

STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

30 August 2012

Agenda Item 5

Contact Officer: Jane Kitchen

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SUBMISSION BY CLLR MJ WILCOX, THE LEADER OF THE COUNCIL & THE CABINET MEMBER FOR FINANCE, REVENUES & BENEFITS

Statement of Accounts 2011/12

1. Purpose of Report

- 2.1 The Accounts and Audit (England) Regulations 2011 requires a Local Authority to publish an Audited set of its accounts by the 30 September each year.
- 2.2 The accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom – 2011/12.

2. Summary

- 2.1 To provide the Committee with an overview of the Statement of Accounts 2011/12 (**Appendix A**).
- 2.2 The Statement of Accounts is one of the key documents under the broad "Corporate Governance" headings. 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 2011/12 accounts.

3. Recommendations

- 3.1 The Committee is asked to consider the Council's Statement of Accounts for 2011/12.

4. Financial Implications

- 4.1 The Chief Financial Officer (S151 Officer) has the Statutory Responsibility for the production of this Statement.

5. Strategic Plan Implications

- 5.1 The Statement of Accounts feeds into the medium term financial strategy 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.

6. Sustainability Issues

- 6.1 The Statement of Accounts is an integral part of the 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.

7. Human Rights

- 7.1 None.

8. Crime and Community Safety Issues

- 8.1 None.

9. Risk Management Issues

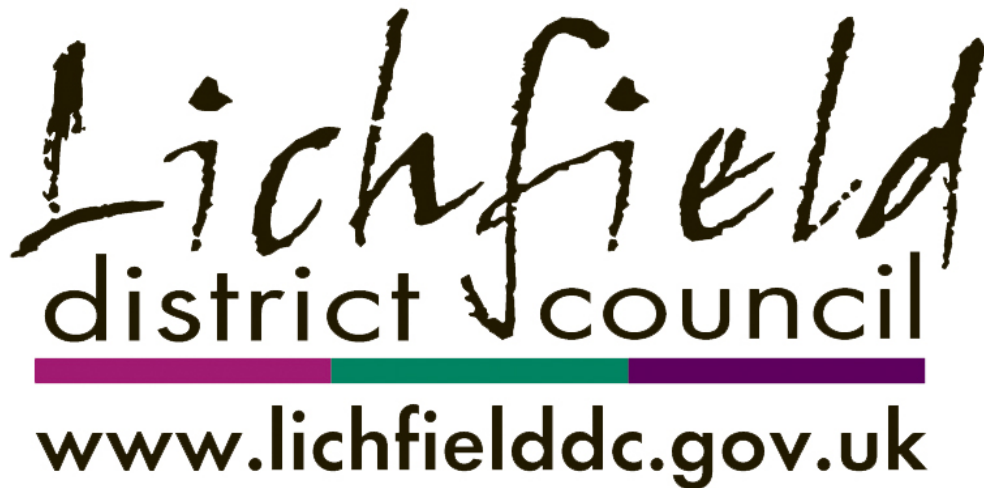
	Risk Description	Likelihood / Impact	Status	Countermeasure
A	The Statement of Accounts records all items of Expenditure and Income for the year. Its completion is therefore crucial in terms of the financial management of the Councils affairs. Non /late completion of the final accounts would give rise to major concerns for the External Auditors.	Tolerable	Financial	Comprehensive planning timetabling of tasks.
B	The need to ensure compliance with the Accounts and Regulations 2011.	Medium	Financial	Comprehensive Training Scrutinising.

Background Documents:

Statement of Accounts working papers 2011/12
 The Accounts and Audit (England) Regulations 2011
 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom

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Statement of Accounts 2011/12



Contents

Statement of Accounts	Page (s)
Statement of Responsibilities	3
Explanatory Foreword	4
Movement in Reserves Statement	17
Comprehensive Income and Expenditure Statement	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Accounts (including a summary of significant accounting policies and other explanatory information)	21
Collection Fund and Notes	82
Council Tax Income Account, National Non Domestic Rates (NNDR) Account and Notes	83
Annual Governance Statement	86
Glossary of Terms	95

If you have any comments on this **Statement of Accounts 2011/2012** or would like any further information please contact:

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Lichfield,
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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 2012.

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 2012 and its income and expenditure for the year.



Date: 28 June 2012

**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 2012 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 2011/12' and the Service Reporting Code of Practice 2010/11 published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standard (IFRS).

The Council's core financial statements, beginning at page 17 are listed below 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 non current and net current assets employed in Council operations together with summarised information on the non current assets held.
- ***Cash Flow Statement*** - this illustrates the inflows and outflows of cash arising from transactions with Third Parties for Revenue and Capital purposes.

EXPLANTORY FOREWORD

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 2011/12

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.

Budget Reduction Programme (BRP) 2011-14

During this financial year, in addition to achieving all the outcomes in accordance with the 1 year High Level Action Plan as part of the Strategic Plan 2008-12; the Council completed a BRP 2011-14.

The Budget Reduction Programme 2011-14 focused not only reducing costs and increasing income, but also on how we could change the way we operate services "*to do more with less*". This work was undertaken in the interest of becoming more efficient with minimal risk to the achievement of the Council's Strategic Priorities.

The BRP 2011-14 enabled savings of **£807,350** to be taken out of the Budget for 2011/12. This saving has enabled a reduction in the original net transfer out of Revenue Reserves of **£807,350**. In total over 2011-14 **£4.456m** has been achieved.

Revenue Spending

What we planned to spend

The Council set an original Net Revenue Budget for 2011/2012 of **£11,810,710** for spending on services. This was made up of an additional transfer from Earmarked Reserves of **£65,760** and a reduction in transfer from General Reserves of **£873,110**. This reduced the revised Net Revenue Budget to **£11,264,080**. It was anticipated financing available from External Grants and Council Tax income would be **£10,521,650** leaving **£83,780** to be funded by a transfer from Earmarked Reserves and **£658,650** from General Reserves held both as a contingency and to support spending.

What we actually spent

The actual spend on activities during 2011/12 was **£785,057** lower than anticipated. This positive impact on the 2011/12 accounts has been further increased by **£39,197** in additional funding received from Central Government.

The actual funding from a transfer to Earmarked Reserves was an extra **£412,717**. The majority of this funding was transferred to a specific Earmarked Reserve for the Birmingham Road Multi-storey Car Park.

EXPLANTORY FOREWORD

The cumulative effects of the reduced spend and additional funding has produced a **£824,254** operational surplus in 2011/12. Overall, the net effect is that General Reserves have increased by **£330,893** overall and the Council's total Revenue Reserves have increased by **£81,824**

Variance Analysis	Revised Budget £	Actual £	Variance £
Funding	(10,521,650)	(10,560,847)	(39,197)
- activities	11,264,080	10,479,023	(785,057)
Sub Total	£742,430	£(81,824)	£(824,254)
- to/(from) Earmarked Reserves	(83,780)	412,717	496,497
- to/(from) General Revenue Reserves	(658,650)	(330,893)	327,757
Sub Total	£(742,430)	£81,824	£824,254

Overall, the result has been a contribution from General Revenue Reserves of **£330,893**. This represents an improvement of **£327,757** 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 increase overall Revenue Reserves to **£6,057,862** as illustrated below.

Revenue Reserves	Brought Forward £	2011/2012 Net Change Increase/ (Decrease) £	Carried Forward £
Earmarked Reserves	2,569,489	412,717	2,982,206
General Revenue Reserves	3,406,549	(330,893)	3,075,656
	£5,976,038	£81,824	£6,057,862

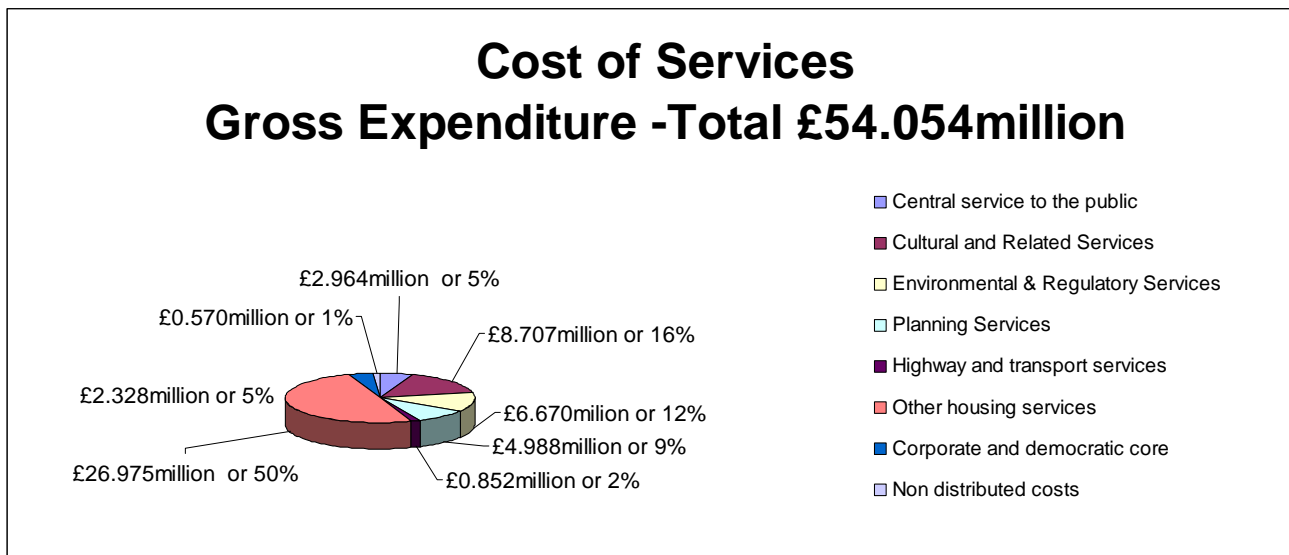
Both the Earmarked and General Revenue Reserves have been built up over time to provide funding for future projects and specific activities in line with the Authority's medium term aims and objectives. The General Revenue Reserve is primarily held as a contingency to provide the Authority with operational 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 **£3,075,656**, the surplus **£2,075,656** will be used, over the next three years, to support the Council's Medium Term Financial Strategy.

How the money was spent

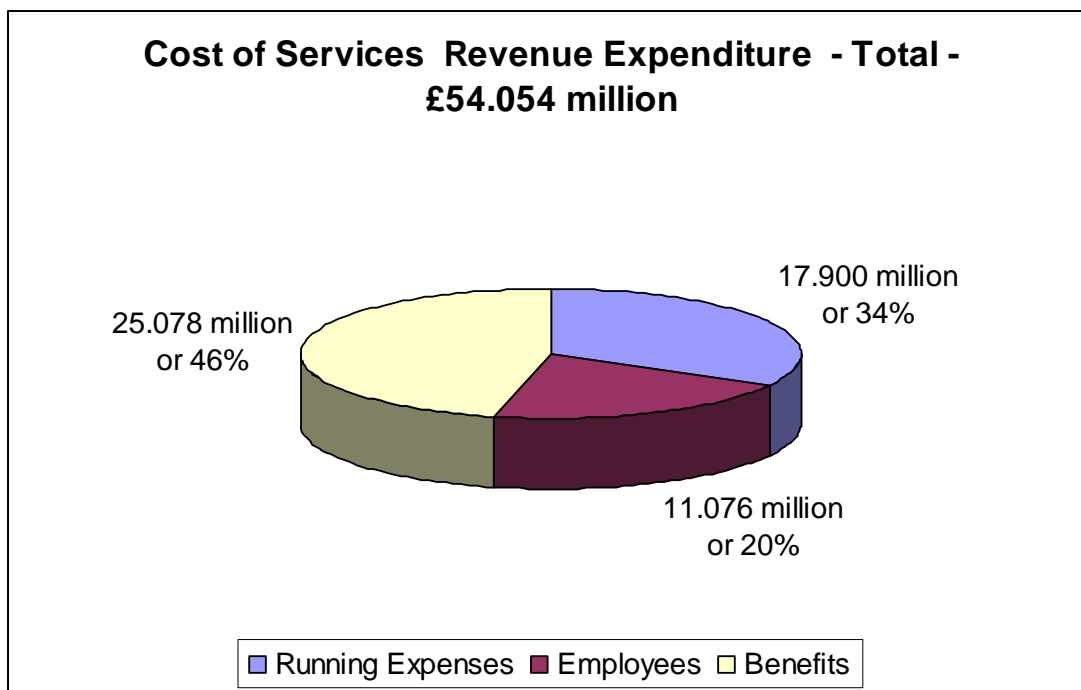
The Comprehensive Income and Expenditure Account on page 18, summarises the resources that have been generated and consumed in providing services and managing the Council this year. It

EXPLANTORY FOREWORD

shows Gross Expenditure for the year was **£54.054 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.



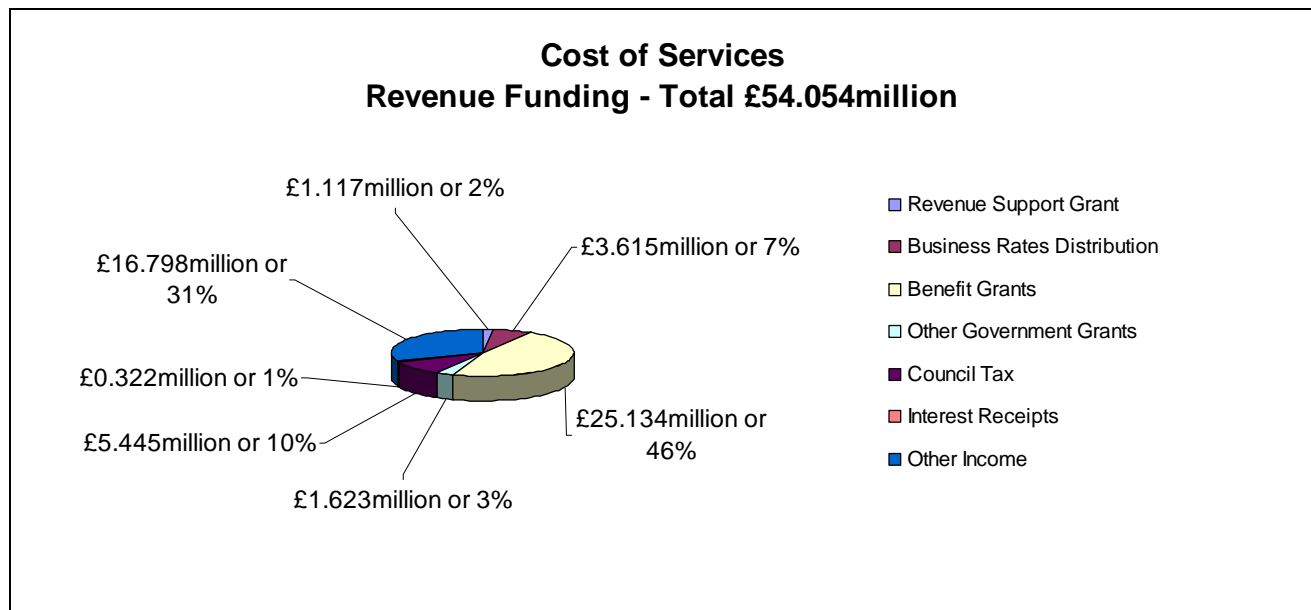
Cost of Services - Revenue Expenditure for the year was **£54.054 million**. It represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, vehicle costs, and supplies and services. The chart below illustrates the proportion in which expenditure was incurred on these categories of expenditure.



EXPLANTORY FOREWORD

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 **£25.134 million**.



A total of **£5.445 million** was raised from Council Tax, and fees and charges levied by the Council form a substantial part of the **£16,798 million** of other income generated. A further **£0.322 million** in Interest was received from investments and other interest receipts during the year.

Capital Spending

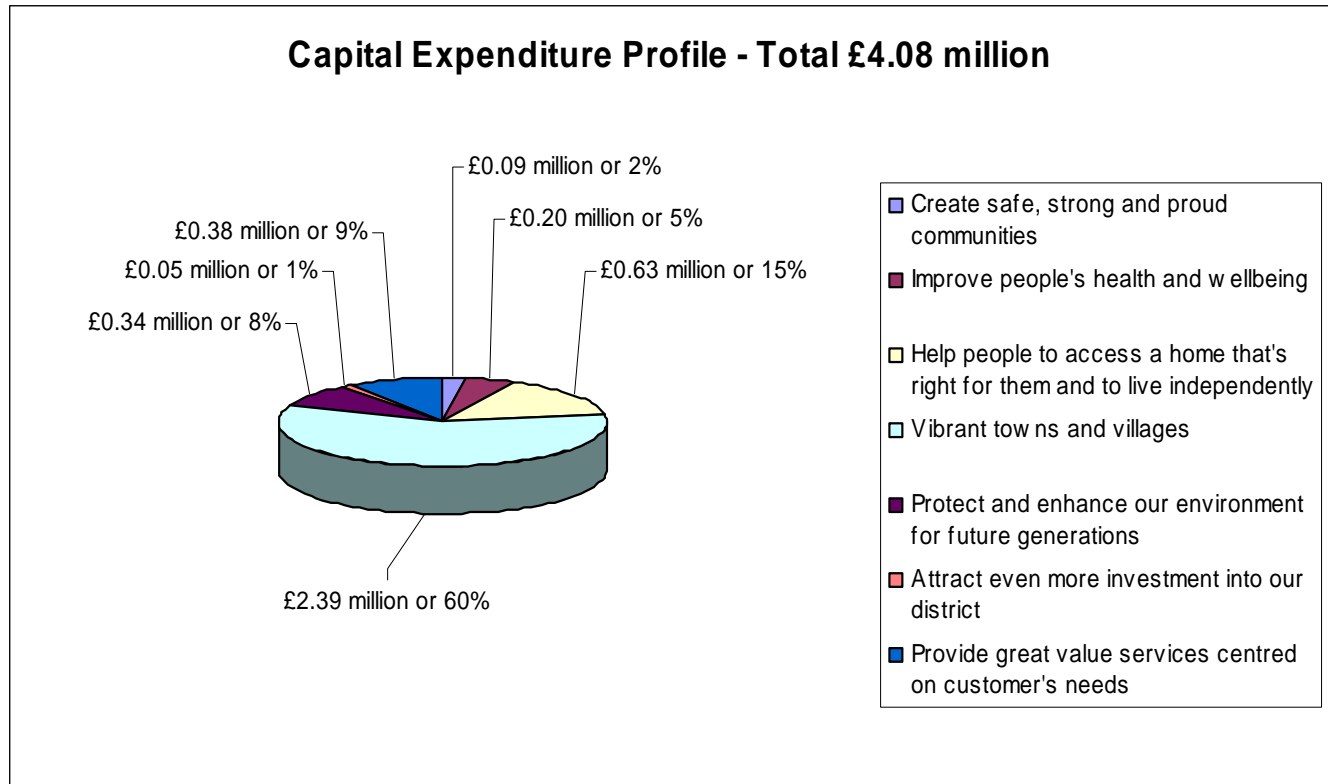
Capital spending either maintains or creates new assets or is expenditure that is capital under statute that will contribute to the Council's aims and objectives over more than one year. The Council therefore plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme. This programme was last updated in February 2012 and included capital commitments of **£14.605¹ million** with estimated capital spending in 2011/12 of **£5.441 million**. In addition, there have been some other minor changes under delegation that have reduced the budget by a further **£0.009 million**. Therefore, the net capital budget was **£5.432 million**.

¹ 2011/12 **£5.441 million**, 2012/13 **£5.722 million**, 2013/14 **£2.727 million** and 2014/15 **£0.715 million**

EXPLANTORY FOREWORD

How the money was spent

The actual spending in 2011/12 was **£4.082 million**. This was **£1.350 million (25%)** lower than estimated. Spend by top priority for the 2011/12 financial year was:



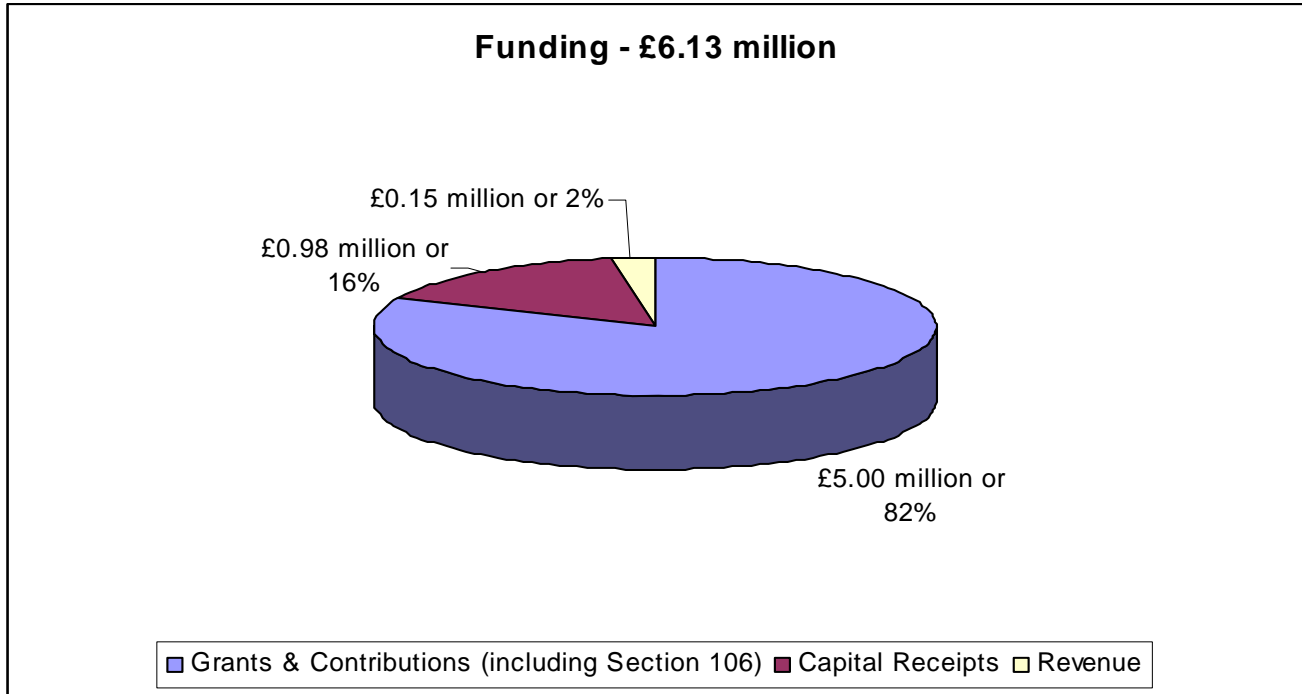
Major areas of capital expenditure and significant individual projects included:

- 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 (**£0.63 million**);
- Leisure, Parks and Play – enhancement works to Chasewater Dam (**£0.319 million**), the majority of these costs have been reimbursed by Staffordshire County Council;
- Lichfield District Venture – enhancement works to our Heritage Parks (**£1.418 million**).

EXPLANTORY FOREWORD

How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding² of the 2011/12 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.

² This includes £2.05m of contributions related to spend incurred in 2010/11 for Chasewater Dam.

EXPLANTORY FOREWORD

So what was achieved for the money?

The Revenue and Capital transactions recorded in these statements supported all the Council's activities in 2011/12. 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

- Highlights of this year involve working in partnership to organise and deliver over 20 projects attracting over 5000 community residents. Some of these projects include Forward Action Burntwood Summer Fete, Fazeley and Mile Oak Festival, North Lichfield Initiative Environment Day, Burntwood and North Lichfield Lantern Parades, Spring Cleans in Burntwood and Fazeley, Morph4us Community Arts project phases 4 and 5 and many more.
- This year the Community Development Team and the Partnership Support Officer have worked with other partners to help develop, support and deliver 4 Work Clubs across the District including 3 in the areas worst affected by unemployment. 257 people have registered with the Work Clubs, 32 people have gained employment, 53 have gone into training and 13 people have taken up volunteering.
- Anti-Social Behaviour performance

2011/12 target		Less than 2,264 incidents
2011/12 actual		1,807 incidents
- During 2011/2012 the Partnership CCTV system which covers Burntwood and Lichfield was upgraded to digital recording with improved screens and a number of cameras were replaced. This has improved the robustness of the system which had not received significant investment in some years. The upgrade work is nearing completion with work to improve the quality of the images on some parts of the system to be completed. During the year 1822 incidents were reported and investigated. Of these 17% were for disturbance; 16% suspicious behaviour; 11% (194) anti social behaviour; 10% theft; 9% drunkenness. The balance of incidents covered a range from missing persons to drugs and traffic offences. There were 260 arrests arising from CCTV notifications.

Improve people's health and well being

- 88 Disabled Facilities Grants were completed at a total expenditure of £625,000. The average time taken from first enquiry to the completion of works reduced to 31 weeks compared to 73 weeks in 2010/11.
- Through the 'Lets Work Together Project', a total of 5 training sessions on identifying housing risks in the home have been held, which have been attended by 106 home visitors resulting in 9 referrals being made. Overall, a total of 392 home visitors were trained in 19 training sessions which resulted in a total of 169 referrals being made.
- We have continued to strengthen our relationship with the local Primary Care Trust. Together with the PCT we piloted a Structured Exercise Programme, the initial phase of which

EXPLANTORY FOREWORD

came to an end in March 2012. The pilot saw approximately 80 people, aged between 16 and 70, with mental health, obesity or orthopaedic-related conditions, undertake gym-based work at Burntwood and Friary Grange Leisure Centres. Participants referred themselves to the Programme, often signposted by the PCT's Lifestyle Advisors.

- We have also re-established a Cardiac Rehabilitation Programme which will operate across 2 years at Friary Grange Leisure Centre. Approximately 40 participants are now enrolled in the 10 week programme of Phase 3 of Cardiac Rehab. Participants are supported by a Cardiac Nurse and our Level 4 Instructors for the first 10 weeks, and are then encouraged to continue with a programme into Phase 4.
- To enter the spirit of the forthcoming London 2012 Olympic and Paralympic Games, we helped stage six Community Games in Burntwood, Lichfield and across the District;
- We recognise that some types of people benefit more significantly from exercise and physical activity and so to encourage greater levels of participation we offer free Leisure Activity Passports to specific groups: the over 60s, the disabled, the less affluent, and carers. In 2011/12 we issued 229 Concessionary LAPS to local people.
- Our 2011 Summer Play Programme was implemented. We offered Playschemes at 11 sites across the district for those aged 5-11. For those aged 7-13 we offered play activity weeks, including skateboarding, wet n wild play and art.
- 2,159 daily places were taken up by children on our summer Playschemes - of which 22% were at the concessionary rate.
- We staged a Playday in Beacon Park in August and attracted over 500 people to a day of fun and excitement.
- Our Playrangers also continued to provide play opportunities at 12 different venues throughout the District;
- The new play area opened in Beacon Park in April 2011 and further equipment was added subsequently including the Santa Maria play ship, a wooden fort and maze.
- We helped the Parish Council secure S106 Funding and helped appoint designers and contractors to build a new play area on Hospital Road Playing Fields in Hammerwich. A start on site was made in February 2012 and Phase 1 was opened shortly after.
- Work has progressed throughout the year on preparing a draft Core Strategy (CS) (Local Plan – (LP)) for presentation and agreement by members prior to a subsequent formal public consultation exercise. To support the CS/LP further evidence in respect of housing and employment requirements was commissioned and appraised and this has informed the development of draft policy. Preparation of the CS has needed to await the results of this evidence gathering and also consider the implications of a Government review of National Planning Policy now reflected in a National Planning Policy Framework. Alongside the CS work has commenced on developing a Land Allocations document which will provide more details on specific elements of policy.

EXPLANTORY FOREWORD

Help people realise their potential

- Business Engagement Strategy for the Lichfield and Tamworth Business and Economic Partnership (BEP) has been developed and is being implemented through various actions including the setting up of a Business Networks Forum and the holding of events which bring partners with an interest in promoting local economic growth together. The District Council is also an active member of both the Greater Birmingham & Solihull Local Enterprise Partnership (LEP) and Stoke & Staffordshire LEP. Both bodies are developing links with business to ensure public policy is aligned with the aims of private sector business.
- The Training Centre closed earlier in the year as part of the Budget Reduction Programme 2011.

Involve local people and partners

- Under a new strategic approach to commissioning, a total of 9 voluntary and community organisations have entered into 3 year Service Level Agreements totalling £196 000 pa in value.
- The Committee structure is kept under review in light of the Localism Act. Reports are standardised.
- The elections and referendum in 2011 were successfully administered.

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

- The delivery of affordable housing has continued to be impacted upon by the recession as the majority of large housing sites where new affordable homes would have been delivered through s106 or planning gain have been put on hold. Despite this in 2011-2012 there were a total of 34 affordable housing completions. Of these 12 were social rented (9 at Hawksyard Village and 3 at Victoria Place) 4 were mortgage rescue scheme completions and 2 were almshouse conversions which received Home and Community Agency (HCA) funding. The remaining completions were intermediate housing and comprised 2 shared ownership at Hawksyard and 14 were enabled through Government shared equity schemes – 10 through Homebuy direct funding and 4 through Firstbuy.
- 33 sessions of the Homelessness Education Programme were held during 2011/12 which were attended by 719 pupils.

Vibrant towns and villages

- During the year our focus on the development of the retail offered in Lichfield City and the development of a town centre for Burntwood continued. In the City, the redevelopment of the Friary Outer car park reached the implementation phase with the old surface car park closing at the end of the year. The site is now being redeveloped to provide a larger multi- deck car park with housing and a hotel on the site. The increased car park spaces are being provided as part of our planning for the Friarsgate development, when the existing multi- storey will be demolished and replaced.
- The focus for the planning team has been the preparation of the Lichfield District Local Plan Strategy with extensive consultation taking place leading to the expected publication and approval of the final version for approval in 2011/12.
- The Council's Planning Department was recently awarded the 'West Midlands Planning Authority of the Year Award' by the Royal Town Planning Institute.
- The Street Scene Services continued to work to ensure that the District is clean and tidy. There were regular voluntary litter picking events including ones in Fradley Business Park and Clifton Campville. The number of fly tipping events fell by 40% to 171 reflecting ongoing preventative work including communications and duty of care inspections by Environmental Health. Cleanliness of the streets continued to be monitored with 97% of inspections graded at very good. Trunk road cleansing continued to be a problem as partnership discussions with the highways contractor were protracted, but cleansing was finally delivered towards the end of the year.
- The Council manages the parking enforcement service for the district in partnership with the County Council and during the year, 6351 penalty notices were issued for on street and off street offences. Of these, 5596 were satisfactorily resolved by either cancellation or payment. The balance of these is in progress. Compared to the previous year total notices are down by 989 (13%) with on street notices reduced by 9.8% and off street car parks reduced by 15.3%. The service ran at an on street operating deficit of £19,017 for the year, this is underwritten by the County Council as the Authority with the powers for on street parking enforcement and is better than the £23,270 predicted at the beginning of the year and is significantly lower than the previous year as a result of efficiency savings agreed with the contractor APCOA. It is clear that enforcement has led to the Waiting Restricted areas now being available to be used as they were designed.
- Consultation on Traffic Order changes was undertaken by the County Council at Cherry Orchard Lichfield, Beacon St/Anson Avenue Lichfield and Fazeley Town Centre.
- The car park service introduced DASH, an electronic mobile phone payment system for our car parking customers during the year - this has been very well received.
- Work on the Heritage Lottery Funding (HLF)/Big Lottery Lichfield Parks scheme has been completed and attention has now turned to implementing the long-term management and maintenance arrangements agreed as part of the original project submission.

EXPLANTORY FOREWORD

Protect and enhance our environment for future generations

- The Joint Waste Service continues to be delivered in accordance with the Operational Plan and it has delivered significant savings. Particular highlights include a successful review of the collection rounds and a reduction in the sickness level which have both helped ease the pressure on employees and agency costs. Discussions are continuing to take place with the County Council concerning the provision of a Waste Transfer Station. The recycling performance continued to be good, with Lichfield achieving a rate of 57.3% and also the amount of waste sent to landfill fell again from 438 kg per household in 2010/11 to 417kg in 2011/12. Customer satisfaction levels with the service were high with 92% of residents either Satisfied or Very Satisfied. The service was also shortlisted for 2 National Awards and was the winner of the 'National Recycling Awards 2011 for Local Authority Team of the Year'.
- The Contaminated Land Strategy has been reviewed in view of reduced government grant funding and it has been agreed that in future sites will be investigated one at a time in order to manage costs. Where there is a need for remediation, options will be considered on a site specific basis. Accordingly no new site investigations have been started although 2 previously ongoing investigations are in the process of completion. No sites to date have required remediation.
- The Countryside team has successfully delivered on a wide range of biodiversity objectives this last year. These have included protecting and enhancing key heathland habitats at Chasewater and Gentleshaw Common and working with partners to further develop important habitats at Muckley Common and Christian Fields, Lichfield, the latter the District's first formally designated local nature reserve. In addition through the planning process current local plan policies aimed at safeguarding existing and creating new habitat have been effectively implemented and similarly work has taken place to feed into the emerging Core Strategy as regards informing future plans and policies.

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

- The use of Experian customer insight data continues to expand via our GIS system.
- The Connects team now deal with face to face enquiries on behalf of the County Council.
- The electronic payments system continues to operate efficiently, and the telephony and communications project with the County Council will shortly begin to realise revenue cost savings.
- Costs of the Procurement function have been reduced by purchasing procurement services from the County Council.
- The Staffordshire One Place Project continues to create opportunities for shared services, and as a result Building Control has recently included South Staffs within its shared service partnership. All other shared services continue to work effectively and deliver efficiencies.

EXPLANTORY FOREWORD

Overall, the 2011/12 Statement of Accounts demonstrates that the finances of Lichfield District Council remain sound. Both Revenue and Capital spending is constrained within affordable Budgets; 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)

June 2012

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different Reserves held by the Authority, analysed into 'Usable Reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the Statutory amounts required to be charged to the General Fund Balance for Council Tax setting 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 2011 as restated	3,407	2,570	2,835	1,636	10,448	26,837	37,285
Movement in Reserves 2011/12							
Surplus/(Deficit) on provision of services	(2,435)	-	-	-	(2,435)	-	(2,435)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(4,299)	(4,299)
Total Comprehensive Income and Expenditure	(2,435)	-	-	-	(2,435)	(4,299)	(6,734)
Adjustments between accounting basis & funding basis (Note 7)	2,516	-	(769)	(367)	1,380	(1,380)	-
Net Increase/Decrease before Earmarked Reserves	81	-	(769)	(367)	(1,055)	(5,679)	(6,734)
Transfers to/from Earmarked Reserves (Note 8)	(412)	412	-	-	-	-	-
Increase/Decrease in Year	(331)	412	(769)	(367)	(1,055)	(5,679)	(6,734)
Balance at 31 March 2012	3,076	2,982	2,066	1,269	9,393	21,158	30,551

	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 as restated	3,322	3,105	3,319	2,189	11,935	8,752	20,687
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 as restated	3,407	2,570	2,835	1,636	10,448	26,837	37,285

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 required by statute is shown in the Movement in Reserves Statement.

2010/11				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,080	(1,929)	1,151	Central services to the public	2,964	(1,793)	1,171
8,403	(4,580)	3,823	Cultural and Related Services	8,707	(4,363)	4,344
6,859	(3,225)	3,634	Environmental & Regulatory Services	6,670	(3,231)	3,439
5,330	(3,115)	2,215	Planning Services	4,988	(2,826)	2,162
1,851	(2,037)	(186)	Highways and transport services	852	(1,769)	(917)
26,275	(25,429)	846	Other housing services	26,975	(26,247)	728
2,260	(26)	2,234	Corporate and democratic core	2,328	(57)	2,271
-	(7,607)	(7,607)	Exceptional Item	-	-	-
246	-	246	Non distributed costs	570	-	570
54,304	(47,948)	6,356	Cost of Services	54,054	(40,286)	13,768
1,422	(140)	1,282	Other Operating Expenditure (Note 9)	4,530	(224)	4,306
1,405	(986)	419	Financing and Investment income and Expenditure (Note 10)	1,136	(1,242)	(106)
-	(15,057)	(15,057)	Taxation and Non-Specific Grant Income (Note 11)	-	(15,533)	(15,533)
57,131	(64,131)	(7,000)	(Surplus) or Deficit on Provision of Services (cash flow)	59,720	(57,285)	2,435
		-	Surplus or deficit on revaluation of Property, Plant and Equipment assets			321
		(9,600)	Actuarial gains/losses on pension assets/liabilities			3,979
		2	Other gains/losses			(1)
		(9,598)	Other Comprehensive Income and Expenditure			4,299
		(16,598)	Total Comprehensive Income and Expenditure			6,734

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'.

31 March 2011 Restated £000		Notes	31 March 2012 £000
43,637	Property, Plant & Equipment	12	40,756
455	Heritage Assets	13	455
6,870	Investment Property	14	6,610
142	Intangible Assets	15	70
236	Long Term Debtors	16	248
51,340	Long Term Assets		48,139
7,448	Short Term Investments	16	4,059
88	Inventories		93
5,709	Short Term Debtors	17	3,196
2,846	Cash and Cash Equivalents	18	8,857
16,091	Current Assets		16,205
(5)	Short Term Borrowing	16	(4)
(7,569)	Short Term Creditors	20	(7,256)
-	Provisions	21	(39)
(247)	Capital Grants Receipts in Advance	36	(60)
(7,821)	Current Liabilities		(7,359)
(35)	Long Term Borrowing	16	(33)
(1,240)	Long Term Liabilities: Finance Leases	39	(810)
(20,187)	Long Term Liabilities: Defined Benefit Pension	41	(25,037)
(863)	Capital Grants Receipts in Advance	36	(554)
(22,325)	Long Term Liabilities		(26,434)
37,285	Net Assets		30,551
10,448	Usable Reserves	22	9,393
26,837	Unusable Reserves	23	21,158
37,285	Total Reserves		30,551

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.

2010/11		2011/12
£000		£000
(7,000)	Net (surplus) or deficit on the provision of services	2,435
1,426	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27)	(5,927)
(3,227)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28)	(48)
(8,801)	Net cash flows from Operating Activities (Note 24)	(3,540)
1,287	Investing Activities (Note 25)	(4,718)
5,107	Financing Activities (Note 26)	2,247
(2,407)	Net increase or decrease in cash and cash equivalents	(6,011)
(439)	Cash and cash equivalents at the beginning of the reporting period	(2,846)
(2,846)	Cash and cash equivalents at the end of the reporting period (Note 18)	(8,857)

NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under Section 12 of the 2003 Act.

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

NOTES TO THE ACCOUNTS

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, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

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.

NOTES TO THE ACCOUNTS

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 (LGPS) 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 ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

NOTES TO THE ACCOUNTS

- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (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 current bid price.
 - Unitised securities current bid price.
 - Property current bid price.
- 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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 ring fenced and is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charge for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charge will be largely used to fund capital expenditure. However, a small proportion of the charge may be used to fund revenue expenditure.

NOTES TO THE ACCOUNTS

Heritage Assets

The Council's Heritage Assets are located at various Council properties. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's Heritage Assets are accounted for as follows:

- Statues.
 - These statues are located in various parks and open spaces and a library within the District. These items are reported in the Balance Sheet at insurance valuation and estimated market value. Insurance valuations are updated on an annual basis.
 - The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost.
- Art Collection:
 - The art collection includes paintings and is reported in the Balance Sheet at estimated market value. The art collection is deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation.
 - Acquisitions are made by purchase or donation. Acquisitions initially are recognised at cost and any donations are recognised at valuation with valuations provided by external valuers and with reference to the appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.
- Other Items:
 - The Council has a number of items of civic regalia and trophies and these are reported in the Balance Sheet at insurance valuation. Insurance valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost.
 - The Council has a grand piano and this is reported in the Balance Sheet at insurance valuation. Insurance valuations are updated on an annual basis.

Heritage Assets – General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration or breakage or where doubts arise over its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see page 33 (Impairment) and pages 31 to 35 (Property, Plant and Equipment) in this Summary of Accounting Policies. Any disposals are accounted for in accordance with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see pages 31 to 35 (Property, Plant and Equipment) in this Summary of Accounting Policies).

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.

NOTES TO THE ACCOUNTS

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 it 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.

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 Service Reporting Code of Practice 2011/12 (SeRCOP). 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing 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 (ie. 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).

NOTES TO THE ACCOUNTS

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 1 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.

NOTES TO THE ACCOUNTS

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

- (i) Have a carrying value of at least **£500K**, or
- (ii) Have been acquired, or
- (iii) Have undergone revaluation, or
- (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.

Where a revaluation takes place all accumulated depreciation and impairment is eliminated because these are accounting estimates of changes in value whose value is confirmed by a formal valuation reflecting the actual condition of the property at the valuation date.

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.

NOTES TO THE ACCOUNTS

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).

Depreciation 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.

NOTES TO THE ACCOUNTS

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.

NOTES 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. Lichfield District Council is in a VAT receivable position at year end; the balance outstanding is included in Note 17 Short Term Debtors.

Carbon Reduction Commitment Allowances

ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. For 2011/12, Lichfield District Council falls below the nationally agreed Carbon Reduction Commitment Scheme limit.

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

The amendments to IFRS 7-*Financial Instruments: Disclosures* (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. However, the types of transfers described by the standard are not currently or are planned to be in place at this Council.

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS

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 £84K and for vehicles; plant and equipment would increase by £371K 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% decrease in the discount rate assumption would result in a increase in the pension liability of £7,563K a 1 year increase in member life expectancy would amount to £2,186K , and 0.5% increase in Salary and pension rate would amount to £2,551K and £4,923K respectively
Arrears	At 31 March 2012, the Council had a balance of sundry debtors for £1,047K . A review of significant balances suggested that an impairment of doubtful debts of 21% (£215K) 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 £215K 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 2012. Events taking place after this date are not reflected in the financial statements or notes. There was one event that took place before this date which provided information about conditions existing at 31 March 2012:

NOTES TO THE ACCOUNTS

- During the latter part of 2011/12 the Council was in negotiation with the Casey Group Ltd in relation to the level of the Final Account for works undertaken in the Heritage Parks. At the 31 March 2012 no agreement had been reached and we have therefore used the Draft Final Account of figure of **£3.492m** provided on 21st November 2011 by the Contract Administrator within these Financial Statements. However, on 25th May 2012 the Council reached agreement with the Casey Group Ltd over the level of the Final Account at **£3.512m**.

In particular, the financial statements and notes have not been adjusted for the following events which took place after 31 March 2012 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:

- As part of the Friary Outer Development Agreement on the 11 April 2012 the Council entered into two head leases with the Bromford Group for two areas of land within the former Friary Outer Car Park site for the provision of residential accommodation. Each lease is for a period of **250 years** and the Council will receive a total receipt of **£1.120m**. This sum has been approved by the Council's Cabinet to be used to part fund the construction of the new Multi Storey Car Park situated within the site.
- In 2009, the Council entered into a contract as part of the West Midlands Kickstart Partnership project in relation to the granting of secured and unsecured loans for housing improvements. The contract stated that in the event that funding ceases from the Regional Housing Executive and Members are unable to agree replacement funding, there would be a cessation of the project. The cessation of the project has commenced and all outstanding loans will transfer to the relevant Local Authority. At 31st March 2012, there were **4** secured loans (charges have been placed on the relevant property) for **£56K** and **3** unsecured loans for **£6K** that will transfer to the Council in 2012/13.

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

	2011/12				2010/11			
	Usable reserves			Movement in Unusable Reserves £000	Usable reserves			Movement in Unusable Reserves £000
General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	General Fund Balance £000		Capital Receipts Reserve £000	Capital Grants Unapplied £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	1,300			(1,300)	2,082			(2,082)
Revaluation gains/(losses) on Property Plant and Equipment	980			(980)				-
Movements in the market value of Investment Properties	(172)			172	-			-
Amortisation of intangible assets	88			(88)	42			(42)
Revenue expenditure funded from capital under statute	1,435			(1,435)	1,492			(1,492)
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	3,344			(3,344)	88			(88)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(542)			542	(502)			502
Capital expenditure charged against the General Fund	(149)			149	(721)			721
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,482)		218	4,264	(3,058)		67	2,991
Application of grants to capital financing transferred to the Capital Adjustment Account			(585)	585			(610)	610
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	(223)	223			(88)	88		
Unattached Capital Receipts not related to current year asset disposal	(1)	1			(138)	138		
Use of the Capital Receipts Reserve to finance new capital expenditure		(984)		984		(708)		708
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	9	(9)			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)		
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 41)	2,537			(2,537)	(4,869)			4,869
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,666)			1,666	(1,717)			1,717
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	(6)			6	(42)			42
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	63			(63)	(28)			28
Total Adjustments	2,516	(769)	(367)	(1,380)	(7,450)	(484)	(553)	8,487

NOTES TO THE ACCOUNTS

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 2011/12.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
General Fund:							
Earmarked General Reserve	(1,497)	82	-	(1,415)	-	(282)	(1,697)
Election Reserve	(102)	8	-	(94)	19	-	(75)
Public Open Spaces Reserve	(7)	-	-	(7)	1	-	(6)
Building Regulations Reserve	-	-	(6)	(6)	6	-	-
Development Grant Aid Reserve	(35)	-	(3)	(38)	-	(8)	(46)
Birmingham Road Car Park Capital Reserve	(1,447)	454	-	(993)	-	(131)	(1,124)
Lombard Street Car Park Capital Reserve	(17)	-	-	(17)	-	(17)	(34)
Total	(3,105)	544	(9)	(2,570)	26	(438)	(2,982)

9. Other Operating Expenditure

2010/11 £000		2011/12 £000
1,421	Parish council precepts	1,435
1	Payments to the Government Housing Capital Receipts Pool	1
-	(Gains)/Losses on the disposal of non-current assets	2,871
(140)	Unattached Capital Receipts	(1)
1,282	Total	4,306

Losses on disposal of non-current assets amounting to **£3.07m** relate to the transfer of Chasewater Country Park to Staffordshire County Council on 18th April 2011.

10. Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
95	Interest payable and similar charges	98
929	Pensions interest cost and expected return on pensions assets	479
(206)	Interest receivable and similar income	(322)
(315)	Income and expenditure in relation to investment properties and changes in their fair value	(305)
(84)	Net (Surplus)/Deficit on Trading Undertakings (Note 30)	(56)
419	Total	(106)

NOTES TO THE ACCOUNTS

11. Taxation And Non Specific Grant Income

2010/11 £000		2011/12 £000
(6,787)	Council tax income	(6,835)
(5,301)	Non domestic rates	(3,615)
(814)	Non-ringfenced government grants	(1,623)
(2,155)	Capital grants and contributions	(3,460)
(15,057)	Total	(15,533)

Non-ringfenced Government Grants are comprised of:

2010/11 £000		2011/12 £000
(44)	Area Based Grant	-
-	Local Services Support Grant	(71)
-	Council Tax Freeze Grant	(135)
	New Homes Bonus	(300)
(770)	Formula Grant	(1,117)
(814)		(1,623)

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment

Movements in 2011/12:

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2011	37,111	8,871	986	674	0	5,030	52,672
Additions	179	269	0	77	0	2,050	2,575
Revaluation increases/(decreases) recognised in the revaluation reserve	(2,082)	42	0	0	(14)	0	(2,054)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(1,336)	0	0	0	0	0	(1,336)
Derecognition – disposals	(153)	(334)	(640)	0	0	(2,382)	(3,509)
Asset reclassifications	669	27	0	2,712	354	(3,762)	0
At 31 March 2012	34,388	8,875	346	3,463	340	936	48,348

Accumulated Depreciation and Impairment							
At 1 April 2011	(2,986)	(5,925)	(123)	0	0	0	(9,034)
Depreciation charge	(869)	(841)	(3)	0	(4)	0	(1,717)
Depreciation written out to the revaluation reserve	1,791	(17)	0	0	9	0	1,783
Depreciation written out to the surplus/deficit on the provision of services	356	0	0	0	0	0	356
Impairment losses/(reversals) recognised in the revaluation reserve	110	0	0	0	14	0	124
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	480	0	0	0	0	(6)	474
Derecognition – disposals	7	322	93	0	0	0	422
Asset reclassifications	24	0	0	0	(24)	0	0
At 31 March 2012	(1,087)	(6,461)	(33)	0	(5)	(6)	(7,592)

Net Book Value							
At 31 March 2012	33,301	2,414	313	3,463	335	930	40,756
At 31 March 2011	34,124	2,946	864	674	0	5,030	43,637

NOTES TO THE ACCOUNTS

Comparative Movements in 2010/11:

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<u>Cost or Valuation</u>							
At 1 April 2010	36,326	8,582	943	415	0	1,476	47,742
Additions	785	514	43	259	0	3,555	5,154
Derecognition – disposals	0	(225)	0	0	0	0	(225)
At 31 March 2011	37,111	8,871	986	674	0	5,031	52,671

<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2010	(1,858)	(5,214)	(104)	0	0	0	(7,176)
Depreciation charge	(920)	(936)	(17)	0	0	0	(1,873)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(210)	0	0	0	0	0	(210)
Derecognition – disposals	0	225	0	0	0	0	225
At 31 March 2011	(2,988)	(5,925)	(121)	0	0	0	(9,034)

<u>Net Book Value</u>							
At 31 March 2011	34,123	2,946	864	674	0	5,030	43,637
At 31 March 2010	34,469	3,368	837	415	0	1,476	40,564

Depreciation

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

- Buildings – 3 to 48 years
- Vehicles, Plant, Furniture & Equipment – 1 to 19 years
- Infrastructure – 39 years
- Minster Pool – 91 years

Capital Commitments

At 31 March 2012, the Council has entered into one contract for the construction of property in 2012/13 and future years budgeted to cost **£3.040m**. Similar commitments at 31 March 2011 were **£3.550m**. The major commitment is:

- Friary Outer Development - **£3.040m**.

Effects of Changes in Estimates

In 2011/12, 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

NOTES TO THE ACCOUNTS

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	78	2,414	0	2,492
Valued at fair value as at:				
- 31 March 2012	4,407	0	335	4,742
- 31 March 2011	479	0	0	479
- 31 March 2010	8,721	0	0	8,721
- 31 March 2009	19,616	0	0	19,616
Total Cost or Valuation	33,301	2,414	335	36,050

13. Heritage Assets

Movements in 2011/12:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
Cost or Valuation				
At 1 April 2011	245	80	130	455
Additions	0	0	0	0
Derecognition – disposals	0	0	0	0
At 31 March 2012	245	80	130	455

Comparative Movements in 2010/11:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
Cost or Valuation				
At 1 April 2010	245	80	130	455
Additions	0	0	0	0
Derecognition – disposals	0	0	0	0
At 31 March 2011 Restated	245	80	130	455

NOTES TO THE ACCOUNTS

Statues

The Authority's collection of statues is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance values are updated annually.

Art Collection

The last valuations were carried out by our museums collection officer who had a background in fine art in around 2000. The valuations were based on commercial markets including recent transaction information.

Other Items

This includes civic regalia, trophies and other cultural items. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance values are updated annually.

14. 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	2011/12 £000
Rental income from investment property	400	486
Direct operating expenses arising from investment property	(85)	(182)
Net gain / (loss)	315	304

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	2011/12 £000
Balance at the start of the year	6,957	6,870
Disposals	(87)	(260)
Gains from fair value adjustments	0	0
Losses from fair value adjustments	0	0
Balance at the end of the year	6,870	6,610

15. 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.

NOTES TO THE ACCOUNTS

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of **£88K** charged to revenue in 2011/12 was charged either directly to the Service that is responsible for the software (**£12K**) or to the IT Administration cost centres (**£76K**) 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	2011/12 £000
Balance at the start of the year:		
- Gross carrying amounts	201	301
- Accumulated amortisation	(117)	(158)
Net carrying amount at the start of the year	84	143
Additions:		
- Purchases	100	72
Impairment losses recognised in the surplus / deficit on the Provision of Services	0	(57)
Amortisation for the Period	(42)	(88)
Net carrying amount at the end of the year	142	70

Comprising:		
- Gross carrying amounts	300	373
- Accumulated amortisation	(158)	(303)
	142	70

16. 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 2012 £000	31 March 2011 £000	31 March 2012 £000
Investments				
Loans and receivables			10,294	12,916
Total Investments			10,294	12,916
Debtors				
Loans and receivables	236	248	3,156	2,343
Total included in Debtors	236	248	3,156	2,233
Borrowings				
Financial liabilities at amortised cost	(35)	(33)	(5)	(4)
Total included in Borrowings	(35)	(33)	(5)	(4)
Other Long Term Liabilities				
Finance lease liabilities	(1,240)	(810)	(523)	(503)
Total other Long Term Liabilities	(1,240)	(810)	(523)	(503)
Creditors				
Financial liabilities at amortised cost			(4,668)	(3,886)
Total Creditors			(4,688)	(3,886)

NOTES TO THE ACCOUNTS

Income, Expense, Gains and Losses

	2010/11			2011/12		
	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	96		96
Total expense in Surplus or Deficit on the Provision of Services	95	0	95	96		96
Interest income		(208)	(208)		(234)	(234)
Total income in Surplus or Deficit on the Provision of Services	95	(208)	(113)	96	(234)	(138)
Net gain/(loss) for the year	95	(208)	(113)	96	(234)	(138)

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 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Financial Liabilities</u>				
Trade Creditors	(4,668)	(4,668)	(3,886)	(3,886)
Short Term Borrowing	(5)	(5)	(4)	(4)
Long-term creditors - Borrowing	(35)	(35)	(33)	(33)
<u>Loans and receivables</u>				
Short Term Investments	7,448	7,448	4,059	4,059
Cash & Cash Equivalents	2,846	2,846	8,857	8,857
Trade Debtors	3,156	3,156	2,233	2,233
Long-term debtors	236	236	248	248

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

NOTES TO THE ACCOUNTS

17. Short Term Debtors

31 March 2011 £000		31 March 2012 £000
2,437	Central government bodies	820
156	Council tax payers	164
2,593	Total statutory debtors	984
259	Manual prepayments	244
1,399	Other local authorities	712
6	Public corporations and trading funds	2
1,751	Other entities and individuals	1,519
3,156	Total trade debtors	2,233
6,008	Total debtors	3,461
(43)	Less: Bad debt provision	(50)
(256)	Collection fund	(215)
	General debtors	
5,709	Total debtors	3,196

18. Cash and Cash Equivalents

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

31 March 2011 £000		31 March 2012 £000
13	Cash held by the Authority	12
2,103	Bank Accounts ³	4,970
730	Money Market Funds	3,875
2,846		8,857

19. Assets Held For Sale

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

20. Short Term Creditors

31 March 2011 £000		31 March 2012 £000
(1,501)	Central government bodies	(1,510)
(118)	Council tax payers	(139)
(1,619)	Total statutory creditors	(1,649)
(1,282)	Receipts in advance	(1,721)
(1,396)	Other local authorities	(1,123)
(28)	Public corporations and trading funds	(27)
(3,244)	Other entities and individuals	(2,736)
(4,668)	Total trade creditors	(3,886)
(7,569)	Total creditors	(7,256)

³ Bank Investment Call Accounts (plus accrued interest) are £2.008 million of this figure in 2010/11 and £4.517 million in 2011/12.

NOTES TO THE ACCOUNTS

21. Provisions

The Council had one provision in relation to the Heritage Parks project.

	Total
	£000
Balance at 1 April 2011	0
Additional provisions made in 2011/12	(39)
Balance at 31 March 2012	(39)

22. Usable Reserves

31 March 2011		31 March 2012
£000		£000
3,407	General Fund	3,076
1,636	Capital Grants Unapplied	1,269
2,835	Capital Receipts Reserve	2,066
2,570	Earmarked Reserves	2,982
10,448	Total Usable Reserves	9,393

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

23. Unusable Reserves

31 March 2011 Restated		31 March 2012
£000		£000
5,387	Revaluation Reserve	4,939
41,873	Capital Adjustment Account	41,550
11	Deferred Capital Receipts	10
(20,187)	Pensions Reserve	(25,037)
(14)	Collection Fund Adjustment Account	(8)
(233)	Accumulated Absences Account	(296)
26,837	Total Unusable Reserves	21,158

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.

NOTES TO THE ACCOUNTS

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.

2010/11 (Restated) £000			2011/12 £000
5,555	Balance at 1 April		5,387
0	Upward revaluation of assets	(42)	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(277)	
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(319)
(119)	Difference between fair value depreciation and historical cost depreciation	(101)	
(49)	Accumulated gains on assets sold or scrapped	(28)	
(168)	Amount written off to the Capital Adjustment Account		(129)
5,387	Balance at 31 March		4,939

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.

NOTES TO THE ACCOUNTS

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

2010/11			2011/12
£000			£000
39,875	Balance at 1 April		41,873
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,081)	• Charges for depreciation and impairment of non-current assets	(1,780)	
0	• Revaluation losses on Property, Plant and Equipment	(500)	
(42)	• Amortisation of intangible assets	(88)	
(1,492)	• Revenue expenditure funded from capital under statute	(1,435)	
(39)	• 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	(3,319)	
(3,654)			(7,122)
119	Adjusting amounts written out of the Revaluation Reserve		101
36,340	Net written out amount of the cost of non-current assets consumed in the year		34,852
	Capital financing applied in the year:		
708	• Use of the Capital Receipts Reserve to finance new capital expenditure	984	
2,992	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,264	
610	• Application of grants to capital financing from the Capital Grants Unapplied Account	585	
502	• Statutory provision for the financing of capital investment charged against the General Fund	542	
721	• Capital expenditure charged against the General Fund	148	
5,533			6,523
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		175
41,873	Balance at 31 March		41,550

NOTES TO THE ACCOUNTS

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.

2010/11 £000		2011/12 £000
(36,373)	Balance at 1 April	(20,187)
9,600	Actuarial gains or losses on pensions assets and liabilities	(3,979)
4,869	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	(2,537)
1,717	Employer's pensions contributions and direct payments to pensioners payable in the year	1,666
(20,187)	Balance at 31 March	(25,037)

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.

2010/11 £000		2011/12 £000
12	Balance at 1 April	11
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)
11	Balance at 31 March	10

NOTES TO THE ACCOUNTS

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.

2010/11 £000		2011/12 £000
(56)	Balance at 1 April	(14)
42	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	6
(14)	Balance at 31 March	(8)

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.

2010/11 £000		2011/12 £000
(261)	Balance at 1 April	(233)
28	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	(63)
(233)	Balance at 31 March	(296)

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(183)	Interest received	(320)
2	Interest paid	17
(181)	Net cash flows from operating activities	(303)

Interest received in 2011/12 includes a one-off receipt for interest accrued on a VAT refund from HMRC. The refund relates to a Fleming Claim submitted to HMRC in 2009.

NOTES TO THE ACCOUNTS

25. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
4,845	Purchase of property, plant and equipment, investment property and intangible assets	2,960
(219)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(209)
(1,743)	Receipts from Capital Grants	(3,972)
(1,596)	Other receipts from investing activities	(3,497)
1,287	Net cash flows from Investing activities	(4,718)

26. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
-	Cash receipts of short and long-term borrowing	-
619	Cash payments for the reduction of the outstanding liabilities relating to finance leases	651
5	Repayments of short and long-term borrowing	3
4,483	Net payments relating to Precepting Authorities Council Tax & National Non-Domestic Rates	1,593
5,107	Net cash flows from Financing activities	2,247

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

2010/11 £000		2011/12 £000
(2,123)	Depreciation, Amortisation and Impairment	(2,194)
(88)	Carrying Amount of property, plant and equipment, investment property and intangible assets disposed in the year	(3,353)
79	(Increase) / Decrease in Provisions	(39)
6	Increase in Stock	5
(1,585)	Increase / (Decrease) in Debtors	(2,439)
(2,657)	Increase in Creditors	2,960
7,794	Other non-cash adjustments	(867)
1,426	Adjust net surplus or deficit on the provision of services for non-cash movements	(5,927)

NOTES TO THE ACCOUNTS

28. Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities

2010/11 £000		2011/12 £000
88	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	223
(5,241)	Payments and Receipts relating to the Lichfield District Council acting as Agent for collection of Council Tax and National Non-Domestic Business Rates	(4,672)
1,881	Capital Grants & Contributions	4,481
45	Other non-cash adjustments	(80)
(3,227)	Adjust net surplus or deficit on the provision of services for investing and financing activities	(48)

These items are included in the (Surplus)/Deficit on Provision of Services and are adjusted as they present Investing and Financing activities. The cashflows relating to items are presented in **Note 25** and **Note 26** after adjustments for outstanding balances at the end of the current and prior financial year.

29. 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 *Service Reporting 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.

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

NOTES TO THE ACCOUNTS

Directorate Income and Expenditure 2011/12	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	(237)	(946)	(4,117)	(2,346)	(833)	(5,628)	(170)	(18)	(14,295)
Government grants	-	(25,272)	(115)	(386)	(215)	0	(3)	-	(25,991)
Total Income	(237)	(26,218)	(4,232)	(2,732)	(1,048)	(5,628)	(173)	(18)	(40,286)
Employee expenses	497	793	2,707	1,792	992	3,069	379	847	11,076
Other service expenses	101	25,361	3,838	869	643	2,824	88	276	34,000
Depreciation, amortisation and impairment	0	0	1,157	750	661	832	10	0	3,410
Support service recharges	118	794	652	1,290	830	691	146	1,047	5,568
Total Expenditure	716	26,948	8,354	4,701	3,126	7,416	623	2,170	54,054
Net Expenditure	479	730	4,122	1,969	2,078	1,788	450	2,152	13,768

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

NOTES TO THE ACCOUNTS

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.

	2011/12 £000	2010/11 £000
Net expenditure in the Directorate Analysis	13,768	13,564
Net expenditure of services and support services not included in the Analysis	360	399
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	14,128	6,356

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.

2011/12	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	(14,295)	-	(7,257)	(913)	-	(22,465)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	0
Exceptional item -Past Service Costs	-	-	-	-	-	0
Interest and investment Income	-	-	-	-	(322)	(322)
Income from council tax	-	-	-	-	(6,835)	(6,835)
Government grants and contributions	(25,991)	-	-	-	(8,699)	(34,690)
Total Income	(40,286)	-	(7,257)	(913)	(15,856)	(64,312)
Employee expenses	11,076	-	3,750	45	-	14,871
Other service expenses	33,994	-	1,548	168	-	35,710
Support Service recharges	5,574	-	1,586	62	-	7,222
Depreciation, amortisation and impairment	3,410	-	373	278	-	4,061
Interest Payments	-	-	-	-	98	98
Pension interest and Expected return on Assets	-	-	-	-	479	479
Precepts & Levies	-	-	-	-	1,435	1,435
Payments to Housing Capital Receipts Pool	-	-	-	-	1	1
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	2,870	2,870
Total expenditure	54,054	0	7,257	553	4,883	66,747
Surplus or deficit on the provision of services	13,768	0	0	(360)	(10,973)	2,435

NOTES TO THE ACCOUNTS

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)

30. Trading Operations

The Council has established 1 trading unit for Trade Waste 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.

2010/11 £000	Trade Waste	2011/12 £000
(292)	Turnover	(255)
208	Expenditure	199
(84)	(Surplus)/Deficit	(56)

31. Principal and Agency Services

The Authority in partnership with Tamworth Borough Council and South Staffs Council have set up a shared building control service 'Southern Staffordshire Building Control Service' This service went live January 2012.

Lichfield District Council is the principal (host) authority and is responsible for discharging all functions relating to Building Control :

NOTES TO THE ACCOUNTS

Building Control Service	2010/11 £000	2011/12 £000
Expenditure incurred	518	513
Income Received	(382)	(352)
Fee payable by South Staffs Council	-	(11)
Fee payable by Tamworth Borough Council	(80)	(45)
Lichfield District Council's Contribution	56	105

32. 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		2011/12 £000
1,742	Funding provided to the operation	
1,272	Contribution from Lichfield	1,967
	Contribution from Tamworth	1,454
3,014	Total funding provided to the operation	3,421
	Expenditure met by the operation	
1,904	Pay and allowances	2,226
19	Premises costs	18
1,129	Transport costs	1,552
486	Supplies and Services	457
190	Support Costs	253
(949)	Revenue income	(1,129)
2,779	Total expenditure	3,377
	Net surplus/(deficit) arising on the pooled budget during the year	
235	Lichfield District Council's share of	44
135	57.5% of the net surplus/(deficit) arising on the operation	25

NOTES TO THE ACCOUNTS

33. Members' Allowances

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

	2010/11 £000	2011/12 £000
Salaries	0	0
Allowances	262	250
Expenses	29	26
Total	291	276

34. Officers' Remuneration

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

		Salary, Fees and Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2011/12	106,878	-	18,505	125,383
	2010/11	108,480	-	18,228	126,708
Strategic Director	2011/12	79,831	88,650	13,788	182,269
Organisational	2010/11	85,296	-	13,795	99,091
Development					
Strategic Director	2011/12	79,607	-	13,765	93,372
Democratic ,	2010/11	81,201	-	13,573	94,774
Development and					
Legal Services					
Strategic Director	2011/12	79,579	-	13,765	93,344
Community,	2010/11	80,372	-	13,573	93,945
Housing and Health					
Director of	2011/12	72,977	-	12,427	85,404
Operational	2010/11	73,623	-	12,254	85,877
Services					
Director of Finance,	2011/12	71,727	-	12,427	84,154
Revenues and	2010/11	72,762	-	12,254	85,016
Benefits					
Director of Leisure,	2011/12	68,972	-	11,840	80,812
Parks and Play	2010/11	69,045	-	11,673	80,718

The Strategic Director Organisational Development took voluntary redundancy with effect from 31 March 2012.

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	2011/12 Number of employees
£50,000 – £54,999	2	4

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

A breakdown of the total cost of exit packages are shown below:-

NOTES TO THE ACCOUNTS

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	9	8	8	5	17	13	£ 131,603	£ 111,258
£20,001 - £40,000	0	1	1	8	1	9	£ 28,603	£ 258,642
£40,001 - £60,000	0	0	0	3	0	3	£ -	£ 150,121
£60,001 - £80,000	0	0	0	2	0	2	£ -	£ 134,455
£80,001 - £100,000	0	0	0	2	0	2	£ -	£ 178,617
£100,001 - £150,000	0	0	0	0	0	0	£ -	£ -
£150,001 - £200,000	0	0	0	1	0	1	£ -	£ 165,055
Total	9	9	9	21	18	30	£ 160,206	£ 998,148

A breakdown of the total cost of exit packages are shown below :

Exit Package Cost Band	2010/11 Employers			2011/12 Employers		
	Redundancy Package	Pension Strain	Total	Redundancy Package	Pension Strain	Total
£0 - £20,000	£ 93,029	£ 38,574	£ 131,603	£ 105,799	£ 5,459	£ 111,258
£20,001 - £40,000	£ 20,635	£ 7,968	£ 28,603	£ 233,641	£ 25,001	£ 258,642
£40,001 - £60,000	£ -	£ -	£ -	£ 107,182	£ 42,939	£ 150,121
£60,001 - £80,000	£ -	£ -	£ -	£ 80,546	£ 53,909	£ 134,455
£80,001 - £100,000	£ -	£ -	£ -	£ 83,497	£ 95,120	£ 178,617
£100,001 - £150,000	£ -	£ -	£ -	£ -	£ -	£ -
£150,001 - £200,000	£ -	£ -	£ -	£ 88,651	£ 76,404	£ 165,055
Total	£ 113,664	£ 46,542	£ 160,206	£ 699,316	£ 298,832	£ 998,148

35. External Audit Costs

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

	2010/11 £000	2011/12 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	98	93
Fees payable to the Audit Commission in respect of statutory inspections	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	21	16
Fees payable in respect of other services provided by the Audit Commission during the year	1	1
Total	120	110

The fees for other services payable in both 2010/11 and 2011/12 related to the National Fraud Initiative.

NOTES TO THE ACCOUNTS

36. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

2010/11 £000		2011/12 £000
	Credited to Taxation and Non Specific Grant Income	
1,236	Heritage Lottery Fund	932
29	Other Grants	0
135	Lichfield City Council	0
445	Section 106 – Shortbutts Lane	0
202	Section 106 – City Wharf	0
0	Reimbursement for Chasewater Dam spend	2,320
108	Other Contributions	208
2,155	Sub Total (Capital)	3,460
6,787	Council Tax Income	6,835
5,301	Non-Domestic rates	3,615
814	Non Ring Fenced Government Grants	1,623
12,902	Sub Total (Revenue)	12,073
15,057	Total	15,533

2010/11 £000		2011/12 £000
	Credited to Services	
348	Heritage Lottery Fund	0
317	Disabled Facilities Grant	444
237	Other Contributions	577
902	Sub Total (Capital)	1,021
24,946	Housing and Council Tax Benefits	25,696
219	Concessionary Travel	-
272	Department for Communities and	182
232	Local Government	225
835	Other Government Departments and	-
93	Agencies	65
191	Staffordshire County Council LPSA	85
278	Staffordshire County Council Building	211
1,202	Safer Communities Positive Futures	1,454
	Contributions from other Local Authorities	
	Contributions From other Local Authorities-Shared Services	
28,268	Sub Total (Revenue)	27,918
29,170	Total	28,939

NOTES TO THE ACCOUNTS

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:

		31 March 2012 £000
Capital Grants Receipts in Advance		
Other Contributions	60	
Current Liabilities		60
Section 106 – Victoria Hospital, Lichfield	179	
Other Contributions	375	
Long Term Liabilities		554
Total		614

		31 March 2012 £000
Revenue Grants Receipts in Advance		
Natural England-Environmental Stewardship	56	
Heritage Lottery Fund	462	
Foods Standard Agency-Food Hygiene Rating System	31	
Other Contributions	45	
Current Liabilities		594
Total		594

37. 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 29** on reporting for resources allocation decisions. Grant received during the year are shown in **Note 36**.

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 33**. During 2011/12, works and services to the value of **£531K** were commissioned from companies in which eight members had an interest (**£516K** in 2010/11). Contracts were entered into in full compliance with the Council's standing orders.

NOTES TO THE ACCOUNTS

In addition, the Council paid grants totalling **£150K** to voluntary organisations (**£150K** in 2010/11) in which 3 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 received the sum of **£108K** from Bromford in 2011/2012 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 by the Council to entities controlled or significantly influenced by the Council at the end of 2011/12 was **£1.007 million (£364K** in 2010/11).

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.

NOTES TO THE ACCOUNTS

38. 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		2011/12
£000		£000
2,631	Opening Capital Financing Requirement	3,844
	<i>Capital Investment</i>	
5,155	Property, Plant & Equipment	2,575
0	Investment Properties	0
100	Intangible Assets	72
1,492	Revenue Expenditure Funded from Capital under Statute	1,435
	<i>Sources of Finance</i>	
(709)	Capital receipts	(984)
(3,602)	Government grants and other contributions	(4,849)
	<i>Sums set aside from revenue:</i>	
(721)	Direct revenue contributions	(148)
(502)	Minimum revenue provision	(542)
3,844	Closing Capital Financing requirement	1,403

	Explanation of movements in year	
0	Increase in underlying need to borrowing (Supported by government financial assistance)	0
1,442	Increase / (decrease) in underlying need to borrowing (Unsupported by government financial assistance)	(1,999)
273	Assets acquired under finance leases	100
(502)	Minimum revenue provision	(542)
1,213	Increase / (decrease) in Capital Financing Requirement	(2,441)

NOTES TO THE ACCOUNTS

39. 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	31 March 2012
	£000	£000
Vehicles, Plant, Furniture and Equipment	1,433	1,020
Total	1,433	1,020

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	31 March 2012
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	523	503
- non-current	1,240	810
Finance costs payable in future years	188	100
Minimum lease payments	1,951	1,413

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£000	£000	£000	£000
Not later than one year	598	547	523	503
Later than one year and not later than five years	1,303	866	1,230	810
Later than five years	50	0	10	0
Total	1,951	1,413	1,763	1,313

The Council has sub-let one vehicle to another Local Authority. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was **£15K** (**£7K** at 31 March 2011).

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.

NOTES TO THE ACCOUNTS

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

	31 March 2011	31 March 2012
	£000	£000
Not later than one year	115	75
Later than one year and not later than five years	175	93
Later than five years	1,277	417
Total	1,568	586

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

	31 March 2011	31 March 2012
	£000	£000
Minimum Lease Payments	139	90
Total	139	90

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.

NOTES TO THE ACCOUNTS

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

	31 March 2011	31 March 2012
	£000	£000
Not later than one year	841	812
Later than one year and not later than five years	2,627	2,501
Later than five years	45,291	44,684
Total	48,759	47,997

40. Impairment Losses

The Council undertook an impairment review of its non current assets at 31st March 2012 and has identified two assets that required impairment:

- An intangible computer license that needed to be impaired by **£57k**.
- An asset under construction that needed to be impaired by **£6k**.

These impairments reflect the assessed recoverable value compared to the carrying value.

41. 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:

NOTES TO THE ACCOUNTS

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2011/12 £000	2010/11 £000
<i>Cost of Services:</i>		
- current service cost	1,622	1,753
- past service costs	90	(7,575)
- settlements and curtailments	346	24
<i>Financing and Investment Income and Expenditure</i>		
- interest cost	3,647	4,105
- expected return on scheme assets	(3,168)	(3,176)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	2,537	(4,869)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
- actuarial gains and losses	-	-
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	2,537	(4,869)
<i>Movement in Reserves Statement</i>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(871)	6,586
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- employers' contributions payable to scheme	1,666	1,717

Comprehensive Income & Expenditure Statement (CIES)	Local Government Pension Scheme	
	31 March 2011 £000	31 March 2012 £000
Actuarial Gains/(Losses) on Plan Assets	(1,388)	(1,118)
Actuarial Gains/(Losses) on Obligations	10,988	(2,861)
Actuarial Gains/(Losses) Recognised in SRIE	9,600	(3,979)
Cumulative Actuarial Gain/(loss) Recognised in SRIE	(15,781)	(19,760)

NOTES TO THE ACCOUNTS

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	
	2010/11 £000	2011/12 £000
Opening balance at 1 April	80,412	66,234
Current service cost	1,753	1,622
Interest cost	4,105	3,647
Contributions by scheme participants	586	573
Actuarial gains and losses	(10,988)	2,861
Benefits paid	(1,974)	(2,371)
Unfunded Benefits Paid	(109)	(118)
Past service costs	(7,575)	90
Curtailments	24	346
Closing balance at 31 March	66,234	72,884

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

	Local Government Pension Scheme	
	2010/11 £000	2011/12 £000
Opening balance at 1 April	44,039	46,047
Expected rate of return	3,176	3,168
Actuarial gains and losses	(1,388)	(1,118)
Employer contributions	1,608	1,548
Employer contributions unfunded Benefits	109	118
Contributions by scheme participants	586	573
Benefits paid	(1,974)	(2,371)
Unfunded Benefits paid	(109)	(118)
Closing balance at 31 March	46,047	47,847

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.

NOTES TO THE ACCOUNTS

The actual return on scheme assets in the year was **£2.059 million** (2010/11: **£3.741 million**).

Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme	(48,967)	(47,761)	(80,412)	(66,234)	(72,884)
Fair value of assets in the Local Government Pension Scheme	39,337	30,641	44,039	46,047	47,847
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(9,630)	(17,120)	(36,373)	(20,187)	(25,037)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of **£25.037 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a overall balance of **£30.551 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 2013 is **£1.5 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.

NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11 Percentage %	2011/12 Percentage %
Long-term expected rate of return on assets in the scheme		
Equity investments	7.5	6.2
Bonds	4.9	3.3
Property	5.5	4.4
Cash	4.6	3.5
Expected Return on Assets	6.9	5.7
Rate of inflation	2.8	2.5
Rate of increase in salaries	5.1	4.8
Rate of increase in pensions	2.8	2.5
Rate for discounting scheme liabilities	5.5	4.8
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	21.2
- Women	23.4	23.4
Longevity at 65 for future pensioners:		
- Men	23.3	23.3
- Women	25.6	25.6

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

	31 March 2011 Percentage %	31 March 2012 Percentage %
Equity investments	78	78
Debt Instruments	11	12
Property	7	9
Cash	4	1
	100	100

NOTES TO THE ACCOUNTS

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 Percentage %	2008/09 Percentage %	2009/10 Percentage %	2010/11 Percentage %	2011/12 Percentage %
Differences between the expected and actual return on assets	(12.5)	(38.8)	25.1	(3.0)	(2.3)
Experience gains and losses on liabilities	(4.6)	-	-	6.4	(1.2)

42. 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 31 March 2012 is **£227k**. No provision has been made for this amount as the outcome of the claims is currently unknown.
- During the year the Council transferred Chasewater Dam to Staffordshire County Council at its carrying value (**Note 36**). As part of the transfer agreement Lichfield District Council are obliged to share equally in any additional costs associated with obtaining satisfactory Certificate of Construction. As at 31st March 2012 the value of these costs are uncertain and therefore no provision has been made.

43. Nature and Extent of Risks Arising from Financial Instruments

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

NOTES TO THE ACCOUNTS

- 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:

NOTES TO THE ACCOUNTS

Specified Investments⁴

Financial Asset Category	Strategy Approved 22 February 2012		Strategy Approved 23 February 2011	
	Minimum Criteria	Limits	Minimum Criteria	Limits
UK Banks and Building Societies	<u>Minimum Short Term Rating</u> Fitch = F1 Moody's = P-1 Standard and Poors = A-1 <u>Minimum Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	£2 million and subject to Arlingclose advice	<u>Minimum Short Term Rating</u> Fitch = F1 Moody's = P-1 Standard and Poors = A-1 <u>Minimum Long Term Rating</u> Fitch = A+ Moody's = A1 Standard and Poors = A+	£2 million and subject to Arlingclose advice
Deposits with Money Market Funds	Fitch = AAmmf Moody's = Aaa/MR1+ Standard and Poors = AAAM	£1.5 million	Fitch = AAmmf Moody's = Aaa/MR1+ Standard and Poors = AAAM	£2 million
UK Government	Not applicable	No limit	Not applicable	No limit
Local Authorities, Parish Councils etc	Not applicable	No limit	Not applicable	No limit
Group Limit	£3 million		£3 million	
Money Market Funds Limit	No limit		£10 million	
Sovereign Limit	100% UK		100% UK	

Non Specified Investments

Financial Asset Category	Strategy Approved 22 February 2012		Strategy Approved 23 February 2011	
	Minimum Criteria	Limits	Minimum Criteria	Limits
The Council's own bank (where credit ratings are not sufficient)	The Authority banks with National Westminster Bank. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. However, Even if the credit rating falls below the Authority's minimum criteria National Westminster Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.		Now a specified investment	
Deposits with a maturity of greater than one year	<u>Minimum Short Term Rating</u> Fitch = F1 Moody's = P-1 Standard and Poors = A-1 <u>Minimum Long Term Rating</u> Fitch = A+ Moody's = A1 Standard and Poors = A+	£2.1 million	<u>Minimum Short Term Rating</u> Fitch = F1+ Moody's = P-1 Standard and Poors = A-1+ <u>Minimum Long Term Rating</u> Fitch = AA- Moody's = Aa3 Standard and Poors = AA-	£2.3 million
Group Limit	£3 million		£3 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".

NOTES TO THE ACCOUNTS

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 **£12.452m (£8.573m** of short term investments and **£3.879m** 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 2012 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	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default at 31 March 2011	Estimated maximum exposure to default at 31 March 2012
	£000	%	£000	£000	£000
Deposits with Banks, Building Societies and Money Market Funds	a	b	c	(a x c)	
AAA rated counterparties	3,879	0.00%	0.00%	0	0
AA rated counterparties	0	0.12%	0.12%	3	0
A rated counterparties	8,573	0.74%	0.74%	37	63
Trade debtors	2,233	9.65%	9.65%	256	216
Total	14,685			296	279

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	31 March 2012
	£000	£000
Less than three months	2,608	1,896
Three to six months	96	71
Six months to one year	177	72
More than one year	275	194
Total	3,156	2,233

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

NOTES TO THE ACCOUNTS

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	31 March 2012
	£000	£000
Less than one year	4,673	3,891
Between one year and two years	5	33
Between two and five years	30	0
Total	4,708	3,924

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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2012 £000
Increase in interest payable on variable rate borrowings/liabilities	18
Increase in interest receivable on variable rate investments	(89)
Increase in Government Grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(71)
Decrease in fair value of fixed rate investment assets	0
Impact on other Comprehensive Income and Expenditure	(71)
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 **£45K**.

NOTES TO THE ACCOUNTS

Price Risk

The Council does not invest in equity shares.

Foreign Exchange Risk

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

44. Heritage Assets : Five-Year Summary of Transactions

Over the period 2007/08 to 2011/12, there have been no acquisitions, donations, disposals or impairments of Heritage Assets.

45. Heritage Assets : Further Information

Statues

The collection consists of four statues located in Parks, Open Spaces and a library within the District.

Art Collection

The collection consists of three paintings located in various Council buildings.

Other Items

Other items consist of various civic regalia and trophies together with a grand piano located in the Lichfield Garrick.

Preservation and Management

The statues located in parks are managed by the Greens and Open Spaces Strategy Manager, the civic regalia and trophies are managed by the Executive and Civic Support Officer, the grand piano is managed by the Acting Artistic Director and all other items are managed by Communications and Tourism Manager.

The Communications and Tourism Manager maintains a Museum Artefacts Inventory that consists of a description of the asset, its location, an assessment of its current condition and an indicative value.

46. Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the authority now requires heritage assets to be carried in the Balance Sheet at valuation.

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community assets (that are now to be classified as heritage

NOTES TO THE ACCOUNTS

assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see pages 28 to 33 on Property, Plant and Equipment).

In applying the new accounting policy, the Council has identified the assets that were previously held as community assets within property, plant and equipment at **£0m** should now be recognised as heritage assets and measured at **£0m** with a corresponding increase in the Revaluation Reserve.

The Council will also recognise an additional **£0.455m** for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is again recognised in the Revaluation Reserve. The 1 April 2010, 31 March 2011 Balance Sheet and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the heritage assets is presented at its valuation **£0.455m**. The Revaluation Reserve has increased by **£0.455m**.
- The fully restated 1 April 2010 Balance Sheet is provided on page 19. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows.

Effect on the Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£000	£000	£000
Property, plant and equipment	40,564	0	40,564
Heritage Assets	0	455	455
Long Term Assets	47,795	455	48,250
Total Net Assets	20,232	455	20,687
Unusable Reserves	8,297	455	8,752
Net Worth / Total Reserves	20,232	455	20,687

NOTES TO THE ACCOUNTS

Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement – Unusable Reserves 2010/11

There has been no restatement of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy.

The resulting restated Balance Sheet for 31 March 2011 is provided on page 19. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts is as follows:

	Opening Balances as at 31 March 2011	Restatement	Restatement required to opening balances as at 31 March 2011
	£000	£000	£000
Property, plant and equipment	43,637	0	43,637
Heritage Assets	0	455	455
Long Term Assets	50,885	455	51,340
Total Net Assets	36,830	455	37,285
Unusable Reserves	26,382	455	26,837
Net Worth / Total Reserves	36,830	455	37,285

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at **£0.455m** on the Balance Sheet resulting in an increase to the Revaluation Reserve of **£0.455m**.

COLLECTION FUND AND NOTES

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.

2010/11 £000		2011/12 £000
	Income	
49,421	Council Tax	49,732
	Transfer from general fund	
5,757	Council Tax Benefit	5,770
28,747	Income collectable from business ratepayers	31,536
491	Contribution towards previous years estimated collection fund deficit	-
84,416	Total income	87,038
	Expenditure	
55,262	Precepts and demands from major preceptors and the authority	55,330
	Business rates	
28,447	Payment to national pool	31,115
126	cost of collection	126
	Impairment of debts	
70	Write-offs of uncollectible amounts	144
171	Allowance for impairment	234
-	Contribution towards previous years estimated collection fund surplus	37
84,076	Total expenditure	86,986
(340)	Movement on Fund (Surplus)/Deficit	(52)
454	Balance a beginning of year	114
114	Balance at end of year	62

2010/11 £000	Precepts and demands on the Collection Fund	Precept Demands £000	Share of 31 March deficit £000	2011/12 £000
6,791	Lichfield District Council	6,825	8	6,817
39,049	Staffordshire County Council	39,168	44	39,124
6,741	Staffordshire Police Authority	6,762	7	6,755
2,567	Staffordshire Fire Authority	2,575	3	2,572
55,148		55,330	62	55,268

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) **38,071.6** for 2011/12. This basic amount of Council Tax for a Band D property (**£1,453.31** for 2011/12) 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)			2011/12 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	3,178	8	3,162
B	40,001 to 52,000	6,883	18	6,849	6,880	18	6,845
C	52,001 to 68,000	8,045	21	8,005	8,018	21	7,978
D	68,001 to 88,000	5,629	15	5,601	5,644	15	5,616
E	88,001 to 120,000	5,335	14	5,308	5,360	14	5,333
F	120,001 to 160,000	4,551	12	4,528	4,557	12	4,534
G	160,001 to 320,000	3,819	10	3,800	3,827	10	3,808
H	320,001 upwards	693	2	689	693	2	690
Class O		92		92	106	-	106
TOTAL		38,224	100	38,033	38,263	100	38,072

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

PRECEPTS

Schedule of Authorities, which made a precept on the Collection Fund in 2011/12:

2010/11 £000		2011/12 £000
39,130	Staffordshire County Council	39,168
6,755	Staffordshire Police Authority	6,762
2,572	Staffordshire Fire Authority	2,575
5,384	Lichfield District Council	5,389
	Parish Precepts: -	
34	Alrewas	34
62	Armitage with Handsacre	63
251	Burntwood Town Council	251
12	Clifton Campville with Thorpe Constantine	15
10	Colton	11
3	Curborough & Elmhurst, Farewell & Chorley	3
22	Drayton Bassett	22
11	Edingale	11
13	Elford	15
58	Fazeley Town Council	58
51	Fradley and Streethay	51
20	Hammerwich	20
3	Hamstall Ridware	3
5	Harlaston	6
5	Hints and Canwell	6
13	Kings Bromley	13
14	Longdon	14
14	Mavesyn Ridware	14
129	Shenstone	129
3	Swinfen and Packington	3
5	Wall	5
2	Weeford	2
42	Whittington and Fisherwick	43
10	Wigginton and Hopwas	14
629	Lichfield City Council	630
1,421	Total Parish Precepts	1,436
55,262		55,330

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

NATIONAL NON DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **43.3p** (2010/11 **41.4p**) and the small business non-domestic rating multiplier **42.6p** (2010/11 **40.7p**) 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.

2010/11 £000		2011/12 £000
81,906	Non-Domestic rateable value at year end	81,944
28,747	Gross rates payable	31,536

The difference between the gross rates payable and the income collectable is due to reliefs and provisions.

COUNCIL TAX ALLOWANCE FOR IMPAIRMENT

An increase in the allowance for impairment was made during 2011/12 amounting to **£46,129**. The total allowance for impairment of debt as at the 31 March 2012 is **£390,093** and represents **30%** of the **£1,296,370** outstanding debt.

ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement 2011/12

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 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*.⁵

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 and the Accounts & Audit (England) Regulations 2011 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 2012 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.

⁵ A copy of the code can be obtained from the Director of Finance, Revenues and Benefits

ANNUAL GOVERNANCE STATEMENT

Creating and implementing a vision

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

1. Our **Plan for Lichfield District 2012-16** has been the subject of detailed consultation with Members, partners, employees and the public and sets out the outcomes that need to be achieved for our community, so that we are clear where we should be concentrating our efforts for the period covered by the Plan. There are three key themes focused on supporting people well, shaping place and boosting business – underpinned by being a well-managed Council.
2. For the first time the Plan has been integrated with the Sustainable Community Strategy, recognising that we need to work together across the public, voluntary and business sectors if we are truly going to meet the needs of our community. The Plan has been endorsed by the **Lichfield District Strategic Partnership** and the three key themes adopted as the focus for joint working.
3. 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.
4. We have plans and strategies covering the key aspects of community interest, like **housing, community safety** and the **new Local Plan** is being progressed.

Reviewing the vision

5. The Plan for the District sets out the outcomes to be achieved for our community.
6. The new Plan started with the commitments and pledges made to the electorate by the majority party during the elections and the commitments already entered into by the previous Council. These were brought together with the evidence base including the surveys and consultations carried out by the Council and the strategic needs assessments compiled with partners and other stakeholders. From all of this the priorities for the next 4 years were arrived at. This was then consulted on including workshops with partners and Scrutiny Members, as well as public consultation through the website and new evidence added in enabling the Plan to be refined. The Plan was then approved by full Council.
7. From our 4-year plan we devise a 1-year high level **Action Plan** which contains the tasks for the year. The 1-year plan sets out the activities, projects, targets and measures that will be monitored to ensure that the Council stays on track. The performance reports regarding the delivery of the Action Plan are subject to scrutiny and reviewed by Cabinet.
8. As well as the Council's Action Plan, the **Lichfield District Strategic Partnership** has developed a complementary high level Action Plan to ensure that the work of partners is aligned so that outcomes are achieved. The performance reports relating to this Plan will be monitored by the District Board.
9. From the Action Plan flows the **Service Plans** which are our operational plans. These drive the activity in each service area. Each service area produces an integrated Service and Financial Plan based on updated guidance from Leadership Team. These Plans are then scrutinised by the relevant Overview & Scrutiny Committee in depth, which also aids Members' understanding of service operation.
10. Personal performance targets come from our 1 year high level **Action Plan** and **Service Plans**. These are set annually.

ANNUAL GOVERNANCE STATEMENT

Measuring the quality of services for Value For Money

11. Our **Performance Management Framework** is the means by which we manage the performance of the organisation at each level.
12. There are measures for each of our high-level outcomes, performance is accounted for through half yearly reports to Cabinet and Overview and Scrutiny Committees, 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 and partners through the Council's Newsletter called '*Headlines*'. We also include performance information on our website and via Press Releases.
14. The Council's performance results for 2011/12 were provided in a report to Overview and Scrutiny Committee and to Cabinet. 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 consult with our community using the most appropriate research and consultation tools available. In 2011 this took the form of a Citizens' Survey as well as enhancing the opportunity to use electronic communications through the '*Voice It*' feature on the website.
16. We validated cost and performance for specific service areas through a project called *Staffordshire One Place*. Funded by the Regional Improvement and Efficiency Partnership, the project includes validating performance and cost in development control, building control, revenues and benefits and environmental health services. Undertaken by CIPFA and the national Planning Advisory Service, this showed that we were high performing and low cost in these service areas.
17. This year the Council reviewed the value for money offered to citizens through the Budget Reduction Programme. Services were challenged to find efficiencies through looking at new ways of undertaking activities, including spreading overheads by combining with other Councils, improving the use of technology raising income and taking out cost.
18. This resulted in circa **£4.7** million of savings over the next three years, whilst maintaining high levels of performance in key service areas and without a significant impact on the standard of service delivery.
19. The quality of services is also validated by awards, and the Development Control service won **West Midlands Planning Service of the year**, awarded by the national Planning Advisory Service.

Roles and responsibilities of Members and Officers

20. 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.
21. 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.
22. 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.
23. 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* and shows the relationship of each of the mechanisms to each other.
24. The Council appointed a Scrutiny Officer to support Overview and Scrutiny Committees.
25. 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 and Deputy Leader of the Council, together with the Chief Executive to see if they are fit for purpose.

ANNUAL GOVERNANCE STATEMENT

26. 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 Cabinet Member. Reports to regulatory committees will be submitted and presented by officers.
27. 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

28. The role of the Standards Committee is to promote and maintain high standards of conduct by members and co-opted members.
29. 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. The Council has recently re-adopted the Members Code of Conduct as changes have been made as part of the Localism Act 2011.
30. 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.
31. 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 offer to 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.
32. 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.
33. There is a process in place in which complaints of conduct are pursued. The relatively low number of complaints regarding behaviour demonstrates that the standards are understood.
34. The Council can evidence that it has acted decisively when complaints of unacceptable behaviour have been made by employees.
35. 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.
36. 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

37. The Constitution contains Council's procedures, rules and Scheme of Delegation including the Financial Regulations and Standing Orders.
38. 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.
39. 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.
40. 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.
41. There are departmental risk registers which are maintained systematically, and Internal Audit assessments of our risk management consistently show substantive assurance.
42. The Action Plan for the District, its priorities and tasks for the Annual Plan are risk assessed. All reports for decision include a risk assessment.

ANNUAL GOVERNANCE STATEMENT

The role of Audit Committee

43. 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.
44. 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 two independent Members serve and who bring their professional experience to bear on the issues presented to Committee.
45. 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.

Compliance with laws and regulations

46. A range of internal controls has been established to support the Council.
47. 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
48. 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.
49. 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.
50. 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.
51. 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.
52. 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

53. The Authority has a whistle blowing policy in place, which is reviewed by the Audit Committee.
54. 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.

ANNUAL GOVERNANCE STATEMENT

Meeting the development needs of members and senior officers

55. There is a Training Plan for Members and as part of this training events are held. The Plan is developed and monitored by Employment Committee on behalf of Members.
56. The Chief Executive and Directors are set their performance targets annually. These are based on the delivery of the Action Plan and the business risks anticipated for the year.
57. Senior politicians appraise the Chief Executive and the Chief Executive appraises the Directors, assisted an independent external adviser. As part of this development needs and solutions are identified and agreed.
58. Performance Development Reviews are carried out for employees, and training needs are identified as part of this. A Management Competency Framework is in operation.
59. 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 structured E-learning programme is currently being rolled-out which greatly enhances the learning and development opportunities for a large cross-section of employees.

Communications

60. 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.
61. The Council publishes a newspaper called *In Touch*, and this contains key information about Council activities, community interests and information.
62. 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.
63. 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. The Council has developed specific websites for services, like *Visit Lichfield* for tourism. The Council provides the website for a neighbouring Council for its tourism service. The websites are complemented by marketing material.
64. The Council utilises social networking technology to reach as wide an audience as possible, and has developed an i-phone app for its Food Hygiene Rating Service – *Rate My Place*, which the Council provides on for other Staffordshire Councils and one Council in Derbyshire.
65. 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.
66. 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 had developed good relations with local news Blogs, like *Lichfield Live*. 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. *Headlines* is a monthly newsletter provided to Members and partners, and includes information on the Council's activities as well as partner news.
67. These methods of communication are complemented by the Council's regular surveys of residents. We also test views on how well the Council communicates and the communication channels they use to find out about the Council.

ANNUAL GOVERNANCE STATEMENT

How we incorporate good governance arrangements in our partnerships

68. 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.
69. Lichfield District has a District Board which brings together the public and voluntary sector agencies and local businesses, for its Local Strategic Partnership. The purpose, function and structure of the LSP has been reviewed and new arrangements became effective from April 2011.
70. The Council is part of external partnerships which support to its strategic agenda – including the Staffordshire Strategic Partnership, the Local Enterprise Partnerships, county and regional waste partnerships, housing and community safety.
71. As a result of national legislation a new county wide Partnership for Public Health is being established, and a new Panel for Community Safety, and the Council has been involved in shaping the involvement of our District.
72. The West Midlands Improvement and Efficiency Partnership, on which the Chief Executive is Vice Chairman, has provided financial support for the improvements made in the waste service, procurement and supporting the independence of vulnerable people.
73. 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.

Review of effectiveness

74. 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.
75. 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.
76. The Constitution is reviewed and updated throughout the year, and this includes reviewing the governance framework.
77. 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.
78. An Officer Working Group chaired by the Director of Finance, Revenues and Benefits and including senior Finance personnel and the Monitoring Officer, review the Code of Corporate Governance and it is entered onto our performance management system with areas assigned to Officers.
79. Existing corporate policies are reviewed and updated in accordance with best practice on an ongoing basis. This year we have met and renewed and updated Whistle Blowing Policy, Anti Fraud and Corruption Policy and Money Laundering Policy.
80. A Member's questionnaire has been completed by Chairmen, Vice Chairmen and the Leader of the Opposition party in order to supply Members' Assurances.
81. The **Cabinet** is the part of the Council that is responsible for key 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.

ANNUAL GOVERNANCE STATEMENT

82. There is an **Overview and Scrutiny Co-ordinating Committee** and 4 **Overview and Scrutiny Committees**. The Committees oversee and scrutinise decisions made by the Cabinet and Cabinet Members. For 2011/12 onwards, whilst the Audit Committee retains overall responsibilities as 'Those Charged with Governance', Strategic (Overview and Scrutiny) Committee is responsible for recommending approval of the Statement of Accounts to Council."
83. The Council has an **Audit Committee** that provides independent, effective assurance about the adequacy of the Council's governance environment. The Audit Committee endorsed the Local Code of Good Governance for approval by Full Council and recommends the Annual Governance Statement for approval.
84. The **Standards Committee** promotes and maintains high standards of conduct by monitoring the operation of the Members Code of Conduct. During 2011/12 there was one complaint received.
85. 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.

86. Internal Audit reports directly to the Chief Executive, to command enhanced significance and independence.
87. 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.
88. 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.
89. 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.
90. 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.
91. An annual review of the effectiveness of the system of internal audit is also undertaken and the review for 2011/12 concluded that the system of internal audit is operating effectively and assurance can be taken from the work of Internal Audit service.

Issues Raised in 2010/11 and subsequently progressed in 2011/12

Issue	Action Plan Finding 2010/11	Assigned to	Timescale
The Budget Reduction Programme 2011-14. The Council had a target Budget reduction requirement of £4.744m	The Budget Reduction Programme 2011-14 commenced in 2010/11 and was completed in 2011/12. Reductions of £4.456m were achieved and in addition the financial performance in 2010/11 resulted in a contribution of £0.084m to General Reserves rather than a planned contribution of £0.331m . This resulted in an overall improvement of £0.415m in General Reserves. In total, the Budget Reduction Programme 2011-14 improved the Council's overall financial position by £4.871m , exceeding the target budget reduction of £4.744m .	Leadership Team	Completed by November 2012

92. 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 no significant issues have been identified.

ANNUAL GOVERNANCE STATEMENT

93. Nationally there is a review of Local Government Finance which will have significant implications for Local Government and its relationship with the citizen. These changes will begin to be implemented in 2012/13, and therefore the following issue has been identified which may impact on the governance and assurance framework the Council needs:-

Finding 2011/12	Action Plan	Assigned to	Timescale
Issue			
The Local Government Resource Review will result in a new method of the distribution of local business taxation - called the Retention of Business Rates, and the Council will need to manage the economic, financial and social impact.	Council Policies will need to be developed to mitigate the impact of the Local Government Resource Review on the Council's Plan for the District 2012-16 and its finances.	Leadership Team Chief Financial Officer - Director Finance, Revenues and Benefits.	April 2013
Local Government Resource Review replaces the Council Tax Benefit scheme with a local scheme for Council Tax Support	A Local Scheme will be designed for Lichfield District Council, which will take account of the cut in the amount of finance the Council will receive, and enable the scheme to be affordable for the Council taking account of likely future demand.	Leadership Team Chief Financial Officer - Director Finance, Revenues and Benefits.	April 2013
Recessionary Impact – the external financial climate continues to be volatile and uncertain.	Close monitoring of the higher risk business areas and those areas affected by the external economic environment	Leadership Team	For the period of the Medium Term Financial Strategy

We propose over the coming year to take steps to address the above matters to further enhance our governance and assurance arrangements.

Signed on behalf of Lichfield District Council:

Leader of the Council

Chief Executive

September 2012

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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.

GLOSSARY OF TERMS

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 specialised assets that can be part of a network, do not have alternative uses, are immovable or can have constraints on their disposal. Expenditure on these assets is recoverable only by continued use of the asset created. Examples of these 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

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.

GLOSSARY OF TERMS

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

Central Government grant towards the cost of providing services. Being non-ring-fenced, the grant can be spent on activities at the council's discretion. The main grant falling into this category is the Formula Grant, formerly known as Revenue Support Grant. The amount received is dictated by central government.

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.

INDEPENDENT AUDITORS REPORT

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، لطفاً با ما تماس بگیرید

Polish

Jeżeli chciałoby Państwo otrzymać ten dokument w innym języku lub w innym formacie albo jeżeli potrzebna jest pomoc tłumacza, to prosimy o kontakt z nami.

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