11 £000**
72,200	Non-Domestic rateable value at year end	81,906
29,447	Gross rates payable	28,747

The difference between the gross rates payable and the income collectable is due to relief's and provisions.

COUNCIL TAX ALLOWANCE FOR IMPAIRMENT

An increase in the allowance for impairment was made during 2010/11 amounting to **£45,622**. The total allowance for impairment of debt as at the 31st March 2011 is **£352,444** and represents **28%** of the **£1,267,923** outstanding debt.

Annual Governance Statement 2010/11

Scope

Lichfield District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. (A copy of the code can be obtained from the Director of Finance, Revenues and Benefits).

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Lichfield District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Lichfield District Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements, are reviewed in this statement.

Creating and implementing a vision

The Authority publishes its ambitions and priorities in its key plans:

1. Our **Strategic Plan** 2008-12 pulls together our existing challenges and commitments, sets out what we know about local, regional and national priorities and considers what we've achieved, so that we are clear where we should be concentrating our efforts for the period covered by the Plan.
2. The Strategic Plan is informed by the **Sustainable Community Strategy,** which captures the aspirations and priorities of all of our stakeholders - those who live and work here, and those organisations who invest in or serve our communities. The **Local Development** Framework is the spatial expression of our Community Strategy.

3. Our Community Strategy has been one of the building blocks of the Staffordshire Community Strategy and our Strategic Plan encompasses the outcomes of the Staffordshire **Local Area Agreement**, a county-wide agreement amongst public sector agencies to achieve 3-year high level outcomes**.**
4. Our **Financial Strategy** sets out the financial policies, practices and resources which will deliver the Strategic Plan. It covers things like how we will use reserves, our investments, the approach to Council Tax, and how we will deploy our capital. It also looks over the medium term at the cost pressures we're likely to face, and the annual budget. One of the stated principles of a good and balanced budget is to ensure that the Revenue Budget is integrated with the Capital Programme. The Council has completed a fundamental review of the Capital Programme, as demands exceeded resources and the Capital Programme impacts on the Revenue position**.**
5. We have plans and strategies covering the key aspects of community interest, like **housing, community safety**, **and health improvement**.

Reviewing the vision

6. The Strategic Plan sets out our focus for 4 years, and our top priorities flow from this. A review of the ambitions, focus, and priorities was undertaken in 2007/8. This started with the commitments and pledges made to the electorate by the majority party during the elections, the commitments already entered into by the previous Council and these were brought together with the evidence base. The evidence base included the surveys and consultations carried out by the Council, the strategic needs assessments compiled by the partnerships within the Local Strategic Partnership and other stakeholders. From all of this the priorities for the next 4 years were arrived at. This was then shared with stakeholders and new evidence added in enabling the priorities to be refined. This was scrutinised by Overview & Scrutiny and approved by Council.
7. The nine **top priorities** which emerged from this process are grouped around a focus on place, on people and on improving the organisation of the Council by strengthening the actions around improvement and efficiency. The priorities were aligned to the **Local Area Agreement**, which was negotiated during 2008/09, so that targets and performance measures are reflected in our Plan.
8. For our Strategic Plan we devise a 1-year high level **Action Plan** which contains the tasks for the year. From these flow our Service Plans.
9. Our **Service Plans** are our operational plans. These drive the activity in each service area. Each service area produced an integrated Service and Financial Plan based on updated guidance from Leadership Team. These Plans were then scrutinised by Strategic Overview & Scrutiny. This was then presented to Cabinet (formerly known as Executive) together with a view by the Chairman of Strategic Overview & Scrutiny on whether the Plans were in conformance with our Strategic Plan. The Chairman also identified improvements in the process which could be made for the following year. In this way the Council provides the opportunity for extensive involvement of back bench Members in setting the financial strategy.
10. Personal performance targets come from our 1-year high level **Action Plan** and **Service Plans.** These are set annually**.**
11. Our **Performance Management Framework** is the process by which we manage the performance of the organisation at each level.

Measuring the quality of services for Value For Money

12. There are measures for each priority area, so we can assess progress. Performance is accounted for through half yearly reports to Cabinet and Overview and Scrutiny Committees, which includes performance on the pursuit of the priorities through the annual action plan, together with the financial performance.
13. Performance is communicated to employees through editions of the Council's Core Brief as well as Team Meetings and our Intranet, to all Members through the Council's Members' Newsletter called 'Headlines',

and to partners via our LSP communications. We also include performance information on our website and via Press Releases.

14. The Council's performance results are detailed in the published Annual Report 2009. It is a clear statement about how the Council is performing against the targets it has set itself or with its partners. The document is written in plain language to make the information accessible.

15. We test our customers' views of the quality of our services through our 'Omnibus' survey half yearly. This supports the new statutory 'Place' survey.

16. The Council continuously assesses the value for money offered to citizens through our Improvement and Efficiency Strategy, which flows from the Priority 'Delivering Through Improvement', which focuses on reviewing processes, enhancing employee capacity, improving the use of technology tools, managing risk, how well we meet the customers' needs and good governance arrangements. The Improvement and Efficiency Strategy includes securing savings through collaborative working with other Councils. The Value For Money assessment for 2010/11 provides external validation on our approach.

Roles and responsibilities of Members and Officers

17. The **Constitution** defines and documents the roles and responsibilities of the Cabinet, Committees including Overview and Scrutiny Committees, and officer functions with clear delegation arrangements and protocols for effective communication.

18. The Cabinet Members have role descriptions provided to them which mirror the job roles of Directors. The Chairmen of Overview & Scrutiny Committees have role descriptions which set out their responsibilities as Chairman, including their responsibility to develop the robustness of the Scrutiny process, and develop the Members of their Committee.

19. In addition, the Constitution sets out the statutory roles of the Head of Paid Service, the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer to ensure that internal control procedures are efficient and effective and are being complied with on a routine basis, and to ensure legality and sound financial standing.

20. The roles of each of the governance mechanisms of the Council are summarised in an easy to read one page document called *Organising to Deliver.* This is provided to all Councillors and shows the relationship of each of the mechanisms to each other.

21. The Council appointed a Scrutiny Officer to support Overview and Scrutiny Committees.

22. The constitution is updated by Council as changes are needed to be made with the Cabinet Member for Democratic & Legal Services submitting recommendations to Full Council. For Annual Council the governance mechanisms are reviewed by the Leader of the Council together with the Chief Executive to see if they are fit for purpose. The Advisory Panels to the Cabinet, established in 2007/8 focused on place, covering our 2 urban centres and the rural settlements, have completed their second year. The Chairman of the Panels have direct access to the Cabinet and the Leader, so that they can reflect the needs of the communities directly.

23. The Council has protocols in place for communication within the democratic process. Reports to Cabinet are submitted and presented by the Cabinet Members for the area, reports to Overview & Scrutiny Committees are presented either by the Cabinet Member or a member of the Committee. Where a Committee establishes a working group or small panel, then generally officers will provide the reports although this may be together with the Portfolio Holder. Reports to regulatory committees will be submitted and presented by officers.

24. An Overview & Scrutiny Toolkit has been developed for Members which gives guidance on how to get the best out of the Scrutiny system.

25. Protocols are also in place for communication with the press and media, with protocols which supersede these at election times.

Standards of conduct and behaviour

26. The role of the Standards Committee is to promote and maintain high standards of conduct by members and co-opted members.

27. It also advises the Council on the adoption or revision of the Members' Code of Conduct, and to consider the implications of such a review, as well as to review complaints and ombudsman cases.

28. The Constitution also contains the code of conduct for employees and the protocol for officer/member relations. These are reviewed and amended on a regular basis.

29. The ethos of the paid service is that officers serve all of the Council, and to this end each of the Directors and the Chief Executive meet with opposition Spokespersons. The development of the governance arrangements and specifically the development of the accountability of officers to Members is periodically strategically reviewed by Leadership Team at their meetings.

30. Members' induction training includes ethical behaviour and the standards of behaviour the Council requires from them to employees, external bodies and members of the community.

31. There is a process in place in which complaints of conduct are pursued.

32. The relatively low number of complaints regarding behaviour demonstrates that the standards are understood.

33. The Council can evidence that it has acted decisively when complaints of unacceptable behaviour have been made by employees.

34. Communicating the expected standards to employees is undertaken through leading by example by managers from the top (which is a specific requirement in the job description of Directors), discussion and training, and a supportive management environment which makes clear to customers that unacceptable behaviour towards employees will not be tolerated.

35. Communication on standards of behaviours is also facilitated through the Council's Employee Liaison Group, with regular meetings with representatives of employees through which we have built sound management-employee relationships.

Decision-making, controls and managing risks

36. The Constitution contains Council's procedures, rules and Scheme of Delegation including the Financial Regulations and Standing Orders.
37. These are the subject of annual review by the Deputy Chief Financial Officer (Deputy S151 Officer) and the Monitoring Officer in conjunction with relevant officers. Any amendments required are then dealt with at Full Council. The documents clearly define how Financial Regulations and Standing Orders are to be applied and followed, and ensure that risks are therefore managed appropriately.
38. There is a programme of training to support the application of the regulations. Their application is tested as part of the Internal Audit Plan, and is reported to Audit Committee.
39. The Council has developed a robust risk management approach via the Council's Risk Management Strategy, with all Managers being trained in the assessment, management and monitoring of risks. The Corporate Risk Register is reported on quarterly to Audit Committee and half yearly to Cabinet. There are departmental risk registers which are maintained systematically. The Strategic Plan, its priorities and tasks for the Annual Plan are risk assessed. All reports include a risk assessment.

The role of Audit Committee

40. The Constitution sets out the role and delegations given to the Audit Committee. The delegations have benefited from reference to best practice, and the Committee undertakes a self assessment which reviews its effectiveness.

41. This is supplemented by specialist training for Members and officers to enable them to work together to develop the role. The Audit Committee is enhanced by having 2 independent Members serve and who bring their professional experience to bear on the issues presented to Committee.

Compliance with laws and regulations

42. A range of internal controls has been established to support the Council.

43. The aim is to:
    - Ensure compliance with policies, procedures and statutory requirements
    - Ensure the economical, effective and efficient use of resources
    - Secure continuous improvement in exercising the functions of the Council
    - Provide an effective performance management and reporting process

44. In addition, there are the statutory roles of Head of Paid Service, Chief Financial Officer (S151 Officer) and Monitoring Officer who provide assistance and guidance in such matters. Legal and financial implications are outlined in committee reports.

45. The Council, Committees and Chief Officers have the full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements.

46. In addition, a Director's Internal Control Checklist or where appropriate a Manager's Internal Control Checklist is sought to provides assurances concerning the compliance of correct procedures and their adherence. This is then supplemented by employment policies to ensure that the correct person is appointed to the role.

47. This was extended in 2008/9 to designated Members (Chairs and Vice Chairs) in the form of a Members' questionnaire. This has sought to extend the assurance process within the Council.

48. Effective financial management is conducted in accordance with the Financial procedures and rules set out in the Constitution and appropriate professional standards under the responsibility of the Director of Finance, Revenues and Benefits (Chief Financial Officer) in accordance with Section 151 of the Local Government Act 1972. Financial reports are provided to Cabinet quarterly.

Whistle blowing and complaints

49. The Authority has a whistle blowing policy in place, which is reviewed by the Audit Committee.

50. The Council has a customer feedback scheme for the public to make complaints, comments and compliments, and constructive criticism which is used to improve services.

Meeting the development needs of members and senior officers

51. There is a Training Plan for Members and as part of this training events are held.

52. Cabinet Members have role descriptions.

53. The Chief Executive and Directors are set their performance targets annually. These are selected from the Strategic Plan and the business risks anticipated for the year.

54. Senior politicians appraise the Chief Executive and the Chief Executive appraises the Directors. As part of this development needs and solutions are identified and agreed.

55. Performance Development Reviews are carried out for employees, and training needs are identified as part of this. A Management Competency Framework has been introduced this year.

56. Training needs are identified and planned for as part of the implementation of any change process arising from the delivery plans of our top priorities. A project management methodology is used by the Council for change programmes, and this will include the identification of training needs and the provision of

them. The Council has a Workforce Development Plan 2009/12 approved by Employment Committee, which has a Learning and Development Plan.

Communications

57. The Council has a Research and Consultation Strategy which enables the strategic and operational planning of consultation/research exercises so that they are carried out cost effectively and efficiently. Consultations include those which support the development of major strategies like the Local Development Framework, the Housing Strategy.

58. The Council publishes a newspaper called *In Touch,* and this contains key information about Council activities, community interests and information.

59. The Council also publishes newsletters for different sectors – for example *City Speak* which is for businesses in Lichfield city centre and is published together with the business community as part of the Town Safe Partnership.

60. The Council maintains a high quality web-site, which was commended again in this year's Better Connected (SOCITM), in particular for the councillors' information, use of open data, and news content.

61. The Council's Contact Centre is the first contact point for customers/citizens. The Centre is a significant component in the distribution of information to residents and visitors, and capturing information from customers to inform service development.

62. The Council makes extensive use of the local media to provide information on activities and to seek people's views, for example the commissioning of 'wraparounds' of the local newspaper for the consultation on the local development framework. The Council monitors its media coverage and provides regular updates (called LDC In The News) to Members and employees so that they can be aware of the coverage received in a given period.

63. These methods of communication are complemented by the Council's regular surveys of residents. Our Omnibus Surveys cover both satisfaction levels and questions directed at identifying what's important to people and preferences on priorities. The twice yearly surveys also test views on how well the Council communicates and the communication channels they use to find out about the Council.

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

Partnerships

64. Extensive use of partnership working is used to improve outcomes for our residents and businesses. Overview and Scrutiny Committees have the responsibility for monitoring and challenging partnership performance in their areas of responsibility.

65. Lichfield District has a District Board which brings together the public sector agencies, for its Local Strategic Partnership. Some of the partnerships which report into this use a self assessment tool to evaluate their effectiveness.

66. The Council is part of county wide and sub regional partnerships which relate to its strategic agenda – including waste, economic development and housing. Members and Officers play a role in county wide Local Area Agreement partnerships and regional bodies which are key to the Council's Strategic Plan, including Improvement and Efficiency Partnership, from which the Council has benefited in supporting the improvements made in the waste service and procurement.

67. The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The organisational structure is such that the Strategic Director, Democratic, Development and Legal is responsible for ensuring the best use of all the councils assets including buildings and premises. The Strategic Director of Organisational Development is responsible for procurement and the Councils risk management policy.

Review of effectiveness

68. Lichfield District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

69. The Constitution is reviewed and updated throughout the year, and this includes reviewing the governance framework.

70. The Council uses the process of developing the Annual Governance Statement as part of the review of the effectiveness of its governance. Managers in conjunction with their Directors have completed Internal Control Checklists so that they take ownership of the elements of the governance framework and can assess where we need to enhance our approach. A corporate officer working group has then brought together these Statements and identified the areas where we need to pay more attention across the Council.

71. An Officer Working Group chaired by the Director of Finance, Revenues and Benefits and including senior Finance personnel, the Monitoring Officer and senior Performance personnel, review the Code of Corporate Governance and it is entered onto our performance management system with areas assigned to Officers. Existing corporate policies are reviewed and updated in accordance with best practice on an ongoing basis. This year we have meet and renewed and updated Whistle Blowing Policy, Anti Fraud and Corruption Policy and Money Laundering Policy.

72. A Members questionnaire has been completed by Chairs, Vice Chairs and Leaders of opposition parties in order to supply Members Assurances.

73. The **Cabinet** is the part of the Council that is responsible for most day-to-day decisions. The Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or Policy Framework, this must be referred to the Council as a whole. The Cabinet receives regular monitoring reports on key aspects of control, including performance and risk management.

74. There is an **Overview and Scrutiny Co-ordinating Committee** and 3 **Overview and Scrutiny Committees**. The Committees oversee and scrutinise decisions made by the Cabinet and Cabinet Members.

75. The Council has an **Audit Committee** that provides independent, effective assurance about the adequacy of the Council's governance environment. The Committee includes 2 independent Members. The Audit Committee has responsibility (set out in its Terms of Reference) to:

- Monitor the effective development and operation of corporate governance in the Council
- Consider the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice
- Consider the Council's compliance with its own and other published standards and controls.

The Audit Committee endorsed the Local Code of Good Governance for approval by Full Council and recommends the Annual Governance Statement for approval.

76. The **Standards Committee** promotes and maintains high standards of conduct by monitoring the operation of the Members Code of Conduct. During 2010/11 there was one complaint received.

77. The statutory functions undertaken by the **Chief Financial Officer (Section 151 Officer)** and the **Monitoring Officer** provide a key source of assurance that the systems and procedures of internal control that are in operation are effective, efficient and are being complied with. Both officers have

been involved in the production of this Statement and have provided assurance that it accurately describes the Council's governance environment.

Internal Audit provides independent and objective assurances across the whole range of the Authority's activities.

78. Internal Audit reports directly to the Chief Executive, to command enhanced significance and independence.

79. Internal Audit has continued to develop its work programme so that resources are allocated based on a systematic assessment of the risks facing the Council in carrying out its functions.

80. Internal Audit review services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control. Audit reports detailing the findings of each review are issued to Service Managers and their Directors and where appropriate, the Chief Financial Officer (Section 151 Officer), Monitoring Officer and Chief Executive.

81. Audit recommendations for improvements require management agreement, and implementation is monitored and reviewed in accordance with formally agreed procedures. Regular updates on audit recommendation agreement and implementation are reported to the Audit Committee.

82. Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. The service is subject to regular review by the Council's External Auditors who place reliance on their work. An annual review of the effectiveness of the system of internal audit is also undertaken and the review for 2010/11 concluded that the system of internal audit is operating effectively and assurance can be taken from the work of Internal Audit service.

Other explicit review/assurance mechanisms.

83. External validation has been provided by QUEST (Leisure), Reservoirs Inspectors (reservoirs including Chasewater) and the Food Standards Agency through its inspection of Environmental Health.

Issues Raised in 2009/10 and subsequently progressed in 2010/11

Finding 2009/10	Action taken 2010/11	Action Plan	Assigned to	Timescale
Issue: : Equality Impact Assessments				
Directors and Managers raised the issue of Impact Assessment and the need for these to become a routine feature of management activity, possible further training and examples of good assessments required.	Further manager training to be undertaken in 2010/11 and examples of good practice rolled out to managers.	Directors and Managers identify these areas of non compliance to progress in their Directorate action plans.	Strategic Director – Organisational Development	March 2011
Issue: Recessionary Impact				

The Recession and the ongoing economic environment has had a significant impact on the District Council's finances. For 2010/11 the impact is **£1.488M.**	The scale, length and depth of the downturn is difficult to accurately predict. The impact is being closely monitored and assessed by service/activity in order to assess as accurately as possible the financial risk to the Council. We are also reporting these findings to Members on a quarterly basis in our Financial Performance Report.	To monitor and assess by service/activity in order to assess as accurately as possible the financial risk to the Council. It should be noted that the impact of the Recession and the ongoing economic environment has been tracked as part of the routine financial performance reports and the amounts identified is close to the actual reported.	Chief Financial Officer - Director Finance, Revenues and Benefits.	March 2011

84. The officer working group have provided an assessment of the governance arrangements using the Internal Control Checklist, together with Internal Audit and External Audit views. From these they have identified the significant issues which we will address during 2010/11.

Outline of the issues to be addressed and actions needed: Significant Governance Issues including an outline of the actions taken, or proposed, to deal with significant issues.

Finding 2010/11	Action Plan 2011/12	Action Plan	Assigned to	Timescale
Issue: : Equality Impact Assessments				
Directors and Managers noted further work was required in the area of Equality Impact Assessment on key policies and documents. This work was ongoing.	Further guidance will be developed for Managers.	Directors and Managers identifying these areas of non compliance to progress in their Directorate action plans.	Strategic Director – Organisational Development	March 2012
Issue: Business Continuity Plans - Testing				
Directors and Managers noted further work was required in the area of testing their Business Continuity Plans.	Directors and Managers are require to test their Business Continuity plans on a regular basis.	Testing to be undertaken on a regular basis.	Strategic Director – Community, Health and Housing. Director Finance, Revenues & Benefits.	March 2012
Issue				
The impact of a reduction in government funding on the Finances of the Councils has been considerable. Resulting in a reduction in funding of 27% over three years. A Budget Reduction Programme has been commenced to identify the savings required within the authority to meet this target.	The Budget Reduction Programme was commenced in 2010/11 and will continue in 2011/12 and beyond.	To identify the Budget reductions required to balance the authorities budget over the three year period.	Leadership Team Chief Financial Officer - Director Finance, Revenues and Benefits.	March 2012

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

Signed on behalf of Lichfield District Council :

Leader of the Council **Chief Executive**

June 2011

Accounting Policies
Accounting policies define the process whereby transactions and other events are treated in the financial statements.

Accrual
This is one of the fundamental accounting concepts and ensures that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accumulated Absences Account
This represents an accrual required by International Financial Reporting Standards (IFRS). It recognises the net value of time either owed by an employee to the Council or owed by the Council to an employee. This is generally a timing difference between an employee's holiday year and the Council's financial year.

Balance Sheet
The Balance Sheet sets out the Authority's total assets and liabilities at the end of the accounting period and shows how they were financed.

Capital Adjustment Account
An account which reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Grants Receipts in Advance
These relate to capital grant receipts that we have received ahead of executing the Capital Expenditure. Therefore it represents Grant monies that will be used after the Balance Sheet date to fund future projects.

Capital Receipts
Money received from the disposal of land or property and from the repayment of grants and loans made by the Council. Capital receipts cannot be used to fund revenue services.

Cash Equivalents
These are short term investments (usually deposits) with a low risk of change in value. They are considered liquid enough to be presented alongside cash.

Collection Fund
A separate fund administered by the Council recording the expenditure and income relating to council tax and non-domestic rates.

Community Assets
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement
This statement summarises the Council's Income and Expenditure during the financial year as well as gains and losses on assets & liabilities. Some gains and losses may not be "realised" which means the real cash impact of the gain or loss will happen at some time in the future.

Consistency
This is one of the fundamental accounting concepts requiring like items to be treated in the same way, both within an accounting period and from one period to the next.

Creditors
An amount owed by the Council for work done, goods received or services rendered, for which payment has not been made at the end of the accounting period.

Revenue expenditure funded from capital under statute
Revenue expenditure funded from capital under statute relates to capital expenditure, which does not result in the acquisition of assets controlled by the Authority. An example of a revenue expenditure funded from capital under statute would be an improvement grant made by the Council to another organisation.

Defined Benefit Scheme
A defined benefit scheme is a pension scheme in which the rules specify the benefits to be paid to members and the scheme is financed accordingly.

Depreciation
This is a charge made to the Comprehensive Income and Expenditure Account each year to reflect the reduction in value of Long Term Assets used to deliver services.

Debtors
Sums of money owed to the Council but not received at the end of the year.

Earmarked Reserve
A sum set aside from either External Funding (eg Grants with no conditions & Partner contributions) or Lichfield District Council Internal Revenue. Within any specified funding restrictions these sums are set aside for projects to be completed in future years.

Finance Lease
Leased Property, Plant and Equipment are treated as a Finance Lease if a substantial amount of risks and rewards of ownership are transferred to the lessee. This means that whilst legal title of ownership does not apply to the Council they are treated as “owned” on the Council’s Balance Sheet. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instruments
These are contracts that give rise to a financial asset of one entity and a financial liability of another entity, including the borrowing and lending of money and the making of investments.

General Fund
The total services of the Council except for the Collection Fund, the net cost of which is met by Council Tax.

Government Grants
Grants made by the Government towards either revenue or capital expenditure, some of which have restrictions on how they may be used.

Government Grants Deferred Account
Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on this account represents grants not yet written off.

Gross Expenditure (Total Cost)
Gross expenditure includes employee costs, expenditure relating to premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges.

Heritage Assets
These are assets that are held by the authority principally for their contribution to knowledge or culture.

Impairment
A reduction in the value of a fixed asset resulting from either: obsolescence, physical damage or an accepted method of asset valuation (most commonly market valuation). The present economic climate has resulted in more volatile asset values and authorities are required to consider whether circumstances are such that an Impairment is indicated and some or all asset values have revised. Asset values are revised where values have changed materially.

Infrastructure Assets
These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
These assets are similar to Property, Plant & Equipment in that they provide benefits to the Council and the services it provides for a period of more than one year, these however do not have physical substance. The main example is IT Software.

International Financial Reporting Standards (IFRS)
IFRS advises the accounting treatment and disclosure requirements of transactions so that the Authority's accounts present a 'true & fair view' of the financial position of the Authority.

Inventories
These are stores held for resale. They have been purchased by the Authority for use in a particular service and will be sold after the balance sheet date.

Investment Properties
Interests in land and/or buildings are described as Investment Properties where

(a) construction work and development have been completed; and

(b) they are held for investment potential, any rental income being negotiated at arms length

Local Authority Business Growth Initiative (LABGI)
The Council formerly received a share of Business Rate Growth in its area.

GLOSSARY OF TERMS

Liabilities
Amounts due to individuals or organisations which will have to be paid some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Materiality
An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

National Non-Domestic Rates (NNDR)
Rates levied on business properties. The Council collects and pays them into a national pool, which is then re-distributed on the basis of population.

Net Book Value
The amount at which Long Term Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Net Expenditure
Net expenditure is gross expenditure less fees, charges, recharges and specific grants.

Operating Leases
A lease whereby ownership of the asset remains with the lessor.

Post Balance Sheet Events
Material events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Property, Plant & Equipment
Assets that provide benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Provision
These are amounts set aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with certainty.

Revaluation Reserve
An account which reflects the net gain from revaluations made since 1st April 2007.

Revenue Expenditure
Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

Non-Ringfenced Government Grant
A grant from Central Government towards the cost of providing services. It is determined by the Comprehensive Spending Review undertaken by central government. This grant is known as Formula Grant or formerly known as Revenue Support Grant.

Unusable and Usable Reserves
This is the name given to a group of accounts on the face of the Balance Sheet. The individual accounts are linked by a Note and are described earlier in this glossary. Usable reserves generally represent transactions that have happened at the Balance Sheet date. Unusable reserves usually recognise the value of transactions that will actually happen in the future.

If you would like this document in another language or format, or if you require the services of an interpreter, please contact us.

Urdu

یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

Punjabi

ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੈਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

Arabic

إذا أردت هذه الوثيقة بلغة أخرى أو بطريقة أخرى، أو إذا كنت بحاجة إلى خدمات مترجم، فنرجو أن تقوم بالاتصال بنا.

Cantonese

本文件可以翻譯為另一語文版本，或製作成另一格式，如有此需要，或需要傳譯員的協助，請與我們聯絡。

Bengali

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান অথবা যদি আপনার একজন ইন্টারপ্রেটারের প্রয়োজন হয়, তাহলে দয়া করে আমাদের সাথে যোগাযোগ করুন।

French

Si vous souhaitez obtenir ce document dans une autre langue ou sous un autre format ou si vous avez besoin des services d'un interprète, veuillez nous contacter.

Farsi

اگر این مدرک را به زبانی دیگر یا در فورمتی دیگر میخواهید و یا اگر احتیاج به سرویس مترجم دارید، لطفا با ما تماس بگیرید

Polish

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