

## STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

12 September 2013

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 2012/13

##### 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 – 2012/13.

##### 2. Summary

- 2.1 To provide the Committee with an overview of the Statement of Accounts 2012/13 (**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 2012/13 accounts.

##### 3. Recommendations

- 3.1 The Committee is asked to consider the Councils Statement of Accounts for 2012/13.

##### 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	Risk Category	How are the risks being measured?
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.	Medium/High	Financial	Comprehensive planning timetabling of tasks.
B	The need to ensure compliance with the Accounts and Regulations 2011.	Medium/High	Financial	Comprehensive Training Scrutinising.

**Background Documents:**

Statement of Accounts working papers 2012/13  
 The Accounts and Audit (England) Regulations 2011  
 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom





# Statement of Accounts 2012/13

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If you have any comments on this **Statement of Accounts 2012/13** or would like any further information please contact:

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## STATEMENT OF RESPONSIBILITIES

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# 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 2013.

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 2013 and its income and expenditure for the year.



Date: 27 June 2013

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

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

## Introduction

The Statement of Accounts for the year ended 31 March 2013 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.

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.

## EXPLANATORY FOREWORD

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### **Financial Summary 2012/13**

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.

#### **Fit for the Future - Budget Reduction Programme (F4F)**

On 8 February 2013 the Medium Term Financial Strategy (Revenue & Capital) 2013-16 reported to Cabinet that there was a forecasted £1.7m budgetary deficit with another £300,000 shortfall forecast for 2015/16. As a result of this the Council has launched a programme called “*Fit for the Future*” (F4F) to manage the changes that will be needed across the Council and its services in order to meet the changes and the predicted revenue Budget shortfall. It is anticipated that this programme will be developed and implemented over the next three financial years including reviews to accommodate national and local changes. Clearly F4F will impact on the Council’s Plan for the District, its priorities and outcomes.

#### **Revenue Spending**

##### ***What we planned to spend***

The Council set an original Net Revenue Budget for 2012/13 of **£10,935,400** for spending on services. This anticipated transfers to Earmarked Reserves of **£45,930** and General Reserves of **£581,000** in order to breakeven. This was revised to a Net Revenue Budget of **£11,169,210**. With anticipated financing available from External Grants and Council Tax income of **£10,354,400** the revised difference was to be financed **£35,730** by a transfer from Earmarked Reserves and **£779,080** from General Reserves held both as a contingency and to support spending.

##### ***What we actually spent***

The actual spend on activities during 2012/13 was **£657,415** lower than anticipated.

As a result, the Council has been able to reassess use of provisions by using less General Fund Reserves but earmarking more for the Birmingham Road car park.

The cumulative effects of the reduced spend and additional funding has produced a **£833,565** operational surplus in 2012/13. Overall, the net effect is that General Reserves have decreased to **£121,665** overall and the Council’s total Revenue Reserves have increased by **£18,755**.



## EXPLANATORY FOREWORD

Variance Analysis	Revised Budget £	Actual £	Variance £
Funding	(10,354,400)	(10,314,042)	40,358
- activities	11,169,210	10,295,287	(873,923)
Sub Total	£814,810	£(18,755)	£(833,565)
- to/(from) Earmarked Reserves	(35,730)	140,420	176,150
- to/(from) General Revenue Reserves	(779,080)	(121,665)	657,415
Sub Total	£(814,810)	£18,755	£833,565

Overall, there has been a contribution from General Revenue Reserves of **£121,665**; compared with our Revised Budget that forecast a contribution of **£779,080**; this represents an improvement of **£657,415**.

The total impact of the budgeted and additional contribution from Revenue Reserves has been to increase overall Revenue Reserves to **£6,076,564** as illustrated below.

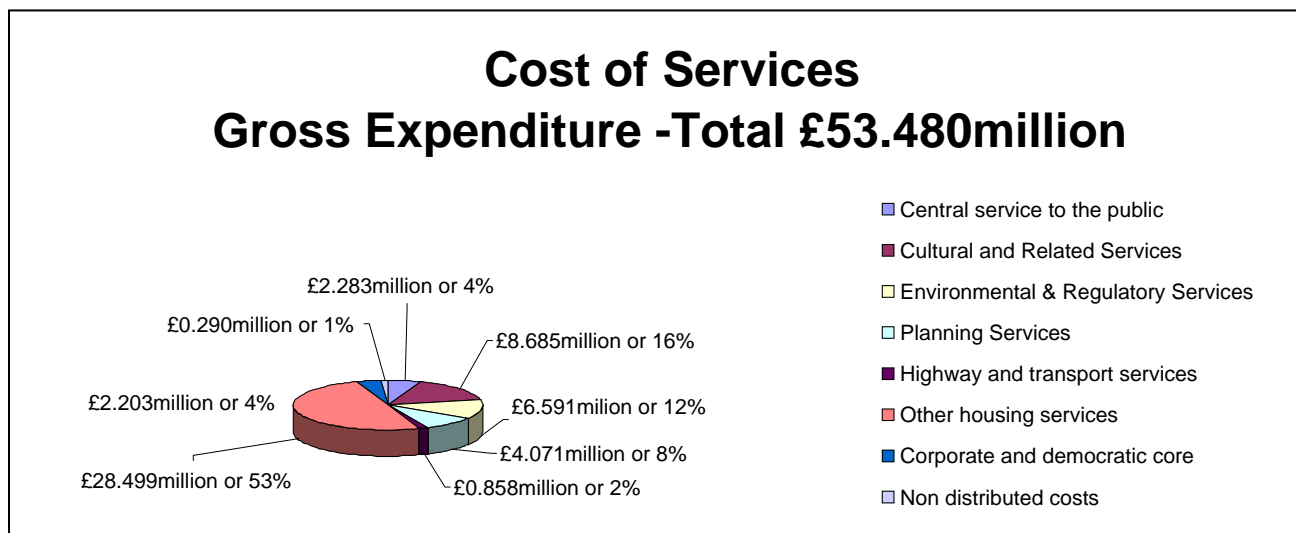
Revenue Reserves	Brought Forward £	2012/2013 Net Change Increase/ (Decrease) £	Carried Forward £
Earmarked Reserves	2,982,206	140,420	3,122,626
General Revenue Reserves	3,075,603	(121,665)	2,953,938
	<b>£6,057,809</b>	<b>£18,755</b>	<b>£6,076,564</b>

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 **£2,953,938**, the surplus **£1,953,938** will be used, over the next three years, to support the Council's Medium Term Financial Strategy.

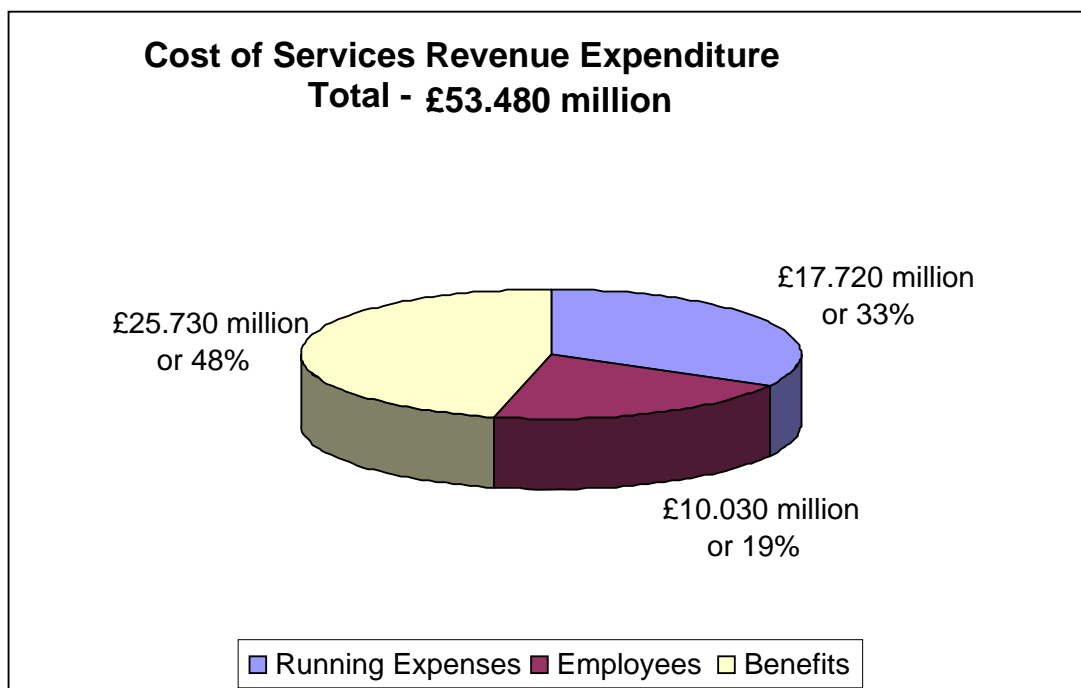
## EXPLANATORY FOREWORD

### 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 shows Gross Expenditure for the year was **£53.480 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 managed (see **Note 29** of the Core Financial Statements). The chart below illustrates the profile of Gross Expenditure based on the defined Services Areas.



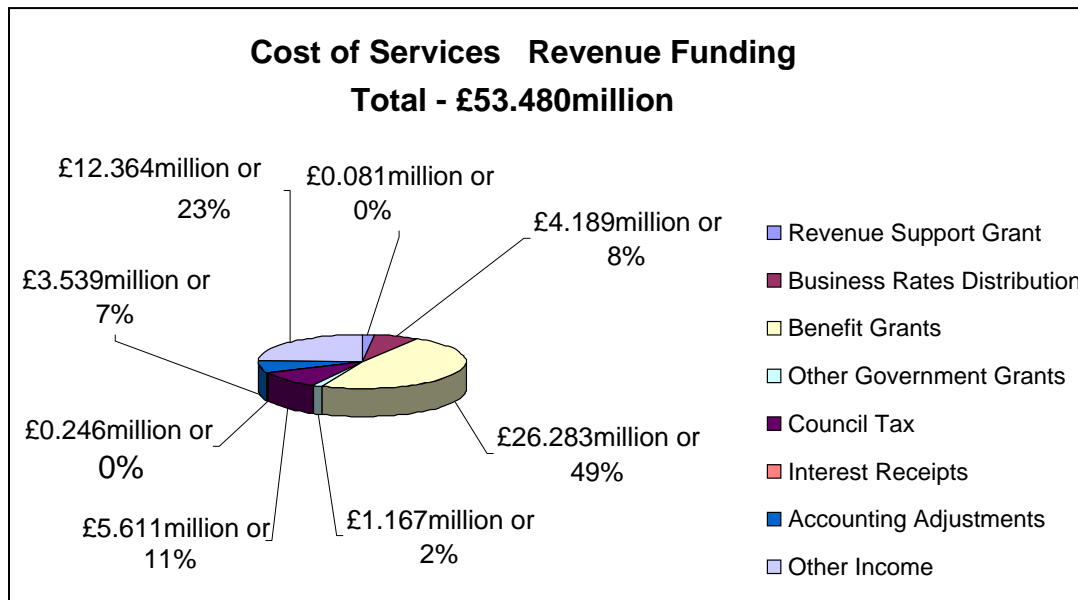
**Cost of Services - Revenue Expenditure** for the year was **£53.480 million**. It represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, vehicle costs, and supplies and services. The chart below illustrates the proportion in which expenditure was incurred on these categories of expenditure.



## EXPLANATORY 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 **£26.283 million**.



A total of **£5.611 million** was raised from Council Tax, and fees and charges levied by the Council form a substantial part of the **£12.364 million** of other income generated. A further **£0.246 million** in interest was received from investments and other interest receipts during the year. Accounting Adjustments of **£3.539 million** include contributions from Capital, Pension, Accumulated absence Reserves and internal charges.

### 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 2013 and included capital commitments of **£12.672<sup>1</sup> million** with estimated capital spending in 2012/13 of **£6.133 million**. In addition, there have been some other minor changes under delegation that have increased the budget by a further **£0.249 million**. Therefore, the net capital budget was **£6.382 million**.

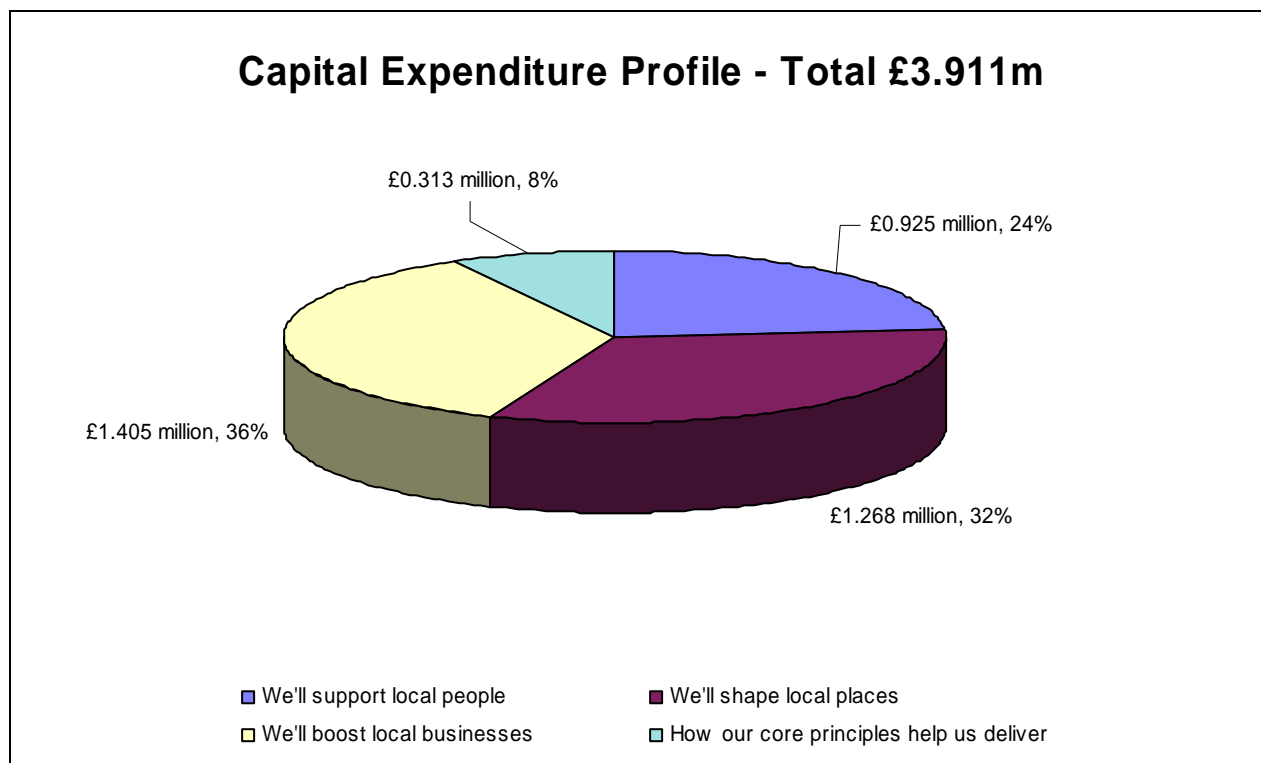
<sup>1</sup> 2012/13 **£6.133 million**, 2013/14 **£1.684 million**, 2014/15 **£0.779 million** and 2015/16 **£4.076 million**

## EXPLANATORY FOREWORD

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### How the money was spent

The actual spending in 2012/13 was **£3.911 million**. This was **£2.471 million (39%)** lower than estimated. Spend by top priority for the 2012/13 financial year was:



Major areas of capital expenditure and significant individual projects included:

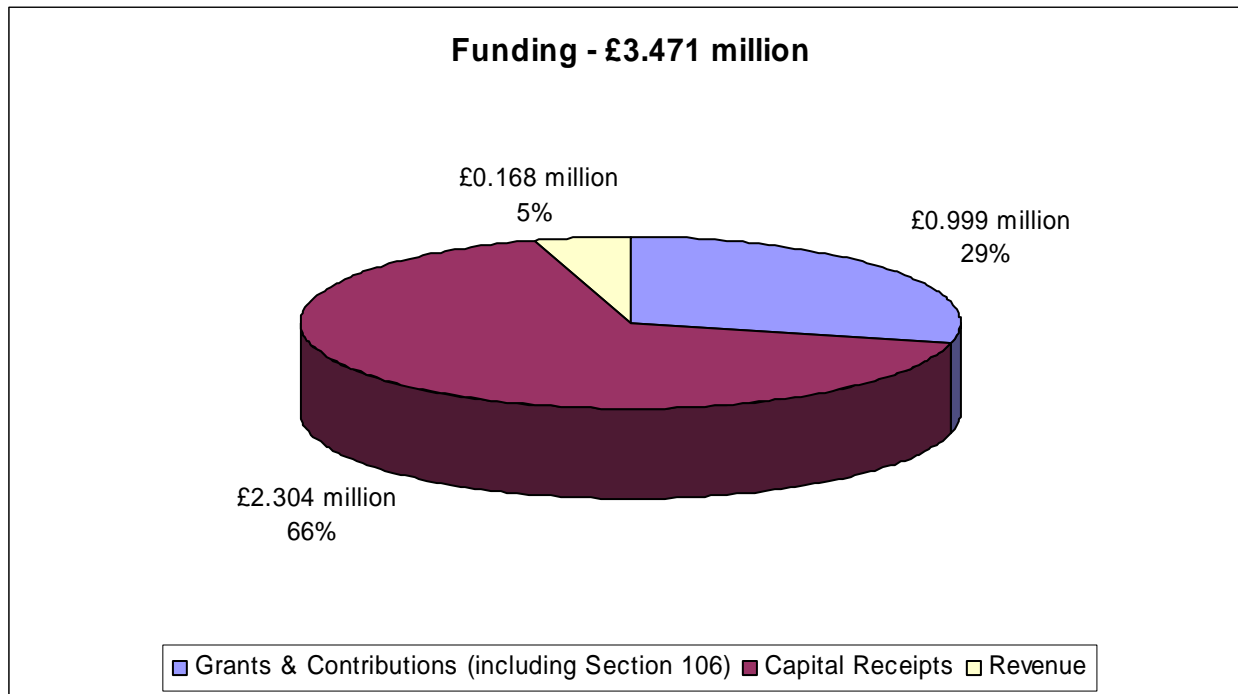
- Community, Housing and Health - financing of the Council's private sector housing assistance policy targeted at improving the District's private sector housing stock - Home Repairs, Energy Efficiency, Renovation and Disabled Facilities Grants (**£0.609 million**);
- Leisure, Parks and Play – our contribution towards the enhancement works to Chasewater Dam (**£0.776 million**) undertaken by Staffordshire County Council;
- Lichfield District Venture – works to construct a new car park at the Friary Outer development (**£1.154 million**).
- Information Technology investment – upgrade and enhancement of equipment and software (**£0.234 million**).

## EXPLANATORY FOREWORD

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### *How it was paid for*

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2012/13 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.
- Revenue - this is funded directly from the Revenue Budget and from Earmarked Reserves.

### *So what was achieved for the money?*

The Revenue and Capital transactions recorded in these statements supported all the Council's activities in 2012/13. 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:

#### **We'll Support Local People**

- In 2012/13 there were 1,753 incidents of Anti-Social Behaviour (ASB). This was 455 (or 20%) fewer than in 2011/12 and with a 50% reduction over the last 5 years.
- The Community Development Team focused on getting people back into employment through Work Clubs; 58 gained employment during 2012/13 with 89 helped into training and 11 into volunteering. 348 individuals were registered to work clubs and attendances totalled 1,157 over the course of the year.

## EXPLANATORY FOREWORD

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- A data analysis exercise has identified 44 'troubled families' living in the District; a report was received at the September 2012 meeting of Community Housing and Health Overview and Scrutiny Committee at which Members were advised that this initiative will be rebranded 'Supporting Families in Lichfield District'.
- The average time from enquiry to completion of Disabled Facilities Grants reduced from 31.1 weeks during 2011/12 to 25.5 weeks during 2012/13. 49% of DFG's have been completed through the fast track process (19% during 2011/12).
- Homelessness was prevented for 213 households during 2012/13 compared to 145 in 2011/12 a 46% increase. The Housing Team assisted 37 households through the homeless prevention fund (20 in 2011/12).
- A total of 10 training events on how to identify housing risks in the home were delivered (11 in 2011/12), with 132 home visitor attendances (239 in 2011/12). A Member training event was delivered in May 2012 and attended by 31 elected members.
- As a result of work undertaken by the Community Safety Team together with Partners (including the Police) Anti-Social Behaviour in the targeted wards fell by 1.7 %. In addition 22 young people participated in focused crime prevention activities and there were 8 intergenerational community events held during the year through the Positive Futures programme.
- According to a survey conducted by Sport England in November 2012 23.6% of adults aged over 16 that are resident in Lichfield district participate in sport on at least 3 occasions per week for a minimum of 30 minutes, a rise of 0.3 percentage points.
- The number of members of our leisure centres, holding Leisure Activity Passports, from our targeted groups, as of 28/3/2013 has increased by 310 to 1768 – a rise of 21% compared to the figure on the 31/3/2012.
- The Sport and Physical Activity Strategy continues to be drafted but has been delayed to allow for implications from Fit for the Future (F4F) to be considered and incorporated.
- In 2011/12 under a new strategic approach to commissioning, a total of 9 voluntary and community organisations entered into 3 year Service Level Agreements totalling £196 000 pa in value. In 2012/13 six monthly monitoring meetings were completed in the autumn and again in March 2013. Evaluation of commissioning process in progress; included consultation with reconvened Community Housing and Health Overview & Scrutiny Committee member task group in January 2013.
- There were 53 affordable homes delivered last year which exceeded the target. These comprised of 22 rented properties, 7 shared ownership, 4 mortgage rescue and 20 first buyers. Friary outer scheme is currently in progress which will deliver 54 sheltered and 6 shared ownership apartments in late Summer 2013.

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### We'll Shape Local Places

- The Lichfield Local Plan; Strategy was formally submitted to the Secretary of State on 22 March 2013 and is now the subject of an examination to test its legal and policy compliance. Hearing sessions into the plan will take place between June - July 2013.
- The post-restoration plan for the historic parks is being implemented. Highlights in 2012/13 include the opening of the café and kiosk by Chandlers. Green Flag accreditation was maintained; the event programme was more extensive than ever and included the Olympic Torch Relay, Lichfield Festival, Fuse, Cars in the Park, the Jubilee Bower, Titanic commemorations and the best ever Proms in the Park. The new bowls green opened for play.
- We continue to meet with Persimmon, the developers, at the Hawksyard Housing Development to encourage progress with the preparation, and adoption, of the open space and play areas.
- During the year, there were energy efficiency measures implemented at Burntwood Leisure Centre including the replacement of the Building Energy Management System (BEM) which allows for greater control and flexibility in managing energy use and a programme of replacing existing standard light fittings and bulbs with low energy use alternatives. The Centre's energy assessment score is 100; a rise of 3 points on the previous year.
- Tenancy Strategy considered by Community, Housing & Health, Strategic Overview and Scrutiny Committee Member Task Group and approved by Cabinet in May; an annual review of the Strategy was agreed.
- During 2012/13 period, Street Scene Services measured 1,500 areas/streets across the district for cleanliness. 91% of these areas achieved an acceptable level of cleanliness and were graded as satisfactory or better, for the first time in our calculations these areas now include the cleanliness of all the Trunk roads within our district. Fly Tipping within our district is still relevantly low in comparison to other neighbouring districts with only 176 separate instances during 2012/13 in comparison to 171 instances in 2011/12 All instances of fly tipping are investigated to try and establish where the items come from and who may have deposited the waste, we carry out investigations internally either by officers from Operational Services or Environmental Health or externally using trained enforcement inspectors. During 2012/13 Lichfield District Council issued four warning letters. To help reduce the amount of fly tipping and litter deposited unlawfully within our district we carry out routine inspections of known Hot Spot areas, erect enforcement and educational notices, have warning and information panels on our vehicles and regularly use the media as a management tool.
- The Joint Waste Service for Lichfield and Tamworth District Councils has now been operating for nearly three years since its launch on 5 July 2010. The service continues to be delivered both in accordance with the Operational Plan and within budget. Particular highlights include a successful review of the collection rounds which has improved efficiency and the way the service coped with a prolonged period of bad weather during the winter which had a significant impact on collections, Both authorities have seen further improvements in their landfill diversion performance and recycling rates. However most of the improvement on the recycling rate was due to the wet weather last summer which increased the organic waste yield. Lichfield's recycling rate increased from 56.2% in 2011/12 to 57.5% in 2012/13 and the amount of waste sent to landfill fell from 417kg to 402kg per household over the same period.

## EXPLANATORY FOREWORD

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- Through its Countryside management team, the Council continues to manage and improve nature conservation interests at Chasewater and Gentleshaw Common in accordance with agreed Higher Level Stewardship agreements with Natural England. In terms of Chasewater, the Council completed the majority of its stewardship obligations and is liaising with Staffordshire County Council on matters to do with the handover. In terms of Gentleshaw Common, negotiations with Natural England are in their final stages which will see the sites High Level Stewardship funding rise to £100,500+ until 2016.

### We'll Boost Local Businesses

- Lichfield district hosted a wide range of events and festivals in 2012/13. A report detailing the success of these events was considered by the Committee in September 2012. Particular highlights included the Olympic Torch Relay, the Titanic commemorations, the Jubilee Big Lunch and Bower Annual Fayre, Cars in the Park, Fuse, Lichfield Festival, and the 14<sup>th</sup> Lichfield Proms in Beacon Park.
- The Lichfield Garrick Theatre was established as a Charitable Trust during the financial year and started trading as such on 1 February 2013. Its Annual Report and Accounts are published separately and are not consolidated into Lichfield District's Accounts. The Council continues to engage the Theatre to help deliver its strategic objectives in relation to cultural development and in this capacity are committed to funding the Charitable Trust as part of its three year Medium Term Financial Strategy.
- The Council is working with TownTeam Partners to identify ways to support the high street in response to the downturn in the economy. In addition in Lichfield it is looking to bring forward developments at Friarsgate and Friary Outer to help maintain Lichfield City centres role as a key destination for shoppers and visitors. In Burntwood on-going dialogue is taking place with the main landowner to see what scope there is for bringing forward a town centre scheme capable of meeting local needs. Parallel with this work is being undertaken to further enhance the environment around the existing Sankeys Corner area - the focal point for existing commercial activity.
- Cross-cutting delivery plans are being worked up as part of the Lichfield and Tamworth Business and Economic Partnership (BEP) aimed at supporting local businesses to develop and grow. Also with the Greater Birmingham and Solihull Local Enterprise Partnership and Staffordshire and Stoke-on-Trent Local Enterprise Partnership work is taking place to attract new business ventures and investments into the District.
- The Council is working with its development partner Development Securities plc to bring forward the Friarsgate scheme. In January 2013 Cabinet resolved that the current development agreement was not be terminated before 31 December 2013, subject to a satisfactory review of progress that was completed by Lichfield District Venture Board on 27 June 2013. This was to give Development Securities a further period of time to secure an anchor tenant and further refine and revise the scheme to better reflect current market conditions and improve viability.
- The Friary Outer parking and mixed use residential and commercial scheme is currently being implemented in accordance with the submitted and agreed plans.



## EXPLANATORY FOREWORD

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- The Council is working with those neighbourhoods that have registered an interest in taking forward neighbourhood plans. The first four neighbourhoods are Stonnall, Shenstone, Little Aston and Alrewas. Advice has been provided on the steps necessary to achieve designation and to develop subsequently a Neighbourhood Plan. In certain cases the Council is also supporting the neighbourhood parishes to carry out work in relation to their respective plans in accordance with legislation and guidance and where the parishes have sought such support.
- The results of the rural master planning exercises and parallel rural sustainability work have informed policies and proposals contained within the Local Plan. The Strategy was submitted for examination in March 2013. The Rural policy forms a key part of the overall development strategy.
- Matters pertaining to the health and well-being of Lichfield's rural economy are being addressed in the delivery plans linked to the Lichfield and Tamworth Business and Economic Partnership Economic Strategy.
- The provision of rural infrastructure is a key consideration including how this can be supported via the emerging Community Infrastructure Levy (CIL). The Council has commenced work on developing a CIL charging regime and in addition to identifying specific community infrastructure needs linked to development proposals, under government proposals local communities will be allocated a proportion of CIL monies to spend on local priorities.
- The High Street Funding Initiative Project is well underway in Lichfield through the Town Team. A brand has been developed, which will be launched this summer 'Shop, eat, drink, explore' that will be launched with a new website, mobile phone app and more. An events fund has been launched and a new event is likely to take place this year - results to be announced soon. Work on a Business Improvement District Workshop is underway and will take place the autumn. Traders very positively engaged in work and helping to drive forward projects.
- In Burntwood, a new group called the Burntwood Business Crew has been established and is chaired by a local business man. The group are implementing "Totally Locally" to boost the local economy, as well as carrying out a road sign audit and implementing new signage in shopping areas. Businesses are very engaged and committed to helping to drive progress forward.
- We assisted in the delivery of The Big Lunch at the cathedral in June which was a success and we are working to deliver the Lichfield Food Festival, Proms in the Park, the Heritage Weekend all in September as well as a range of smaller events. Events are also being promoted through our popular What's On Guide and the second issue of this is due out in August.
- Visitor numbers for 2012/13 were in line with expectations and attractions across the district are reporting a positive uplift in tourists at many venues.
- Service Level Agreements for the Tourism Welcoming Services Project are being monitored and already key milestones are being achieved, including above target school groups at Erasmus Darwin House. Other key funded events (such as the Lichfield Festival) have not yet taken place and the outcomes will be assessed following their successful delivery.
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## EXPLANATORY FOREWORD

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- The team is working to develop a Lichfield City Centre Strategy that will underpin any work on the cultural strategy and extensive work is underway with Lichfield Cathedral and Staffordshire County Council to scope this project and approach.

### How our Core Principles help us deliver

- Council approved Councillor Greatorex as its representative on the Police and Crime Panel (May 2012); he has been appointed as Vice Chairman of the Panel. Lichfield District Council has represented all Staffordshire Community Safety Partnerships in one-to-one briefing meetings with prospective Police and Crime Commissioners (PCC).
- The first Police and Crime Commissioner elections to be held and subsequent count were successfully administered in November 2012.
- A Council-wide project for telephony was completed and fully implemented in May 2012.
- The Staffordshire One Place Project continues to create opportunities for shared services. The Revenues and Benefits strand of Staffordshire One Place has developed into a specific project with Staffordshire County Council (SCC); District Councils have been invited to deliver the welfare benefits advice and financial assessment service on SCC's behalf. This proposal was approved by Cabinet in July 2012. Lichfield District is one of three pilot authorities. The pilots started in November and will be evaluated at the end of June 2013. The Planning Advisory Service (PAS) have been procured by Tamworth Borough Council to develop a 'buy local' scheme across Staffordshire which will allow trading across Councils to respond to peaks and falls in planning applications / policy work and demand for specialist planning skills (i.e. conservation, urban design, arboriculture, ecology, landscape design or archaeology). The Southern Staffordshire Building Control Service was launched on 1 January 2012 and comprises Lichfield District Council, Tamworth Borough Council and South Staffordshire Council.
- The Council approved its Local Council Tax Scheme (LCTS) at its meeting on 11 December 2012. This came into effect on the 1 April 2013.

Overall, the 2012/13 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)**

**27 June 2013**

## 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	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012 as restated</b>	3,076	2,982	2,066	1,269	9,393	21,158	30,551
<b>Movement in Reserves 2012/13</b>							
Surplus/(Deficit) on provision of services	(1,586)	-	-	-	(1,586)	-	(1,586)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(4,392)	(4,392)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,586)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,586)</b>	<b>(4,392)</b>	<b>(5,978)</b>
Adjustments between accounting basis & funding basis ( <b>Note 7</b> )	1,604	-	(184)	(21)	1,399	(1,399)	-
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>18</b>	<b>-</b>	<b>(184)</b>	<b>(21)</b>	<b>(187)</b>	<b>(5,791)</b>	<b>(5,978)</b>
Transfers to/from Earmarked Reserves ( <b>Note 8</b> )	(141)	141	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>(123)</b>	<b>141</b>	<b>(184)</b>	<b>(21)</b>	<b>(187)</b>	<b>(5,791)</b>	<b>(5,978)</b>
<b>Balance at 31 March 2013</b>	<b>2,953</b>	<b>3,123</b>	<b>1,882</b>	<b>1,248</b>	<b>9,206</b>	<b>15,367</b>	<b>24,573</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011 as restated</b>	3,407	2,570	2,835	1,636	10,448	26,837	37,285
<b>Movement in Reserves 2011/12</b>							
Surplus/(Deficit) on provision of services	(2,435)	-	-	-	(2,435)	-	(2,435)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(4,299)	(4,299)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,435)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,435)</b>	<b>(4,299)</b>	<b>(6,734)</b>
Adjustments between accounting basis & funding basis ( <b>Note 7</b> )	2,516	-	(769)	(367)	1,380	(1,380)	-
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>81</b>	<b>-</b>	<b>(769)</b>	<b>(367)</b>	<b>(1,055)</b>	<b>(5,679)</b>	<b>(6,734)</b>
Transfers to/from Earmarked Reserves ( <b>Note 8</b> )	(412)	412	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>(331)</b>	<b>412</b>	<b>(769)</b>	<b>(367)</b>	<b>(1,055)</b>	<b>(5,679)</b>	<b>(6,734)</b>
<b>Balance at 31 March 2012</b>	<b>3,076</b>	<b>2,982</b>	<b>2,066</b>	<b>1,269</b>	<b>9,393</b>	<b>21,158</b>	<b>30,551</b>

## 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.

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,964	(1,793)	1,171	Central services to the public	2,283	(1,223)	1,060
8,707	(4,363)	4,344	Cultural and Related Services <sup>2</sup>	8,685	(3,841)	4,844
6,670	(3,231)	3,439	Environmental & Regulatory Services	6,591	(3,577)	3,014
4,988	(2,826)	2,162	Planning Services	4,071	(2,196)	1,875
852	(1,769)	(917)	Highways and transport services	858	(1,691)	(833)
26,975	(26,247)	728	Other housing services	28,499	(27,362)	1,137
2,328	(57)	2,271	Corporate and democratic core	2,203	(54)	2,149
570	-	570	Non distributed costs	290	-	290
<b>54,054</b>	<b>(40,286)</b>	<b>13,768</b>	<b>Cost of Services</b>	<b>53,480</b>	<b>(39,944)</b>	<b>13,536</b>
4,530	(224)	4,306	Other Operating Expenditure (Note 9)	2,030	(1,863)	167
1,136	(1,242)	(106)	Financing and Investment income and Expenditure (Note 10)	1,228	(1,030)	198
-	(15,533)	(15,533)	Taxation and Non-Specific Grant Income (Note 11)	-	(12,315)	(12,315)
<b>59,720</b>	<b>(57,285)</b>	<b>2,435</b>	<b>(Surplus) or Deficit on Provision of Services (cash flow)</b>	<b>56,738</b>	<b>(55,152)</b>	<b>1,586</b>
		321	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(957)
		-	Gains/losses on available for sale Financial Assets			(1)
		3,979	Actuarial gains/losses on pension assets/liabilities			5,348
		(1)	Other gains/losses			2
		<b>4,299</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>4,392</b>
		<b>6,734</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>5,978</b>

<sup>2</sup> See Note 5 in relation to Cultural and Related Services

## 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 2012 Restated £000		Notes	31 March 2013 £000
40,756	Property, Plant & Equipment	12	41,197
455	Heritage Assets	13	455
6,610	Investment Property	14	6,440
70	Intangible Assets	15	131
-	Long Term Investments	16	1,206
248	Long Term Debtors	16	272
<b>48,139</b>	<b>Long Term Assets</b>		<b>49,701</b>
93	Inventories		91
3,196	Short Term Debtors	17	3,253
4,059	Short Term Investments	16	6,027
8,857	Cash and Cash Equivalents	18	5,067
<b>16,205</b>	<b>Current Assets</b>		<b>14,438</b>
(4)	Short Term Borrowing	16	-
(7,256)	Short Term Creditors	20	(6,472)
(39)	Provisions	21	(881)
(60)	Capital Grants Receipts in Advance	36	(406)
<b>(7,359)</b>	<b>Current Liabilities</b>		<b>(7,759)</b>
(33)	Long Term Borrowing	16	-
(810)	Long Term Liabilities: Finance Leases	39	(461)
(25,037)	Long Term Liabilities: Defined Benefit Pension	41	(31,246)
(554)	Capital Grants Receipts in Advance	36	(100)
<b>(26,434)</b>	<b>Long Term Liabilities</b>		<b>(31,807)</b>
<b>30,551</b>	<b>Net Assets</b>		<b>24,573</b>
9,393	Usable Reserves	22	9,206
21,158	Unusable Reserves	23	15,367
<b>30,551</b>	<b>Total Reserves</b>		<b>24,573</b>

## 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 (i.e. Lessors) to the Council.

2011/12 £000		2012/13 £000
2,435	Net (surplus) or deficit on the provision of services	1,586
(5,904)	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements <b>(Note 27)</b>	(3,748)
(48)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities <b>(Note 28)</b>	(1,863)
<b>(3,517)</b>	<b>Net cash flows from Operating Activities (Note 24 - Interest only)</b>	<b>(4,025)</b>
(4,718)	Investing Activities <b>(Note 25)</b>	2,156
2,224	Financing Activities <b>(Note 26)</b>	5,659
<b>(6,011)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>3,790</b>
(2,846)	Cash and cash equivalents at the beginning of the reporting period	(8,857)
<b>(8,857)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 18)</b>	<b>(5,067)</b>

## NOTES TO THE ACCOUNTS

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### 1. Accounting Policies

#### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. 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 Local Government 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.

#### **Recognition of Revenues-Council Tax and National Non Domestic Rates**

##### **Accounting for Council Tax**

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.



## NOTES TO THE ACCOUNTS

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### **Accounting for National Non-Domestic Rates (NNDR)**

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the rate payers and only reports the net cash position with central government in its Balance Sheet.

The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool.

The cost of collection allowance received by £125,281 is the billing authority's income and is included in the Comprehensive Income and Expenditure Statement.

### **Cash and Cash Equivalents**

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

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

### **Exceptional Items**

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

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, 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.



## NOTES TO THE ACCOUNTS

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- 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 MRP in the General Fund by way of an adjusting transaction between the General Fund and the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

### **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.

## NOTES TO THE ACCOUNTS

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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.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities      professional estimate.
  - Unquoted securities    current bid price.
  - Unitised securities     current bid price.
  - Property                 market value.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Gains or losses on settlements and curtailments- the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve;
  - Contributions paid to the Staffordshire Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

## NOTES TO THE ACCOUNTS

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

### Discretionary Benefits

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

### Events After the Balance Sheet Date

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

Two types of events can be identified:

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

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

### Financial Instruments

#### Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Assets

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

Loans and Receivables are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

## NOTES TO THE ACCOUNTS

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

### **Government Grants and Contributions**

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

- The Council will comply with the conditions attached to the payments; and
- The Grants or contributions will be received.

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **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.

### **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:

## NOTES TO THE ACCOUNTS

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### 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 41 (Impairment) and pages 40 to 43 (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 40 to 43 (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.

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,

## NOTES TO THE ACCOUNTS

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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.

### **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.



## NOTES TO THE ACCOUNTS

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### The Council as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

#### Operating Leases

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

### The Council as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

## NOTES TO THE ACCOUNTS

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

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

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

### **Operating Leases**

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

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA 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



## NOTES TO THE ACCOUNTS

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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).

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 depreciation 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.

## NOTES TO THE ACCOUNTS

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- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of **15%** in relation to the overall value of the asset or over **£500K** will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

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

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

- (i) Have a carrying value of at least **£500K**, 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.

## NOTES TO THE ACCOUNTS

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### Impairment

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

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

Where an impairment loss is reversed subsequently the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss adjusted for depreciation that would have been charged if the loss had not been recognised. With our Valuer we will continue to complete a desktop Impairment review on an annual basis.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie. freehold land and certain Community Assets) and assets that are not yet available for use (ie. assets under construction).

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.

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

## NOTES TO THE ACCOUNTS

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been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **Provisions**

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

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

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

### **Contingent Liabilities**

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

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

### **Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

## NOTES TO THE ACCOUNTS

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### **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 2012/13, 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**

### **IFRS 7**

The amendments to IFRS 7-*Financial Instruments: Disclosures* (Offsetting Financial Assets and Liabilities, December 2011 Amendments), common disclosure requirements have been issued that are intended to help users to better assess the effect or potential effect of offsetting arrangements on the Council's financial position. At this stage it is not clear how the implementation of this Standard could impact on the Council's Financial Statements.

### **IAS 19 (Revised)**

IAS 19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumptions). There is no impact of this change on the accounts covering 2012/13 financial year.

## **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:

## NOTES TO THE ACCOUNTS

- 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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by <b>£118K</b> and for vehicles; plant and equipment would increase by <b>£174K</b> 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 <b>0.5%</b> decrease in the discount rate assumption would result in a increase in the pension liability of <b>£9,218K</b> a 1 year increase in member life expectancy would amount to <b>£2,577K</b> , and <b>0.5%</b> increase in Salary and pension rate would amount to <b>£3,236K</b> and <b>£5,807K</b> respectively.
Arrears	At 31 March 2013, the Council had a balance of sundry debtors for <b>£1,210K</b> . A review of significant balances suggested that an impairment of doubtful debts of <b>27%</b> ( <b>£323K</b> ) 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 <b>£323K</b> 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. Lichfield Garrick Theatre

Included within Cultural and Related services is a **£113K** funding subsidy to Lichfield Garrick Theatre Trust. The theatre commenced trading as a Charitable Trust on 1 February 2013,



## NOTES TO THE ACCOUNTS

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therefore for 2012/13 this represents a part year funding subsidy. Prior to 1 February 2013 all income and expenditure relating to the theatre is included in Lichfield District Council's accounts also within Cultural and Related services.

### **6. Events after The Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Director of Finance on 27 June 2013. There are no events that took place after 31 March 2013 that are relevant to an understanding of the authority's financial position at that date.

### **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

	Usable reserves				Movement in Unusable Reserves E000	Usable reserves			
	General Fund Balance E000	Capital Receipts Reserve E000	Capital Grants Unapplied E000			General Fund Balance E000	Capital Receipts Reserve E000	Capital Grants Unapplied E000	Movement in Unusable Reserves E000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>									
Charges for depreciation and impairment of non-current assets	1,279	-	-	(1,279)	1,300	-	-	(1,300)	
Revaluation gains/(losses) on Property Plant and Equipment	386	-	-	(386)	980	-	-	(980)	
Movements in the market value of Investment Properties	-	-	-	-	(172)	-	-	172	
Amortisation of intangible assets	92	-	-	(92)	88	-	-	(88)	
Revenue expenditure funded from capital under statute	1,890	-	-	(1,890)	1,435	-	-	(1,435)	
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	642	-	-	(642)	3,344	-	-	(3,344)	
Movement on loans due or advanced to the Comprehensive Income and Expenditure Statement	(94)	-	-	94	-	-	-	-	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>									
Statutory provision for the financing of capital investment	(377)	-	-	377	(542)	-	-	542	
Capital expenditure charged against the General Fund	(168)	-	-	168	(149)	-	-	149	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>									
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(981)	-	272	709	(4,482)	-	218	4,264	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(293)	293	-	-	(585)	585	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,363)	1,363	-	-	(223)	223	-	-	
Unattached Capital Receipts not related to current year asset disposal	(478)	478	-	-	(1)	1	-	-	
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,022)	-	2,022	-	(984)	-	984	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	3	(3)	-	-	9	(9)	-	-	
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)	
<b>Adjustments primarily involving the Pensions Reserve:</b>									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	2,492	-	-	(2,492)	2,537	-	-	(2,537)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,631)	-	-	1,631	(1,666)	-	-	1,666	
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>									
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	(13)	-	-	13	(6)	-	-	6	
<b>Adjustment primarily involving the Accumulated Absences Account:</b>									
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	(76)	-	-	76	63	-	-	(63)	
<b>Total Adjustments</b>	<b>1,604</b>	<b>(184)</b>	<b>(21)</b>	<b>(1,399)</b>	<b>2,516</b>	<b>(769)</b>	<b>(367)</b>	<b>(1,380)</b>	



## 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 2012/13.

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Earmarked General Reserve	(1,415)	-	(282)	(1,697)	13	-	(1,684)
Election Reserve	(94)	19	-	(75)	-	(23)	(98)
Public Open Spaces Reserve	(7)	1	-	(6)	-	-	(6)
Building Regulations Reserve	(6)	6	-	-	-	-	-
Development Grant Aid Reserve	(38)	-	(8)	(46)	-	(10)	(56)
Birmingham Road Car Park Capital Reserve	(993)	-	(131)	(1,124)	-	(121)	(1,245)
Lombard Street Car Park Capital Reserve	(17)	-	(17)	(34)	-	-	(34)
<b>Total</b>	<b>(2,570)</b>	<b>26</b>	<b>(438)</b>	<b>(2,982)</b>	<b>13</b>	<b>(154)</b>	<b>(3,123)</b>

### 9. Other Operating Expenditure

2011/12 £000		2012/13 £000
1,435	Parish council precepts	1,457
1	Payments to the Government Housing Capital Receipts Pool	1
-	Deferred Receipts on loans and advances	(94)
2,871	(Gains)/Losses on the disposal of non-current assets	(719)
(1)	Unattached Capital Receipts	(478)
<b>4,306</b>	<b>Total</b>	<b>167</b>

In 2011/12 losses on disposal of non-current assets amounting to **£3.07m** relate to the transfer of Chasewater Country Park to Staffordshire County Council on 18 April 2011.

During the year Birmingham City Council assigned loans to the authority with a recoverable value of **£61K**. These loans were advanced to tenants prior to 1 April 2012 under the right to buy legislation and represent deferred sale proceeds.

## NOTES TO THE ACCOUNTS

### 10. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
98	Interest payable and similar charges	39
479	Pensions interest cost and expected return on pensions assets	775
(322)	Interest receivable and similar income	(246)
(305)	Income and expenditure in relation to investment properties and changes in their fair value	(311)
(56)	Net (Surplus)/Deficit on Trading Undertakings (Note 30)	(59)
<b>(106)</b>	<b>Total</b>	<b>198</b>

### 11. Taxation and Non-Specific Grant Income

2011/12 £000		2012/13 £000
(6,835)	Council tax income	(7,068)
(3,615)	Non domestic rates	(4,189)
(1,623)	Non-ringfenced government grants	(829)
(3,460)	Capital grants and contributions	(229)
<b>(15,533)</b>	<b>Total</b>	<b>(12,315)</b>

Non-ringfenced Government Grants are comprised of:

2011/12 £000		2012/13 £000
(71)	Local Services Support Grant	(71)
(135)	Council Tax Freeze Grant	-
(300)	New Homes Bonus	(446)
(1,117)	Formula Grant	(82)
-	New Burdens Grants	(120)
-	High Street Innovation Fund	(110)
<b>(1,623)</b>		<b>(829)</b>

## NOTES TO THE ACCOUNTS

### 12. Property, Plant and Equipment

Movements in 2012/13:

	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
<b>Cost or Valuation</b>							
<b>At 1 April 2012</b>	<b>34,388</b>	<b>8,875</b>	<b>346</b>	<b>3,463</b>	<b>340</b>	<b>930</b>	<b>48,342</b>
Additions	170	86	0	301	0	1,307	1,864
Revaluation increases/(decreases) recognised in the revaluation reserve	560	0	0	0	0	0	560
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(417)	0	0	0	0	0	(417)
Derecognition – disposals	(584)	(1,586)	0	0	0	0	(2,170)
Asset reclassifications	360	0	0	(261)	0	0	99
<b>At 31 March 2013</b>	<b>34,477</b>	<b>7,375</b>	<b>346</b>	<b>3,503</b>	<b>340</b>	<b>2,237</b>	<b>48,278</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2012</b>	<b>(1,087)</b>	<b>(6,461)</b>	<b>(33)</b>	<b>0</b>	<b>(5)</b>	<b>0</b>	<b>(7,586)</b>
Depreciation charge	(827)	(521)	(2)	0	(5)	0	(1,355)
Depreciation written out to the revaluation reserve	388	0	0	0	0	0	388
Depreciation written out to the surplus/deficit on the provision of services	70	0	0	0	0	0	70
Impairment losses/(reversals) recognised in the revaluation reserve	15	0	0	0	0	0	15
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	31	0	0	0	0	0	31
Derecognition – disposals	21	1,335	0	0	0	0	1,356
Asset reclassifications	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>(1,389)</b>	<b>(5,647)</b>	<b>(35)</b>	<b>0</b>	<b>(10)</b>	<b>0</b>	<b>(7,081)</b>
<b>Net Book Value</b>							
At 31 March 2013	33,088	1,728	311	3,503	330	2,237	41,197
At 31 March 2012	33,301	2,414	313	3,463	335	930	40,756

## NOTES TO THE ACCOUNTS

Comparative 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
<b><u>Cost or Valuation</u></b>							
<b>At 1 April 2011</b>	<b>37,111</b>	<b>8,871</b>	<b>986</b>	<b>674</b>	<b>0</b>	<b>5,030</b>	<b>52,672</b>
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
<b>At 31 March 2012</b>	<b>34,388</b>	<b>8,875</b>	<b>346</b>	<b>3,463</b>	<b>340</b>	<b>936</b>	<b>48,348</b>

<b><u>Accumulated Depreciation and Impairment</u></b>							
<b>At 1 April 2011</b>	<b>(2,986)</b>	<b>(5,925)</b>	<b>(123)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,034)</b>
Depreciation charge	(869)	(841)	(3)	0	(4)	0	(1,717)
Depreciation written out of 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
<b>At 31 March 2012</b>	<b>(1,087)</b>	<b>(6,461)</b>	<b>(33)</b>	<b>0</b>	<b>(5)</b>	<b>(6)</b>	<b>(7,592)</b>

<b><u>Net Book Value</u></b>							
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

### Depreciation

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

- Buildings – 2 to 50 years
- Vehicles, Plant, Furniture & Equipment – 1 to 18 years
- Infrastructure – 38 years
- Minster Pool – 90 years

### Capital Commitments

At 31 March 2013, the Council has entered into one contract for the construction of property in 2012/13 and future years budgeted to cost **£1.920m**. Similar commitments at 31 March 2012 were **£3.040m**. The major commitment is:

- Friary Outer Development - **£1.920m**.

### Effects of Changes in Estimates

In 2012/13, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## NOTES TO THE ACCOUNTS

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations are carried out by the District Valuer Service. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	10	1,727	0	1,737
Valued at fair value as at:				
- 31 March 2013	14,087	0	0	14,087
- 31 March 2012	4,331	0	330	4,661
- 31 March 2011	414	0	0	414
- 31 March 2010	6,200	0	0	6,200
- 31 March 2009	8,045	0	0	8,045
<b>Total Cost or Valuation</b>	<b>33,087</b>	<b>1,727</b>	<b>330</b>	<b>35,144</b>

### 13. Heritage Assets

*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.

#### Movements in 2012/13:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
<b>Cost or Valuation</b>				
<b>At 1 April 2012</b>	<b>245</b>	<b>80</b>	<b>130</b>	<b>455</b>
Additions	0	0	0	0
Derecognition – disposals	0	0	0	0
<b>At 31 March 2013</b>	<b>245</b>	<b>80</b>	<b>130</b>	<b>455</b>

## NOTES TO THE ACCOUNTS

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Comparative Movements in 2011/12:

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

### 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.

Over the period 2007/08 to 2012/13, there have been no acquisitions, donations, disposals or impairments of Heritage Assets.

### 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 Garrick Trust 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.

In addition, there are four assets – the Lych Gate, a War Memorial, the Museum Gardens Balustrade and the Martyrs Plaque that have been identified however no valuation information is currently available and it is the Council's view that the costs of obtaining valuations outweighs the benefits to the users of these financial statements.

## NOTES TO THE ACCOUNTS

### 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:

2011/12 £000		2012/13 £000
486	Rental income from investment property	449
(182)	Direct operating expenses arising from investment property	(138)
<b>304</b>	<b>Net gain / (loss)</b>	<b>311</b>

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:

2011/12 £000		2012/13 £000
<b>6,870</b>	<b>Balance at the start of the year</b>	<b>6,610</b>
(260)	Disposals	(71)
0	Transfers To Property, Plant and Equipment	(99)
<b>6,610</b>	<b>Balance at the end of the year</b>	<b>6,440</b>

### 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.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of **£92K** charged to revenue in 2012/13 was charged either directly to the Service that is responsible for the software (**£25K**) or to the IT Administration cost centres (**£67K**) 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 because of the large number of cost centres where a recharge is undertaken. The movement on Intangible Asset balance during the year is as follows :

	2011/12 £000	2012/13 £000
Balance at the start of the year:		
- Gross carrying amounts	301	373
- Accumulated amortisation	(158)	(303)
<b>Net carrying amount at the start of the year</b>	<b>143</b>	<b>70</b>
Additions:		
- Purchases	72	158
Disposals	0	(5)
Impairment losses recognised in the surplus / deficit on the Provision of Services	(57)	0
Amortisation for the Period	(88)	(92)
<b>Net carrying amount at the end of the year</b>	<b>70</b>	<b>131</b>

Comprising:		
- Gross carrying amounts	373	525
- Accumulated amortisation	(303)	(394)
	<b>70</b>	<b>131</b>

## NOTES TO THE ACCOUNTS

### 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 2012	31 March 2013	31 March 2012	31 March 2013
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables	0	1,206	12,916	11,093
<b>Total Investments</b>	<b>0</b>	<b>1,206</b>	<b>12,916</b>	<b>11,093</b>
<b>Debtors</b>				
Loans and receivables	248	272	2,233	2,732
<b>Total included in Debtors</b>	<b>248</b>	<b>272</b>	<b>2,233</b>	<b>2,732</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(33)	0	(4)	0
<b>Total included in Borrowings</b>	<b>(33)</b>	<b>0</b>	<b>(4)</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	(810)	(461)	(503)	(229)
<b>Total other Long Term Liabilities</b>	<b>(810)</b>	<b>(461)</b>	<b>(503)</b>	<b>(229)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	(3,886)	(2,869)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(3,886)</b>	<b>(2,869)</b>

#### Income, Expense, Gains and Losses

	2011/12			2012/13		
	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	96		96	39		39
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>96</b>		<b>96</b>	<b>39</b>		<b>39</b>
Interest income		(234)	(234)		(144)	(144)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>96</b>	<b>(234)</b>	<b>(138)</b>		<b>(144)</b>	<b>(144)</b>
<b>Net gain/(loss) for the year</b>	<b>96</b>	<b>(234)</b>	<b>(138)</b>	<b>39</b>	<b>(144)</b>	<b>(105)</b>



## NOTES TO THE ACCOUNTS

### 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 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Financial Liabilities</u>				
Trade Creditors	(3,886)	(3,886)	(2,869)	(2,869)
Short Term Borrowing	(4)	(4)	0	0
Long-term creditors - Borrowing	(33)	(33)	0	0
<u>Loans and receivables</u>				
Long Term Investments	0	0	1,206	1,218
Short Term Investments	4,059	4,059	6,027	6,027
Cash & Cash Equivalents	8,857	8,857	5,067	5,067
Trade Debtors	2,233	2,233	2,732	2,732
Long-term debtors	248	248	234	234

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

### 17. Short Term Debtors

31 March 2012 £000		31 March 2013 £000
820	Central government bodies	488
164	Council tax payers	183
<b>984</b>	<b>Total statutory debtors</b>	<b>671</b>
244	Manual prepayments	232
712	Other local authorities	877
2	Public corporations and trading funds	0
1,519	Other entities and individuals	1,854
<b>2,233</b>	<b>Total trade debtors</b>	<b>2,731</b>
<b>3,461</b>	<b>Total debtors</b>	<b>3,634</b>
	Less: Bad debt provision	
(50)	Collection fund	(58)
(215)	General debtors	(323)
<b>3,196</b>	<b>Total debtors</b>	<b>3,253</b>

## NOTES TO THE ACCOUNTS

### 18. Cash and Cash Equivalents

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

31 March 2012 £000		31 March 2013 £000
12	Cash held by the Authority	10
4,970	Bank Accounts <sup>3</sup>	3,627
3,875	Money Market Funds	1,430
<b>8,857</b>		<b>5,067</b>

### 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 2012 £000		31 March 2013 £000
(1,510)	Central government bodies	(967)
(139)	Council tax payers	(138)
<b>(1,649)</b>	<b>Total statutory creditors</b>	<b>(1,105)</b>
<b>(1,721)</b>	<b>Receipts in advance</b>	<b>(2,498)</b>
(1,123)	Other local authorities	(1,127)
(27)	Public corporations and trading funds	(1)
(2,736)	Other entities and individuals	(1,741)
<b>(3,886)</b>	<b>Total trade creditors</b>	<b>(2,869)</b>
<b>(7,256)</b>	<b>Total creditors</b>	<b>(6,472)</b>

### 21. Provisions

The Council had two provisions.

	Outstanding Legal Cases £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2012</b>	<b>0</b>	<b>(39)</b>	<b>(39)</b>
Additional provisions made in 2012/13	(96)	(776)	(872)
Amounts used in 2012/13	0	30	30
<b>Balance at 31 March 2013</b>	<b>(96)</b>	<b>(785)</b>	<b>(881)</b>

### Outstanding Legal Cases

#### Personal search fees

These relate to Environmental Information Regulations (EIR) 2004. In August 2010 the government revoked the personal search fee of the local land charges register because it was incompatible with the EIR. The EIR specifically state that environmental information contained on a register or list must be made available for personal inspection at no charge. Private property search companies have now brought legal action against authorities for charges levied from 1 January 2005 onwards which are alleged to be unlawful under the EIR our estimated liability is **£34K**.

<sup>3</sup> Bank Investment Call Accounts (plus accrued interest) are **£4.517** million of this figure in 2011/12 and **£3.507** million in 2012/13.

## NOTES TO THE ACCOUNTS

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### Municipal Mutual Insurance

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**. On the 13 November 2012 at the Board Meeting of Municipal Mutual the decision was made to trigger the Scheme of Arrangement, Control of the Company has been passed to the Scheme Administrators Ernst & Young LLP. Provision has been made for the amount of liability

### Other Provisions

This sum relates principally to the Council's estimated share of the cost of works undertaken by Staffordshire County Council to the Chasewater Dam.

### 22. Usable Reserves

31 March 2012 £000		31 March 2013 £000
3,076	General Fund	2,953
1,269	Capital Grants Unapplied	1,248
2,066	Capital Receipts Reserve	1,882
2,982	Earmarked Reserves	3,123
<b>9,393</b>	<b>Total Usable Reserves</b>	<b>9,206</b>

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

### 23. Unusable Reserves

2011/12 £000		2012/13 £000
4,939	Revaluation Reserve	5,613
-	Available for Sale Financial Asset Reserve	1
41,550	Capital Adjustment Account	41,144
10	Deferred Capital Receipts	70
(25,037)	Pensions Reserve	(31,246)
(8)	Collection Fund Adjustment Account	5
(296)	Accumulated Absences Account	(220)
<b>21,158</b>	<b>Total Unusable Reserves</b>	<b>15,367</b>

#### 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.

2011/12 £000			2012/13 £000
<b>5,387</b>	<b>Balance at 1 April</b>		<b>4,939</b>
(42)	Upward revaluation of assets	995	
(277)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(38)	
(319)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		957
(101)	Difference between fair value depreciation and historical cost depreciation	(92)	
(28)	Accumulated gains on assets sold or scrapped	(191)	
(129)	Amount written off to the Capital Adjustment Account		(283)
<b>4,939</b>	<b>Balance at 31 March</b>		<b>5,613</b>

### 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.

2011/12 £000			2012/13 £000
41,873	<b>Balance at 1 April</b>		41,550
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,780)	• Charges for depreciation and impairment of non-current assets	(1,349)	
(500)	• Revaluation losses on Property, Plant and Equipment	(316)	
(88)	• Amortisation of intangible assets	(92)	
(1,435)	• Revenue expenditure funded from capital under statute	(1,890)	
(3,319)	• 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	(700)	
(7,122)	Adjusting amounts written out of the Revaluation Reserve		(4,347)
101	Net written out amount of the cost of non-current assets consumed in the year		92
34,852	Capital financing applied in the year:		37,295
984	• Use of the Capital Receipts Reserve to finance new capital expenditure	2,304	
4,264	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	828	
585	• Application of grants to capital financing from the Capital Grants Unapplied Account	171	
542	• Statutory provision for the financing of capital investment charged against the General Fund	377	
148	• Capital expenditure charged against the General Fund	169	
6,523	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		3,849
175			0
<b>41,550</b>	<b>Balance at 31 March</b>		<b>41,144</b>

## 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.

2011/12 £000		2012/13 £000
(20,187)	<b>Balance at 1 April</b>	(25,037)
(3,979)	Actuarial gains or losses on pensions assets and liabilities	(5,348)
(2,537)	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	(2,492)
1,666	Employer's pensions contributions and direct payments to pensioners payable in the year	1,631
<b>(25,037)</b>	<b>Balance at 31 March</b>	<b>(31,246)</b>

### 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.

2011/12 £000		2012/13 £000
<b>11</b>	<b>Balance at 1 April</b>	<b>10</b>
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61
(1)	Transfer to the Capital Receipts Reserve upon Receipt of Cash	(1)
<b>10</b>	<b>Balance at 31 March</b>	<b>70</b>

## 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.

2011/12 £000		2012/13 £000
(14)	<b>Balance at 1 April</b>	(8)
6	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	13
(8)	<b>Balance at 31 March</b>	5

### 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.

2011/12 £000		2012/13 £000
(233)	<b>Balance at 1 April</b>	(296)
(63)	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	76
(296)	<b>Balance at 31 March</b>	(220)

## 24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items (Interest only):

2011/12 £000		2012/13 £000
(320)	Interest received	(186)
17	Interest paid	2
(303)	<b>Net cash flows from operating activities</b>	(184)

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 in respect of Leisure Services.

## NOTES TO THE ACCOUNTS

### 25. Cash Flow Statement - Investing Activities

2011/12 £000		2012/13 £000
2,960	Purchase of property, plant and equipment, investment property and intangible assets	1,912
-	Purchase of long term investments	1,206
(209)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,357)
(3,972)	Receipts from Capital Grants	(1,095)
(3,497)	Other (receipts)/payments from investing activities	1,490
<b>(4,718)</b>	<b>Net cash flows from Investing activities</b>	<b>2,156</b>

The purchase of long term investments during the year is an interest bearing deposit due to mature 24 September 2014.

### 26. Cash Flow Statement - Financing Activities

2011/12 £000		2012/13 £000
550	Cash payments for the reduction of the outstanding liabilities relating to finance leases	377
81	Cash payments for servicing interest on outstanding liabilities relating to finance leases	37
1,593	Net payments relating to Precepting Authorities Council Tax & National Non-Domestic Rates	5,245
<b>2,224</b>	<b>Net cash flows from Financing activities</b>	<b>5,659</b>

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

2011/12 £000		2012/13 £000
(2,194)	Depreciation, Amortisation and Impairment	(1,757)
(3,353)	Carrying Amount of property, plant and equipment, investment property and intangible assets disposed in the year	(642)
(39)	(Increase) / Decrease in Provisions	(842)
5	Increase / (Decrease) in Stock	(2)
(2,419)	Increase / (Decrease) in Debtors	150
2,960	Increase in Creditors	20
(864)	Other non-cash adjustments	(675)
<b>(5,904)</b>	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>(3,748)</b>



## NOTES TO THE ACCOUNTS

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

2011/12 £000		2012/13 £000
223	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	1,363
(4,672)	Payments and Receipts relating to the Lichfield District Council acting as Agent for collection of Council Tax and National Non-Domestic Business Rates	(4,644)
4,481	Capital Grants & Contributions	977
(80)	Other non-cash adjustments	441
<b>(48)</b>	<b>Adjust net surplus or deficit on the provision of services for investing and financing activities</b>	<b>(1,863)</b>

These items are included in the (Surplus)/Deficit on Provision of Services and are adjusted as they relate to Investing and Financing activities. The cashflows relating to these items are presented in **Note 25** and **Note 26** after adjusting for cashflows in respect of 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 2012/13	Chief Executive £000	Finance Revenues & Benefits £000	Culture & Leisure £000	Democratic, Development and Legal Services £000	Community, Health and Housing £000	Operational Services £000	Other £000	Total £000
Fees, charges & other service income	(249)	(484)	(3,940)	(1,903)	(923)	(5,732)	(34)	(13,265)
Government grants	-	(26,408)	(83)	(81)	(130)	0	-	(26,702)
<b>Total Income</b>	<b>(249)</b>	<b>(26,892)</b>	<b>(4,023)</b>	<b>(1,984)</b>	<b>(1,053)</b>	<b>(5,732)</b>	<b>(34)</b>	<b>(39,967)</b>
Employee expenses	506	812	2,413	1,452	912	3,200	587	9,882
Other service expenses	130	26,195	3,903	668	783	3,110	362	35,151
Depreciation, amortisation and impairment	0	0	1,577	390	648	528	0	3,143
Support service recharges	111	819	834	1,257	827	576	903	5,327
<b>Total Expenditure</b>	<b>747</b>	<b>27,826</b>	<b>8,727</b>	<b>3,767</b>	<b>3,170</b>	<b>7,414</b>	<b>1,852</b>	<b>53,503</b>
<b>Net Expenditure</b>	<b>498</b>	<b>934</b>	<b>4,704</b>	<b>1,783</b>	<b>2,117</b>	<b>1,682</b>	<b>1,818</b>	<b>13,536</b>

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)	-	(3)	-	(25,991)
<b>Total Income</b>	<b>(237)</b>	<b>(26,218)</b>	<b>(4,232)</b>	<b>(2,732)</b>	<b>(1,048)</b>	<b>(5,628)</b>	<b>(173)</b>	<b>(18)</b>	<b>(40,286)</b>
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
<b>Total Expenditure</b>	<b>716</b>	<b>26,948</b>	<b>8,354</b>	<b>4,701</b>	<b>3,126</b>	<b>7,416</b>	<b>623</b>	<b>2,170</b>	<b>54,054</b>
<b>Net Expenditure</b>	<b>479</b>	<b>730</b>	<b>4,122</b>	<b>1,969</b>	<b>2,078</b>	<b>1,788</b>	<b>450</b>	<b>2,152</b>	<b>13,768</b>

### 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		2012/13 £000
13,768	Net expenditure in the Directorate Analysis	13,536
360	Net expenditure of services and support services not included in the Analysis	370
-	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-
-	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-
14,128	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	13,906

## NOTES TO THE ACCOUNTS

### 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.

2012/13	Directorate Analysis £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(13,265)	(7,117)	(761)	-	(21,143)
Interest and investment Income	-	-	-	(246)	(246)
Income from council tax	-	-	-	(7,068)	(7,068)
Government grants and contributions	(26,702)	-	-	(5,247)	(31,949)
<b>Total Income</b>	<b>(39,967)</b>	<b>(7,117)</b>	<b>(761)</b>	<b>(12,561)</b>	<b>(60,406)</b>
Employee expenses	9,882	3,450	45	-	13,377
Other service expenses	35,151	1,500	176	-	36,827
Support Service recharges	5,327	1,682	79	-	7,088
Depreciation, amortisation and impairment	3,143	485	91	-	3,719
Interest Payments	-	-	-	39	39
Pension interest and Expected return on Assets	-	-	-	775	775
Precepts & Levies	-	-	-	1,457	1,457
Payments to Housing Capital Receipts Pool	-	-	-	1	1
Gain or Loss on Disposal of Fixed Assets	-	-	-	(719)	(719)
Capital Grants and Contributions	-	-	-	(478)	(478)
Soft Loans	-	-	-	(94)	(94)
<b>Total expenditure</b>	<b>53,503</b>	<b>7,117</b>	<b>391</b>	<b>981</b>	<b>61,992</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,536</b>	<b>-</b>	<b>(370)</b>	<b>(11,580)</b>	<b>1,586</b>

2011/12	Directorate Analysis £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)
Interest and investment Income	-	-	-	(322)	(322)
Income from council tax	-	-	-	(6,835)	(6,835)
Government grants and contributions	(25,991)	-	-	(8,699)	(34,690)
<b>Total Income</b>	<b>(40,286)</b>	<b>(7,257)</b>	<b>(913)</b>	<b>(15,856)</b>	<b>(64,312)</b>
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
<b>Total expenditure</b>	<b>54,054</b>	<b>7,257</b>	<b>553</b>	<b>4,883</b>	<b>66,747</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,768</b>	<b>0</b>	<b>(360)</b>	<b>(10,973)</b>	<b>2,435</b>

## NOTES TO THE ACCOUNTS

### 30. Trading Operations

The Council has established one 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.

2011/12 £000	Trade Waste	2012/13 £000
(255)	Turnover	(241)
199	Expenditure	182
<b>(56)</b>	<b>(Surplus)/Deficit</b>	<b>(59)</b>

### 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 :

2011/12 £000	Building Control Service	2012/13 £000
513	Expenditure incurred	592
(352)	Income received	(473)
<b>(11)</b>	<b>Fee payable by South Staffordshire Council</b>	<b>(45)</b>
(45)	Fee payable by Tamworth Borough Council	(45)
<b>105</b>	<b>Lichfield District Council's Contribution</b>	<b>29</b>

### 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.

## NOTES TO THE ACCOUNTS

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:

2011/12 £000		2012/13 £000
	<b>Funding provided to the operation</b>	
1,967	Contribution from Lichfield	1,929
1,454	Contribution from Tamworth	1,426
<b>3,421</b>	<b>Total funding provided to the operation</b>	<b>3,355</b>
	<b>Expenditure met by the operation</b>	
2,226	Pay and allowances	2,276
18	Premises costs	19
1,552	Transport costs	1,494
457	Supplies and Services	559
253	Support Costs	253
(1,129)	Revenue income	(1357)
<b>3,377</b>	<b>Total expenditure</b>	<b>3,244</b>
<b>44</b>	<b>Net surplus/(deficit) arising on the pooled budget during the year</b>	<b>111</b>
<b>25</b>	<b>Lichfield District Council's share of 57.5% of the net surplus/(deficit) arising on the operation</b>	<b>64</b>

### 33. Members' Allowances

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

2011/12 £000		2012/13 £000
250	Allowances	251
26	Expenses	30
<b>276</b>	<b>Total</b>	<b>281</b>

## NOTES TO THE ACCOUNTS

### 34. Officers' Remuneration

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

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2012/13	103,299	16,959	572	-	20,315	141,144
	2011/12	96,461	9,691	726	-	18,505	125,383
Strategic Director	2012/13	-	-	-	-	-	-
Organisational Development	2011/12	77,791	1,556	484	88,650	13,788	182,269
Strategic Director	2012/13	78,783	1,556	397	-	14,367	95,103
Democratic , Development and Legal Services	2011/12	77,662	1,556	389	-	13,765	93,372
Strategic Director	2012/13	78,783	1,556	235	-	14,367	94,941
Community, Housing and Health	2011/12	77,616	1,556	407	-	13,765	93,344
Director of Operational Services	2012/13	71,217	1,405	1,119	-	12,970	86,711
	2011/12	70,163	1,405	1,409	-	12,427	85,404
Director of Finance, Revenues and Benefits	2012/13	71,217	1,405	112	-	12,970	85,704
	2011/12	70,163	1,405	159	-	12,427	84,154
Director of Leisure, Parks and Play	2012/13	69,595	1,340	1,149	-	12,683	84,767
	2011/12	67,666	1,174	132	-	11,840	80,812

The Chief Executive retired at the end of 2012 and their successor commenced early 2013.

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

2011/12 Number of employees	Remuneration band	2012/13 Number of Employees
4	£50,000 – £54,999	3

## NOTES TO THE ACCOUNTS

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.

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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	8	4	5	0	13	4	£ 111,258	£ 21,868
£20,001 - £40,000	1	0	8	0	9	0	£ 258,642	£ -
£40,001 - £60,000	0	0	3	0	3	0	£ 150,121	£ -
£60,001 - £80,000	0	0	2	1	2	1	£ 134,455	£ 78,451
£80,001 - £100,000	0	0	2	0	2	0	£ 178,617	£ -
£100,001 - £150,000	0	0	0	0	0	0	£ -	£ -
£150,001 - £200,000	0	0	1	0	1	0	£ 165,055	£ -
<b>Total included in bandings</b>	<b>9</b>	<b>4</b>	<b>21</b>	<b>1</b>	<b>30</b>	<b>5</b>	<b>£ 998,148</b>	<b>£ 100,319</b>
Amounts provided for in the Comprehensive Income & Expenditure Statement not included in bandings							£ 27,732	£ 92,958
<b>Total cost included in CIES</b>	<b>9</b>	<b>4</b>	<b>21</b>	<b>1</b>	<b>30</b>	<b>5</b>	<b>£ 1,025,880</b>	<b>£ 193,277</b>

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

Exit Package Cost Band	Redundancy Package £	Employers Pension Strain £	Total £	Redundancy Package £	Employers Pension Strain £	Total £
£0 - £20,000	105,799	5,459	111,258	21,868	0	21,868
£20,001 - £40,000	233,641	25,001	258,642	0	0	0
£40,001 - £60,000	107,182	42,939	150,121	0	0	0
£60,001 - £80,000	80,546	53,909	134,455	34,259	44,192	78,451
£80,001 - £100,000	83,497	95,120	178,617	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	88,651	76,404	165,055	0	0	0
<b>Total</b>	<b>£ 699,316</b>	<b>£ 298,832</b>	<b>£ 998,148</b>	<b>£ 56,127</b>	<b>£ 44,192</b>	<b>£ 100,319</b>
Amounts provided for in CIES not included in bandings	27,732	0	27,732	44,139	48,819	92,958
<b>Total cost included in CIES</b>	<b>£ 727,048</b>	<b>£ 298,832</b>	<b>£ 1,025,880</b>	<b>£ 100,266</b>	<b>£ 93,011</b>	<b>£ 193,277</b>

## NOTES TO THE ACCOUNTS

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### 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:

2011/12 £000		2012/13 £000
93	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	60
16	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	14
1	Fees payable in respect of other services provided by the Audit Commission during the year (NFI)	1
<b>110</b>	<b>Total</b>	<b>75</b>

The fees for other services payable in both 2011/12 and 2012/13 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 2012/13:

2011/12 £000		2012/13 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
932	Heritage Lottery Fund	134
0	Other Grants	0
0	Lichfield City Council	0
0	Section 106 – Shortbutts Lane	0
0	Section 106 – City Wharf	0
2,320	Reimbursement for Chasewater Dam spend	0
208	Other Contributions	95
<b>3,460</b>	<b>Sub Total (Capital)</b>	<b>229</b>
6,835	Council Tax Income	7,068
3,615	Non-Domestic rates	4,189
1,623	Non Ring Fenced Government Grants	829
<b>12,073</b>	<b>Sub Total (Revenue)</b>	<b>12,086</b>
<b>15,533</b>	<b>Total</b>	<b>12,315</b>

2011/12 £000		2012/13 £000
	<b>Credited to Services</b>	
444	Disabled Facilities Grant	418
577	Other Contributions	330
<b>1,021</b>	<b>Sub Total (Capital)</b>	<b>748</b>
25,696	Housing and Council Tax Benefits	26,283
182	Department for Communities and Local Government	136
225	Other Government Departments and Agencies	284
65	Staffordshire County Council Building - Safer Communities	45
85	Positive Futures	77
211	Contributions from other Local Authorities	173
1,454	Contributions From other Local Authorities-Shared Services	1,426
<b>27,918</b>	<b>Sub Total (Revenue)</b>	<b>28,424</b>
<b>28,939</b>	<b>Total</b>	<b>29,172</b>

## 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 2013 £000
<b>Capital Grants Receipts in Advance</b>		
Other Contributions	406	
<b>Current Liabilities</b>		<b>406</b>
Other Contributions	100	
<b>Long Term Liabilities</b>		<b>100</b>
<b>Total</b>		<b>506</b>

		31 March 2013 £000
<b>Revenue Grants Receipts in Advance</b>		
Natural England-Environmental Stewardship	75	
Heritage Lottery Fund	617	
Neighbourhood Planning	40	
Other Contributions	44	
<b>Current Liabilities</b>		<b>776</b>
<b>Total</b>		<b>776</b>

### 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 2012/13, works and services to the value of **£500K** were commissioned from companies in which twenty one members had an interest (**£563K** in 2011/12). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£107K** to voluntary organisations (**£150K** in 2011/12) 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.

## NOTES TO THE ACCOUNTS

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### Other Public Bodies

The Council received the sum of **£465K** from Bromford in 2012/2013 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 2012/13 was **£185K (£1.007 million** in 2011/12).

These include Staffordshire County Council, the Office of Police and Crime Commissioner (OPCC), 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.

### **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.

## NOTES TO THE ACCOUNTS

2011/12		2012/13
£000		£000
<b>3,844</b>	<b>Opening Capital Financing Requirement</b>	<b>1,403</b>
	<i>Capital Investment</i>	
2,575	Property, Plant & Equipment	1,864
0	Investment Properties	0
72	Intangible Assets	158
1,435	Revenue Expenditure Funded from Capital under Statute	1,890
	<i>Sources of Finance</i>	
(984)	Capital receipts	(2,304)
(4,849)	Government grants and other contributions	(999)
	<i>Sums set aside from revenue:</i>	
(148)	Direct revenue contributions	(169)
(542)	Minimum revenue provision	(377)
<b>1,403</b>	<b>Closing Capital Financing Requirement</b>	<b>1,466</b>

	<b>Explanation of movements in year</b>	
0	Increase in underlying need to borrowing (Supported by government financial assistance)	0
(1,999)	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	723
100	Assets acquired under finance leases	0
0	Finance lease assets returned	(250)
0	Lichfield Garrick loan novation	(33)
(542)	Minimum revenue provision	(377)
<b>(2,441)</b>	<b>Increase /(decrease) in Capital Financing Requirement</b>	<b>63</b>

### 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 as shown overleaf :

	31 March 2012	31 March 2013
	£000	£000
Vehicles, Plant, Furniture and Equipment	1,020	509
<b>Total</b>	<b>1,020</b>	<b>509</b>

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 :

## NOTES TO THE ACCOUNTS

	31 March 2012	31 March 2013
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	503	229
- non-current	810	459
Finance costs payable in future years	100	46
<b>Minimum lease payments</b>	<b>1,413</b>	<b>734</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£000	£000	£000	£000
Not later than one year	547	251	503	229
Later than one year and not later than five years	866	483	810	461
Later than five years	0	0	0	0
<b>Total</b>	<b>1,413</b>	<b>734</b>	<b>1,313</b>	<b>690</b>

The Council has sub-let one vehicle to another Local Authority. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub-leases was **£44K** (£15K at 31 March 2012).

### Operating Leases

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

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

	31 March 2012	31 March 2013
	£000	£000
Not later than one year	75	496
Later than one year and not later than five years	93	924
Later than five years	417	413
<b>Total</b>	<b>586</b>	<b>1,833</b>

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

	31 March 2012	31 March 2013
	£000	£000
Minimum Lease Payments	90	364
<b>Total</b>	<b>90</b>	<b>364</b>

### Council as Lessor

#### Finance Leases

The Council only has one lease categorised as a finance lease:

- 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

## NOTES TO THE ACCOUNTS

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capital receipt. Therefore, no asset or long-term debtor is shown within the Council's Financial Statements.

### Operating Leases

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

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

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

	31 March 2012	31 March 2013
	£000	£000
Not later than one year	812	782
Later than one year and not later than five years	2,501	2,434
Later than five years	44,684	41,110
<b>Total</b>	<b>47,997</b>	<b>44,326</b>

### 40. Impairment Losses

The Council undertook an impairment review of its non current assets at 31 March 2013 and no assets required impairment to reflect the assessed recoverable value being lower 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 need 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

2011/12 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2012/13 £000
	<i>Cost of Services:</i>	
1,622	- current service cost	1,592
90	- past service costs	-
346	- settlements and curtailments	125
	<i>Financing and Investment Income and Expenditure</i>	
3,647	- interest cost	3,492
(3,168)	- expected return on scheme assets	(2,717)
2,537	<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	2,492
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
3,979	- actuarial gains and losses	5,348
2,537	<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	2,492
	<i>Movement in Reserves Statement</i>	
(871)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(861)
	<b><i>Actual amount charged against the General Fund Balance for pensions in the year:</i></b>	
<b>1,666</b>	<b>- employers' contributions payable to scheme</b>	<b>1,631</b>

31 March 2012 £000	Local Government Pension Scheme Comprehensive Income & Expenditure Statement (CIES)	31 March 2013 £000
(1,118)	Actuarial Gains/(Losses) on Plan Assets	4425
(2,861)	Actuarial Gains/(Losses) on Obligations	(9,773)
<b>(3,979)</b>	<b>Actuarial Gains/(Losses) Recognised in SRIE</b>	<b>(5,348)</b>
<b>(19,760)</b>	<b>Cumulative Actuarial Gain/(loss) Recognised in SRIE</b>	<b>(25,108)</b>

## NOTES TO THE ACCOUNTS

### Assets and Liabilities in Relation to Post-employment Benefits

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

2011/12 £000	Funded Liabilities : Local Government Pension Scheme	2012/13 £000
66,234	Opening balance at 1 April	72,884
1,622	Current service cost	1,592
3,647	Interest cost	3,492
573	Contribution by scheme participants	531
2,861	Actuarial gains and losses	9,773
(2,371)	Benefits paid	(2,396)
(118)	Unfunded Benefits paid	(115)
90	Past service costs	-
346	Curtailements	125
<b>72,884</b>	<b>Closing Balance at 31 March</b>	<b>85,886</b>

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

2011/12 £000	Local Government Pension Scheme	2012/13 £000
46,047	Opening balance at 1 April	47,847
3,168	Expected rate of return	2,717
(1,118)	Actuarial gains and losses	4,425
1,548	Employer contributions	1,516
118	Employer contributions unfunded Benefits	115
573	Contributions by scheme participants	531
(2,371)	Benefits paid	(2,396)
(118)	Unfunded Benefits paid	(115)
<b>47,847</b>	<b>Closing Balance at 31 March</b>	<b>54,640</b>

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.

The actual return on scheme assets in the year was **£7.151 million** (2011/12: **£2.059 million**).

### Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(47,761)	(80,412)	(66,234)	(72,884)	(85,886)
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>30,641</b>	<b>44,039</b>	<b>46,047</b>	<b>47,847</b>	<b>54,640</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(17,120)	(36,373)	(20,187)	(25,037)	(31,246)



## NOTES TO THE ACCOUNTS

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The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of **£31.246 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£24.573 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 2014 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 2013.

## NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been :

2011/12 Percentage %	Local Government Pension Scheme	2012/13 Percentage %
	Long-term expected rate of return on assets in the scheme	
6.2	Equity investments	4.5
3.3	Bonds	4.5
4.4	Property	4.5
3.5	Cash	4.5
5.7	Expected Return on Assets	4.5
2.5	Rate of inflation	2.8
4.8	Rate of increase in salaries	5.1
2.5	Rate of increase in pensions	2.8
4.8	Rate for discounting scheme liabilities	4.5
	Take-up of option to convert annual pension into retirement lump sum	
50	- Pre April 2008	50
75	- Post April 2008	75
Years		Years
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
21.2	- Men	21.2
23.4	- Women	23.4
	Longevity at 65 for future pensioners:	
23.3	- Men	23.3
25.6	- Women	25.6

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

31 March 2012 Percentage %		31 March 2013 Percentage %
78	Equity investments	79
12	Debt Instruments	12
9	Property	8
1	Cash	1
100		100

## NOTES TO THE ACCOUNTS

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 Percentage %	2009/10 Percentage %	2010/11 Percentage %	2011/12 Percentage %	2012/13 Percentage %
Differences between the expected and actual return on assets	(38.8)	25.1	(3.0)	(2.3)	8.1
Experience gains and losses on liabilities	-	-	6.4	(1.2)	0.1

### 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.
- The Staffordshire County Council Pension fund policy requires a guarantor when admitting charitable body staff members. As such, Lichfield District Council is guarantor of pension commitments for employees transferred by TUPE to the Lichfield Garrick Theatre Trust. This affects 9 former Lichfield District Council officers. Prior to 1 February 2013, the Lichfield Garrick Theatre traded as Lichfield District Council. The amount of any potential liability is difficult to estimate due to the long term nature and market sensitivities of pension funds.
- In the course of trading the Council acquired a Loan from Carlsberg to be repaid in proportion to barrelage consumption. This loan has been novated to the Lichfield Garrick Theatre Trust with effect from 1st February 2013, and is guaranteed by Lichfield District Council until it is repaid. The loan was made for improvements to the Theatre building which the Council continues to own and leases to the Trust. As at 31 March 2013 **£33K** is outstanding.
- 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 2013 is **£227K**. No provision has been made for this amount as the outcome of the claims are currently unknown.

### Events after the Reporting Period

#### **Non-adjusting event - Business Rates Reform**

With effect from 1<sup>st</sup> April 2013, local government funding has changed significantly, with local authorities retaining a proportion of the business rates generated in their area.

Business rates retention also means that local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG.

The Valuation Office deals with appeals against Business Rates – the local authority has no control over the decision or the timing. The latest information from the Valuation Office indicates that there are outstanding appeals covering a Rateable Value of £51m equating to an annual

## NOTES TO THE ACCOUNTS

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charge of £23m after the appropriate multiplier has been applied. The appeals cover both the 2005 and 2010 revaluations so any successful appeals would also be backdated to the date the appeal was submitted.

However, it is not possible to reliably estimate how many appeals will be successful and what proportion of the rateable value will be affected. The timing of decisions and any resulting interest due are also unknown. The financial impact of any successful appeals will be split between the Council, the County Council, the Fire & Rescue Authority and Central Government in proportion to the local and central shares of business rates.

For the purposes of the Statement of Accounts, an estimate has been made for the proportion of successful claims and the likely reduction in Rateable Value that would apply.

This equates to a potential liability of £1.5m, which would be split as follows:

Authority	Respective Share %	Potential Liability £'000
Lichfield District Council	40%	600
County Council	9%	135
Fire & Rescue Authority	1%	15
Department for Communities and Local Government (DCLG)	50%	750

### 43. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### **Credit Risk**

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

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

- Credit Default Swaps (where quoted)
- Share prices (where quoted)
- Gross Domestic Product (GDP) 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

## NOTES TO THE ACCOUNTS

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

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

### Specified Investments<sup>4</sup>

Financial Asset Category	Strategy Approved 22 February 2012		Strategy Approved 23 February 2013	
	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 Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	£2 million and subject to Arlingclose advice
Deposits with Money Market Funds	Fitch = AAmmf Moodys = Aaa/MR1+ Standard and Poors = AAAm	£1.5 million	Fitch = AAmmf Moodys = Aaa/MR1+ Standard and Poors = AAAm	£1.5 million
UK Government	Not applicable	No limit	Not applicable	No Limit
Local Authorities, Parish Councils etc	Not applicable	No limit	Not applicable	No Limit
Group Limit	£3 million		£3 million	
Money Market Funds Limit	No limit		No Limit	
Sovereign Limits	100% UK		100% UK 25% Canada 25% Australia 25% Singapore	

### Non Specified Investments

Financial Asset Category	Strategy Approved 22 February 2012		Strategy Approved 23 February 2013	
	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.		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.	
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>	£2.1 million	<u>Minimum Long Term Rating</u>	£2.0 million

<sup>4</sup> 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

	Fitch = A+ Moody's = A1 Standard and Poors = A+		Fitch = A- Moody's = A3 Standard and Poors = A-	
Group Limit	<b>£3 million</b>		<b>£3 million</b>	
Sovereign Limits	100% UK		100% UK 25% Canada 25% Australia 25% Singapore	

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 **£12.299m** (£1.206m of long term investments, **£6.026m** of short term investments and **£5.067m** 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 2013 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 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default at 31 March 2013	Estimated maximum exposure to default at 31 March 2012
	£000	Percentage	£000	£000	£000
	a	b	c	(a x c)	
Deposits with Banks, Building Societies and Money Market Funds					
AAA rated counterparties	1,440	0.00	0.00	0	0
AA rated counterparties	1,206	0.02	0.02	0	0
A rated counterparties	9,653	0.07	0.07	7	63
Trade debtors	2,732	11.8	11.8	323	216
<b>Total</b>	<b>15,031</b>			<b>330</b>	<b>279</b>

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 2013	31 March 2012
	£000	£000
Less than three months	2,308	1,896
Three to six months	106	71
Six months to one year	110	72
More than one year	208	194
<b>Total</b>	<b>2,732</b>	<b>2,233</b>

## NOTES TO THE ACCOUNTS

### Liquidity Risk

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

The maturity analysis of financial liabilities is as follows :

	31 March 2013	31 March 2012
	£000	£000
Less than one year	(2,869)	(3,891)
Between one year and two years	0	(33)
<b>Total</b>	<b>(2,869)</b>	<b>(3,924)</b>

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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be :

	31 March 2013 £000
Increase in interest payable on variable rate borrowings/liabilities	20
Increase in interest receivable on variable rate investments	(152)
Increase in Government Grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(132)
Decrease in fair value of fixed rate investment assets	0
Impact on other Comprehensive Income and Expenditure	(132)
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 by 0.25% would be a net reduction in interest receivable of **£29K**.

### Price Risk

## NOTES TO THE ACCOUNTS

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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.

### **Collection Fund**

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.



## COLLECTION FUND AND NOTES

2011/12 £000	Collection Fund	2012/13 £000
49,732	<b>Income</b> Council Tax	50,308
5,770	Transfer from general fund Council Tax Benefit	5,658
31,536	Income collectable from business ratepayers	32,245
-	Contribution towards previous years estimated collection fund deficit	-
<b>87,038</b>	<b>Total income</b>	<b>88,211</b>
55,330	<b>Expenditure</b> Precepts and demands from major preceptors and the authority Business rates	55,785
31,115	Payment to national pool	31,883
126	cost of collection	125
	Impairment of debts	
144	Write-offs of uncollectible amounts	(175)
234	Allowance for impairment	492
37	Contribution towards previous years estimated collection fund surplus	-
<b>86,986</b>	<b>Total expenditure</b>	<b>88,110</b>
<b>(52)</b>	<b>Movement on Fund (Surplus)/Deficit</b>	<b>(101)</b>
<b>114</b>	Balance at beginning of year	<b>62</b>
<b>62</b>	Balance at end of year	<b>(39)</b>

2011/12 £000	Precepts and demands on the Collection Fund	Precept Demands £000	Share of 31 March Surplus £000	2012/13 £000
6,817	Lichfield District Council	7,055	5	7,060
39,124	Staffordshire County Council	39,350	27	39,377
6,755	Staffordshire OPCC	6,793	5	6,798
2,572	Staffordshire Fire Authority	2,587	2	2,589
<b>55,268</b>		<b>55,785</b>	<b>39</b>	<b>55,824</b>

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight 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) **38,248** for 2012/13. This basic amount of Council Tax for a Band D property (**£1,458.51** for 2012/13) is multiplied by the proportion specified for the particular band to give an individual amount due.

## COLLECTION FUND AND NOTES

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

Band	Band Width	2011/12 Band D Equivalent (Tax Base)			2012/13 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	99.5%	Number of Dwellings	%	99.5%
A	0 to 40,000	3,178	8	3,162	3,189	8	3,173
B	40,001 to 52,000	6,880	18	6,845	6,921	18	6,886
C	52,001 to 68,000	8,018	21	7,978	8,054	21	8,014
D	68,001 to 88,000	5,644	15	5,616	5,703	15	5,675
E	88,001 to 120,000	5,360	14	5,333	5,351	14	5,324
F	120,001 to 160,000	4,557	12	4,534	4,581	12	4,558
G	160,001 to 320,000	3,827	10	3,808	3,817	10	3,798
H	320,001 upwards	693	2	690	707	2	703
Class O		106	-	106	117	-	117
<b>TOTAL</b>		<b>38,263</b>	<b>100</b>	<b>38,072</b>	<b>38,440</b>	<b>100</b>	<b>38,248</b>

## COLLECTION FUND AND NOTES

### PRECEPTS

Schedule of Authorities, which made a precept on the Collection Fund in 2012/13:

2011/12 £000		2012/13 £000
<b>39,168</b>	<b>Staffordshire County Council</b>	<b>39,350</b>
<b>6,762</b>	<b>Staffordshire Office of Police &amp; Crime Commissioner (OPCC)</b>	<b>6,793</b>
<b>2,575</b>	<b>Staffordshire Fire Authority</b>	<b>2,587</b>
<b>5,389</b>	<b>Lichfield District Council</b>	<b>5,598</b>
	<b>Parish Precepts :</b>	
34	Alrewas	34
63	Armitage with Handsacre	69
251	Burntwood Town Council	256
15	Clifton Campville with Thorpe Constantine	15
11	Colton	12
3	Curborough & Elmhurst, Farewell & Chorley	3
22	Drayton Bassett	22
11	Edingale	11
15	Elford	12
58	Fazeley Town Council	58
51	Fradley and Streethay	51
20	Hammerwich	20
3	Hamstall Ridware	3
6	Harlaston	6
6	Hints and Canwell	7
13	Kings Bromley	13
14	Longdon	14
14	Mavesyn Ridware	14
129	Shenstone	129
3	Swinfen and Packington	4
5	Wall	5
2	Weeford	2
43	Whittington and Fisherwick	44
14	Wigginton and Hopwas	19
630	Lichfield City Council	634
<b>1,436</b>	<b>Total Parish Precepts</b>	<b>1,457</b>
<b>55,330</b>		<b>55,785</b>

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

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### NATIONAL NON DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **45.8p** (2011/12 **43.3p**) and the small business non-domestic rating multiplier **45.0p** (2011/12 **42.6p**) 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.

2011/12 £000		2012/13 £000
81,944	Non-Domestic rateable value at year end	81,840
31,536	Gross rates payable	32,245

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 2012/13 amounting to **£38,674**. The total allowance for impairment of debt as at the 31 March 2013 is **£418,767** and represents **32%** of the **£1,318,816** outstanding debt.

# ANNUAL GOVERNANCE STATEMENT

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## Annual Governance Statement 2012/13

### 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*.<sup>5</sup>

This statement explains how the Council has complied with the Code and also meets the requirements of 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 2013 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

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

#### *Creating and implementing a vision*

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

1. The Council agreed a 4 year Council Plan in 2012 entitled our **Plan for Lichfield District 2012-16** that was the subject of detailed consultation with Members, partners, employees and the public. This sets out the outcomes to be achieved for our community, 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. The 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 workshops with

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

## ANNUAL GOVERNANCE STATEMENT

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partners and Scrutiny Members, as well as with the public through the website The Plan was then approved by full Council.

3. 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.
4. 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.
5. Personal performance targets come from our 1 year high level **Action Plan** and **Service Plans**. These are set annually.

### *Reviewing the vision*

6. Our **Performance Management Framework** is the means by which we manage the performance of the organisation at each level.
7. The Plan for the District sets out the outcomes to be achieved for our community.
8. We have plans and strategies covering the key aspects of community interest, like **housing, community safety** and the **Local Plan** (which considers future development and growth of Lichfield District) is being progressed.
9. As well as the Council's Action Plan, the **Lichfield District Strategic Partnership** has developed a complementary high level 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.
10. Each year we develop a series of projects/activities and targets/milestones which comprise the One Year Action Plan for the Council. Each Action Plan provides the annual targets we intend to meet in order to achieve the strategic targets set out in the Plan for Lichfield District 2012-16. The four Overview and Scrutiny Committees help to shape the annual Action Plan, through the Member Service Planning Panels which take place each preceding autumn. These Panels provide Members with an opportunity to scrutinise past performance and shape the targets for the following year. Performance is accounted for through half yearly reports to Cabinet and Overview and Scrutiny Committees, together with the financial performance, creating the vital link between delivering our ambitions and affordability. The performance management framework has recently been reviewed so that in future each of the four O & S Committees will receive bi annual reports setting out performance in relation to those areas of the annual Action Plan that falls within the remit of their respective terms of reference. They will also be provided with statistical activity and performance data. This new system will become effective in June 2013.
11. Our **Financial Strategy** sets out the financial policies, practices and resources which will deliver the District 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. An indicative Capital Programme was produced as part of the Medium Term Financial Strategy 2013-16 (Revenue and Capital). However, given the level of resources available to fund the Capital Programme is insufficient to fund all of the capital investment needs that have been identified; it included a risk assessment of reducing investment in Council funded schemes. A more fundamental review of the Capital Programme is planned to take place later in this financial year.
12. On the 8 February 2013 the Medium Term Financial Strategy 2014/15 reported to Cabinet there was a forecasted £1.7m budgetary deficit with another £300,000 shortfall forecast for 2015/16. As a result of this the Council has launched a programme called "Fit for the Future" (F4F) to manage the changes that will be needed across the Council and to its services in order to meet the changes and the predicted revenue Budget shortfall. It is anticipated that this programme will be developed and implemented over the next three financial years including reviews to accommodate national and local changes. Clearly F4F will impact on the Council's Plan for the District, its priorities and outcomes.

## ANNUAL GOVERNANCE STATEMENT

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*Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources*

13. In February 2013 Full Council approved the detailed budget, which allocated resources to appropriate priorities.
14. The Medium Term Financial Strategy is updated annually to reflect changes regarding the government policy, legislative changes and economic conditions.
15. Cabinet receive quarterly financial reports on both revenue and capital expenditure compared with budget.
16. In light of the need for such substantial savings there will need to be a review of the ambitions laid out in the strategic plan as clearly not all of the aspirations therein are going to be able to be pursued and delivered. Specific impact of each area will be reported through Overview and Scrutiny reports on progress against targets in the Strategic Plan with a view to its complete review in 2015/16.
17. During 2012/13 the Council entered shared services arrangements in respect of Internal Audit (generating around **£45K** per year), Health & Safety (Tamworth and Stafford pay LDC for direct costs), Building Control (efficiency savings of **£180K** over three years), Conservation and Urban Design (purchased from LDC by Tamworth BC). These arrangements have sought to reduce costs and improve quality and resilience in these services. Members of the Council are involved in the governance and performance arrangements for these services, with the Audit Committee receiving reports on the performance of the audit shared service.
18. The Customer Services Team have a set of 10 key Performance Indicators that are regularly updated and reported to, Service Managers, Director of Community Housing and Health, Joint Waste Board. We include the number of enquiries via face to face and telephone, number of abandoned calls, waiting time to see someone face to face, no of service requests raised via Customer Relationship Management System (CRM), it is also important that we monitor specifically how the Governments Welfare Reforms are affecting our Community and the way we do this is by recording indicators for Revenues and Benefits individually.
19. There are a number of arrangements in place for securing customer feedback. We consult with our community using the most appropriate research and consultation tools available. In 2012 this took the form of a Residents' Survey, as well as enhancing the opportunity to use electronic communications through the 'Voice It' feature on the website. We also use the product of research and consultation undertaken by our partners including the District Profile and Strategic Assessment (provided by the County Council's Intelligence Hub) and the Feeling the Difference Survey (co-ordinated by Staffordshire Police).
20. Our residents have told us that Lichfield District is a good place to live (89%). They feel safe, have good health services and good access to nature. The most important things in making somewhere a good place to live for the people of Lichfield District are low levels of crime, health services, and activities for young people. The key aspects for improvement are road surfaces, activities for young people, local shops, job opportunities and traffic congestion. Residents are very satisfied (96%) with the Waste and Recycling Service and local parks (92%) but feel that dog fouling and litter are a problem in some areas. It is easy to find a space in the council car parks except on Saturdays and empty shops in the town centres are a concern. Residents prefer to report issues online (76%) but would like the council to communicate via letters or email.
21. As key stakeholders, we regularly survey staff satisfaction. In the Employee Survey 2012, staff told us they feel valued (85%) and positive about their future at the council (60%). Maintaining a work/life balance is achievable for 52% with 57% feeling they do their job well but work pressures impact on achieving a positive balance and performance. Staff feel supported (93%) and informed most of the time. Following the feedback from staff there is an increased focus on 1to1 meetings with managers, PDR's and regular written communications from senior management
22. Strategic Outcomes –
  - The number of members of our leisure centres, holding Leisure Activity Passports, from our targeted groups, as of 28 March 2013 has increased by 310 to 1,768 - a rise of 21% compared to the figure on the 31 March 2012.
  - The Lichfield Local Plan: Strategy was formally submitted to the Secretary of State on 22 March 2013 and is now the subject of an examination to test its legal and policy compliance. Hearing Sessions into the Plan will take place between June and July 2013.



## ANNUAL GOVERNANCE STATEMENT

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- The post-restoration plan for the historic parks is being implemented. Highlights in 2012/13 include the opening of the café and kiosk by Chandlers. Green Flag accreditation was maintained; the event programme was more extensive than ever and included the Olympic Torch Relay, Lichfield Festival, Fuse, Cars in the Park, the Jubilee Bower, Titanic commemorations and the best ever Proms in the Park. The new bowls green opened for play.
- During 2012/13 we have measured 1,500 areas/streets across the district for cleanliness. 91% of these areas achieved an acceptable level of cleanliness and were graded as satisfactory or better, for the first time in our calculations these areas now include the cleanliness of all the Trunk roads within our district.
- 213 households had their homelessness prevented during 2012/13 compared to 145 in 2011/12 a 46% increase. 37 households were assisted through the homeless prevention fund (20 in 2011/12).

### **Roles and responsibilities of Members and Officers**

23. 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.
24. 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.
25. 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.
26. Lichfield District Council appointed a new Head of Paid Service in January 2013 following the retirement of its previous post holder in December 2012.
27. 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.
28. 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.
29. 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.
30. 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**

31. The role of the Standards Committee is to promote and maintain high standards of conduct by members and co-opted members.
32. 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.
33. 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.
34. 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



## ANNUAL GOVERNANCE STATEMENT

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the governance arrangements and specifically the development of the accountability of officers to Members is periodically strategically reviewed by Leadership Team at their meetings.

35. 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.
36. There is a process in place in which complaints regarding members Conduct are pursued. The relatively low number of complaints regarding behaviour demonstrates that the standards are understood. During 2012/13 there were four Members Code of Conduct complaints received, none of which resulted in an investigation or a finding that there was a breach of the Code of Conduct.
37. The Council can evidence that it has acted decisively when complaints of unacceptable behaviour have been made by employees.
38. 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.
39. 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***

40. The Constitution contains Council's procedures, rules and Scheme of Delegation including the Financial Regulations and Standing Orders.
41. 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.
42. 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.
43. 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.
44. There are departmental risk registers which are maintained systematically, and Internal Audit assessments of our risk management consistently show substantive assurance.
45. 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.

### ***Ensuring 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)***

46. The revised CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government describes the roles and responsibilities of CFO's who are bound by both professional standards and also legislative responsibilities, with a fiduciary duty to the local taxpayer. The Council has a duty to either comply with each of the five key principles set out in the Statement or explain why they do not how they deliver the same impact. The Council has complied with each of the five principles as set out in the paragraphs below.

#### **47. Principle One:**

The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

- The CFO in Lichfield DC for 2012/13 is the Director of Finance, Revenues and Benefits who reports directly to the Chief Executive and is one of the five members of the top level Corporate Leadership Team sitting alongside the Chief Executive.

## ANNUAL GOVERNANCE STATEMENT

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### 48. Principle Two:

The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the overall financial strategy.

- The CFO at Lichfield DC is responsible for establishing the authority's Medium Term Financial Strategy, Annual Budget Process and Budget Monitoring process and ensure these are aligned. Each report that is considered by the Cabinet has a specific section for the CFO to record financial implications.

### 49. Principle Three:

The CFO must lead the promotion and delivery by the whole authority of good financial management ensuring public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- The CFO at Lichfield DC is responsible for ensuring appropriate advice is given on all financial matters, for keeping financial records and accounts and for maintaining an effective system of financial control. The Financial Regulations set out how these are operated.

### 50. Principle Four:

The CFO must lead and direct a finance function that is resourced and fit for the purpose.

- The Finance Function is considered to be adequately resourced and additional resources are bought in for specialist work or vacancies.

### 51. Principle Five:

The CFO must be professionally qualified and suitably experienced.

- The CFO at Lichfield DC is a qualified accountant and has suitable relevant experience of public service bodies.

### *The role of Audit Committee*

52. 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.

53. 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.

54. 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*

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

56. 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

57. 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.

## ANNUAL GOVERNANCE STATEMENT

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58. 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.
59. The Councils Budget was set in accordance with the requirements of the relevant legislation and guided by the Councils Medium Term Financial Strategy. The S151 is required to comment each year on the robustness of the proposed budget.
60. In addition, a Director's Internal Control Checklist or where appropriate a Manager's Internal Control Checklist is sought to provide 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. This was extended to include designated Members (Chairs and Vice Chairs) in the form of a Members' questionnaire. This has sought to extend the assurance process within the Council.
61. 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***

62. The Authority has a whistle blowing policy in place, which is reviewed by the Audit Committee.
63. We have received one whistle blowing report during the year, received on 25<sup>th</sup> March 2013, which was under investigation at the year-end.
64. 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. 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. During 2012/13 we received 88 complaints, of which 84% were dealt with within 20 working days from date of receipt. From April 2012 to April 2013 the total number of Freedom of Information Requests received were 459 of which over 90% were responded to within the required 20 day period.
65. During 2012/13, the Ombudsman investigated three complaints against the Council, none of which gave rise to an Ombudsman's Report.

### ***Meeting the development needs of members and senior officers***

66. 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. In response to the annual member training needs questionnaire, 8 training events were provided in 2012/13 on topics such as Risk Management, Community Safety, Community Budgeting, Understanding Local Government Finances, Localism and Community Leadership and Regulatory and Licensing.
67. 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.
68. Senior politicians appraise the Chief Executive and the Chief Executive appraises the Directors, as part of this development needs and solutions are identified and agreed.
69. Performance Development Reviews are carried out for all employees, and training needs are identified as part of this. A Management Competency Framework is in operation. The Chief Executive launched this year's Performance and development review (PDR) process at a managers forum in March emphasising the importance of PDR and one to one meetings with staff throughout the year not just in response to the staff satisfaction survey but because this type of communication and interaction is a vital tool in leading and delivering the scale of change programme we are undertaking. The forms for PDR will be revised in 2013/14.
70. 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 available which greatly enhances the learning and development opportunities for a large cross-section of employees.

## ANNUAL GOVERNANCE STATEMENT

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### Communications

71. The Council has a Research and Consultation Delivery Plan 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 A Plan for Lichfield District, the Local Development Framework, the Housing Strategy. Outcomes of consultations are shared publicly on the council website at [www.lichfielddc.gov.uk/voicedit](http://www.lichfielddc.gov.uk/voicedit).
72. 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. During 2013, key messages are circulated following Leadership Team meetings which also comment on performance issues from time to time
73. The Council publishes a newspaper called *In Touch* twice a year. This is issued to 80% of homes approx and this contains key information about Council services and activities.
74. 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.
75. The Council maintains a high quality web-site [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk) which rated highly in this year's Better Connected (SOCITM). The Council has developed specific websites for services, like *Visit Lichfield* [www.visitlichfield.co.uk](http://www.visitlichfield.co.uk) for tourism. The Council also provides the website for a neighbouring Council for its tourism service. The websites are complemented by marketing material.
76. The Council utilises social networking technology to reach as wide an audience as possible, and has developed an iphone app for its Food Hygiene Rating Service – *Rate My Place*, which the Council provides on for other Staffordshire Councils and one Council in Derbyshire, and for its tourism website [www.visitlichfield.mobi](http://www.visitlichfield.mobi).
77. 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.
78. 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 has 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.
79. These methods of communication are complemented by the Council's regular surveys of residents, businesses and service customers. We also test views on how well the Council communicates and the communication channels they use to find out about the Council through the council's annual Residents' Surveys.

### How we incorporate good governance arrangements in our partnerships

80. 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.
81. 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 regularly. The District Board has received a performance report on progress against the Partnership Delivery Plan for 2012/13 and has agreed priority areas for joint working in 2013/14. Minutes of District Board meetings are included with Cabinet agendas so that all members can keep updated with its activities.
82. 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.
83. As a result of national legislation a new county wide Health and Well Being Board has been established and a new Police and Crime Panel upon which the LDC Member representative is Vice

## ANNUAL GOVERNANCE STATEMENT

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Chairman. The Board provides an opportunity to collectively respond to partner policies and strategies which will impact on Lichfield residents, for example, the joint consideration of Health Priorities. It also delivers joint initiatives such as Let's Work Together. Let's Work Together is a multi agency initiative to provide better support to vulnerable adults in their own homes through improved sign posting and referral to services. Training practitioners to increase their knowledge of risk factors and of the support services that are available to address these is fundamental to this approach. Lichfield 4 Business provides direct support and advice services to individuals, existing and new businesses in order to ensure they provided with, signposted to or made aware of schemes, information and support that will help their business to grow and develop.

84. 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 council's assets including buildings and premises.

### Looking forward to 2013/14

85. Whilst the annual governance statement is a review of the Council for the previous year (2012/13) it is important to set the context for the future too. There is a budget deficit of £1.7m forecast for 2014/15 in the Medium Term Financial Plan. There is at least a further £300,000 shortfall forecast for 2015/16.
86. The Council has launched a programme called Fit for the Future to manage the change that will be needed across the Council and its services in order to meet the changes and the predicted revenue budget shortfall. It is anticipated that this programme will be developed and implemented over the next three financial years including reviews to accommodate national impacts and local changes. The Council will consider the governance structures and first phase of this programme at its meeting in July 2013.
87. The Government have already told us that in future there will be no government grant for local authorities and that income will need to be from retained business rates, New Homes Bonus (if this remains beyond the current 6 years time frame which ends in 2015/16) and council tax. Given the state of the current economic market (which is impacting on New Homes Bonus and business rate growth) and the caps on council tax rises - growing income as opposed to reducing spend is not an option at present.
88. For these reasons we also need to consider which services we invest in and deliver and how they assist in building our budgets to sustain us in the future
89. Fit for the Future is a programme of activities that will be delivered during the Medium Term Financial Plan period. It brings together a series of projects that aim to reduce the expenditure of the council and also reshape and redesign the council and its services into one that is **fit for the future** – with all the challenges that brings.
- **Phase 1** comprises a project which proposes how the immediate financial challenges of the 2014/15 budget will be met. These changes have been based on work led by the Cabinet to identify areas of service delivery considered to be non-core.
  - **Phase 2** comprises a series of service reviews – the first tranche of these are in planning services, grounds maintenance/parks and opens spaces, support services, leisure and channel shift. These reviews will be scoped and delivered in a structured way to ensure we are focusing on identifying the future outcomes required by the service and how it could best be delivered.

### Review of effectiveness of Governance Framework

90. 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.
91. 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.



## ANNUAL GOVERNANCE STATEMENT

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92. The Constitution is reviewed and updated throughout the year, and this includes reviewing the governance framework.
93. 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.
94. Existing corporate policies are reviewed and updated in accordance with best practice on an ongoing basis. The Whistle Blowing Policy, Anti Fraud and Corruption Policy and Money Laundering Policy will be revisited and reviewed shortly.
95. A Member's questionnaire has been completed by Chairmen, Vice Chairmen and the Leader of the Opposition party in order to supply Members' Assurances. The Members questioned appeared clear about their roles, responsibilities and organisational objectives. Members were comfortable with their understanding of the Constitution and policies procedures of the Council. They were not aware of any fraud/bribery in the last 12 months.
96. 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.
97. There is an **Overview and Scrutiny Co-ordinating Group** and 4 **Overview and Scrutiny Committees this includes the Strategic Overview and Scrutiny Committee**. The Committees oversee and scrutinise decisions made by the Cabinet and Cabinet Members. For 2012/13 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."
98. The Council's performance results for 2012/13 were provided in a report to Strategic 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.
99. The Councils call in procedure for Cabinet decisions can be invoked if it is thought there has been a departure from policy guidance. There were no call-ins during 2012/13.
100. 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.
101. Members Attendance at the required committee meetings averaged 85.3% in 2012/13.
102. 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.**

103. Internal Audit reports directly to the Chief Executive, to command enhanced significance and independence.
104. 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.
105. 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

## ANNUAL GOVERNANCE STATEMENT

where appropriate, the Chief Financial Officer (Section 151 Officer), Monitoring Officer and Chief Executive.

106. 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. Copies of Internal Audit reports are also sent to the relevant portfolio holder and the Chairman and Vice Chairman of Audit Committee.
107. 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.
108. An annual review of the effectiveness of the system of internal audit is also undertaken and the review for 2012/13 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 2011/12 and subsequently progressed in 2012/13

Issue	Action Plan Finding 2011/12	Assigned to	Timescale
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.	Local Business rates retention scheme Implemented 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.	Local Council Tax support Scheme Implemented 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 Chief Financial Officer - Director Finance, Revenues and Benefits.	For the period of the Medium Term Financial Strategy

109. 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.
110. The Corporate Risk Register has highlighted the following items of significant risk. therefore the following issue has been identified which may impact on the governance and assurance framework the Council needs:-

Finding 2012/13	Action Plan	Assigned to	Timescale
Issue			
The outcomes of the Local Government as part of F4F Resource Review, together with the fundamental changes to the Council's Settlement for 2013-15 and all the other variations projected forwards to 2015/16 have resulted in a significant deterioration of the Council's finances.	A programme of service reviews with the aim of reducing budget requirements from 2014/15. Details of this programme will be widely shared and consulted on as it is developed. The Council continues to focus on key business risk areas and reports on a regular basis to the Cabinet on progress.	Leadership Team Chief Financial Officer - Director Finance, Revenues and Benefits.	For the period of the Medium Term Financial Strategy

## ANNUAL GOVERNANCE STATEMENT

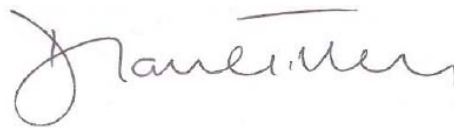
There is increased demand on the resources of the council as a result of welfare reform on its services and that this demand cannot be met in the short term.	The Council is supporting the Revenues and Benefits and Customer Services Team by additional resources via agency staff and via overtime. Policy development and key communications to our customers.	Leadership Team Chief Financial Officer - Director Finance, Revenues and Benefits.	April 2014
Friarsgate is this Councils flagship regeneration project in the centre of Lichfield City. The scheme will improve the retail and leisure offer in the City and as part of the scheme will also replace existing council infrastructure.	The Council has recruited employees with a high level of skills in major development projects and created Lichfield District Venture Board to progress this with the councils developers – Development securities.	Leadership Team & Cabinet	April 2014
The potential for disruption to the delivery of the business of the council leading to reputational damage, and increased costs in terms of recovery and also in terms of fines should the Council be found to have not acted in an appropriate manner.	The ICT team are working on a business case for addressing many of these problems with both Northgate and Staffordshire County Council.	Leadership Team Chief Financial Officer - Director Finance, Revenues and Benefits.	April 2014

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 2013



## GLOSSARY OF TERMS

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### **Accounting Policies**

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

### **Accrual**

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

### **Accumulated Absences Account**

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

### **Balance Sheet**

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

### **Capital Adjustment Account**

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

### **Capital Grants Receipts in Advance**

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

### **Capital Receipts**

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

### **Cash Equivalents**

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

### **Collection Fund**

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

### **Community Assets**

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

### **Comprehensive Income and Expenditure Statement**

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

### **Consistency**

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

### **Creditors**

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

### **Revenue expenditure funded from capital under statute**

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

## GLOSSARY OF TERMS

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### **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.

### **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.

## GLOSSARY OF TERMS

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### **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.

### **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 1 April 2007.

### **Revenue Expenditure**

Expenditure on the day-to-day running costs of services eg 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.

## GLOSSARY OF TERMS

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### **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.

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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 chcieliby 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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