

Your ref  
Our ref  
Ask for Christine Lewis  
email Christine.lewis@lichfielddc.gov.uk

District Council House, Frog Lane  
Lichfield WS13 6YU

Switchboard +44 (0) 1543 308000  
Fax +44 (0) 1543 309899  
Direct Line +44 (0) 1543 308065  
Minicom only +44 (0) 1543 308078

15 September 2014

Dear Sir/Madam

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE**

A meeting of the above mentioned Committee has been arranged to take place on **THURSDAY 23<sup>rd</sup> SEPTEMBER 2014** at **6.00 pm** in the **Committee Room**, District Council House, Lichfield, to consider the following business.

Access to the Committee Room is via the Members' Entrance.

Yours faithfully



Strategic Director

**To: Strategic (Overview and Scrutiny) Committee**

Councillors Strachan (Chairman), Norman (Vice-Chairman), Pullen (Vice-Chairman)  
Mrs. Arnold, Mrs Barnett, Constable, Derrick, Leytham, Mynott, Powell, Thomas,  
Wilson, Mrs. Woodward.



## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. To approve as a correct record the Minutes of the meeting held on the 17<sup>th</sup> June 2014 (copy attached)
4. Money Matters 2013/14: Review of Financial Performance against The Financial Strategy (copy attached)
5. Money Matters 2014/15 Review of Financial Performance against The Financial Strategy (copy attached)
6. Statement of Accounts 2013/14 (copy attached)
7. Forward Plan and Work Programme (copy attached)

RESOLVED: "That as publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted, the public and press be excluded from the meeting for the following items of business, which would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972"

IN PRIVATE

8. Asset Strategy Review

Briefing Papers to be issued separately:

Fit for the Future Community Consultation

\*Briefing Papers were introduced after the Overview and Scrutiny Committee Co-ordinating Group requested that the length and volume of agendas be addressed. Briefing papers, which are intended to provide Members with information on relevant issues, are an alternative to placing items on the Agenda. If Members wish a paper to be discussed it can be included on the Work Programme and scheduled for a future meeting.



## **STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE**

**17 JUNE 2014**

### **PRESENT:**

Councillors, Strachan (Chairman) Norman (Vice-Chairman), Pullen (Vice-Chairman) Mrs Arnold, Mrs Barnett, Derrick, Leytham, Mynott, Thomas, Wilson, and Mrs Woodward.

(In accordance with Council Procedure Rule No.17 Councillors Spruce and Wilcox attended the meeting)

**APOLOGIES FOR ABSENCE:** Apologies were received from Councillors Constable and Powell.

### **DECLARATIONS OF INTEREST:**

No declarations of interest were made.

### **MINUTES**

The Minutes of the Meeting held on 29<sup>th</sup> January 2014 were taken as read, approved as a correct record and signed by the Chairman.

**RESOLVED:** That the Minutes of the Meeting held on 29<sup>th</sup> January 2014 be approved as a correct record.

### **TERMS OF REFERENCE**

As it was the first meeting of the municipal year, the Members received the Terms of Reference for the Committee.

**RESOLVED:** That the Terms of Reference for the Committee be noted.

### **COMPLAINTS AND COMPLIMENTS – 2013/14**

The Committee received a report on the compliments and complaints received corporately during the last financial year along with more detailed analysis of those of specific relevance to the Committee. It was reported that although a report was submitted annually to the Standards Committee, it was agreed at a full Council meeting that it would be appropriate for each Overview & Scrutiny Committee to consider the number and nature of complaints received.

It was reported that the District Council had a Corporate Complaints Procedure and had published a revised Complaints Charter in early 2014. It was then reported that during the 2013/14 year, 101 complaints had been received with 91 dealt with at Stage 1, three at Stage 2 and six at Stage 3. It was noted that if a complainant was still not satisfied once all of the three stage process had been carried out, they could contact the Local Government Ombudsman to consider the complaint. Members noted that there had not been any complaints passed to the Ombudsman in the reported year.

It was reported that although there had been an increase in complaints, this was due to a tighter reporting process and the inclusion of all leisure complaints received which had been recorded separately in the past.

It was then reported that in 2013/14, there had been one complaint received in relation to Democratic and Legal Services relating to a non Council employee working as an electoral register canvasser. There had been 34 complaints relating to Finance, Revenues and Benefits and it was noted that they were mostly only because the Council had been compelled to take recovery action. It was noted that there had been complaints about the introduction of credit card surcharges which was outside of the Council's control.

Members felt that more should be done to highlight the compliments received and it was agreed that focus on both compliments and complaints could be more balanced.

Members asked how independent another Director could truly be at Stage 3 of a complaint and if there was a risk of bias. It was reported that all Directors, if asked to independently review, do so objectively and if the complainant is not satisfied, had the opportunity to pass the complaint to the Local Government Ombudsman who were fully independent.

Members asked if the majority of complaints were due to systems enforced onto Local Government or the District Council's own processes and it was reported that especially with Revenues and Benefits, it was due to the system including recovery and overpayments.

Members asked why 46% of the complaints were considered justified and if lessons were being learnt and it was reported that it may be a small element of a complaint, like the failure to acknowledge in time, that would be justified yet the complaint as a whole not. It was agreed that more detail of the complaints and findings after their investigation would be advantageous for the Committee in the future. Members also felt that the term 'unjustified' was too subjective, as a complaint may not be relevant to the District Council but could still be a justified one affecting the complainant.

Members asked if complaints received by Councillors were included in the figures and it was reported that they were if the Councillor wrote or emailed in but not if verbal. The Committee felt that some clarification was needed on how to get complaints from Members on behalf of residents recorded. The Committee did recognise that it would need to be distinguished that it was a true complaint and not a comment about a service.

It was noted that MP enquires were dealt with separately and were mainly requests for information rather than complaints.

**RESOLVED:** That the report be noted.

## **END OF YEAR PERFORMANCE REPORT 2013/14**

The Committee received a report on progress against the activities and projects set out in the District Council's One Year Action Plan for 13/14. It was reported that performance was mostly on target and within budget and that there was an underspend which would be put back in reserves.

Members asked why there had been a small slip in performance for processing new Housing Benefit/Local Council Tax Support claims and it was reported that the nationally set target for processing claims was a much longer timescale so in reality, the District Council was performing far better than it may appear. It was reported that it was preferred to be accurate and prevent overpayments. When asked if the increase of days to process claims was due to more claims or a reduction in resources, it was noted that claims had risen in 13/14 and also that there was a part time vacant post but that that would remain ready for the introduction of Universal Credit.

Members asked why there had been an increase in payments via the website and self-service telephone and it was noted that Officers were encouraging channel shift. When

asked, it was reported that although the number and value of staff assisted payments had also increased, postal cash payments had greatly reduced.

The Committee were pleased to note the underspend although it was noted that this was a verbal update and would formally reported to Committee in September) but recognised that it was not time to get complacent.

**RESOLVED:** That the report be noted.

## **WORK PROGRAMME AND FORWARD PLAN**

Consideration was given to the Work Programme and Forward Plan. It was reported that there would be a Briefing Paper to Members updating them further on Individual Electoral Registration when the system being used by the District Council goes live for testing.

Members were also briefed that there had been 687 responses so far to the Fit for the Future survey and Councillors were encouraged to push for more especially outside the City Centre areas. It was noted that a report on the responses to the survey would be submitted at the September meeting.

Members asked for a report on the Communications service area as it now came under the remit of the Committee.

**RESOLVED:** That the Forward Plan and Work Programme be noted and amended as agreed.

(The Meeting finished at 7.10pm)

CHAIRMAN

## SUBMISSION TO STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE

Date: 23 September 2014

Agenda Item: 4

Contact Officer: Jane Kitchen

Telephone: 01543 308770

### SUBMISSION BY CABINET MEMBER FOR FINANCE, DEMOCRATIC AND LEGAL SERVICES

#### MONEY MATTERS : 2013/14 REVIEW OF FINANCIAL PERFORMANCE AGAINST THE FINANCIAL STRATEGY

#### 1. Purpose of Report

- 1.1 The report covers the financial performance from April to March 2014 for the year 2013/14.
- 1.2 The budgeted use of General reserves was **£636,930** as approved by Council on 24 February 2014. The Council's performance in the year resulted in using **£143,748** general reserves. This means the Council's general reserves position improved by **£493,182** for the financial year 2013/14 in comparison with the Approved Budget. The reasons for this are contained in the main body of this report and in more detail for the Net Cost of Services at **APPENDIX D**.

#### 2. Summary of Policy Development

##### Revenue Budget

- 2.1 As part of leading the organisation, managers have to account to Members for their management of the financial resources and for the performance of the organisation against what the Council has agreed.
- 2.2 'A Plan for Lichfield District 2012-16', approved by Council in February 2012, sets out the ambition, focus and priorities for the next 4 years, covering the life of this Council. The Plan has milestones for each year, so that we can bring appropriate focus to delivery.
- 2.3 The Leadership Team, together with their Cabinet Members, are responsible for delivering against the milestones for the Plan for the District and are required to report progress on this to the Cabinet, enabling the Cabinet as a whole to review the performance of the organisation.
- 2.4 The Medium Term Financial Strategy (Revenue and Capital) (MTFS (R&C)) sets out the allocation of resources and the policies and parameters within which Managers are required to operate. We are required by law to set a three year balanced budget. The MTFS covers revenue and capital expenditure and was approved by Council on 24 February 2014 and covers 2014/15 to 2016/17.
- 2.5 Aspects like community safety, human rights, financial implications, sustainability issues and risk management are all dealt with as part of the report so have not been separately identified.
- 2.6 The level of recent change in Local Government Finance is unprecedented, ranging from the Localisation of Council Tax Support, wider welfare reform and local retention of an element of Business Rates. This change introduces significant additional financial risks such as a major proportion (**19%**) of the Council's funding being dependant on the level of business rate growth or decline.
- 2.7 As a consequence; considerable preparation and planning has taken place during 2013/14 to implement changes and identify strategies that are available to manage these risks. These risks together with financial successes, challenges and future actions are shown in more detail at **APPENDIX A**.

- 2.8 The Council is likely to in the future be principally funded by income generated locally through Council Tax, Local Business Rates, New Homes Bonus and fees and charges. Therefore, the management of Sundry Income debt is a key component of the Council's funding.
- 2.9 Income from Sundry Debts increased in 2013/14 by **£680,808** to **£7,227,821** and remains a substantial sum of money (**23%** of gross income of **£32,033,098**). The Council continued to face a challenge to achieve consistent collection rates when customers are continuing to operate in a difficult economic climate. There has been a further improvement in the collection of property debt (from **8%** outstanding down to **7%**) and these are now recovered by the Corporate Debt Recovery Team. The overall collection figures consistently remain good. The amount of payers by Direct Debit has remained consistent and there has been a 3.5% reduction of those paying by Cash and Cheques. Recovery of Housing Benefits Overpayments has remained consistent. Further details are shown at **APPENDIX B**.
- 2.10 Collection performance for Council Tax has dropped by 0.4%. This is in line with the national drop in collection rates and takes into account the changes to Council Tax support due to the Welfare Reforms and the technical changes to Council Tax<sup>1</sup>. The authority's collections rate at 98.9% remains well above the national average for collection (97%) and the Shire Districts average (97.9%). The authority is ranked **equal fifth nationally** and first within the Staffordshire District.
- 2.11 Collection performance for Non Domestic Rates increased by 0.6% in 2013/14. The Authority is well above the national average (97.9%) and the Shire Districts average (98.3%) with a collection rate of 99.0%. The authority ranks **equal ninth nationally** and are first within the Staffordshire District.
- 2.12 The financial performance, covering the period April 2013 to March 2014 is reported against the Budget for year 2013/14 approved by Council on 24 February 2014 (figures may not sum due to rounding in this Report).

<b>The Revenue Budget on a Net Direct Expenditure Basis</b>	<b>Approved Budget</b>	<b>Actual Outturn</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	841,640	787,508	(54,132)
Finance, Revenues & Benefits	1,704,050	1,516,563	(187,487)
Democratic, Development & Legal	1,993,360	1,542,836	(450,524)
Community, Housing & Health	2,209,850	2,160,987	(48,863)
Leisure & Parks	3,086,440	3,097,557	11,117
Operational Services	1,593,900	1,446,717	(147,183)
Additional Earmarked Reserves (HS2, Redundancy, Planning)	0	380,000	380,000
<b>Net Cost of Services</b>	<b>11,429,240</b>	<b>10,932,168</b>	<b>(497,072)</b>
Net Treasury Position	(74,190)	(66,731)	7,459
Revenue Contributions to the Capital Programme	129,620	129,442	(178)
<b>Net Revenue Expenditure</b>	<b>11,484,670</b>	<b>10,994,879</b>	<b>(489,791)</b>
Approved Earmarked Reserves	(236,740)	(239,425)	(2,685)
<b>Cost of Local Services met by local and national taxes</b>	<b>11,247,930</b>	<b>10,755,454</b>	<b>(492,476)</b>
<b>How we plan to fund this:-</b>			
Local Taxes - Council Tax	(5,256,000)	(5,256,070)	(70)
Grants	(5,355,000)	(5,355,636)	(636)
<b>Sub Total</b>	<b>(10,611,000)</b>	<b>(10,611,706)</b>	<b>(706)</b>
<b>Revenue Account Deficit to be met by a Contribution from / (to) General Reserve</b>	<b>636,930</b>	<b>143,748</b>	<b>(493,182)</b>

- 2.13 The figures shown in the above table are net cost of services. The gross expenditure and gross income generating the net budget cost, together with the net expenditure outturn is shown on **APPENDIX C**.
- 2.14 The format shown above details net expenditure by Directorate. It reflects the internal management of Lichfield District Council and Portfolio Holders' respective budget responsibility.
- 2.15 The outturn for the financial year to 31 March 2014 is below budget by **£493,182**. This is significant, and work has been undertaken to understand the detailed reasons for the variance. Details of the

<sup>1</sup> Report to Cabinet 15 January 2013 approved technical changes including removal of the second homes discount and granting a discount for properties undergoing structural work.

main drivers of this variance at a Net Cost of Service Level **£497,072** are shown in detail at **APPENDIX D** and in summary below:

- **£96,000**: This is the major element. It is made up of *one-off savings* that are exceptional - an example of this is a short term staff vacancy or not buying an item of equipment.
- **£110,000**: *Recurring savings/additional income*. An example of this is decreased utility costs for premises. **£14,000** of these ongoing savings/additional income have been incorporated into the Approved Budget and **£96,000** will be included as part of the F4F Programme.
- **£277,000**: *Demand led items (external influences)*. This is where external market forces, for example, Major Planning Fee Applications or customer needs such as Housing Benefit payments due to changes in circumstances, these are difficult to control or completely accurately predict.
- **£14,000**: This is mainly as a result of employees spending more time during the year on Capital Projects rather than Revenue funded projects.

2.16 The Outturn position provides additional General Reserves some of which are recurring savings/additional income and are built into the Fit for the Future (F4F) Programme. These will be incorporated into the Council's MTFS (R&C).

## Capital Budget

### Management of the Capital Programme in 2013/14

- 2.17 The Council approved an original budget for 2013/14 of **£1,684,000** on 19 February 2013.
- 2.18 There was slippage of **£2,494,000** in the Capital Programme in 2012/13 that has been carried forward to 2013/14.
- 2.19 The Council approved a Revised Budget for 2013/14 of **£4,782,000** on 19 February 2013.
- 2.20 In addition, there have been a number of other changes, such as the allocation of Section 106, re-phasing of some project spend to later years and new grant awards that total **£139,000** resulted in a final budget of **£4,912,000**.
- 2.21 Below we look at spend by strategic priority for the 2013/14 Financial Year, focussing on the actual position for the year compared with the Final Budget.

Priority	Projected Outturn (8 months) £	Final Budget £	Actual £	Variance £	Note Ref
We'll support local people	1,470,000	1,767,000	1,460,398	(306,602)	
We'll support local places	718,000	719,500	431,706	(287,794)	
We'll boost local businesses	2,140,000	2,139,500	2,226,937	87,437	
How our core principles help us deliver	287,000	286,000	435,976	149,976	
<b>Total Capital Expenditure</b>	<b>£4,615,000</b>	<b>£4,912,000</b>	<b>£4,555,018</b>	<b>(£356,982)</b>	

**KEY :**

Actual within **£0.1m** of our final budget ● Actual not within **£0.1m** of our final budget

2.22 The actual outturn for three of our strategic priorities varies by **7%** from the final budget. The major reasons for the under spend are:

- **We'll support local people** – a budget of **£200,000** was approved for new affordable housing in relation to a Section 106 contribution from the Laurels development in Fazeley (a further £200,000 has been received in 2014/15). This entire project budget of **£400,000** will be spent in later financial years.



- **We'll support local places** – the vehicle replacement programme underspent by **£70,000** in 2013/14 as registered mowers that were ordered in 2013/14 were delivered in April 2014 and this is in the 2014/15 financial year.
- **How our core principles help us deliver** – a new project has been established in the Capital Programme in 2014/15 in relation to Information Technology investment of **£1.14m**. To enable the project to be delivered to schedule and to achieve preferential pricing, a number of items of hardware costing **£123,000** were delivered in 2013/14 rather than the original planned budget profile of 2014/15.

- 2.23 An important element of the Capital Programme relates to asset replacement. The renewals of vehicles, equipment and systems renewals during 2013/14 are shown in detail at **APPENDIX E**.
- 2.24 An element of the under spend for the year is related to delays in spend taking place which is known as slippage. The slippage in 2013/14 of **£482,500** will be added to the Capital Programme in 2014/15 when this delayed spend is planned to take place. The slippage together with the Revised Budget for 2014/15 is shown at **APPENDIX F**.

### Capital Investment at Burntwood Leisure Centre – the Sinking Fund

- 2.25 The Council is required, under the terms of the funding agreement with the National Lottery in relation to the Burntwood Leisure Centre, to set aside resources to be used for the future repair and renewal of the centre in a 'sinking fund'. Both the level of investment and the Centre in terms of the District Council's leisure provision is significant, therefore monitoring information is provided in the table below for all approved projects in 2013/14.

Project Name	Annual Spend in 2013/14		
	Final Budget	Actual	Variance
	£	£	£
Planned maintenance	46,000	26,314	(19,686)
<b>TOTAL</b>	<b>£46,000</b>	<b>£26,314</b>	<b>(£19,686)</b>

## Treasury Management

### Background

- 2.26 The Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2013/14 and the actual Prudential Indicators for 2013/14.
- 2.27 Our treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year. We report quarterly to the Cabinet and scrutiny on treasury policy, strategy and activity is delegated to the Strategic (Overview and Scrutiny) Committee.
- 2.28 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 2.29 Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to our treasury management objectives.

### Scope

2.30 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and;

- a) presents details of capital spend, capital financing, borrowing and investment transactions;
- b) reports on the risk implications of treasury decisions and transactions;
- c) gives details of the outturn position on treasury management transactions in 2013/14;
- d) confirms compliance with treasury limits and Prudential Indicators and
- e) provides details of the results of recent reviews undertaken in relation to Treasury Management Activity to provide assurance that systems and controls work as expected.

2.31 The report is to full Council and is in addition also being submitted to Strategic (Overview and Scrutiny) Committee who are responsible for scrutiny of the Treasury Management function.

### 2.32 Interest Rates and Investment Strategy

- Our interest rate projections when we set our 2013-16 and 2014-17 Strategies were anticipated to be:

Central Case	Mar 2014	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017
Strategy 2013-16	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%				
Strategy 2014-17				0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

- These interest rate projections are used as the basis for compiling our investment income budget. Clearly interest rates are projected to stay low for a more sustained period and this will be reflected in the investment income we receive.
- The Council approved the use of **£250,000** of additional capital receipts from Right to Buy sales to partly fund the **£2,720,000** borrowing requirement. This reduced the amount of borrowing needed to **£2,470,000**.
- The payment to the Developer in relation to the Friary Outer Car Park development was planned to take place in 2012/13. However due to issues with the construction of the car park it took place in this financial year. This meant that under accounting guidance the Council does not have to start setting aside Minimum Revenue Provision (similar in concept to depreciation) until the 2015/16 financial year.
- In addition, the Council approved the use of internal borrowing to fund the borrowing requirement at a rate of **0.70%** because this is much lower than external borrowing at a rate close to **4.00%**.
- This strategy produced a saving of **£138,000** in borrowing costs in 2013/14 in line with the Approved Budget.

### 2.33 Investment Strategies Approved Covering the 2013/14 Financial Year

- Council approved two Investment Strategies during 2013/14 and these are shown in **APPENDIX G**.

### 2.34 Investments and Cash flow

- The investments that the Council had outstanding together with a summary of investment activity throughout the 2013/14 financial year and the maturity profile of our investments compared to interest rate projections are shown at **APPENDIX G**.
- The summary of our investment activity shows that our current list of institutions is short and this reflects the suitability of counter parties available for the Council to invest its monies with. This is a reflection of the credit crunch and the ongoing challenges in the banking sector.
- Our actual average cash flow in 2013/14 was within **23%** of our projected budget (**APPENDIX G**).

- We received **£105,350** in net investment income in 2013/14, compared with a revised Budget of **£87,150**, an additional **£18,200** of investment income generated. This was as a result of improved cash flow available for investment purposes as shown in the graph at **APPENDIX G**.

#### The Performance of the Treasury Management Function

- The performance of the Treasury Management function needs to be measured against our investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments) and these are shown in detail at **APPENDIX H**.
- Our aim for the risk status of our investments was originally **A-**. Our investments at the 31<sup>st</sup> March 2014 had a more secure risk status of **AA-** based on their length and **A+** based on their value.
- We achieved an average yield of **0.62%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate, which was **0.41%**, the 1 month rate was **0.41%**, the 3 month rate was **0.45%** and the 6 month rate was **0.53%**.

#### 2.35 Balance Sheet

- The actual Balance Sheet and Balance Sheet Summary compared with the budgeted Balance Sheet as at 31 March 2014 are shown at **APPENDIX I**.
- The reasons for the major variances between actual and budgets are also shown at **APPENDIX I**.

#### 2.36 Treasury Position

- Our investments (excluding accounting adjustments) at **£9,290,000** on 31 March 2014 compared with a final budget of **£7,433,000** and the reasons for this increase are shown in the Balance Sheet commentary (**APPENDIX I**).
- Our Treasury Position as at 31 March 2014 is set out at **APPENDIX I**.

#### 2.37 Prudential indicators (PI) 2013/14

- The Council can confirm that it has complied with its Prudential Indicators for 2013/14; these were originally approved by Council at its meeting on 19 February 2013 and were fully revised and approved by Council on 24 February 2014 as part of the Council's Treasury Management Strategy Statement.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the Treasury Management Activity during 2013/14.
- None of the other Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. The Prudential Indicators are shown in detail at **APPENDIX J** and are summarised in the table overleaf:

PI 2013/14	Details	2013/14 Final Budget	2013/14 Actual
1	Capital Expenditure (£)	£4,912,000	£4,555,018
2	Ratio of Financing Costs to Net Revenue Stream (%)	3%	2%
3	Capital Financing Requirement (£)	£3,092,000	£3,035,583
4	Net external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£3.91)	(£3.91)
6	Authorised Limit (£)	£11,791,000	£756,061
7	Operational Boundary (£)	£3,008,000	£756,061
8	Adoption of the CIPFA Code of Practice in Treasury Management	Yes	Yes
9	Is our gross debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	No
10	Upper limit for investments fixed interest rate exposure (Highest)	(100%)	(78%)
10	Upper limit for investments variable interest rate exposure (Highest)	(100%)	(60%)
11	Upper limit for borrowings fixed interest rate exposure (Highest)	100%	100%
11	Upper limit for borrowings variable interest rate exposure (Highest)	30%	0%
<b>Maturity Structure of Fixed Rate Borrowing (upper limit) (%)</b>			
12	Under 12 months	100%	26%
12	12 months and within 24 months	100%	26%
12	24 months and within 5 years	100%	48%
12	5 years and within 10 years	100%	0%
12	10 years and within 20 years	100%	0%
12	20 years and within 30 years	100%	0%
12	30 years and within 40 years	100%	0%
12	40 years and within 50 years	100%	0%
12	50 years and above	100%	0%
13	Principal Sums invested > 364 days (£m)	£2,000,000	£0
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions.	

### Working Balance, Reserves and Provisions

2.38 The following General Revenue Reserves are available to assist the Council in meeting General Fund expenditure from 2014 to 2017 as part of the Medium Term Financial Strategy.

Detail	2013/2014 £	2014/2015 £	2015/2016 £	2016/2017 £
General Reserve balance as at 1 April	2,953,938	2,810,190	2,386,310	2,386,310
Less: Contribution to Revenue Budget	(143,748)	(423,880)	0	0
<b>General Reserve balance as at 31 March</b>	<b>2,810,190</b>	<b>2,386,310</b>	<b>2,386,310</b>	<b>2,386,310</b>
Minimum reserves requirement policy	1,000,000	1,000,000	1,000,000	1,000,000
<b>General Reserve available for use</b>	<b>1,810,190</b>	<b>1,386,310</b>	<b>1,386,310</b>	<b>1,386,310</b>

2.39 The summary of earmarked Reserves for 2013/14 based on risk assessments and reviewed by Leadership Team is shown in the table below with further details at **APPENDIX K**:

Detail	1 April 2013 £	Earmarked Reserves applied in year £	Earmarked Reserve no longer required £	New Reserve £	31 March 2014 £
Chief Executive	21,968	0	(5,000)	141,155	158,123
Finance, Revenues and Benefits	43,480	(3,380)	(21,100)	268,729	287,729
Leisure, Parks & Play	384,682	(105,491)	(20,363)	169,230	428,058
Democratic, Development and Legal	1,859,731	(145,366)	(42,000)	826,726	2,499,091
Community, Health and Housing	406,179	(78,573)	(35,594)	85,818	377,830
Operational Services	159,086	(39,805)	(119,281)	0	0
Joint Waste Service	247,500	0	0	82,500	330,000
<b>Total Earmarked Reserve</b>	<b>3,122,626</b>	<b>(372,615)</b>	<b>(243,338)</b>	<b>1,574,158</b>	<b>4,080,831</b>

### 3. Community Benefits

- 3.1 The reporting of timely budget performance statements enables Members to critique and scrutinise performance for the efficient and effective use of resources, in the interest of the community, for the delivery of services and key priorities, as set out in the Strategic Plan.

### 4. Financial Implications

- 4.1 There was a contribution from General Reserves of **£143,748** compared with a budgeted contribution from General Reserves of **£636,930**. This means **£493,182** of General Reserves has not been used in 2013/14 as budgeted.
- 4.2 This has a positive impact for the Council by making more funds available to be used in future years.
- 4.3 Detailed analysis on the Financial Performance for 2013/14 is shown in the Appendices attached.

### 5. Risk Management Issues

Risk	Likelihood/ Impact	Risk Category	Countermeasure	Responsibility
Management of the Council's Revenue and Capital Budget is critical to the successful delivery of key priorities. Control measures need to be in place to manage the re-assessment of projects and respond to the changing financial climate.	Medium / High	Financial	Close monitoring of expenditure Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy changes, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of	Management of the Council's Revenue and Capital Budget is critical to the successful delivery of key priorities. Control measures need to be in place to manage the re-assessment of projects and respond to the changing financial climate.
Counterparty default	Medium / High	Financial	Investments are restricted to those organisations with the lowest credit risk: <ul style="list-style-type: none"> <li>a) The Debt Management Agency Deposit Facility.</li> <li>b) Money Market Funds with an AAA rating.</li> <li>c) Deposits with other Local Authorities.</li> <li>d) Business Reserve, Certificates of Deposit and Term Deposits with a long term credit rating of A-</li> </ul>	Counterparty default

			As conditions in the Financial Sector improve, we may diversify the counterparty list based on our advisor's recommendations.	
Adverse Interest Rate fluctuations	Low / Low	Financial	The budget for investment income will be monitored as part of the Council's budget monitoring procedures.	Adverse Interest Rate fluctuations
Actual cash flows are different to those that are planned	Low / High	Financial	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect both actual and planned cash flows.  An element of the Council's investment portfolio will be invested in call accounts.	Actual cash flows are different to those that are planned

**Background Documents:**

CIPFA Code of Practice for Treasury Management in the Public Services

Treasury Management Strategy Report 2013-16 – Cabinet 8 February 2013.

Money Matters : 2013/14 Review of Financial Performance against the Financial Strategy April to June 2013 – Cabinet 10 September 2013.

Money Matters : 2013/14 Review of Financial Performance against the Financial Strategy April to September 2013 – Cabinet 3 December 2013.

Money Matters : 2013/14 Review of Financial Performance against the Financial Strategy April to November 2013 – Cabinet 4 February 2014.

Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2014-17 – Cabinet 4 February 2014.

The Prudential Code for Capital Finance in Local Authorities

## Successes, Risks, Challenges and Future Actions

Financial Successes	Financial Risks
<p>External Audit issued an unqualified opinion on the Council's 2012/13 Financial Statements included in the Council's Statement of Accounts and concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Increased income from car parking (up by <b>6.4%</b> to the end of March compared with the same period last year) probably as a result of the opening of the new Department store together with a general improvement in the economy in Lichfield City Centre</p> <p>The Collection rates for Council Tax of <b>98.9%</b> and Business Rates of <b>99.0%</b> are well above the national averages of <b>97.0%</b> and <b>97.9%</b> respectively.</p>	<p>Our Government funding is in part replaced by the retention of business rates meaning we are more financially reliant on local economic growth. This represents a significant change to local authority funding.</p> <p>The triennial review of the Staffordshire Local Government Pension Scheme and this has set revised contribution rates for the next three financial years. An additional 1% cumulative contribution rate that has been included in the budget.</p> <p>The new Local Council Tax Support Scheme and Technical changes to Council Tax implemented in April 2013 means that a number of citizens are now required to pay Council Tax. This change could increase risks around management of arrears and cash flow monitoring.</p>
Financial Challenges	Finance Future Actions
<p>Mitigating inflationary increases in fuel, heat, light and power – inflation (CPI) was <b>1.6%</b> in March 2014.</p> <p>Take measures to mitigate the increasing cost of our pay bill in April 2017 due to a single flat rate state pension and its resultant increase in National Insurance contributions.</p> <p>Maintaining the collective needs of our residents within a maximum rise of <b>2%</b> in Council Tax revenue before a referendum is legally required.</p>	<p>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 all 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.</p> <p>To manage the exposure of Business Rate growth risk by liaising with our local authority partners on a Business Rates pool.</p> <p>To ensure we help our residents manage the financial impact of Welfare Reform.</p> <p>Our assets require regular capital investment to ensure they meet the needs of users and customers. The level of internal resources available to fund this capital investment is limited. The Council will be considering this as part of the preparation of the next MTFs (R&amp;C). In addition, a Fit for the Future Asset Review is considering whether to retain or dispose of assets in line with the Council's objectives.</p>

## Sundry Debtor Performance

Details	31 March 2013		31 March 2014		All Debts Change (%)	Variance ↑ = adverse ↓ = favourable
	All Debts	Property Debts	All Debts	Property Debts		
Value of sundry income raised	6,547,013	906,511	7,227,821	1,276,851	10%	↑
Value of debts written off	49,315	1,073	49,001	214	(0.64%)	↓
Value of invoices outstanding	1,178,472	74,270	1,779,455	85,797	51%	↑
% of income raised	18.00%	8.19%	25%	7%		↑
<b>Aged Debtor Analysis</b>						
Less than 6 months	841,242	53,185	1,325,692	72,463	58%	↑
More than 6 months	337,230	21,085	453,763	13,334	34%	↑

## Council Tax Performance

	2012/2013	2013/2014	Change
Net Collectable in year	£50,545,000	£52,278,000	
Amount Collected in year	£50,171,000	£51,688,000	
Amount Collected as a % (As per QRC4)	99.30%	98.90%	(0.40%) ↑
In year arrears outstanding at 31st March	£ 753,937	£ 864,747	
Previous years arrears at 31st March (as per bad debt provision)	£ 566,635	£ 589,561	
Total arrears outstanding at 31st March	£ 1,320,572	£ 1,454,308	
Write offs as at 31st March	£ 54,053	£ 45,426	



### Business Rate Performance

	2012/2013	2013/2014	Change
Net Collectable in year	£32,866,000	£ 33,276,000	
Amount Collected in year	£32,344,000	£ 32,942,000	
Amount Collected as a % (As per QRC4)	98.40%	99.00%	0.60% ↓
In year arrears outstanding at 31st March	£ 689,439	£ 648,642	
Previous years arrears at 31st March (as per bad debt provision)	£ 57,946	£ 174,998	
Total arrears outstanding at 31st March	£ 747,385	£ 823,640	
Write offs as at 31st March	£447,884	£ 76,302	

### ANALYSIS OF GROSS EXPENDITURE AND INCOME TOGETHER WITH NET EXPENDITURE FOR 2013/2014

	Gross Expenditure £	Gross Income £	Net Expenditure £	Budget £
Chief Executive	950,394	(162,886)	787,508	841,640
Finance, Revenues & Benefits	22,778,042	(21,261,479)	1,516,563	1,704,050
Democratic, Development & Legal	3,937,216	(2,394,380)	1,542,836	1,993,360
Community, Housing & Health	2,561,151	(400,164)	2,160,987	2,209,850
Leisure & Parks	5,490,556	(2,392,999)	3,097,557	3,086,440
Operational Services	7,036,005	(5,589,288)	1,446,717	1,593,900
Additional Earmarked Reserves (HS2, Redundancy, Planning)	0	380,000	380,000	0
<b>Net cost of services</b>	<b>42,753,364</b>	<b>(31,821,196)</b>	<b>10,932,168</b>	<b>11,429,240</b>
Net Treasury Position	41,848	(108,579)	(66,731)	(74,190)
Revenue Contributions to the Capital Programme	232,764	(103,323)	129,442	129,620
<b>Net Revenue Expenditure</b>	<b>43,027,977</b>	<b>(32,033,098)</b>	<b>10,994,879</b>	<b>11,484,670</b>

**2013/14 Council Net Direct Expenditure Outturn compared to the Revised Budget**  
**Inclusive of new/used earmarked reserves or receipts in advance**

	£	£
<b><u>Chief Executive</u></b>		
<b>Communications and Information</b>		
Vacant Web Manager post	(28,030)	
<b>Other Areas</b>		
General underspends	(26,102)	
<b>TOTAL</b>		<b><u>(54,132)</u></b>
<b><u>Finance, Revenues &amp; Benefits</u></b>		
<b>Revenues and Benefits</b>		
Clawing back of benefits income from residents generates income to the Council. This occurs when benefits have been paid in error due to a change in residents' circumstances. This is the main reason for this actual variance.	(116,661)	
Additional income from the recovery of court fees	(30,899)	
Additional income from one off refunds and administration penalties	(16,179)	
<b>Other Areas</b>		
Rebate on External Audit fees and other small variances	(23,748)	
<b>TOTAL</b>		<b><u>(187,487)</u></b>
<b><u>Democratic, Development &amp; Legal</u></b>		
<b>Development Services</b>		
Additional income from Planning fees	(70,390)	
Countryside Maternity leave and additional income.	(18,531)	
Additional recharges of staff time to Capital projects	(13,910)	
<b>Property Services</b>		
Three Spires Rent negotiation. The assumption in the Budget was that the Debenhams costs would be funded in 2013/14, however, it has been agreed that these be spread over three years.	(198,000)	
Additional income from the rental of Council properties from rent reviews	(51,875)	
Venture House - increase in premises costs due to the delay in signing of lease	19,400	
Industrial Units (reduction in premises related costs and additional income)	(10,381)	
District Council House – lower than budgeted expenditure on employees, premises, supplies & services	(11,860)	
<b>Tourism</b>		
Small salary and general supplies and services underspends	(11,030)	
<b>Democratic and Legal Services</b>		
Vacant Posts Democratic and Legal Services	(29,300)	
Members (savings in Allowances and Travel expenses)	(10,614)	
Democratic and Legal Services lower than budgeted legal costs and additional income	(10,520)	
<b>Other Areas</b>		
General underspends	(33,513)	
<b>TOTAL</b>		<b><u>(450,524)</u></b>
<b><u>Community, Housing &amp; Health</u></b>		
<b>Housing</b>		
Homelessness Prevention and Prevention Assistance Fund – an increase in the impairment provision relating to rent deposits.	9,219	
Prevention Assistance Fund		
Private Sector Housing – an increase in management fees for Warmer Homes Ltd	16,377	
Additional income from Holme & Little Croft which are leased to Bromford on a short term basis pending demolition as part of the Friarsgate development and salary savings	(15,437)	

**2013/14 Council Net Direct Expenditure Outturn compared to the Revised Budget  
Inclusive of new/used earmarked reserves or receipts in advance**

	<u>£</u>	<u>£</u>
<b>Customer Services / Postage</b>		
Postage Savings due to reductions in the volume of postage	(14,457)	
<b>Other Areas</b>		
General underspends	(44,565)	
<b>TOTAL</b>		<u>(48,863)</u>
<b><u>Leisure &amp; Parks</u></b>		
<b>Directorate</b>		
Project management income £3k and marketing savings	(14,764)	
<b>Burntwood Leisure Centre</b>		
- Savings on gas bills re mild Winter and rebate	(33,371)	
- Income from Memberships	(29,860)	
- Savings due to casual and part time staff covering absences	(19,214)	
- Income downturn for synthetic pitch, swimming and equipment sales	17,915	
- Pool hire income	(8,210)	
Synthetic pitch replacement	88,340	
<b>Green and Open Spaces</b>		
Tree and grounds maintenance works have been delayed	(15,068)	
<b>Friary Grange Leisure Centre</b>		
Improvements to Friary gym and public areas	45,000	
<b>Other Areas</b>		
Small salary and general supplies and services underspends	(19,650)	
<b>TOTAL</b>		<u>11,117</u>
<b><u>Operational Services (the Directorate will be reported under the new structure for reports following the outturn)</u></b>		
<b>Waste Shared Service</b>		
Savings on fuel with the new fleet and additional recycling credits due to the mild winter.	(51,631)	
<b>Public Conveniences</b>		
Not going ahead with F4F charging for use proposal has meant capital investment is not required	(43,761)	
<b>Waste Collection</b>		
A new lease for the household waste centre has resulted in £16,000 income from Staffordshire County Council (SCC) and there has been additional income from bulky and second brown bin income.	(25,135)	
New charging regime for disposal costs introduced by SCC resulting in a £9,000 saving. Income received greater than anticipated because the loss of trade waste customers was not as great as predicted at revised estimate.	(22,267)	
<b>Other Areas</b>		
General underspends	(4,389)	
<b>TOTAL</b>		<u>(147,183)</u>
<b><u>New and additional Corporate Council Earmarked Reserves</u></b>		
Potential Planning Judicial Reviews	250,000	
HS2 additional contribution	30,000	
Potential Fit for the Future Redundancies	100,000	
<b>TOTAL</b>		<u>380,000</u>
<b>NET COST OF SERVICES TOTAL</b>		<u>(497,072)</u>

### Vehicle, Equipment and Systems Renewal Schedule 2013/14

Detail	Capital Programme 2013/14	Actual Spend	Cost Centre	Existing Registration Number	Budgeted Funding	Comments
<b>1. Vehicles</b>						
Nissan Cabstar	25,000	24,254	Refuse	BV13 KHJ	Internal Borrowing	
Nissan Cabstar	25,000	24,254	Refuse	BF63 FBV	Internal Borrowing	
Peugeot Van	9,333	9,357	Refuse	BX63 RUA	Internal Borrowing	
Peugeot Van	9,333	9,357	Refuse	BX63 RTZ	Internal Borrowing	
Peugeot Van	9,334	9,358	Refuse	BX63 RUC	Internal Borrowing	
Nissan Cabstar	25,000	25,020	Refuse	BV63 OFE	Internal Borrowing	
Toro GM4000D	35,000	35,000	Grounds Maintenance	AE14 CAU	Internal Borrowing	
McCormick Tractor	29,500	29,500	Grounds Maintenance	DX14 CAA	Capital Receipts	
Ransome Mower	24,000	24,000	Grounds Maintenance		Revenue	
Vehicle Replacement Programme	£69,500	0			Internal Borrowing	See paragraph 4.6.
<b>Total Vehicle Budget</b>	<b>£261,000</b>	<b>£190,100</b>				
<b>2. Other</b>						
IT Upgrades	£128,000	£250,819	Corporate ICT		Capital Receipts and Reserves	See paragraph 4.6.
	<b>£128,000</b>	<b>£250,819</b>				

**Revised Capital Programme Budget for 2014/15**

<b>Project</b>	<b>Original Budget</b>	<b>Slippage</b>	<b>Revised Budget</b>
CHH - Accessible Homes (Disabled Facilities Grants)	612,000	0	612,000
CHH - Energy Insulation Programme	30,000	1,000	31,000
CHH - Home Repair Assistance Grants	20,000	8,000	28,000
CHH - Southern Staffordshire House Proud Project		8,000	8,000
CHH - S106 Affordable Housing Monies		200,000	200,000
CL - Beacon Park Composting Bays (S106) (Jul 2012)		6,000	6,000
CL - BLC Enhancement Work	42,000	20,000	62,000
CL - Burntwood Park Play Equipment (S106) (Feb 2013)		6,000	6,000
CL - Darnford Park (S106)		9,000	9,000
CL - Other Burntwood Leisure Centre Sinking Fund Projects	3,000	36,000	39,000
CL - Play Area - Statfold Lane, Fradley (Section 106)		5,000	5,000
CL - Skateboard Park (Lichfield)		2,000	2,000
CL - Stowe Fields Play Park (S106)		15,000	15,000
CL - Tennis Courts, Burntwood Leisure Centre (S106) (Feb 2013)		1,000	1,000
DDL - AM - Health & Safety Issues		7,000	7,000
DDL - Ancient Monument (Friary)		1,500	1,500
DDL - Burntwood Park - Environmental Improvements		3,000	3,000
DDL - Central Heating at Mill Lane Link Community Hub		1,000	1,000
DDL - Chase Terrace Technology College (S106) (Feb 2013)		3,000	3,000
DDL - Community Building at Hawksyard	43,000	0	43,000
DDL - Environmental Improvements - Upper St John St & Birmingham Road (S106)		7,000	7,000
DDL - Environmental Improvements - Chase Terrace Open Spaces		10,000	10,000
DDL - Fazeley Crossroads Environmental Improvements		4,000	4,000
DDL - Fazeley Townscape Heritage	72,000	0	72,000
DDL - Fradley Youth and Community Building - Air Source Heat Pump		2,000	2,000
DDL - Lichfield Blue Plaque Trail (S106) (Jul 2012)		3,000	3,000
DDL - Linking Lichfield Phase 2 - Stowe Croft (S106)		2,000	2,000
DDL - Linking Lichfield Phase 3 - Light Fantastic (S106)		8,000	8,000
DDL - Linking Lichfield Phase 4 (Mega Mural) (S106) (Jul 2012)		3,000	3,000
DDL - Oakenfield Play Area (Sinking Fund)		9,000	9,000
DDL - Other Section 106 Funded Projects to be Determined		92,000	92,000
DDL - Shenstone Railway Station (S106)		1,000	1,000
DDL - Shortbutts Park, Lichfield		42,000	42,000
DDL - The Leomansley Area Improvement Project		5,000	5,000
DDL - The Little City Tree Trail (S106) (Jul 2012)		1,000	1,000
DDL - Village Hall Play Area with 'Olympic' Trail		24,000	24,000
FRB - Proactive Information Solutions Upgrade Programme	1,140,000	(123,000)	1,017,000
FRB - Working with Business National Project Migration		13,000	13,000
LDV - Friarsgate Support	413,000	2,000	415,000
LDV - Friary Outer Car Park Development		3,000	3,000
LDV - Lombard Street / Cross Keys Car Park		9,000	9,000
OS - Car Parks Variable Message Signing (S106) (Jul 2012)		16,000	16,000
OS - CCTV (Sinking Fund)		6,000	6,000
OS - Depot Sinking Fund		11,000	11,000
OS - Vehicle Replacement Programme	47,000	0	47,000
	<b>£2,422,000</b>	<b>£482,500</b>	<b>£2,904,500</b>

## Investment Strategies Approved covering the 2013/14 Financial Year

### Specified Investments<sup>2</sup>

Financial Asset Category	Strategy Approved 19 February 2013		Strategy Approved 24 February 2014	
	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 25% Canada 25% Australia 25% Singapore		100% UK 25% Canada 25% Australia 25% Singapore	

<sup>2</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".

**Non Specified Investments**

Financial Asset Category	Strategy Approved 19 February 2013		Strategy Approved 24 February 2014	
	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> Fitch = A+ Moody's = A1 Standard and Poors = A+	<b>£2.0 million</b>	<u>Minimum Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	<b>£2.0 million</b>
Group Limit	<b>£3 million</b>		<b>£3 million</b>	
Sovereign Limits	100% UK 25% Canada 25% Australia 25% Singapore		100% UK 25% Canada 25% Australia 25% Singapore	

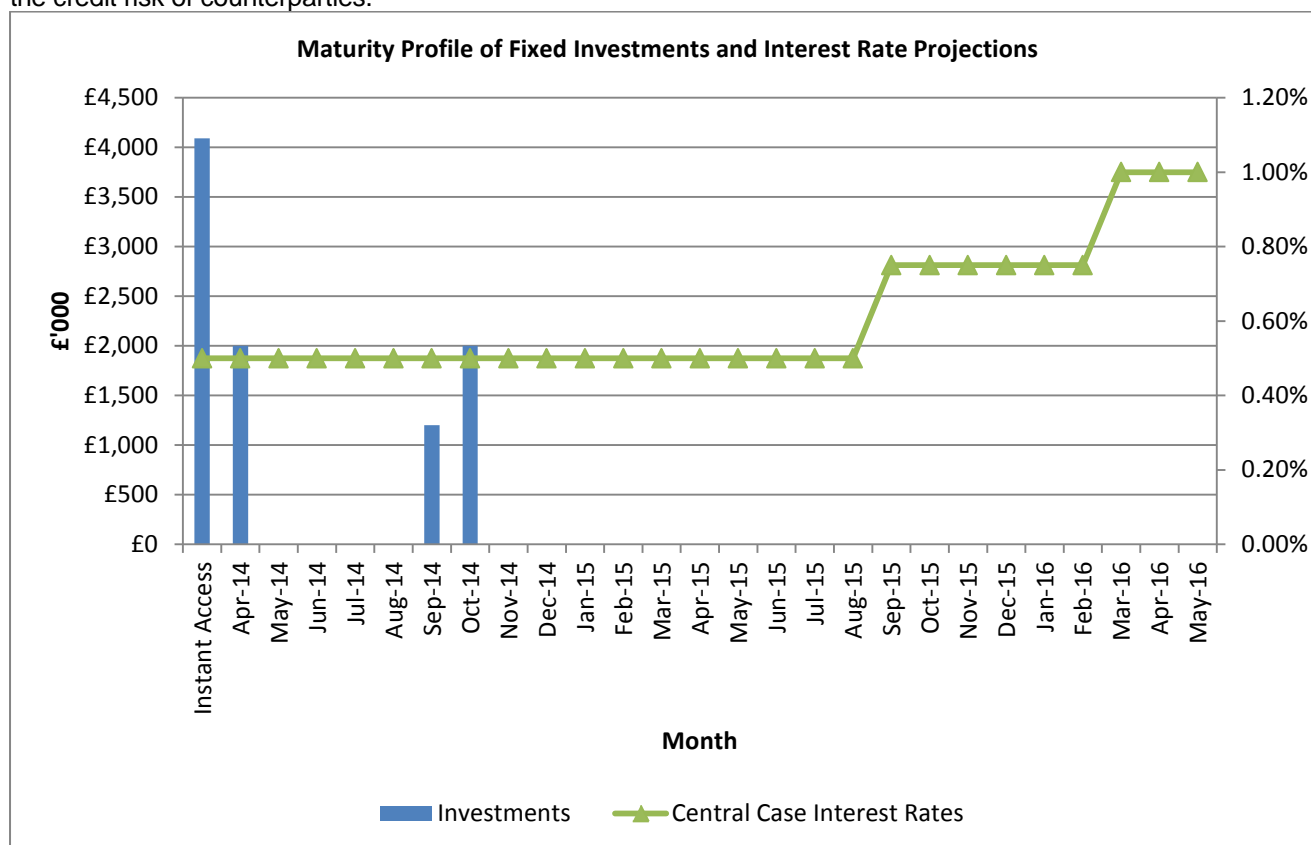
## Investments and Cash flow in 2013/14

### Investments at 31 March 2014

The table below shows a breakdown of our investments at the end of the financial year:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
Blackrock	£210,000	01-Apr-14	Instant Access	0.378%	AAA	N/A
BNP Paribas	£900,000	01-Apr-14	Instant Access	0.407%	AAA	N/A
<b>Other Counterparties</b>						
Northumberland County Council	£1,200,000	24-Sep-14	176	0.900%	AAA	No
Nationwide	£2,000,000	02-Apr-14	2	0.720%	A	No
Barclays Bank	£2,000,000	30-Oct-14	212	0.840%	A	No
Santander UK Bank	£1,980,000	01-Apr-14	Instant Access	0.400%	A	Yes
<b>Certificates of Deposit</b>						
Standard Chartered	£1,000,000	01-Apr-14	174	0.560%	A+	No
<b>Total Investments</b>	<b>£9,290,000</b>					
Accounting Adjustments and Other Balances	£435,000					
<b>Balance Sheet Total<sup>3</sup></b>	<b>£9,725,000</b>					

The graph below compares the current maturity profile of our investments at the 31 March 2014 to our projections for interest rates. This shows we are continuing to keep the maturity profile of our portfolio relatively short to manage the risks of interest rate increases together with enabling us to be able to react to changes in the credit risk of counterparties.



<sup>3</sup> Long term investments, short term investments, cash and cash equivalents.



However, the previous table and graph only shows the investment position on one particular day of the financial year, the table below shows a summary for the whole of the financial year:

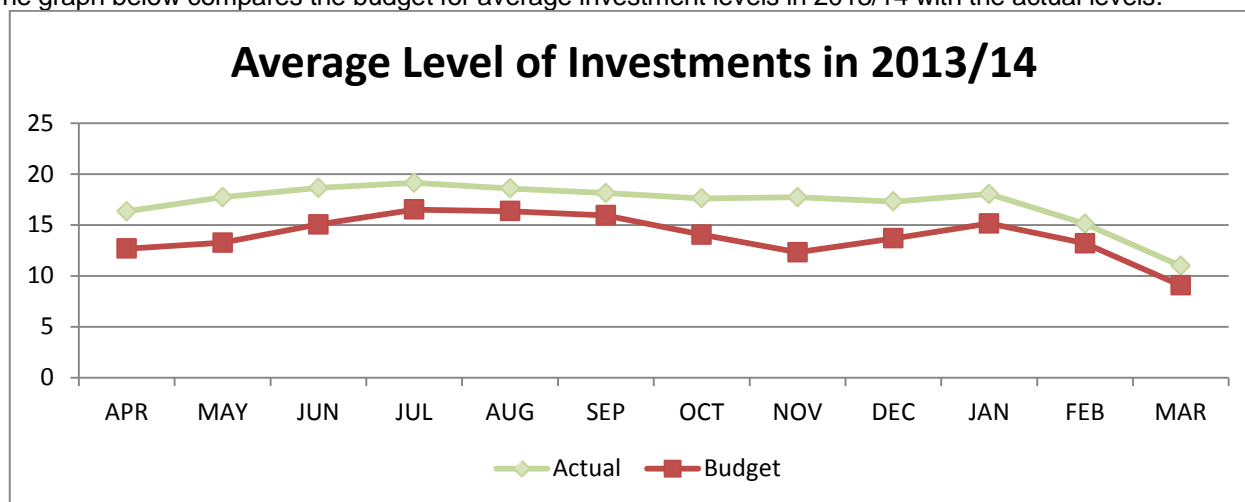
Counterparty	Number of Deals	Total Principal Invested	Is the Counterparty on our list of eligible institutions at 31 March 2014?
Insight	17	19,950,000	Yes
SWIP	18	18,430,000	Yes
Prime Rate	11	10,660,000	Yes
BNP Paribas	9	9,660,000	Yes
Deutsche Bank	9	9,025,000	Yes
Ignis	7	7,400,000	Yes
Invesco Aim	8	7,310,000	Yes
Blackrock	7	4,915,000	Yes
Lloyds TSB	2	4,000,000	Yes
Standard Chartered	2	3,000,000	Yes
NatWest	5	2,045,000	No
Nationwide	1	2,000,000	Yes
Barclays Bank	1	2,000,000	Yes
Santander	3	1,980,000	Yes
Legal & General	1	1,500,000	Yes
<b>Total</b>	<b>101</b>	<b>£103,875,000</b>	

This list is reviewed on an ongoing basis and takes account of the following sources of information:

- Advice from our Treasury Management advisors.
- Credit Ratings.
- Credit Default Swaps prices.
- Share Prices.
- Information in the general and financial media.

**Cash flow for 2013/14**

The graph below compares the budget for average investment levels in 2013/14 with the actual levels.



The graph shows that the actual trend of investments followed the budgeted trend quite closely.

**Net Treasury Position for 2013/14****Net Investment Income**

In terms of interest receipts, there are two key risks / sensitivities:

- a) The interest rate receivable.
- b) The amount of money we have available to invest.

The interest rates, amounts of money we had available to invest, interest receipts, interest paid and net investment income is shown in the table below:

<b>Details</b>	<b>2013/14 Final Budget</b>	<b>2013/14 Actual</b>
Average Amount we had available to Invest (£m)	£13.94m	£17.12m
Average Interest Rate (%)	0.72%	0.62%
Interest Receipts	(£95,650)	(£106,099)
Interest Paid and Other Costs	£8,500	£749
<b>Net Investment Income (£)</b>	<b>(£87,150)</b>	<b>(£105,350)</b>
Car Loan Interest	(£3,040)	(£2,480)
Minimum Revenue Provision	£16,000	£41,099
<b>Net Treasury Position</b>	<b>(£74,190)</b>	<b>(£66,731)</b>

**External Borrowing Costs**

Cabinet at its meeting on 14 May 2013 approved a five year interest free loan from Salix to fund the revised lighting specification for the car park in the Friary Outer Redevelopment. The amount borrowed was **£64,812**.

## Performance of the Treasury Management Function

The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

### Security

Our aim for the risk status of our portfolio was **A-** utilising the lowest rating from the three credit rating agencies.

The investments outstanding at the 31 March 2014 had a risk status of **AA-** based on the length of the investment and **A+** based on the value of the investment, which is a more secure risk status. These risk statuses are both compliant with our aim and the recommendations from our Treasury Management advisors. The recent history of the security of our investments is shown in the table below:

Date	The Value of the Investment	The Maturity Date of the Investment
31 March 2013	A+	AA
30 June 2013	AA-	AA-
30 September 2013	A+	AA
30 November 2013	AA-	AA-
31 March 2014	AA-	A+

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily. At the 31 March 2014 our Treasury Management advisors had recommended new investments were for the following periods:

Bank or Building Society	Country	Investment Time Limit
Santander (UK)	United Kingdom	6 Months
Lloyds	United Kingdom	12 Months
Bank of Scotland	United Kingdom	12 Months
Barclays	United Kingdom	12 Months
HSBC	United Kingdom	12 Months
Nationwide Building Society	United Kingdom	12 Months
Standard Chartered	United Kingdom	12 Months
Australia and New Zealand Banking Group	Australia	12 Months
Commonwealth Bank of Australia	Australia	12 Months
National Australia Bank Ltd	Australia	12 Months
Westpac Banking Corporation	Australia	12 Months
Bank of Montreal	Canada	12 Months
Bank of Nova Scotia	Canada	12 Months
Canadian Imperial Bank of Commerce	Canada	12 Months
Royal Bank of Canada	Canada	12 Months
Toronto Dominion Bank	Canada	12 Months
DBS Bank	Singapore	6 Months
Overseas Chinese Banking Corporation	Singapore	6 Months
United Overseas Bank Ltd	Singapore	6 Months

The time limits were relatively short to manage counterparty credit risk (a bank or building society being unable to repay our investment). We also maintained balances in Money Market Funds and Instant Access Accounts to provide for unforeseen cash flow requirements. The average length of investments we made in 2013/14 was **240 days**.

### Liquidity

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the financial year. We are actively managing liquidity risk in 2013/14 by purchasing Certificates of Deposit and Treasury Bills because they can be sold on the secondary market in the event the money is required for unforeseen circumstances. We also have significant sums invested in call accounts and Money Market Funds which provide instant access to cash. Therefore, due to the level of our liquid investments in 2013/14 we did not need to temporarily borrow.

### Yield

In 2013/14 we achieved an average interest rate of **0.62%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate, which was **0.41%**, the 1 month rate was **0.41%**, the 3 month rate was **0.45%** and the 6 month rate was **0.53%**.

## Balance Sheet

	2012/13 Actual £000s	2013/14 Actual £000s	2013/14 Budget £000s	Variance to Budget £000s
Property, Plant and Equipment	41,652	38,139	43,339	(5,200)
Investment Property	6,440	5,928	6,440	(512)
Intangible Assets	131	177	124	53
Investments	12,300	9,725	7,433	2,292
Borrowing	0	(63)	(60)	(3)
Finance Leases	(690)	(459)	(560)	101
Working Capital	(4,013)	(3,046)	(2,735)	(311)
Pensions	(31,246)	(34,017)	(31,246)	(2,771)
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>24,574</b>	<b>16,384</b>	<b>22,735</b>	<b>(6,351)</b>

<u>Unusable Reserves</u>				
Revaluation Reserve	(5,613)	(3,474)	(5,613)	2,139
Capital Adjustment Account	(41,144)	(37,734)	(41,133)	3,399
Deferred Credits	(70)	(69)	(68)	(1)
Pension Scheme	31,246	34,017	31,246	2,771
Benefits Payable During Employment Adjustment Account	220	222	259	(37)
Collection Fund	(5)	336	(5)	341
<u>Usable Reserves</u>				
Unapplied Grants and Contributions - General	(832)	(767)	(751)	(16)
Unapplied Grants and Contributions - SAC	0	(2)	0	(2)
Unapplied Grants and Contributions - Section 106	(416)	(559)	(187)	(372)
Unapplied Grants and Contributions - Revenue	0	0	0	0
Usable Capital Receipts	(1,263)	(867)	(706)	(161)
Usable Capital Receipts - Arts Statue	(129)	(129)	(129)	0
Burntwood Leisure Centre Sinking Fund	(420)	(396)	(338)	(58)
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	(29)	(29)	(29)	0
City Centre Redevelopment Sinking Fund	(25)	(25)	(25)	0
King Edwards Leisure Centre Sinking Fund	(17)	(17)	(17)	0
Lombard Street Car Park Sinking Fund	(34)	0	(34)	34
Elections	(98)	(117)	(98)	(19)
Promotion of District	0	0	0	0
Public Open Spaces	(6)	(104)	(6)	(98)
Three Spires Multi Storey	(1,245)	(1,402)	(1,366)	(36)
Building Regulations	0	(61)	0	(61)
Other Earmarked Reserves	(1,684)	(2,345)	(1,362)	(983)
Grant Aid - Development	(56)	(52)	(56)	4
General Fund Balance	(2,954)	(2,810)	(2,317)	(493)
<b>TOTAL EQUITY</b>	<b>(24,574)</b>	<b>(16,384)</b>	<b>(22,735)</b>	<b>6,351</b>

## Balance Sheet Summary

	2012/13 Actual £000s	2013/14 Actual £000s	2013/14 Budget £000s	Variance to Budget £000s
Working Capital	(3,863)	(2,893)	(2,544)	(349)
Usable Reserves	(9,213)	(9,346)	(7,426)	(1,920)
<b>Total Cash Available</b>	<b>(13,076)</b>	<b>(12,239)</b>	<b>(9,970)</b>	<b>(2,269)</b>
<b>This cash available is planned to be used for:</b>				
Capital Financing Requirement	1,466	3,036	3,157	(121)
Less : Other Debt Liabilities (Finance Leases)	(690)	(459)	(560)	101
Less : External Borrowing	0	(63)	(60)	(3)
<b>Equals : Internal Borrowing</b>	<b>776</b>	<b>2,514</b>	<b>2,537</b>	<b>(23)</b>
Investments	12,300	9,725	7,433	2,292
<b>Total</b>	<b>13,076</b>	<b>12,239</b>	<b>9,970</b>	<b>2,269</b>

## **Balance Sheet Commentary**

The main changes to the budget and its assumptions that impacted on the Balance Sheet are detailed below:

### **Property, Plant and Equipment**

The budgeted Balance Sheet made no assumptions in respect of revaluation gains, losses or impairments because these require specialist input by the District Valuer. The valuation exercise is undertaken at the end of the Financial Year because they are required as part of the statutory accounts and must be based on the Balance Sheet date. The Valuation changes have no impact on the Revenue Budget Outturn because any changes are negated by statutory arrangements. The changes as a result of revaluations and impairments are detailed below:

Revaluation gains **£776,961**

Revaluation losses (**£6,363,446**). The most significant loss relates to the new Friary Outer Car Park because the valuation is based on occupancy at the current time.

Impairments (**£150,601**)

### **Pensions**

The latest triennial valuation of the pension fund took place in 2013/14. This has resulted in the Pension scheme liability increasing from **£31,246,000** to **£34,017,000**. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

### **General Fund**

The Revenue Budget Outturn was lower than budget by **£493,000** and this meant that the General Fund balance was higher than planned.

### **Investments**

The under spend on the revenue budget of **£493,000**, the slippage on the Capital Programme of **£482,500** and additional net contributions to Earmarked Reserves of **£1,198,000** and some other smaller variances mean that the level of our investments at **£9,725,000** was **£2,292,000** higher than budgeted.

## **Treasury Portfolio**

The Balance Sheet can be used to assess the underlying need to borrow (known as the Capital Financing Requirement). The table below shows that we had sufficient balances and reserves to mean we did not need to undertake any long-term borrowing in 2013/14.

31 Mar 2013 Actual £000s	Details	31 Mar 2014 Original £000s	31 Mar 2014 Revised £000s	31 Mar 2014 Final £000s	31 Mar 2014 Actual £000s
1,466	The amount of our capital spend that is not financed from capital receipts, revenue, grants and contributions (Capital Financing Requirement)	3,442	3,157	3,157	3,036
(690)	Less: current funding provided through finance leases and long term borrowing	(708)	(620)	(620)	(522)
<b>776</b>	<b>Borrowing Need</b>	<b>2,734</b>	<b>2,537</b>	<b>2,537</b>	<b>2,514</b>
(9,213)	Less: the level of our balances and reserves we currently hold as investments	(5,266)	(7,426)	(7,426)	(9,346)
(3,863)	Working Capital	(3,866)	(2,544)	(2,544)	(2,893)
<b>(12,300)</b>	<b>Our net borrowing need (a positive figure indicates when we need to borrow)</b>	<b>(6,398)</b>	<b>(7,433)</b>	<b>(7,433)</b>	<b>(9,725)</b>

Our current Balance Sheet projections indicate we could continue to follow this strategy for the medium term. However, we will need to constantly review these projections in line with changes to our budgets.

**COMPLIANCE WITH PRUDENTIAL INDICATORS 2013/14****1 Background:**

There is a requirement under the Local Government Act 2003 for Local Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code in early 2008 and issued revised Code in November 2009.

The Council implemented its strategy within the limits and parameters set in its treasury policy, strategy statement and Prudential Indicators against the prevailing market conditions and opportunities as follows:

- (a) Financing its capital spending from government grants / usable capital resources / revenue contributions, etc. rather than from external borrowing.
- (b) Adhering to the paramount requirement of safeguarding the council's invested balances during a period of unprecedented money market dislocation; maintaining adequate diversification between institutions; optimising investment returns subject to the overriding requirement of security and liquidity.
- (d) Forecasting and managing cash flow and undertaking short-term borrowing and lending to preserve the necessary degree of liquidity.

**2. Net Borrowing and the Capital Financing Requirement:**

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Local Authority should ensure that the net external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

The Director of Finance, Revenues and Benefits reports that the Authority had no difficulty meeting this requirement in 2013/14. There are there no difficulties envisaged for future years.

**3. Estimates of Capital Expenditure (Prudential Indicator 1):**

- 3.1 This indicator is set to ensure that the level of proposed Capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Financing	2013/14 Original £000s	2013/14 Revised £000s	2013/14 Final £000s	2013/14 Actual £000s
Non-Current Assets	600	3,108	3,092	3,156
Revenue Expenditure Funded from Capital under Statute	1,084	1,564	1,820	1,399
<b>Total</b>	<b>£1,684</b>	<b>£4,672</b>	<b>£4,912</b>	<b>£4,555</b>

- 3.2 This capital expenditure has been financed as follows:

Capital Financing	2013/14 Original £000s	2013/14 Revised £000s	2013/14 Final £000s	2013/14 Actual £000s
Capital receipts	521	685	685	821
Burntwood Sinking Fund	58	82	82	23
Other Sinking Funds	60	0	0	0
Capital Grants and Contributions	698	1,671	1,897	1,563
Earmarked reserves	34	132	132	103
Revenue contributions	116	116	130	186
Finance Leases / Borrowing	197	1,986	1,986	1,859
<b>Total</b>	<b>£1,684</b>	<b>£4,672</b>	<b>£4,912</b>	<b>£4,555</b>

**4. Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator 2):**

4.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Original %	2013/14 Revised %
General Fund	5	4
<b>Total</b>	<b>5%</b>	<b>4%</b>

2013/14 Final %	2013/14 Actual %
3	2
<b>3%</b>	<b>2%</b>

**5. Capital Financing Requirement (Prudential Indicator 3):**

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

Capital Financing Requirement	2013/14 Original £000s	2013/14 Revised £000s
General Fund	3,442	3,092
<b>Total</b>	<b>£3,442</b>	<b>£3,092</b>

2013/14 Final £000s	2013/14 Actual £000s
3,092	3,036
<b>£3,092</b>	<b>£3,036</b>

**6. Actual External Debt (Prudential Indicator 4):**

6.1 This indicator is obtained directly from the Council's Balance Sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2014	Short Term £	Long Term £	Total £
Borrowing	16	47	63
Finance Leases	211	248	459
<b>Total</b>	<b>227</b>	<b>295</b>	<b>522</b>

## 7. Incremental Impact of Capital Investment Decisions (Prudential Indicator 5):

- 7.1 This is an indicator of affordability that shows the impact of Capital investment decisions on Council Tax levels when the budget for the year was set.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Original £</b>	<b>2013/14 Revised £</b>	<b>2013/14 Final £</b>	<b>2013/14 Actual £</b>
Incremental Impact of Capital Investment Decisions	4.05	0	-3.91	-3.91
<b>Total</b>	<b>£4.05</b>	<b>£0.00</b>	<b>-£3.91</b>	<b>-£3.91</b>

## 8. Affordable Borrowing Limit, Authorised Limit and Operational Boundary for External Debt:

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 8.2 The **Authorised Limit (Prudential Indicator 6)**: This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements. This limit was originally set at **£14,595,000** for 2013/14 and revised to **£11,791,000**.
- 8.3 **Operational Boundary (Prudential Indicator 7)**: This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity and was originally set at **£5,613,000** and revised to **£3,008,000**.
- 8.4 Levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was:

<b>Details</b>	<b>£</b>
External Borrowing	64,812
Bank Overdraft	0
Other Long Term Liabilities (Finance Leases) (Maximum Outstanding)	691,249
<b>Total</b>	<b>756,061</b>

## 9. Adoption of the CIPFA Treasury Management Code (Prudential Indicator 8):

- 9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
<p>The Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. The Council has incorporated any changes resulting from the CIPFA Treasury Management Code within its treasury policies, practices and procedures.</p> <p>At its meeting on 19 February 2013 the Council originally approved its Prudential Indicators for 2013/14.</p> <p>The Prudential Indicators were fully revised and approved by Council on 24 February 2014.</p>



**10. Gross Debt (Prudential Indicator 9)**

10.1 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need.

<b>Gross Debt</b>	<b>2013/14 Original £000s</b>	<b>2013/14 Revised £000s</b>	<b>2013/14 Final £000s</b>	<b>2013/14 Actual £000s</b>
Outstanding Borrowing (at nominal value)	-2,665	-60	-60	-63
Other Long-term Liabilities (at nominal value)	-709	-560	-560	-459
<b>Gross Debt</b>	<b>-£3,374</b>	<b>-£620</b>	<b>-£620</b>	<b>-£522</b>
Capital Financing Requirement	£3,442	£3,092	£3,092	£3,036
Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	No	No	No

**11. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure (Prudential Indicators 10 and 11):**

11.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a gross basis. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

<b>Interest Rate Exposures</b>	<b>2013/14 Original</b>	<b>2013/14 Revised</b>	<b>2013/14 Final</b>	<b>2013/14 Actual (during the financial year)</b>		
	%	%	%	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>
<b><u>Fixed Interest Rates</u></b>						
Upper Limit for Fixed Interest Rate Exposure (Investments)	-100%	-100%	-100%	-78%	-40%	-54%
Upper Limit for Fixed Interest Rate Exposure (Borrowing)	100%	100%	100%	100%	100%	100%
<b>Net Fixed Exposure</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>22%</b>	<b>60%</b>	<b>46%</b>
<b><u>Variable Interest Rates</u></b>						
Upper Limit for Variable Rate Exposure (Investments)	-100%	-100%	-100%	-60%	-22%	-46%
Upper Limit for Variable Interest Rate Exposure (Borrowing)	30%	30%	30%	0%	0%	0%
<b>Net Variable Exposure</b>	<b>-70%</b>	<b>-70%</b>	<b>-70%</b>	<b>-60%</b>	<b>-22%</b>	<b>-46%</b>

**12. Maturity Structure of Fixed Rate borrowing (Prudential indicator 12):**

12.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

12.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %	Actual Borrowing as at 31/3/2014 £	Percentage of total as at 31/3/2014 %
Under 12 months	0%	100%	£16,203	26%
12 months and within 24 months	0%	100%	£16,203	26%
24 months and within 5 years	0%	100%	£31,056	48%
5 years and within 10 years	0%	100%		
10 years and within 20 years	0%	100%		
20 years and within 30 years	0%	100%		
30 years and within 40 years	0%	100%		
40 years and within 50 years	0%	100%		
50 years and above	0%	100%		

**13. Upper Limit for total principal sums invested over 364 days (Prudential Indicator 13):**

13.1 This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days. For 2013/14 this limit was originally set at **£2,000,000**. At their peak, these investments totalled **£1,200,000**.

**14. Credit Risk (Prudential Indicator 14):**

14.1 We consider security, liquidity and yield, in that order, when making investment decisions.

14.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in our assessment of counterparty credit risk.

14.3 We also consider alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

14.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

**Earmarked Reserves for 2013/14**

<b>Reserve Name</b>	<b>Amount</b>
<b>Chief Executive</b>	
Web Site Development	16,968
Fit for the Future Programme	31,155
Internal Audit Capacity	10,000
*** Potential Fit for the Future Redundancies	100,000
<b>Chief Executive Total</b>	<b>158,123</b>
<b>Finance, Revenues &amp; Benefits</b>	
Oracle Financials system refresh costs	12,000
Minor alterations to office accommodation	520
Housing Benefits - New Burdens Grant	32,700
Inspire - DEFRA	7,131
ISO Compliance	15,290
Public Access Upgrade	6,000
Health check for the Council's ICT Infrastructure	30,500
Transparency Code	2,588
Business Rates Income Fluctuations due to appeals and Valuation Office assessments	180,000
Redundancy	1,000
<b>Finance, Revenues &amp; Benefits Total</b>	<b>287,729</b>
<b>Leisure &amp; Parks</b>	
Chasewater Toll Road Compensation	50,917
Friary Grange Leisure Centre Synthetic Pitch Sinking Fund	10,020
Golf Course Boundary Safety Fencing	6,000
Comprehensive Tree Survey	40,000
Beacon Park Composting Bays	17,000
Garrick Lift Repairs	15,540
Health & Safety Training	1,600
Friary Grange Leisure Centre - Reception, Catering/Viewing area & Gym	10,000
FGLC - Evolve Cardio Equipment	35,000
Burntwood Leisure Centre Synthetic Pitch Renewal	40,000
King Edward VI Leisure Centre Synthetic Pitch Renewal	45,000
Burntwood Leisure Centre Tennis Court Refurbishment	500
Tree Survey Software	10,000
Heritage Parks Council Contribution	34,401
Heritage Lottery Fund - Management	8,250
Public Open Spaces	103,830
<b>Leisure &amp; Parks Total</b>	<b>428,058</b>
<b>Democratic, Development &amp; Legal</b>	
Planning Applications - Planning Appeals Reserves	34,139
Local Plan	101,986
City Centre Pedestrianisation Sinking Fund	19,663
Inward Investment and Place Marketing	47,460
High Street Innovation Fund	97,314
Community Right to Challenge-Business Improvement District (BID)	12,733
Three Spires Head Lease Rent	99,000
Individual Electoral Registration	35,850
High Street Innovation - BID	2,500
Lichfield District Council Election	117,349
Grant Aid -Development Historic Building Grants	34,649
Grant Aid -Development Nature Conservation Fund	17,474
South Staffordshire Building Control Partnership - Building Regulations Reserve	61,030

**APPENDIX K**

<b>Reserve Name</b>	<b>Amount</b>
Visit Lichfield Guide	4,000
Canal Culvert at Huddlesford	4,200
Refurbishment of Bird Street Car Park	119,000
*** High Speed 2	30,000
*** Potential Judicial Reviews	250,000
Darwin Park Estate Lights	7,177
Public Open Space (POS)-Worthington Road, Fradley	1,834
Birmingham Road Car Park Repairs and Renewals	1,401,733
<b>Democratic, Development &amp; Legal Total</b>	<b>2,499,091</b>
<b>Community, Housing &amp; Health</b>	
Old Mining College Repairs	7,750
Building Safer Communities	12,723
Domestic Homicide	2,500
Community Right to Challenge	17,094
Admin Assistant – Community & Partnerships - redundancy	4,500
Assistant Community Development Worker - redundancy	11,448
Community Consultation Questionnaire	8,906
Job Clubs - Set Up Costs	3,000
Customer Services Staffing issues	17,000
Environmental Health (EH) Legal Costs	10,000
EH - Vehicle Maintenance/Replacement	15,291
Contaminated Land - Site Work 2014/15	6,000
Homelessness Strategy	57,610
Grant for Homelessness	39,802
Warmer Homes Healthier Homes	12,702
Homeless & Repossession Prevention Fund	43,296
Housing Void Loss	8,089
Choose Housing Register	9,592
Department of Energy and Climate Change (DECC) Energy Funding	9,475
Closed Circuit Television (CCTV) Review & Infrastructure	51,386
CCTV Dimbles	5,000
Home Repair Assistant Grants - Capital Bid	13,000
Public Health Funding	11,666
<b>Community, Housing &amp; Health Total</b>	<b>377,830</b>
<b>Joint Waste Service</b>	
Waste Shared Service Property growth – Lichfield District Council Share	189,750
Waste Shared Service Property growth – Tamworth Borough Council Share	140,250
<b>Joint Waste Service Total</b>	<b>330,000</b>
<b>Total Earmarked Reserves</b>	<b>£4,080,831</b>

\*\*\* As shown on **APPENDIX D**.

## SUBMISSION TO STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE

Date: 23 September 2014

Agenda Item: 5

Contact Officer: Jane Kitchen

Telephone: 01543 308770

### SUBMISSION BY CABINET MEMBER FOR FINANCE, DEMOCRATIC AND LEGAL SERVICES

#### MONEY MATTERS : 2014/15 REVIEW OF FINANCIAL PERFORMANCE AGAINST THE FINANCIAL STRATEGY

##### 1. Purpose of Report

- 1.1 The report covers the financial performance from April to June 2014 for the year 2014/15.
- 1.2 At this early stage in the year for the period up to June 2014, we forecast a **£91,900** reduction in contribution from general reserves.

##### 2. Summary of Policy Development

###### Revenue Budget

- 2.1 As part of leading the organisation, managers have to account to Members for their management of the financial resources and for the performance of the organisation against what the Council has agreed.
- 2.2 'A Plan for Lichfield District 2012-16', approved by Council in February 2012, sets out the ambition, focus and priorities for the next 4 years, covering the life of this Council. The Plan includes milestones for each year, so that we can bring appropriate focus to delivery.
- 2.3 The Leadership Team, together with their Cabinet Members, are responsible for delivering against the milestones for the Plan for the District and are required to report progress on this to the Cabinet, enabling the Cabinet as a whole to review the performance of the organisation.
- 2.4 The Medium Term Financial Strategy Revenue and Capital (R & C) 2014-17 (MTFS) sets out the allocation of resources and the policies and parameters within which Managers are required to operate. We are required by law to set a 3-year balanced budget. The MTFS relevant to this paper covers revenue and capital expenditure and was approved on 24 February 2014 and covers Revised Estimates 2013/14 and Original Estimates 2014/15 to 2016/17.
- 2.5 Aspects including community safety, human rights, financial implications, sustainability issues and risk management are all dealt with as part of the report so have not been separately identified.
- 2.6 The level of recent change in Local Government Finance is unprecedented ranging from the Localisation of Council Tax Support, wider welfare reform and local retention of an element of Business Rates. This change introduces some significant additional financial risks such as a major proportion of the Council's funding being dependant on the level of business rate growth or decline.
- 2.7 As a consequence, preparation and planning to implement changes and identify strategies that can be used to manage these risks continues during 2014/15. These risks together with financial successes, challenges and future actions are shown in more detail at **APPENDIX A**.
- 2.8 The Council is likely in the future to be funded principally by income generated locally through Council Tax, Local Business Rates, New Homes Bonus and fees and charges. Therefore, the management of Sundry Income Debt is a key component of the Council's funding.

- 2.9 Income from Sundry Debts reduced in the first quarter of 2014/15 by **£212,376 to £1,163,922** and remains a substantial sum of money (**3.6%** of gross income of **£32,624,190**). There has been an improvement in the collection of property debt (from **45.44%** outstanding to **18.99%**) and this is now recovered by the Corporate Debt Recovery Team. The overall collection figures consistently remain good. The number of payers by Direct Debit has increased from **67%** to **69%** and there has been a **14%** reduction in those paying by Cash, Cheque and Postal Cheque. Recovery of Housing Benefits Overpayments has remained consistent. Further details are shown at **APPENDIX B**.
- 2.10 Collection performance in 2014/15 for Council Tax has improved by **0.3%** compared with the same period in 2013/14. This is because a proportion of those that previously did not pay their Council Tax, who were subject to recovery action last year, have paid this year. Also there has also been a reduction in the number of recovery notices issued, a reduction of **32%** compared with 2013/14 for the same period.
- 2.11 Collection performance for 2014/15 for Non Domestic Rates (NDR) reduced by **3.8%** compared to the same period in 2013/14. Last year Staffordshire County Council (SCC) paid all their accounts in full in May. This year we have agreed they can pay their accounts in full in August. This has had an effect on the figures in the first three months due to the number of properties they own. SCC own **52** properties in Lichfield District with a NDR value of **£1,115,036**.
- 2.12 The financial performance covering the period April to June 2014 has been reviewed, and below we report our Quarter 1 projection for the full year against the Budget as approved by Council in February 2014.
- 2.13 The Approved Fit for the Future savings detailed below have now been incorporated into the Approved Budget for 2014/15 and subsequent years of the Medium Term Financial Strategy (Revenue and Capital) 2014-17:

Area	2014/15 £	2015/16 £	2016/17 £	Total £
Waste Management	(9,410)	(248,390)	(267,340)	(525,140)
Treasury Management	(5,000)	(5,000)	(5,000)	(15,000)
Financial Information System	(3,970)	0	0	(3,970)
Insurance Premiums	(40,000)	(40,000)	(40,000)	(120,000)
Burntwood Leisure Centre	23,020	0	0	23,020
Environmental Health	(2,930)	(49,410)	(51,970)	(104,310)
Committee Services	(25,220)	(44,830)	(46,860)	(116,910)
Fit for the Future Phase 1 Savings not Achieved <sup>1</sup>	0	0	101,190	101,190
<b>Total Approved Savings</b>	<b>(£63,510)</b>	<b>(£387,630)</b>	<b>(£309,980)</b>	<b>(£761,120)</b>

Medium Term Financial Strategy	£0	(£990,300)	(£1,494,270)	(£2,484,570)
<b>Remaining Savings to be Identified</b>	<b>£0</b>	<b>(£602,670)</b>	<b>(£1,184,290)</b>	<b>(£1,786,960)</b>

- 2.14 Further Fit for the Future savings will continue to be identified as the service reviews proceed throughout the financial year. When any reviews are approved by Council, relevant income/savings will be built into the MTFS.

<sup>1</sup> Fit for the Future Phase 1 savings not achieved are to be subsumed into the general savings target. These refer to savings CE7 Indicative Management Savings.

## The Revenue Budget on a Net Direct Expenditure Basis

The Gross Income and Expenditure to support this table are shown at **APPENDIX C**. This gives members more of an insight into the gross flows of income and expenditure expected to move through the Council within the year.

Area	2014/15				
	Original Budget £	Approved Budget £	Projected Outturn £	Projected Variance £	↑ = adverse ↓ = favourable
Chief Executive	888,430	889,870	885,810	(4,060)	↓
Finance, Revenues and Benefits	2,114,230	2,111,320	2,086,220	(25,100)	↓
Leisure and Parks	3,252,140	3,222,050	3,248,570	26,520	↑
Democratic, Development and Legal	639,300	605,170	549,040	(56,130)	↓
Community, Health and Housing	2,251,740	2,250,580	2,250,580	-	
Joint Waste	1,606,350	1,596,490	1,562,360	(34,130)	↓
<b>Net Cost of Services</b>	<b>10,752,190</b>	<b>10,675,480</b>	<b>10,582,580</b>	<b>(92,900)</b>	↓
Net Treasury Position	62,470	79,670	79,670	-	
Revenue Contributions to the Capital Programme	158,000	158,000	158,000	-	
<b>Net Operating Cost</b>	<b>10,972,660</b>	<b>10,913,150</b>	<b>10,820,250</b>	<b>(92,900)</b>	↓
<b>Less:</b> Transfer from General Reserve	(358,880)	(360,370)	(268,470)	91,900	↓
<b>Add:</b> Transfer to Earmarked Reserves	0	92,000	92,000	-	
<b>Net Revenue Expenditure</b>	<b>£10,613,780</b>	<b>£10,644,780</b>	<b>£10,643,780</b>	<b>(£1,000)</b>	↓
<b>Financed by:</b>					
Revenue Support Grant	(2,116,000)	(2,116,000)	(2,115,000)	1,000	↑
Retained Business Rates	(1,986,000)	(2,015,000)	(2,015,000)	-	
Business Rates Cap Reimbursement	(20,000)	(20,000)	(20,000)	-	
Less Local Council Tax Support paid to Parishes	135,000	135,000	135,000	-	
New Homes Bonus	(1,200,000)	(1,202,000)	(1,202,000)	-	
Collection Fund (surplus)Deficit	(63,000)	(63,000)	(63,000)	-	
<b>Council Tax Requirement</b>	<b>(5,363,780)</b>	<b>(5,363,780)</b>	<b>(5,363,780)</b>	-	

### Key Issues - Budget Monitoring 1st Quarter 2014/15

The Net Operating Cost projected outturn at 31 March 2015 is estimated to be better than the Approved Budget by **£92,900**. This has been generated by the following items:

#### Chief Executive (£4,060) favourable variance:

- (£3,740) - additional income from recharging of services to external organisations
- £9,750 – additional Internal Audit consultants costs
- (£3,510) – reduction in printing contract costs
- (£6,560) – savings in civic expenses

#### Finance, Revenues & Benefits (£25,100) favourable variance:

- (£25,100) – savings in employee costs

#### Leisure and Parks £26,520 adverse variance:

- £26,520 - loss of income from not proceeding with charging for Public Toilets that was proposed in Fit for the Future phase 1. This will be built into the Revised Estimate 2014/15 onwards.

#### Democratic, Development and Legal Services (£56,130) favourable variance:

- (£14,940) – increase in property rental income
- (£8,330) – additional income recharge of property insurance to leaseholders
- (£7,760) - reduction in subscription fees
- (£19,210) - savings in employee costs, vacant posts, reduction in hours and members allowances
- (£13,130) – increase in income from car park machines
- (£5,000) – reduction in car parks maintenance costs

- £12,240 – insurance excess payment

**Joint Waste Service (£34,130) favourable variance:**

- (£34,130) - additional trade waste and rental income related to a new lease for the Civic Amenity Site

**Net Treasury Position including Investment Interest £0 variance:**

Further details are provided in the Treasury Management section of this report.

**Localisation of Business Rates**

- 2.15 From the 1 April 2013, the Council is able to retain a share of any Business Rate growth within the area. This is one of a number of significant changes to the way Local Government is funded and whilst it provides opportunities for additional income it also carries some significant risks.
- 2.16 These risks include the financial implications resulting from business closures. Given the level of financial risk and its potential impact on the Council's Budget it is critical that this area is monitored closely. The budgeted level of Business Rates was submitted in the NNDR 1 return. The actual position at the end of June 2014 and a projection for the year for the Business Rates Collection Fund is shown in the table below:

	The Collection Fund in 2014/15			
	Budget NNDR 1 £	30-Jun-14 £	Projected Outturn £	Projected Variance £
Gross Business Rates Yield	38,465,166	38,302,413	37,644,896	(820,270)
Mandatory Reliefs	(3,316,315)	(1,718,676)	(2,590,809)	725,506
Discretionary Reliefs	(85,650)	(73,524)	(73,524)	12,126
Small Business Rates Relief	(1,549,094)	(1,712,488)	(2,003,613)	(454,519)
New Empty Properties	0	0	0	0
Long Term Empty Properties	(796,252)	0	(796,252)	0
Retail Relief	(537,000)	(84,942)	(537,000)	0
Estimated Losses on Collection	(321,000)	(326,312)	(326,312)	(5,312)
Business Rate Appeals	(445,000)	(654,093)	(654,093)	(209,093)
Allowance for Cost of Collection	(124,697)	(124,697)	(124,697)	0
<b>Non Domestic Rating Income</b>	<b>31,290,158</b>	<b>33,607,681</b>	<b>30,538,596</b>	<b>(751,562)</b>
Lichfield's Share of NDR Income at 40%	12,516,063	13,443,072	12,215,438	(300,625)

- 2.16 The Council's share (40%) of the Non Domestic Rating income in the Collection Fund plus applicable Section 31 Grants for designated reliefs is used to assess the level of growth or decline in Business Rates in each financial year. This information is then used to calculate the level of levy payments to or safety net income from the Greater Birmingham and Solihull Business Rates Pool. This calculation is shown in the table below:

	Levy / Safety Net Calculation	
	30-Jun-14 £	Projected Outturn £
Lichfield's Share of NDR Income @ 40%	13,443,072	12,215,438
<u>Section 31 Grants (Lichfield's 40% Share)</u>		
Small Business Rates Relief	342,498	365,542
New Empty Properties	0	0
Long Term Empty Properties	0	321,600
Retail Relief	34,400	216,800
Less : Tariff Payable	(10,967,000)	(10,967,000)
<b>Retained Business Rates Prior to Levy and Safety Net</b>	<b>2,852,970</b>	<b>2,152,380</b>
Business Rates Baseline	1,885,184	1,885,184
Growth or (Decline) from the Business Rates Baseline	967,786	267,196
Less : Levy Payable @ 50%	(483,893)	(133,598)
<b>Projected Retained Growth to be included in the budget in 2015/16</b>	<b>483,893</b>	<b>133,598</b>



- 2.17 On 30 July 2014 the Leaders of the Greater Birmingham and Solihull Business Rates Pool agreed to a three year levy distribution basis whereby **32.5%** of levy payable will be returned to the Authority.
- 2.18 Whilst these initial projections are currently indicating a positive level of retained growth there are two key risks that are difficult to project:
- The level of Mandatory Reliefs relating to empty and partly occupied premises;
  - The level of appeals that are still outstanding and their impact on retained growth.
- 2.19 The Council's Budget for its share of the Non Domestic Rates is required under Statute to be based on the estimated income contained in the 2014/15 NNDR 1 form not the actual level of income contained within the Collection Fund. Any Business Rate growth or decline will be included in future financial years as part of the Collection Fund surplus or deficit. The budgetary position in 2014/15 is shown in the table below:

	<b>The Council's Budget in 2014/15</b>			
	<b>Budget</b>	<b>30-Jun-14</b>	<b>Projected</b>	<b>Projected</b>
	<b>£</b>	<b>£</b>	<b>Outturn</b>	<b>Variance</b>
			<b>£</b>	<b>£</b>
NDR Income based on NNDR 1	12,516,063	12,516,063	12,516,063	0
Collection Fund Deficit in 2013/14	(256,063)	(256,063)	(256,063)	0
Contribution from or (to) Business Rates Earmarked Reserve	0	180,000	(91,344)	(91,344)
<u>Section 31 Grants (Lichfield's 40% Share)</u>				
Small Business Rates Relief	313,000	342,498	365,542	52,542
New Empty Properties	0	0	0	0
Long Term Empty Properties	322,000	0	321,600	(400)
Retail Relief	217,000	34,400	216,800	(200)
Less : Tariff Payable	(10,967,000)	(10,967,000)	(10,967,000)	0
Less : Levy Payable @ 50%	(130,000)	(483,893)	(133,598)	(3,598)
<b>Retained Business Rates prior to Levy Redistribution</b>	<b>2,015,000</b>	<b>1,366,005</b>	<b>1,972,000</b>	<b>(43,000)</b>
Levy from the Business Rates Pool (32.5%)	0	157,000	43,000	43,000
<b>Retained Business Rates</b>	<b>2,015,000</b>	<b>1,523,005</b>	<b>2,015,000</b>	<b>0</b>

- 2.20 Currently the Council is looking to maximise the take up of New Empty Property, Long Term Empty Property and Retail Reliefs introduced in the Autumn Statement 2013 to ensure all eligible businesses claim their entitlements from 1 April 2014.
- 2.21 Therefore for the purposes of reporting the first quarter, it has been assumed maximum take up will be achieved.

## Capital Programme

### Managing the Current Budget

- 2.22 The Council approved an original budget for 2014/15 of **£2,422,000** on 24 February 2014.
- 2.23 There was slippage of **£482,500** in the Capital Programme in 2013/14 that has been carried forward to 2014/15.
- 2.24 This has resulted in a revised budget for 2014/15 of **£2,904,500**.
- 2.25 In addition, there have been a number of other changes, such as the allocation of Section 106, re-phasing of some project spend and new grant awards that total **£483,000** that resulted in a current budget of **£3,387,500**.
- 2.26 Below we look at spend by strategic priority for the 2014/15 Financial Year, focussing on the actual position for the year compared with the Current Budget.

Priority	Original Budget £	Current Budget £	Projected Outturn £	Projected Variance £	
We'll support local people	750,000	1,313,000	1,147,000	(166,000)	●
We'll support local places	119,000	276,500	276,500	0	☑
We'll boost local businesses	413,000	763,000	763,000	0	☑
How our core principles help us deliver	1,140,000	1,035,000	1,035,000	0	☑
<b>Total Capital Expenditure</b>	<b>£2,422,000</b>	<b>£3,387,500</b>	<b>£3,221,500</b>	<b>(£166,000)</b>	

#### KEY :

- ☑ Projected actual within **£0.1m** of our current budget ● Projected actual not within **£0.1m** of our current budget

#### *We'll support local people*

- The project to construct a new Community Building at Hawksyard in Armitage has been deferred until 2015/16. This is due to the Parish Council not being in a position to manage the scheme. This deferment will also mean that the next payment will be received of circa £120,000 when the house building trigger has been reached which is monitored through Section 106 reviews, additional external funding can be investigated and the location and brief can be confirmed.
- 2.27 An important element of the Capital Programme relates to asset replacement. The renewals of vehicles, equipment and systems renewals during 2014/15 are shown in detail at **APPENDIX D**.

### Capital Investment at Burntwood Leisure Centre - the Sinking Fund

- 2.28 The Council is required, under the terms of the funding agreement with the National Lottery in relation to the Burntwood Leisure Centre, to set aside resources to be used for the future repair and renewal of the centre in a 'sinking fund'. Both the level of investment and the Centre in terms of the District Council's leisure provision is significant, therefore monitoring information is provided in the table below for all approved projects in 2014/15.

Project Name	Annual Spend in 2014/15		
	Current Budget £	Projected Outturn £	Variance £
Planned maintenance	62,000	62,000	0
<b>TOTAL</b>	<b>£62,000</b>	<b>£62,000</b>	<b>£0</b>

## Treasury Management

- 2.29 The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments). The details are shown in **APPENDIX E**.
- 2.30 One of the key questions for Members in relation to Treasury Management is:  
**“How can I be assured that agreed Treasury Management Strategies, Policies and Limits are being applied correctly within the Council?”**
- 2.31 The answer to this question is provided by reviews that are undertaken by both independent internal and external bodies and the results are shown in detail at **APPENDIX F**.
- 2.32 An Internal Audit review of Treasury Management was recently undertaken and the **Overall Audit Opinion – Excellent Assurance (the highest level)**.

### Specified Investments- Banks and Building Societies (New Bank)

- 2.33 Close Brothers Limited is a UK bank that provides specialist lending to small and medium sized businesses and they have maintained a relatively stable credit rating throughout the financial crisis. Fitch has maintained Close Brothers Limited with a long term rating of A from 2004 to date. The UK Government is keen to reduce the banking sector's reliance on Government support and our Treasury Management Advisors have undertaken a more detailed analysis of those institutions with a standalone 'strong' long term credit rating to assess their potential for investment opportunities.
- 2.34 Therefore the inclusion of Close Brothers on our list of Specified Investments is recommended with an individual limit of **£2m**. This recommendation is being made due to their standalone financial strength, simplistic business model and extremely limited exposure to the Euro zone, United States and China.

## Working Balance, Reserves and Provisions

- 2.35 The following General Revenue Reserves are available to assist the Council in meeting General Fund expenditure from 2013 to 2016 as part of the Medium Term Financial Strategy:-

Detail	2014/2015 £	2015/2016 £	2016/2017 £
General Reserve available as at 1 April	2,810,190	2,541,720	2,541,720
Less: Contribution to Revenue Budget	(268,470)	-	-
<b>General Reserve balance as at 31 March</b>	<b>2,541,720</b>		
Minimum reserves requirement policy	(1,000,000)	(1,000,000)	(1,000,000)
<b>General Reserve available for use</b>	<b>£1,541,720</b>	<b>£1,541,720</b>	<b>£1,541,720</b>

**Note:** The Approved MTFS forecasts **£nil** utilisation of general reserves from 2015/16. However a **£91,900** favourable variance forecast at Quarter 1 together with the brought forward 2013/14 under-spend means the Council has additional reserves of **£1,541,720** to be utilised in MTFS 2015-2018.

## 3. Community Benefits

- 3.1 The reporting of timely budget performance statements enables Members to critique and scrutinise performance for the efficient and effective use of resources, in the interest of the community, for the delivery of services and key priorities, as set out in the Strategic Plan.

## 4. Financial Implications

- 4.1 At this early stage in the year for the period up to June 2014, we forecast that a lower contribution by **£0.092m** from General Reserves will be required, against a budgeted contribution of **£0.360m**. This means a transfer of **£0.268m** from General Reserves is estimated to be needed to support the costs of activities and services for this financial year.
- 4.2 Further detailed analysis on the Financial Performance up to June 2014 is shown in the attached Appendices.

## 5. Risk Management Issues

Risk	Likelihood/ Impact	Risk Category	Countermeasure	Responsibility
Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate.	Medium/High	Financial	Close monitoring of exp Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy changes, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council's priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate.
Planned Capital receipts are not received.	Medium/High	Financial	The budget for Capital receipts is monitored as part of the Council's normal budget monitoring procedures.	Planned Capital receipts are not received.
The Recession	High/High	Financial/ Economic/ Environmental/ Social/Legal	Close monitoring of the higher risk key business areas and those areas affected by the downturn. Managers continuously gather and analyse information and are taking action where it is possible to do so.	The Recession
Friary Outer Car Park	Medium/Low	Financial	Close monitoring of the position as part of the Council's normal Budget monitoring procedures.	Friary Outer Car Park

### Background Documents:

CIPFA Code of Practice for Treasury Management in the Public Services

Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2014-17 – Cabinet 4 February 2014.

The Prudential Code for Capital Finance in Local Authorities

## APPENDIX A

### Successes, Risks, Challenges and Future Actions

<p style="text-align: center;"><b>Financial Successes</b></p> <p>The Leaders of the Greater Birmingham and Solihull Business Rates Pool have agreed a three year (2014/15, 2015/16 and 2016/17) distribution basis for retained levy. The levy will be distributed as follows:</p> <p>Economic Development <b>40%</b>  Safety Net <b>20%</b> (up to a maximum of <b>£2m</b>)  Lichfield District Council and other tariff Authorities <b>32.5%</b>  Birmingham City Council <b>7.5%</b></p>	<p style="text-align: center;"><b>Financial Risks</b></p> <p>Our Government funding is in part replaced by the retention of business rates meaning we are more financially reliant on local economic growth. This represents a significant change to local Government funding.</p> <p>The new Local Council Tax Support Scheme and Technical changes to Council Tax implemented in April 2013 means that a number of citizens are now required to pay Council Tax. This change could increase risks around management of arrears and cash flow monitoring.</p> <p>Car Parking Income potentially could be impacted by a number of external factors such as alternative forms of transport, internet shopping and alternative shopping centres and car parking.</p> <p>The new Dry Recycling contract is currently being finalised and this could potentially impact on the level of expenditure and income in the Joint Waste Service.</p>
<p style="text-align: center;"><b>Financial Challenges</b></p> <p>To ensure businesses claim their entitlements to Business Rate Reliefs.</p> <p>To ensure the Council's financial performance is within <b>£250,000</b> of the Approved Revenue Budget.</p> <p>To monitor the impact of the Localisation of Business Rates on the Council's Budget.</p> <p>To monitor the impact of Technical changes and Local Council Tax Support on collection rates and the level of income in the Collection Fund.</p>	<p style="text-align: center;"><b>Finance Future Actions</b></p> <p>F4F is a programme of activities that will be delivered during the Medium Term Financial Plan period. It brings together a series of projects that all 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.</p> <p>To manage the exposure of Business Rate growth risk by liaising with our local authority partners on a Business Rates Pool.</p> <p>To ensure we help our residents manage the financial impact of Welfare Reform.</p>

## APPENDIX B

### Sundry Debtor Performance

Details	30 June 2013		30 June 2014		All Debts Change (%)	Variance ↑ = adverse ↓ = favourable
	All Debts £	Property Debts £	All Debts £	Property Debts £		
Value of sundry income raised	1,376,298	200,916	1,163,922	241,935	(15.43%)	↓
Value of debts written off	1,243	182	1,183	-	(4.83%)	↓
Value of invoices outstanding	1,032,589	91,301	1,157,324	45,932	12.08%	↑
% of income raised	75.03%	45.44%	99.43%	18.99%		

Aged Debtor Analysis						
Less than 6 months	650,673	70,758	674,126	34,874	3.60%	↑
More than 6 months	381,915	20,543	483,198	11,058	26.52%	↑

### Council Tax and Business Rate Performance

	Council Tax			Non Domestic Rates			
	30 June 2013	30 June 2014	Change	30 June 2013	30 June 2014	Change	
Net Collectable in year	£52,253,284	£53,133,367		£34,039,341	£34,900,882		
Amount Collected in year	£15,588,023	£16,007,622		£11,072,152	£10,022,129		
Amount Collected as a %	29.83%	30.13%	0.30% ↓	32.53%	28.72%	3.81% ↑	
In year arrears outstanding at 30 June	£1,188,562	£641,422		£551,506	£266,002		
Previous years arrears at 30 June	£870,130	£952,136		£180,194	£244,728		
Total arrears outstanding at 30 June	£2,058,692	£1,593,558		£731,700	£510,730		
Write offs as at 30 June	£9,874	£6,981		£9,048	£14,596		

## APPENDIX C

### ANALYSIS OF GROSS EXPENDITURE AND INCOME TOGETHER WITH NET EXPENDITURE FOR 2014/2015

Area	Approved Budget			Projected Outturn
	Gross Expenditure	Gross Income	Net Expenditure	
	£	£	£	
Chief Executive	1,048,180	(158,310)	889,870	885,810
Finance, Revenues & Benefits	23,324,660	(21,213,340)	2,111,320	2,086,220
Leisure & Parks	6,819,060	(3,597,010)	3,222,050	3,248,570
Democratic, Development & Legal	4,900,140	(4,294,970)	605,170	549,040
Community, Housing & Health	2,619,640	(369,060)	2,250,580	2,250,580
Joint Waste	4,588,860	(2,992,370)	1,596,490	1,562,360
<b>Net Expenditure of Services</b>	<b>43,300,540</b>	<b>(32,625,060)</b>	<b>10,675,480</b>	<b>10,582,580</b>
Net Treasury Position	162,700	(83,030)	79,670	79,670
Revenue Contributions to the Capital Programme	158,000	0	158,000	158,000
<b>Net Operating Cost</b>	<b>43,621,240</b>	<b>(32,708,090)</b>	<b>10,913,150</b>	<b>10,820,250</b>

## APPENDIX D

### Vehicle Replacement Programme 2014/15

Area	Vehicle Type	Estimated Replacement Cost	Capital Programme	Progress on procurement during 2014/15
Street Cleansing	TIPPER	£22,000	Yes	
Street Cleansing	TIPPER	£25,000	Yes	
Grounds Maintenance	3 TORO MOWERS	£44,000	No	Delivered in April 2014, awaiting virement.

## Treasury Management

### Security

Our aim for the risk status of our portfolio was **A-** using the lowest rating from the three credit rating agencies as the basis for assessing the risk status.

The investments outstanding at the 30 June 2014 had a risk status of **AA** based on the value of the investment and **A+** based on the length of the investment, which has a more secure risk status, and this is both compliant with our aim and the recommendations from our Treasury Management advisors. The recent history of the security of our investments is shown in the table below:

Date	The Value of the Investment	The Maturity Date of the Investment
30 June 2013	AA-	AA-
30 September 2013	A+	AA
30 November 2013	AA-	AA-
31 March 2014	AA-	A+
30 June 2014	AA	A+

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily. Our Treasury Management advisors recommend for each bank or building society the new investment time limit to manage counterparty credit risk. At the 30 June 2014, the investment time limits were:

Bank or Building Society	Country	Investment Time Limit
Santander (UK)	United Kingdom	13 Months
Lloyds	United Kingdom	13 Months
Bank of Scotland	United Kingdom	13 Months
Barclays	United Kingdom	13 Months
HSBC	United Kingdom	13 Months
Nationwide Building Society	United Kingdom	13 Months
Standard Chartered	United Kingdom	13 Months
Close Bros	United Kingdom	100 Days
Australia and New Zealand Banking Group	Australia	13 Months
Commonwealth Bank of Australia	Australia	13 Months
National Australia Bank Ltd	Australia	13 Months
Westpac Banking Corporation	Australia	13 Months
Bank of Montreal	Canada	13 Months
Bank of Nova Scotia	Canada	13 Months
Canadian Imperial Bank of Commerce	Canada	13 Months
Royal Bank of Canada	Canada	13 Months
Toronto Dominion Bank	Canada	13 Months
DBS Bank	Singapore	13 Months
Overseas Chinese Banking Corporation	Singapore	13 Months
United Overseas Bank Ltd	Singapore	13 Months

To manage the interest rate risk where possible we are spreading investment maturities. The average length of investments we have made in 2014/15 is **105 days**.



## APPENDIX E (continued)

### Liquidity

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the current financial year. In 2014/15 we have not needed to borrow temporarily. Currently we use call accounts and Money Market Funds for short-term liquidity requirements that gives us same day access to funds if needed.

### Yield

To date in 2014/15, we have achieved an average interest rate of **0.57%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate that was **0.39%**. In addition, to compare performance with longer-term benchmarks, the average 1 month LIBID rate is **0.43%**, the average 3 month LIBID rate is **0.48%** and the average 6 month LIBID rate is **0.63%**.

The projected overall net treasury position compared with the budget is shown in the table below:

Details	2014/15 Approved Budget	2014/15 Projected Outturn	2014/15 Variance
Average amount we had available to invest (£m)	11.68	13.39	1.71
Average Interest Rate (%)	0.70%	0.68%	(0.02%)
Interest Receipts	(80,000)	(80,000)	0
Car Loan Interest	(3,030)	(3,030)	0
Internal Interest Payments	8,000	8,000	0
Other Costs	4,500	4,500	0
External Borrowing Interest	0	0	0
Minimum Revenue Provision	150,200	150,200	0
<b>Net Treasury Position</b>	<b>79,670</b>	<b>79,670</b>	<b>0</b>

### Treasury Management Assurance

One of the key questions for Members in relation to Treasury Management is:

**How can I be assured that agreed Treasury Management Strategies, Policies and Limits are being applied correctly within the Council?**

The answer to this question is provided by reviews that are undertaken by both independent internal and external bodies. The various bodies and the type of review they undertake are shown below.

#### The Internal Audit Function

Internal Audit annually reviews the Treasury Management function due to the high level of risk attached to the activity.

#### Internal Audit of Treasury Management – January 2014

**Overall Audit Opinion – Excellent Assurance (the highest level).**

We are pleased to note that there are a number of good controls in operation:

- ✓ The Council has a clearly defined and approved strategy for Treasury Management in line with the CIPFA TM Code and the Prudential Code;
- ✓ Analysis is completed of the current investment portfolio prior to making investments;
- ✓ Investments are made in line with the limits defined in the Strategy and in line with advice received from Arlingclose, the Council's Treasury Management specialist advisor;
- ✓ A good level of documentation is retained to support the transactions made and the reasons for those transactions;
- ✓ The performance of the treasury management function is reported to Cabinet and Overview and Scrutiny Committee in line with CIPFA's Treasury Management Practices;
- ✓ Cash flow is forecasted and updated on a daily basis;
- ✓ Monitoring is completed to ensure that limits are not breached;
- ✓ Interest is received into the Council's bank account in line with the agreed rates;
- ✓ There is adequate segregation of duties for the processing of investments and the redemption of funds;
- ✓ A formal tender process was completed to appoint Arlingclose as the Council's Treasury Management Specialist Advisors and there is a contract in place documenting the services they provide;
- ✓ There is a list of authorised brokers in the Treasury Management Practices and a record is kept of the spread of business across them;
- ✓ The key officers within the Treasury Management process are covered by the Council's Fidelity Guarantee Insurance; and
- ✓ Reconciliations are completed and reviewed of the interest payments and the treasury management records to the general ledger.

The areas for improvement are included on the following action plan:

The mandate of officers able to authorise investments and redemptions from the Santander instant access account has not been updated to remove the Senior Financial Services Manager and the Senior Business Advisor since they left the authority in October/November 2013. A LDC fax with a unique code word is required to withdraw funds, which will only be paid into the LDC bank account, so the risk to the Council is low.

It is also noted that the mandates for Money Market Funds have not been updated however the transactions are processed and authorised through MyTreasury.com and the said officers access to the site has been disabled so the risk is very low.

*The risk is inappropriate access to Council's bank accounts.*

The following minor area for improvement was identified and discussed with management during the audit, however no recommendation has been made:

1. The Treasury Management Manual, Treasury Management Practices and other procedure notes require updating for the recent departure of the Senior Financial Services Manager and one of the Senior Business Advisors.

## STRATEGIC OVERVIEW AND SCRUTINY COMMITTEE

23 September 2014

Agenda Item 6

Contact Officer: Jane Kitchen

Telephone: 01543 308770

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

#### Statement of Accounts 2013/14

##### 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 – 2013/14.

##### 2. Summary

- 2.1 To provide the Committee with an overview of the Statement of Accounts 2013/14 (**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 2013/14 accounts.

##### 3. Recommendations

- 3.1 The Committee is asked to consider the Councils Statement of Accounts for 2013/14.

##### 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 2013/14  
The Accounts and Audit (England) Regulations 2011  
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom



# Statement of Accounts 2013/14

---

# Contents

<b>Statement of Accounts</b>	<b>Page (s)</b>
Statement of Responsibilities	3
Explanatory Foreword	4
Movement in Reserves Statement	16
Comprehensive Income and Expenditure Statement	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Accounts (including a summary of significant accounting policies and other explanatory information)	20
Collection Fund and Notes	79
Council Tax Income Account Precepts, Non-Domestic Rates (NDR) Account and Notes	80
Annual Governance Statement	82
Glossary of Terms	98
Independent Auditor's Report	102

If you have any comments on this **Statement of Accounts 2013/14** or would like any further information please contact:

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

Telephone : 01543 308000  
E-mail : [finance@lichfielddc.gov.uk](mailto:finance@lichfielddc.gov.uk)

Further information is also available on the Council's website : [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)

## STATEMENT OF RESPONSIBILITIES

---

# 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 2014.

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 2014 and its income and expenditure for the year.



Date: 26 June 2014

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 2014 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 2013/14' and the Service Reporting Code of Practice 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 16 are listed below with a brief explanation of their purpose: -

- ***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 "Unusable 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 the Government.

## EXPLANATORY FOREWORD

### Financial Summary 2013/14

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 includes spend on assets that will provide benefit to the District over a number of years.

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

On 24 February 2014, the Medium Term Financial Strategy (Revenue & Capital) 2014-17 reported to Council that there was a forecasted **£990,000** budgetary deficit in 2015/16 with another **£504,000** shortfall forecast for 2016/17. As a result of this the Council has continued with its "Fit for the Future" (F4F) programme 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 and actually spent*

The Council Approved a Revised Net Revenue Budget for 2013/14 of **£11,248,000** financed by External Grants and Council Tax income of **£10,611,000** and from **£637,000** of General Reserves.

Variance Analysis	Approved Budget £m	Actual £m	Variance £m
Total Funding	(10.611)	(10.612)	(0.001)
Cost of local services met by local and national taxes - to/(from) General Revenue Reserves	11.248 <b>(0.637)</b>	10.756 <b>(0.144)</b>	(0.492) <b>(0.493)</b>

The actual spend compared to the Approved Budget by Directorate are shown in the table below:

Actual Outturn compared to Approved Budget for 2013/14	Approved Budget £m	Actual £m	Variance £m
Chief Executive	0.842	0.788	(0.054)
Finance, Revenues & Benefits	1.704	1.517	(0.187)
Democratic, Development & Legal (a)	1.993	1.572	(0.421)
Community, Housing & Health	2.210	2.161	(0.049)
Leisure & Parks	3.086	3.097	0.011
Operational Services (b)	1.594	1.447	(0.147)
Additional Earmarked Reserves	0.000	0.350	0.350
<b>Net cost of services</b>	<b>11.429</b>	<b>10,932</b>	<b>(0.497)</b>
Net Treasury Position	(0.074)	(0.067)	0.007
Revenue Contributions to the Capital Programme	0.130	0.130	0.000
<b>Net Revenue Expenditure</b>	<b>11.485</b>	<b>10.995</b>	<b>(0.490)</b>
Approved Earmarked Reserves	(0.237)	(0.239)	(0.002)
<b>Cost of local services met by local and national taxes</b>	<b>11.248</b>	<b>10.756</b>	<b>(0.492)</b>
<b>How we plan to fund this</b>			
Local Taxes - Council Tax	(5.256)	(5.256)	(0.000)
Grants	(5.355)	(5.356)	(0.001)
<b>Total Funding</b>	<b>(10.611)</b>	<b>(10.612)</b>	<b>(0.001)</b>
<b>General Fund Deficit to be met by a Contribution from / (to) General Reserve</b>	<b>0.637</b>	<b>0.144</b>	<b>(0.493)</b>

## EXPLANATORY FOREWORD

There are a number of new financial risks facing the Council that include those associated with the Local Retention of Business Rates (such as timing differences on the receipt of income and the payment of levy as a result of regulatory requirements), Fit for the Future Budget initial impacts and potential Planning Judicial Reviews. The Council has made contributions to newly created earmarked reserves to manage these risks.

The total impact of the budgeted and additional contributions to earmarked and general reserves has been to increase overall Revenue Reserves to **£6,891,021** as illustrated below.

Revenue Reserves	Brought Forward £	2013/2014 Net Change Increase/ (Decrease) £	Carried Forward £
Earmarked Reserves	3,122,626	958,205	4,080,831
General Revenue Reserves	2,953,938	(143,748)	2,810,190
<b>Overall Revenue Reserves</b>	<b>6,076,564</b>	<b>814,457</b>	<b>6,891,021</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 **£2,810,190**, the surplus **£1,810,190** could be used, over the next three years, to support the Council's Medium Term Financial Strategy.

### **What we actually spent and its relationship to the Comprehensive Income and Expenditure Account (CIES)**

This explanatory foreword shows that the Council had a General Fund deficit of **£143,748** however the CIES on page 17 shows a Deficit on the Provision of Services of **£5,336,000** in 2013/14. The difference between these two figures is due to the different basis used in their calculation. The CIES is calculated in accordance with generally accepted accounting practices whereas the General Fund raises taxation to cover expenditure in accordance with statutory regulations.

The detailed reasons for the difference can be found in the Movement in Reserves Statement on page 16 and its notes on page 38 although they are summarised below:

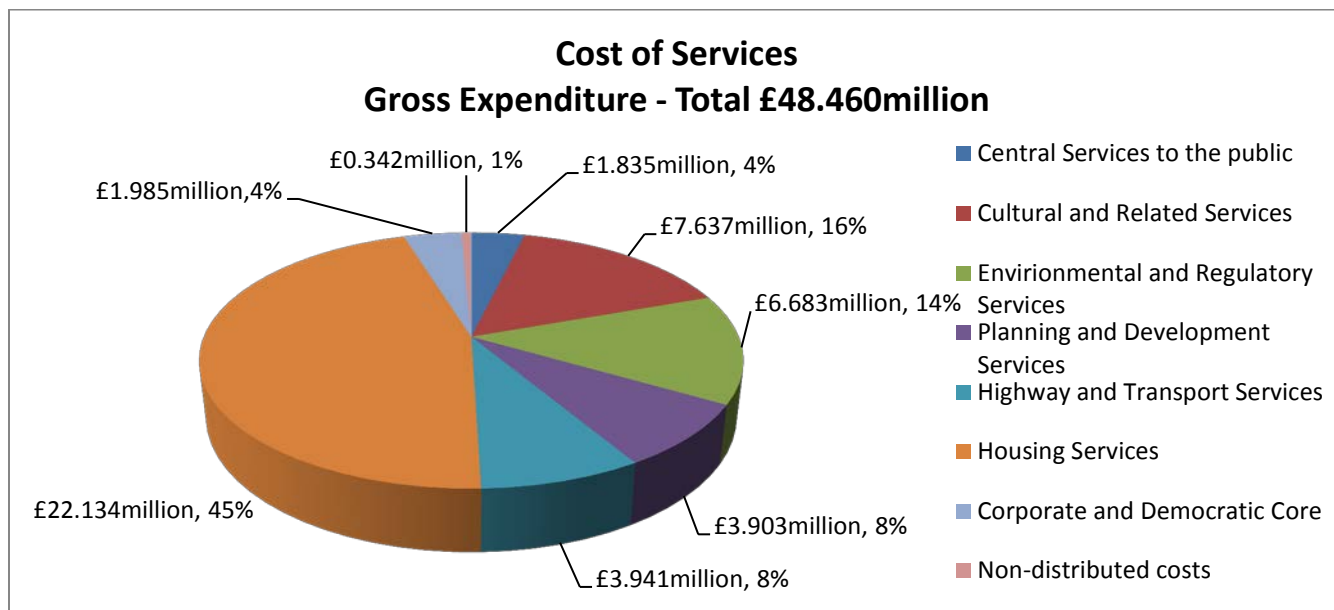
	2013/14 £000s
The Deficit on the Provision of Services in the CIES	5,336
Adjustments between accounting and funding basis <sup>1</sup>	(6,150)
Transfers to earmarked reserves	958
<b>General Fund Deficit</b>	<b>144</b>

<sup>1</sup> This includes depreciation, revaluation losses, retirement benefits and Revenue Expenditure funded from Capital under Statute etc. that are included in the CIES however under statute they are reversed out in the General Fund.

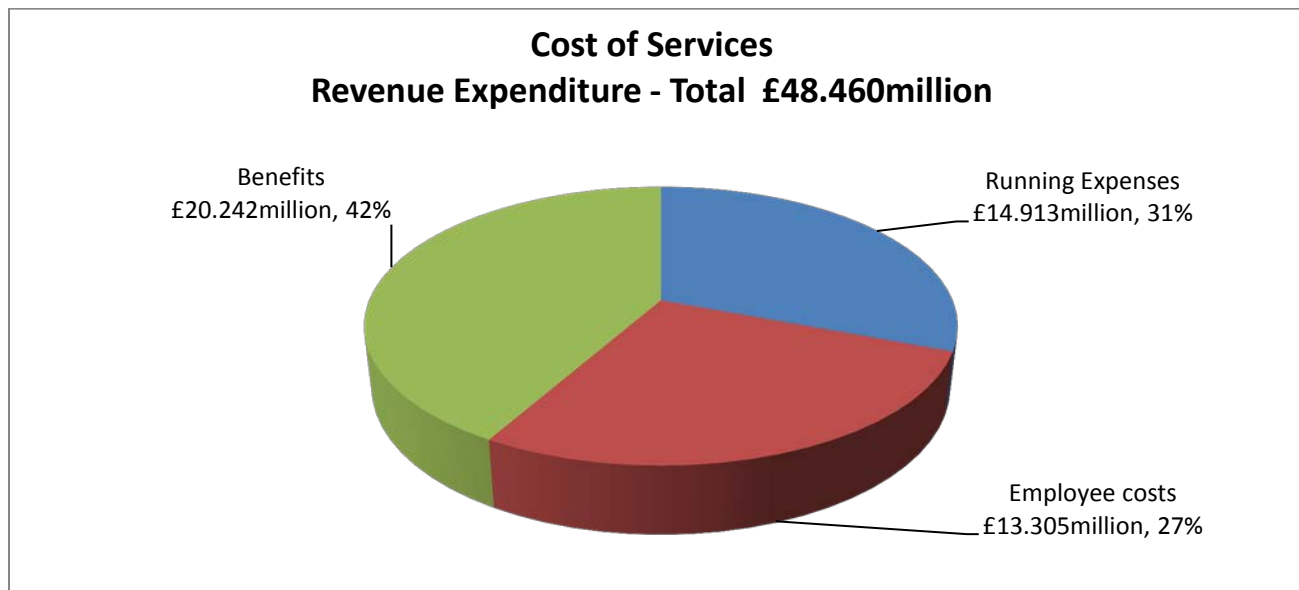
## EXPLANATORY FOREWORD

### How the money was spent

The Comprehensive Income and Expenditure Account on page 17 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 **£48.460 million** across eight 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 27** of the Core Financial Statements). The chart below illustrates the profile of Gross Expenditure based on the defined Service Areas.



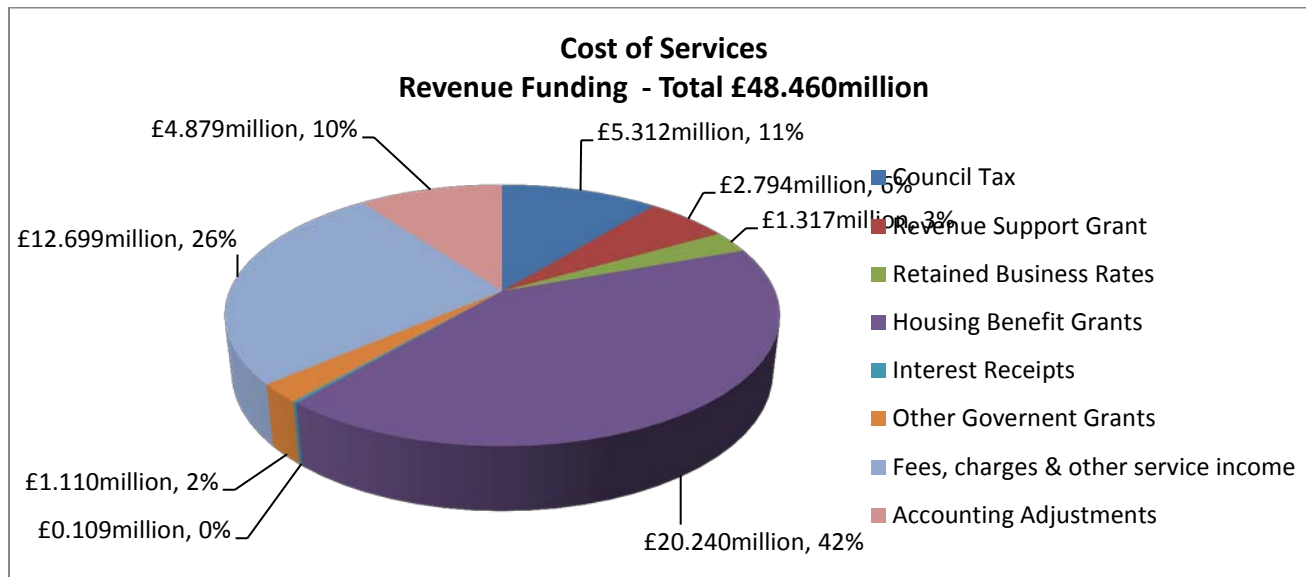
**Cost of Services - Revenue Expenditure** for the year was **£48.460 million**. It represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, 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 other Government grants were received to support specific service areas, including the largest grant – Housing Benefits – at **£20.240 million**.



A total of **£5.312 million** was raised from Council Tax, fees and charges and other service income levied by the Council forms a substantial part of the **£12.699 million** of other income generated. A further **£0.109 million** in interest was received from investments and other interest receipts during the year. Accounting Adjustments of **£4.879 million** include contributions from Capital, Pensions and Accumulated Absence Reserves.

### Capital Spending

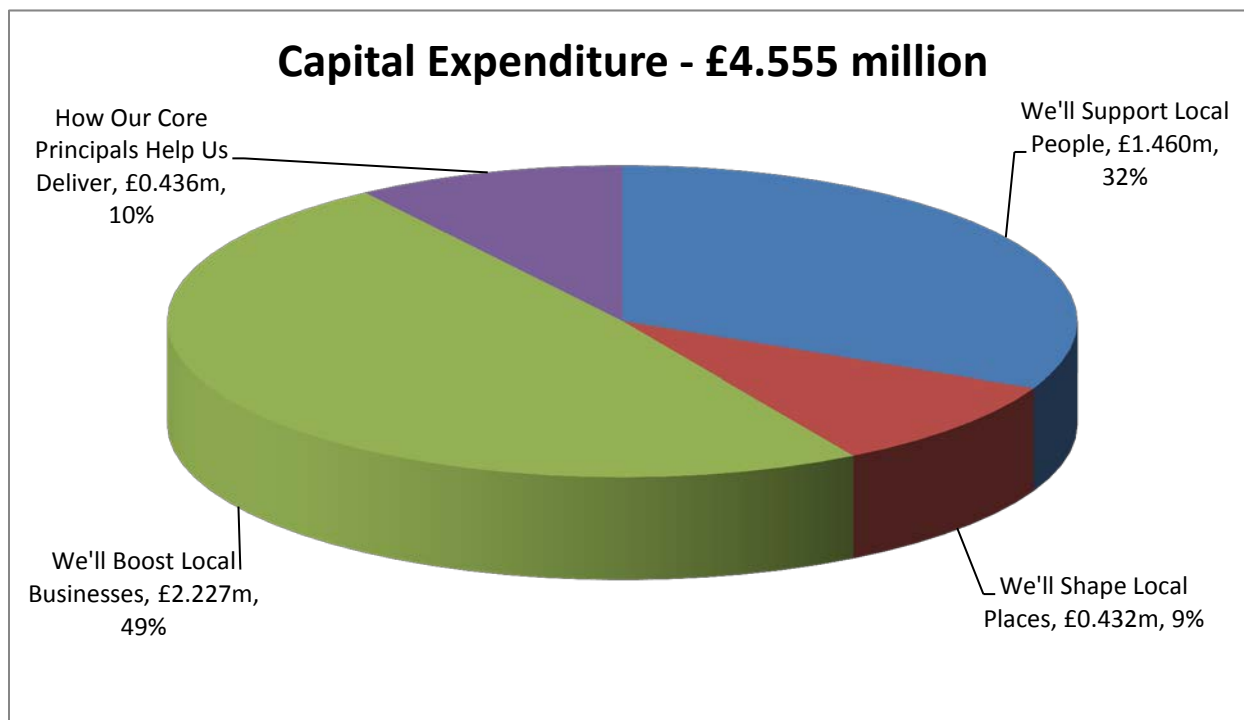
Capital spending either maintains or creates new assets or is expenditure that is capital under statute that will contribute to the Council's aims and objectives over more than one year. The Council therefore plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme. This programme was last updated in February 2014 and included capital commitments of **£17.292<sup>2</sup> million** with estimated capital spending in 2013/14 of **£4.782 million**. In addition, there have been some other minor changes under delegation that have increased the budget by a further **£0.130 million**. Therefore, the net capital budget was **£4.912 million**.

<sup>2</sup> 2013/14 **£4.782 million**, 2014/15 **£2.422 million**, 2015/16 **£4.798 million**, 2016/17 **£5.290 million**

## EXPLANATORY FOREWORD

### How the money was spent

The actual spending in 2013/14 was **£4.555 million**. This was **£0.357 million (7%)** lower than estimated. Spend by top priority for the 2013/14 financial year was:



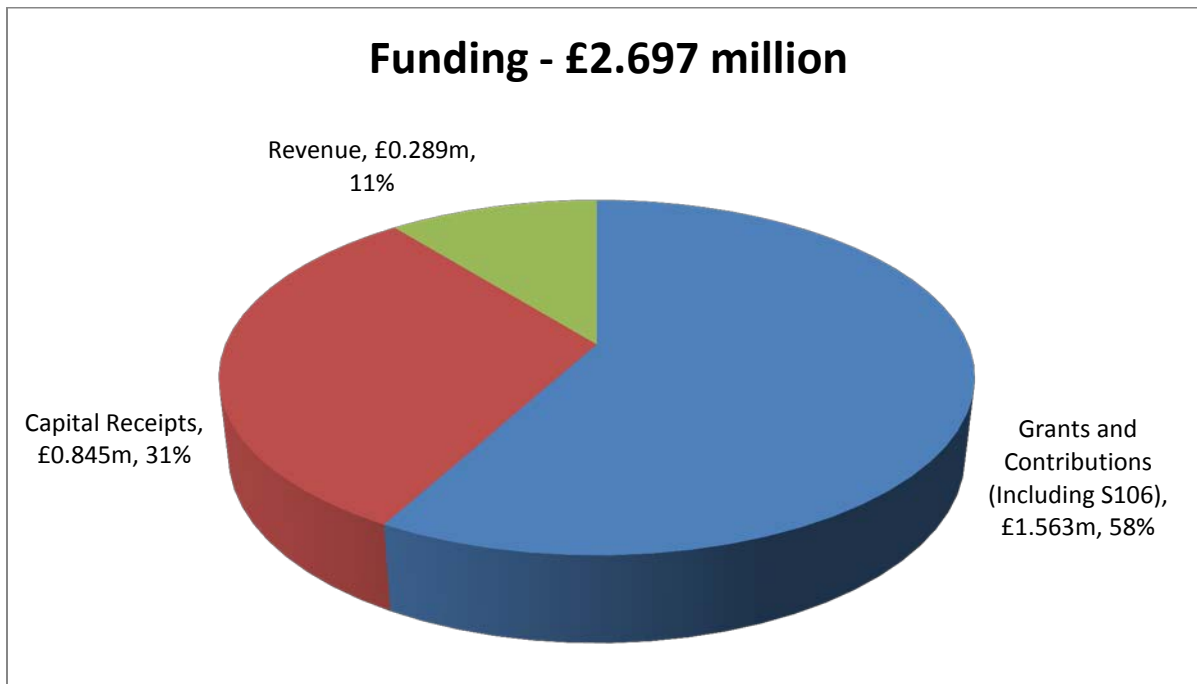
Major areas of capital expenditure and significant individual projects included:

- Lichfield District Venture – works to construct a new car park at the Friary Outer development (**£2.102 million**);
- 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 – enhancement works to Friary Grange Leisure Centre (**£0.534 million**);
- Information Technology investment – upgrade and enhancement of equipment and software (**£0.251 million**).

## EXPLANATORY FOREWORD

### *How it was paid for*

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2013/14 Capital Programme is illustrated below with the difference between spend and funding adjusting the Capital Financing Requirement (**see note 35**):



- 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 2013/14. A wide variety of statutory and non-statutory services were delivered and numerous Council aims and objectives progressed.

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

- Reported incidents of Anti-Social Behaviour have increased by 152 (1,893 in 2013/14 compared to 1,741 in 12/13). Notable increases include neighbour disputes (from 246 to 312) and malicious communications through social media (from 69 – 96). These categories account for almost two thirds of the total increase, are the most difficult to deal with in terms of pre-emptive action.
- The Community Safety Partnership has funded a project that will go into local schools to tackle social media issues; this will complement the County project. The number of recorded incidents of rowdy and inconsiderate behaviour has dropped by 39 from 1,199 to 1,160.

## EXPLANATORY FOREWORD

---

- There are five work clubs in Lichfield District. 162 people were registered during 2013/14, with 28 people confirming that they had been supported into employment, 46 into volunteering and 52 into training. Steps are being taken to improve the tracking of those attending work clubs, particularly establishing why they may have ceased attending.
- The Supporting Families project has now become embedded within the partnership way of working and has increased the number of partners now engaged. Additional regular contributions from Looked After Children, CAMHS, Entrust (Careers Advice), Probation and voluntary organisations Bromford Support and Pathway Project.
- The secondment of the north Lichfield community development worker into the Family Intervention Project has helped deliver increased capacity to the team to work with those in most need – “intensive” families. Payment by Results (PbR) are claimable where a child’s attendance at school has increased, offending behaviour has reduced and adults have moved into work
- To date four PbR claims have been made, three of which have been audited by DCLG. The audited claims have resulted from 61 families making positive progress and a reward grant of £34,516 being made available locally to help support new initiatives to further support deliver of the three outcomes.
- In March 2014, the Lichfield Strategic Partnership (LSP) agreed to utilise half of this fund to support young people and residents with learning disabilities into employment. As at March 2014 the Lichfield District partnership had made positive progress with 76% of the families they were working with – this being the greatest percentage across the County.
- 210 homeless preventions have been achieved compared to 215 in 2012/13. A total of 37 Homelessness Prevention loans were given to the value of £39,835, compared to 37 loans to the value of £36,956 in 2012/13. There were 11 sanctuary schemes completed at a cost of £13,700 compared to seven at a cost of £4,761 in 2012/13.
- The draft Homelessness Strategy was subject to consultation October 2013 until January 2014; eight responses were received. The final strategy was endorsed by Community Housing and Health (CHH) Overview & Scrutiny Committee on 22 January 2014 and approved by Cabinet on 4 March 2014.

### We'll Shape Local Places

- The Local Plan Strategy was submitted for Examination in Public on 22 March 2013, just before the start of the 2013/14 financial year.
- Consultation was undertaken on draft Conservation Area Appraisals and Management Plans and results of the exercise were reported to 13 November 2013 Environment and Development (Overview and Scrutiny) Committee and subsequently to Cabinet on 3 December 2013 and Council on 10 December where they were formally ratified. There are currently three more conservation area appraisals and management plans in draft form for Mavesyn Ridware, Hamstall Ridware and Elford.
- A new Enforcement Plan has been approved and is in operation.
- Over 31ha of statutorily protected heathland was treated to remove bracken infestation and/or scrub infestation (ranging from dense to scattered) on both Gentleshaw Common and Chasewater Heaths, restoring this habitat and moving it towards favourable condition.



## EXPLANATORY FOREWORD

---

- Conservation grazing now covers approximately 42ha of Chasewater's statutorily protected Heathlands and Acid Grassland habitats allowing for permanent, sustainable and cost effective management of the SSSI in those areas. Livestock was removed from site in November 2013 to return in April 2014 under SCC supervision. Information was passed to SCC in the winter of 2013/14 to allow for this project to continue under SCC's control and so secure the long-term viability of the conservation management of Chasewater Heaths.
- Ecological surveys on Gentleshaw Common Special Site of Scientific Interest (SSSI) were completed in September 2013 to assess presence/absence of key indicator species (solitary bees and wasps) and determine the current condition of the site's statutorily protected habitat. This led to Natural England supplying additional requirements for the site's management, and access to additional funding to achieve management in January 2014.
- A new SSSI designated site in Wharf Lane was transferred to LDC ownership on the 6 December 2013. Natural England requires that the site receive extensive management works to move it towards favourable status. An agreement has been reached to enter the site into a HLS scheme in the 2014/15 financial year to provide grant aid to assist LDC's delivery of these works. An agreement has also been reached with Natural England to allow for excess funding from Gentleshaw HLS to be used to achieve the statutory management of Wharf Lane where this is a funding short-fall.
- Good progress has generally been made on all Sustainable Development Supplementary Planning Documents (SPDs). The Trees and Landscape SPD has been out for consultation. The Biodiversity SPD is due to follow shortly. Members are reminded that due to work pressures and changes in timetabling of the Local Plan (of which the SPD need to relate) the overall deadline for agreeing and approving the range of SPD's has been put back.

### We'll Boost Local Businesses

- An extensive range of events was held in 2013 including a visit by HRH The Princess Royal to Beacon Park; the Lichfield Bower; Cars in the Park; Fuse; Fake Festival; Lichfield Food Festival; Heritage Weekend, Christmas Festivals and the best ever Lichfield Proms in Beacon Park. Lichfield Food will return in autumn 2014 and plans are also underway for 2014's Proms in Beacon Park and the Lichfield Heritage Weekend in September.
- The Lichfield City Centre Strategy is being developed in partnership with the Lichfield City Centre Development Partnership, of which the Council is a key part. It is envisaged that the strategy will be available for consultation during summer 2014.
- Lichfield Town Team has been investing the High Street Innovation fund on the priorities identified by businesses at the city trader's events and through the Lichfield Town Team monthly meetings. The key areas are: better marketing of the city's lifestyle offer through a new brand and website, advertising on public transport, new city events, and improved navigation around city heritage assets. Key deliverables include a new city map, a new mobile website [www.inspiringlichfield.co.uk](http://www.inspiringlichfield.co.uk), new signage, a new events fund and more.
- A feasibility study into a Business Improvement District (BID) has also been funded and delivered. The bulk of the remaining High Street Innovation Funds is being invested in developing a potential BID further through a partnership with the Greater Birmingham Chambers of Commerce. For more detail see below or visit [www.lichfieldbid.co.uk](http://www.lichfieldbid.co.uk).

## EXPLANATORY FOREWORD

---

- In Burntwood a new trader's forum called the Burntwood Business Crew has been formed and is mirroring the role of the Lichfield Town Team. Through regular monthly meetings, the forum has identified key projects they wish to invest the High Street Innovation funding in. So far this has included £5,000 towards improvements to Ryecroft shopping area car park (part of a £12,000 scheme which included external funding from Burntwood Town Council, the Joint Officers Group (JOG) and Staffordshire County Council (SCC)). Other projects underway include new town centre signage (awaiting costs from SCC Highways), a new events fund, and implementing the *Totally Locally* scheme, this promotes the economic benefits of buying local.
- Shop vacancy rates in both centres are monitored on a six monthly basis. The January 2014 study showed both performing better than the national average 12.2% with 8.3% for Lichfield City and 9.8% for Burntwood Town Centre. The results of these studies will be routinely submitted for consideration by the Town Team, the Business Crew and the Business Economic Partnership (BEP). Town Centre vitality and viability will be factored into the BEP Business Plan under the Place Marketing/Town Centres theme.
- The £14 million redevelopment of Friary Outer car park commenced in April 2012. The first phase of the regeneration scheme is now completed and provides 54 supported apartments for Bromford residents, six apartments that are 'affordable for sale' under shared ownership with Bromford Homes, and a new 400 space car park and public toilets, including a Changing Places facility, that are owned and run by Lichfield District Council. The second phase - a 79-bedroom hotel for Premier Inn - commenced construction in September 2013 and will be open in late summer 2014.
- Discussions continue with the major landowners at Burntwood with a view to bringing forward suitable town centre development proposals. Market conditions have in part prevented a scheme(s) coming forward but it is hoped that an improved economic situation coupled with the dialogue with the key landowners will bring more positive results.
- The Business Networks Forum (BNF) supported by the BEP and the Shared Economic Development Service led by Tamworth Borough Council on behalf of the Council, continues to operate successfully with input from a range of local business interests. The Forum acts as a vehicle for communicating key messages from local council's and other public sector bodies of relevance to business and allowing for business views to influence the development of policy and strategy.
- The Business Brief has now ceased as a publication in its previous hard-copy format, and been replaced by a web portal for businesses called [www.bep4business.co.uk](http://www.bep4business.co.uk) this features news, events and general business focused information. As of 12th May 2014, the BEP website has had 1006 users since its launch last October. It is also supplemented by an active twitter feed @bep4business, with 433 followers and a Facebook page [www.facebook.com/bep4business](http://www.facebook.com/bep4business) with 100 likes, with regular postings being sent out to promote business news, events and support in general. We are in the process of implementing a business CRM system, in addition to allowing us to track any contact made with local businesses, will allow us to send monthly e-bulletins and other regular communications to local businesses using content generated from the BEP website. A comprehensive database of businesses and available commercial property has also been sourced to support our communications to business.

## EXPLANATORY FOREWORD

---

- Through the Lichfield and Tamworth Business and Economic Partnership lobbying has been undertaken to ensure that the interests of businesses and residential owner/occupiers have been taken into account in the development of a Local Broadband Plan for Staffordshire and the subsequent issuing of a commission to BT. Dialogue with SCC continues.
- Throughout the year the Lichfield City High Street Innovation funding has been invested in a number of marketing schemes centred around the new 'Shop, Eat, Drink , Explore' brand.
- In order to sustain long term investment in the city centre, the Lichfield Town Team recently commissioned a feasibility study into the potential for a Lichfield city centre Business Improvement District (BID). The study, carried out by consultant Michelle Baker of RegenManagement. It identified that if the 500+ businesses in the city centre supported a future BID and paid around 1.5% of their rateable value in BID levy, it could generate in excess of £250,000 every year to be spent on improvements chosen by businesses. Over five years that would equate to £1.25 million added investment in the city centre.
- Cabinet approved the Town Team's decision to fund the remainder of the process with High Street innovation money in further developing the BID. This will involve further consultation with businesses through a service level agreement with the Birmingham Chambers of Commerce. Michelle Baker on behalf of the BID will develop this further in Summer 2014 - Spring 2015, leading up to a planned ballot for all rates payers in the BID boundary (vote expected early 2015).
- As Local Planning Authority Lichfield District Council has signed up to both the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Planning Charter and the Stoke and Staffordshire Local Enterprise Partnership (SSLEP) Planning Chartermark aimed at making the planning system business-friendly and is implementing the various provisions within each. A review of the operation of the SSLEP Chartermark is currently taking place and a revised Concordat muted. This together with the implications for the Council will be reported to the Economic Growth and Development Overview and Scrutiny Committee of 17 September 2014.
- We have linked to the Greater Birmingham and Solihull Business Support Portal and Staffordshire Business Support helpline via the council website, as well as the new BEP business portal and liaise with both to provide details of relevant business support schemes and programmes and to ensure that the information provided to Lichfield businesses is as complete as possible. We have also joined the GBSLEP Enterprise Board to help shape the proposals for a Greater Birmingham Growth Hub and are also working closely with Birmingham Chamber to develop cross LEP proposals to ensure that the GBSLEP and SSLEP hubs cooperate and work effectively together.

### How our Core Principles help us deliver

- Processes and procedures for individual Electoral Registration have been developed and our Implementation Plan has been submitted to the Electoral Commission.
- The County Council Elections were successfully administered. Some improvements have been identified as set out on the report to the Strategic Overview and Scrutiny Committee on 12 September 2013.

## EXPLANATORY FOREWORD

---

Overall, the 2013/14 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.

A handwritten signature in purple ink that reads "Kitchen". The signature is written in a cursive style with a large loop at the beginning and a horizontal line underneath the name.

**Jane Kitchen**  
**Director of Finance, Revenue & Benefits (Chief Finance Officer)**  
**26 June 2014**

## 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 1 April 2013</b>	2,953	3,123	1,882	1,248	9,206	15,367	24,573
<b>Movement in Reserves 2013/14</b>							
Surplus/(Deficit) on provision of services	(5,336)				(5,336)		(5,336)
Other Comprehensive Income and Expenditure						(2,853)	(2,853)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,336)</b>				<b>(5,336)</b>	<b>(2,853)</b>	<b>(8,189)</b>
Adjustments between accounting basis & funding basis ( <b>Note 7</b> )	6,151		(419)	80	5,812	(5,812)	
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>815</b>		<b>(419)</b>	<b>80</b>	<b>476</b>	<b>(8,665)</b>	<b>(8,189)</b>
Transfers (to) / from Earmarked Reserves ( <b>Note 8</b> )	(958)	958					
<b>Increase/Decrease in Year</b>	<b>(143)</b>	<b>958</b>	<b>(419)</b>	<b>80</b>	<b>476</b>	<b>(8,665)</b>	<b>(8,189)</b>
<b>Balance at 31 March 2014</b>	<b>2,810</b>	<b>4,081</b>	<b>1,463</b>	<b>1,328</b>	<b>9,682</b>	<b>6,702</b>	<b>16,384</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>Restated 2012/13</b>							
<b>Balance at 1 April 2012</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	(2,015)				(2,015)		(2,015)
Other Comprehensive Income and Expenditure						(3,963)	(3,963)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,015)</b>				<b>(2,015)</b>	<b>(3,963)</b>	<b>(5,978)</b>
Adjustments between accounting basis & funding basis ( <b>Note 7</b> )	2,033		(184)	(21)	1,828	(1,828)	
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>18</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>

## 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.

Restated 2012/13				2013/14		
	Gross Income	Net Expenditure			Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,376	(290)	1,086	Central services to the public	1,835	(780)	1,055
9,599	(4,774)	4,825	Cultural and Related Services	7,637	(3,584)	4,053
6,591	(3,577)	3,014	Environmental & Regulatory Services	6,683	(3,383)	3,300
4,071	(2,196)	1,875	Planning Services	3,903	(2,148)	1,755
851	(1,691)	(840)	Highways and transport services	1,028	(1,872)	(844)
			Exceptional Item <sup>3</sup>	2,913		2,913
28,499	(27,362)	1,137	Other housing services	22,134	(21,511)	623
2,203	(54)	2,149	Corporate and democratic core	1,985	(98)	1,887
290		290	Non distributed costs	342		342
<b>53,480</b>	<b>(39,944)</b>	<b>13,536</b>	<b>Cost of Services</b>	<b>48,460</b>	<b>(33,376)</b>	<b>15,084</b>
2,030	(1,863)	167	Other Operating Expenditure (Note 9)	1,622	(548)	1,074
1,657	(1,030)	627	Financing and Investment income and Expenditure (Note 10)	2,437	(895)	1,542
	(12,315)	(12,315)	Taxation and Non-Specific Grant Income (Note 11)		(12,364)	(12,364)
<b>57,167</b>	<b>(55,152)</b>	<b>2,015</b>	<b>(Surplus) or Deficit on Provision of Services (cash flow)</b>	<b>52,519</b>	<b>(47,183)</b>	<b>5,336</b>
		(957)	(Surplus) or deficit on revaluation of non-current assets			2,027
		(1)	Surplus or (deficit) on revaluation of available for sale Financial Assets			1
		4,919	Remeasurement of the net defined benefit liability			827
		2	Other gains / (losses)			(2)
		<b>3,963</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>2,853</b>
		<b>5,978</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>8,189</b>

<sup>3</sup> The new Friary Outer multi deck car park became operational during 2013/14 and was therefore valued at 31 March 2014. The District Valuer has valued the car park using an Existing Use Value basis derived from comparable rental evidence of car parking and existing occupancy levels. This basis is consistent with that used to value the Council's other two multi deck car parks. The valuation has resulted in a revaluation loss of £2.913m being charged to Highways and Transport Services in 2013/14 although the valuation will need to be monitored should occupancy of the car park change significantly in the future.

## 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 2013		Notes	31 March 2014
£000			£000
41,197	Property, Plant & Equipment	12	37,624
455	Heritage Assets	13	515
6,440	Investment Property	14	5,928
131	Intangible Assets		177
1,206	Long Term Investments	15	
272	Long Term Debtors	15	251
<b>49,701</b>	<b>Long Term Assets</b>		<b>44,495</b>
91	Inventories		73
3,253	Short Term Debtors	16	7,038
6,027	Short Term Investments	15	6,238
5,067	Cash and Cash Equivalents	17	3,487
<b>14,438</b>	<b>Current Assets</b>		<b>16,836</b>
	Short Term Borrowing	15	(16)
(6,472)	Short Term Creditors	18	(9,501)
(881)	Provisions	19	(874)
(406)	Capital Grants Receipts in Advance	33	(153)
<b>(7,759)</b>	<b>Current Liabilities</b>		<b>(10,544)</b>
	Long Term Borrowing	15	(47)
(461)	Long Term Liabilities: Finance Leases	36	(248)
(31,246)	Long Term Liabilities: Defined Benefit Pension	38	(34,017)
(100)	Capital Grants Receipts in Advance	33	(91)
<b>(31,807)</b>	<b>Long Term Liabilities</b>		<b>(34,403)</b>
<b>24,573</b>	<b>Net Assets</b>		<b>16,384</b>
9,206	Usable Reserves	20	9,682
15,367	Unusable Reserves	21	6,702
<b>24,573</b>	<b>Total Reserves</b>		<b>16,384</b>

## CASHFLOW 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.

Restated 2012/13		2013/14
£000		£000
(2,015)	Net surplus or (deficit) on the provision of services	(5,336)
4,177	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements ( <b>Note 25</b> )	5,960
1,863	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities ( <b>Note 26</b> )	(3,242)
<b>4,025</b>	<b>Net cash flows from Operating Activities</b>	<b>(2,618)</b>
(2,156)	Investing Activities ( <b>Note 23</b> )	39
(5,659)	Financing Activities ( <b>Note 24</b> )	999
<b>(3,790)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(1,580)</b>
8,857	Cash and cash equivalents at the beginning of the reporting period	5,067
<b>5,067</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>3,487</b>



## NOTES TO THE ACCOUNTS

---

### 1. Accounting Policies

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice, 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 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

---

### **Accounting for Non-Domestic Rates (NDR)**

The NDR 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 and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR 3 return. 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 NDR payers belongs proportionately to all the major preceptors and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014.

### **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.

## NOTES TO THE ACCOUNTS

---

### **Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

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.

## NOTES TO THE ACCOUNTS

---

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme (LGPS) administered by Staffordshire County Council.

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

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of **4.3%** (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.
  - Unlisted securities     current bid price.
  - Property                    market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- 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.
- Net interest on the net defined benefit liability (asset), ie the net interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains or losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or

## NOTES TO THE ACCOUNTS

---

because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Staffordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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

## NOTES TO THE ACCOUNTS

---

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

Loans and Receivables are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

### **Government Grants and Contributions**

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

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

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

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

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

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

### **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,

## NOTES TO THE ACCOUNTS

---

some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's Heritage Assets are accounted for as follows:

Statues :

- These statues are located in various parks and open spaces and a library within the District. These items are reported in the Balance Sheet at insurance valuation and estimated market value. Insurance valuations are updated on an annual basis.
- The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost.

Art Collection :

- The art collection includes paintings and is reported in the Balance Sheet at estimated market value. The art collection is deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions initially are recognised at cost and any donations are recognised at valuation with valuations provided by external valuers and with reference to the appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Other Items :

- The Council has a number of items of civic regalia and trophies and these are reported in the Balance Sheet at insurance valuation. Insurance valuations are updated on an annual basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost.
- The Council has a grand piano and this is reported in the Balance Sheet at insurance valuation. Insurance valuations are updated on an annual basis.

### Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration or breakage or where doubts arise over its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see page 32 (Impairment) and pages 41 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 41 to 43 (Property, Plant and Equipment) in this Summary of Accounting Policies).

### 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.

## NOTES TO THE ACCOUNTS

---

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

---

### 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 and 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

---

- 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

---

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 **£500,000** and over will be considered for componentisation.

## NOTES TO THE ACCOUNTS

---

- 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 **£500,000** 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 **£500,000**, 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 **£100,000**, 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 five year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio in excess of the **£500,000** 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

---

### 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.
- A full year's charge is made in the year of acquisition and no charge is made in the year of disposal or decommissioning.

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

## NOTES TO THE ACCOUNTS

---

classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

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

### **Provisions**

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

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

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

### **Contingent Liabilities**

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

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

### **Reserves**

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

## NOTES TO THE ACCOUNTS

---

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

### **Revenue Expenditure Funded from Capital under Statute**

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

### **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Lichfield District Council is in a VAT receivable position at year end; the balance outstanding is included in **Note 16** 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. 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 2013/14, Lichfield District Council falls below the nationally agreed Carbon Reduction Commitment Scheme limit.

#### **2. Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes.

A number of new and revised standards in accordance with International Financial Reporting Standards (IFRS) have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This Standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not produce group accounts.
- **IFRS 11 Joint Arrangements** – This Standard addresses the accounting for a 'joint arrangement', and includes guidance that means proportional consolidation can no longer be used for such entities. The Council does not account for such arrangements using proportional consolidation.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure Standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

**International Accounting Standard (IAS 32) Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial

## NOTES TO THE ACCOUNTS

---

liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

**IAS 1 Presentation of the Financial Statements** – The change clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period and hence these changes will not have a material impact.

### **3. Critical judgements in applying accounting policies**

In applying the accounting policies set out in **Note 1**, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

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

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

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



## NOTES TO THE ACCOUNTS

The items in the Authority's Balance Sheet at 31 March 2014 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
<b>Property, Plant and Equipment</b>	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>£55,000</b> and for vehicles, plant and equipment would increase by <b>£226,000</b> for every year that useful lives had to be reduced.
<b>Business Rates</b>	Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier years in proportion to their share (40% for this Council). A provision has been recognised as the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014.	The level of the Provision could potentially be either understated or overstated if appeals are more or less successful than historic trends used in its calculation.
<b>Pensions Liability</b>	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 an increase in the pension liability of <b>£9,343,000</b> a 1 year increase in member life expectancy would amount to <b>£2,708,000</b> and <b>0.5%</b> increase in Salary and pension rate would amount to <b>£3,310,000</b> and <b>£5,866,000</b> respectively.
<b>Arrears</b>	At 31 March 2014, the Council had a balance of sundry debtors of <b>£1,778,000</b> . A review of significant balances suggested that an impairment of doubtful debts of <b>25%</b> ( <b>£446,000</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>£446,000</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.

## NOTES TO THE ACCOUNTS

---

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

The Statement of Accounts was authorised for issue by the Director of Finance on 23 June 2014.

On the 1 April 2014 Cabinet agreed to the extension of the Development Agreement for Friarsgate becoming unconditional by the latest date of 30 June 2016.

### **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

	2013/14					2012/13 Restated				
	Usable Reserves				Movement in Usable Reserves £000	Usable Reserves				Movement in Usable Reserves £000
	General Fund Balance £000	Reserve £000	Capital Receipts £000	Capital Grants Unapplied £000		General Fund Balance £000	Reserve £000	Capital Receipts £000	Capital Grants Unapplied £000	
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>										
Charges for depreciation and impairment of non-current assets	1,466				(1,466)	1,279				(1,279)
Revaluation (gains) / losses on Property, Plant and Equipment	3,003				(3,003)	386				(386)
Movements in the market value of investment properties	563				(563)					
Amortisation of intangible assets	67				(67)	92				(92)
Capital grants and contributions applied (see note below)	(883)				883	(709)				709
Revenue expenditure funded from capital under statute	1,399				(1,399)	1,890				(1,890)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	9				(9)	642				(642)
Movement on loans due or advanced to the CIES						(94)				94
<b>Insertion of Items not debited or credited to the CIES</b>										
Statutory provision for the financing of capital investment	(288)				288	(377)				377
Capital Expenditure charged to the General Fund	(289)				289	(168)				168
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>										
Capital Grants and Contributions unapplied credited to the CIES (see note below)	(760)		760			(272)		272		
Application of grants to capital financing transferred to the Capital Adjustment Account (see note below)			(680)		680			(293)		293
<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 CIES	(62)	62				(1,363)	1,363			
Unattached Capital Receipts not related to current year asset disposal to the CIES	(364)	364				(478)	478			
Use of the Capital Receipts Reserve to finance new capital expenditure			(845)		845		(2,022)			2,022
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals						3	(3)			
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 CIES	3,515				(3,515)	2,921				(2,921)
Employers pension contributions and direct payments to pensioners payable in the year	(1,569)				1,569	(1,631)				1,631
<b>Adjustments primarily involving the Collection Fund adjustment account</b>										
Amount by which Council Tax and Business Rate income credited to the CIES is different to that calculated for the year in accordance with statutory requirements	341				(341)	(13)				13
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2				(2)	(76)				76
<b>Total Adjustments</b>	<b>6,151</b>	<b>(419)</b>	<b>80</b>		<b>(5,812)</b>	<b>2,033</b>	<b>(184)</b>	<b>(21)</b>		<b>(1,828)</b>

### Grants and contributions

To provide consistent presentation of capital grants and contributions, 2012/13 has been restated from the figures below:

<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>		
Capital Grants and Contributions unapplied credited to the CIES	(981)	709
Application of grants to capital financing transferred to the Capital Adjustment Account		293
	(293)	293

## 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 2013/14.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Earmarked General Reserve	(1,532)	415	(320)	(1,437)		(526)	(1,963)
Earmarked Reserve-Restricted						(52)	(52)
Election Reserve	(75)		(23)	(98)		(19)	(117)
Public Open Spaces Reserve- Restricted	(6)			(6)		(98)	(104)
Joint Waste Shared Service Reserve- Restricted	(165)		(82)	(247)		(83)	(330)
Building Regulations Reserve						(61)	(61)
Development Grant Aid Reserve	(46)		(10)	(56)	4		(52)
Birmingham Road Car Park Capital Reserve -Restricted	(1,124)		(121)	(1,245)		(157)	(1,402)
Lombard Street Car Park Capital Reserve	(34)			(34)	34		
<b>Total</b>	<b>(2,982)</b>	<b>415</b>	<b>(556)</b>	<b>(3,123)</b>	<b>38</b>	<b>(996)</b>	<b>(4,081)</b>

The **Earmarked General Reserve** has been provided to fund expenditure items in 2014/15 and beyond including Fit for the Future Budget Reduction Programme, also income from Government Grants received which have no conditions attached but which have been set aside for use in providing specific services.

The **Earmarked Reserve-Restricted** represents sums set aside from grants received for use in providing specific services.

The **Election Reserve** has been set up to fund the cost of District Council Elections.

The **Public Open Spaces Reserve-Restricted** has been established to meet the Councils obligations under section 106 agreements.

The **Joint Waste Shared Service Reserve-Restricted** has been set up to meet are obligations under the Joint Waste Shared Service agreement.

The **Building Regulations Reserve** has been set up to meet are obligations under South Staffordshire Building Control Partnership.

The **Development Grant Aid Reserve** is to provide assistance to Historic Building and Nature Conservation Projects.

The **Birmingham Road Car Park Capital Reserve** represents sums set aside for future capital works per the legal agreement.

## NOTES TO THE ACCOUNTS

### 9. Other Operating Expenditure

2012/13 £000		2013/14 £000
1,457	Parish council precepts	1,478
1	Payments to the Government Housing Capital Receipts Pool	1
(94)	Deferred Receipts on loans and advances	
(719)	(Gains)/Losses on the disposal of non-current assets	(41)
(478)	Unattached Capital Receipts	(364)
<b>167</b>	<b>Total</b>	<b>1,074</b>

### 10. Financing and Investment Income and Expenditure

Restated 2012/13 £000		2013/14 £000
39	Interest payable and similar charges	22
1,204	Pensions interest cost and expected return on pensions assets	1,416
(246)	Interest receivable and similar income	(107)
(311)	Income and expenditure in relation to investment properties and changes in their fair value	284
(59)	Net (Surplus)/Deficit on Trading Undertakings	(73)
<b>627</b>	<b>Total</b>	<b>1,542</b>

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

2012/13 £000		2013/14 £000
(7,068)	Council tax income	(6,655)
(4,189)	Non domestic rates	
	Council Share of Retained Business Rates	(12,209)
	Less : Business Rates Tariff	10,757
(829)	Non-ring fenced government grants	(3,904)
(229)	Capital grants and contributions	(353)
<b>(12,315)</b>	<b>Total</b>	<b>(12,364)</b>

Non-ring fenced Government Grants are comprised of:

2012/13 £000		2013/14 £000
(71)	Local Services Support Grant	
(446)	New Homes Bonus	(732)
(82)	Formula Grant	(2,794)
(120)	New Burdens Grants	(68)
(110)	High Street Innovation Fund	
	Small Business Rates relief	(310)
<b>(829)</b>		<b>(3,904)</b>

## NOTES TO THE ACCOUNTS

### 12. Property, Plant and Equipment

Movements in 2013/14:

	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 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>
Additions	2,311	326		110	116	69	2,932
Revaluation increases/(decreases) recognised in the revaluation reserve	(3,252)						(3,252)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(3,064)						(3,064)
Derecognition – disposals		(459)					(459)
Asset reclassifications	1,499	114				(1,613)	
<b>At 31 March 2014</b>	<b>31,971</b>	<b>7,356</b>	<b>346</b>	<b>3,613</b>	<b>456</b>	<b>693</b>	<b>44,435</b>

<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2013</b>	<b>(1,389)</b>	<b>(5,647)</b>	<b>(35)</b>		<b>(10)</b>		<b>(7,081)</b>
Depreciation charge	(803)	(502)	(3)		(7)		(1,315)
Depreciation written out to the revaluation reserve	515						515
Depreciation written out to the surplus/deficit on the provision of services	66						66
Impairment losses/(reversals) recognised in the revaluation reserve	705						705
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						(151)	(151)
Derecognition – disposals		450					450
<b>At 31 March 2014</b>	<b>(906)</b>	<b>(5,699)</b>	<b>(38)</b>		<b>(17)</b>	<b>(151)</b>	<b>(6,811)</b>

<b>Net Book Value</b>							
At 31 March 2014	31,065	1,657	308	3,613	439	542	37,624
At 31 March 2013	33,088	1,728	311	3,503	330	2,237	41,197

## NOTES TO THE ACCOUNTS

Comparative 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><u>Cost or Valuation</u></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		301		1,307	1,864
Revaluation increases/(decreases) recognised in the revaluation reserve	560						560
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(417)						(417)
Derecognition – disposals	(584)	(1,586)					(2,170)
Asset reclassifications	360			(261)			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><u>Accumulated Depreciation and Impairment</u></b>							
<b>At 1 April 2012</b>	<b>(1,087)</b>	<b>(6,461)</b>	<b>(33)</b>		<b>(5)</b>		<b>(7,586)</b>
Depreciation charge	(827)	(521)	(2)		(5)		(1,355)
Depreciation written out of the revaluation reserve	388						388
Depreciation written out to the surplus/deficit on the provision of services	70						70
Impairment losses/(reversals) recognised in the revaluation reserve	15						15
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	31						31
Derecognition – disposals	21	1,335					1,356
<b>At 31 March 2013</b>	<b>(1,389)</b>	<b>(5,647)</b>	<b>(35)</b>		<b>(10)</b>		<b>(7,081)</b>
<b><u>Net Book Value</u></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

### 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 2014, the Council had entered into contracts to upgrade its ICT infrastructure and the value outstanding was **£1.07** million.

### Effects of Changes in Estimates

In 2013/14, 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	143	1,657		1,800
Valued at fair value as at:				
- 31 March 2014	12,907			12,907
- 31 March 2013	13,811			13,811
- 31 March 2012	4,204		439	4,643
<b>Total Cost or Valuation</b>	<b>31,065</b>	<b>1,657</b>	<b>439</b>	<b>33,161</b>

### 13. Heritage Assets

*The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* 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 2013/14:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
<b>Cost or Valuation</b>				
<b>At 1 April 2013</b>	<b>245</b>	<b>80</b>	<b>130</b>	<b>455</b>
Additions	60			60
<b>At 31 March 2014</b>	<b>305</b>	<b>80</b>	<b>130</b>	<b>515</b>

Comparative 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>
<b>At 31 March 2013</b>	<b>245</b>	<b>80</b>	<b>130</b>	<b>455</b>



## NOTES TO THE ACCOUNTS

---

### Statues

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

The Council agreed to accept ownership and responsibility for the Darwin Statue which is located in Beacon Park in Lichfield.

### Art Collection

The last valuations were carried out by our museum's 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.

### 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:

2012/13 £000		2013/14 £000
449	Rental income from investment property	507
(138)	Direct operating expenses arising from investment property	(792)
<b>311</b>	<b>Net gain / (loss)</b>	<b>(285)</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:

Restated 2012/13 £000		2013/14 £000
<b>6,610</b>	<b>Balance at the start of the year</b>	<b>6,440</b>
(71)	Disposals	
	Additions	51
	Net gains/(losses) from fair value adjustments	(563)
(99)	Transfers: To Property, Plant and Equipment	
<b>6,440</b>	<b>Balance at the end of the year</b>	<b>5,928</b>

### 15. Financial Instruments

#### Categories of Financial Instruments

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

	Long Term		Short Term	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
<b>Investments</b>				
Loans and receivables	1,206		11,093	9,725
<b>Total Investments</b>	<b>1,206</b>		<b>11,093</b>	<b>9,725</b>
<b>Debtors</b>				
Loans and receivables	272	251	2,731	3,332
<b>Total included in Debtors</b>	<b>272</b>	<b>251</b>	<b>2,731</b>	<b>3,332</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost		(47)		(16)
<b>Total included in Borrowings</b>		<b>(47)</b>		<b>(16)</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	(461)	(248)	(229)	(209)
<b>Total other Long Term Liabilities</b>	<b>(461)</b>	<b>(248)</b>	<b>(229)</b>	<b>(209)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost			(2,869)	(3,519)
<b>Total Creditors</b>			<b>(2,869)</b>	<b>(3,519)</b>

## NOTES TO THE ACCOUNTS

### Fair Values of Assets and Liabilities

Financial liabilities and 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:

	Restated 31 March 2013		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Financial Liabilities</u>				
Trade Creditors	(2,869)	(2,869)	(3,519)	(3,519)
Short Term Borrowing			(16)	(16)
Long-term Creditors - Borrowing			(47)	(47)
<u>Loans and receivables</u>				
Long Term Investments	1,206	1,218		
Short Term Investments	6,027	6,027	6,238	6,238
Cash & Cash Equivalents	5,067	5,067	3,487	3,487
Trade Debtors	2,731	2,731	3,332	3,332
Long-term Debtors	272	272	251	251

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

### 16. Short Term Debtors

31 March 2013 £000		31 March 2014 £000
488	Central government bodies	3,584
183	Council tax payers	186
	Business rate payers	329
<b>671</b>	<b>Total statutory debtors</b>	<b>4,099</b>
<b>232</b>	<b>Manual prepayments</b>	<b>240</b>
877	Other local authorities	1,384
	NHS Bodies	1
	Public corporations and trading funds	7
1,854	Other entities and individuals	1,940
<b>2,731</b>	<b>Total trade debtors</b>	<b>3,332</b>
<b>3,634</b>	<b>Total debtors</b>	<b>7,671</b>
	Less bad debt provision:	
(58)	Council tax payers	(68)
	Business rate payers	(119)
(323)	General debtors	(446)
<b>3,253</b>	<b>Total debtors</b>	<b>7,038</b>

## NOTES TO THE ACCOUNTS

### 17. Cash and Cash Equivalents

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

31 March 2013 £000		31 March 2014 £000
10	Cash held by the Authority	9
3,627	Bank Accounts <sup>4</sup>	2,368
1,430	Money Market Funds	1,110
<b>5,067</b>		<b>3,487</b>

### 18. Short Term Creditors

31 March 2013 £000		31 March 2014 £000
(967)	Central government bodies	(2,397)
(138)	Council tax payers	(124)
	Business rate payers	(737)
<b>(1,105)</b>	<b>Total statutory creditors</b>	<b>(3,258)</b>
<b>(2,498)</b>	<b>Receipts in advance</b>	<b>(2,724)</b>
(1,127)	Other local authorities	(1,519)
	NHS Bodies	(25)
(1)	Public corporations and trading funds	
(1,741)	Other entities and individuals	(1,975)
<b>(2,869)</b>	<b>Total trade creditors</b>	<b>(3,519)</b>
<b>(6,472)</b>	<b>Total creditors</b>	<b>(9,501)</b>

### 19. Provisions

	Outstanding Legal Cases £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2013</b>	<b>(96)</b>	<b>(785)</b>	<b>(881)</b>
Additional provisions made in 2013/14	(144)	(642)	(786)
Amounts used in 2013/14	9	784	793
<b>Balance at 31 March 2014</b>	<b>(231)</b>	<b>(643)</b>	<b>(874)</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 **£56,020**.

<sup>4</sup> Bank Investment Call Accounts (plus accrued interest) are **£3.507** million of this figure in 2012/13 and **£1.985** million in 2013/14.

## NOTES TO THE ACCOUNTS

---

### 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 **£67,523**. 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.

### Liquidated Damages

The amount of **£108,202** has been set aside in relation to a breach of contract on a Capital Project.

### Other Provisions

The amount of **£641,761** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2014 (see **Note 39** for further details).

## 20. Usable Reserves

31 March 2013 £000		31 March 2014 £000
2,953	General Fund	2,810
1,248	Capital Grants Unapplied	1,328
1,882	Capital Receipts Reserve	1,463
3,123	Earmarked Reserves	4,081
<b>9,206</b>	<b>Total Usable Reserves</b>	<b>9,682</b>

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

## 21. Unusable Reserves

2012/13 £000		2013/14 £000
5,613	Revaluation Reserve	3,474
1	Available for Sale Financial Asset Reserve	
41,144	Capital Adjustment Account	37,734
70	Deferred Capital Receipts	69
(31,246)	Pensions Reserve	(34,017)
5	Collection Fund Adjustment Accounts	(336)
(220)	Accumulated Absence Account	(222)
<b>15,367</b>	<b>Total Unusable Reserves</b>	<b>6,702</b>

## NOTES TO THE ACCOUNTS

### Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000			2013/14 £000
<b>4,939</b>	<b>Balance at 1 April</b>		<b>5,613</b>
995	Upward revaluation of assets	440	
(38)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,467)	
957	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(2,027)
(92)	Difference between fair value depreciation and historical cost depreciation	(112)	
(191)	Accumulated gains on assets sold or scrapped		
(283)	Amount written off to the Capital Adjustment Account		(112)
<b>5,613</b>	<b>Balance at 31 March</b>		<b>3,474</b>

## NOTES TO THE ACCOUNTS

### Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2012/13 £000			2013/14 £000
41,550	<b>Balance at 1 April</b>		41,144
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,349)	• Charges for depreciation and impairment of non-current assets	(1,466)	
(316)	• Revaluation losses on Property, Plant and Equipment	(3,003)	
(92)	• Amortisation of intangible assets	(67)	
(1,890)	• Revenue expenditure funded from capital under statute	(1,399)	
(700)	• 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	(9)	
(4,347)			(5,944)
92	Adjusting amounts written out of the Revaluation Reserve		112
37,295	Net written out amount of the cost of non-current assets consumed in the year		35,312
	Capital financing applied in the year:		
2,304	• Use of the Capital Receipts Reserve to finance new capital expenditure	845	
828	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,398	
171	• Application of grants to capital financing from the Capital Grants Unapplied Account	165	
377	• Statutory provision for the financing of capital investment charged against the General Fund	288	
169	• Capital expenditure charged against the General Fund	289	
3,849			2,985
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(563)
<b>41,144</b>	<b>Balance at 31 March</b>		<b>37,734</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.

Restated 2012/13 £000		2013/14 £000
(25,037)	<b>Balance at 1 April</b>	(31,246)
(9,773)	Actuarial gains or losses on pensions assets and liabilities	(450)
4,854	Return on Plan Assets	(375)
(2,921)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,515)
1,631	Employer's pensions contributions and direct payments to pensioners payable in the year	1,569
<b>(31,246)</b>	<b>Balance at 31 March</b>	<b>(34,017)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current 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.

2012/13 £000		2013/14 £000
<b>10</b>	<b>Balance at 1 April</b>	<b>70</b>
61	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(1)	Transfer to the Capital Receipts Reserve upon Receipt of Cash	(1)
<b>70</b>	<b>Balance at 31 March</b>	<b>69</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.

2012/13 Council Tax £000		Council Tax £000	Business Rates £000	2013/14 Total £000
(8)	<b>Balance at 1 April</b>	5		5
13	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	56	(397)	(341)
5	<b>Balance at 31 March</b>	61	(397)	(336)

### Accumulated Absence 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.

2012/13 £000		2013/14 £000
(296)	<b>Balance at 1 April</b>	(220)
76	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	(2)
(220)	<b>Balance at 31 March</b>	(222)

## 22. Cash Flow Statement - Operating Activities

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

2012/13 £000		2013/14 £000
186	Interest received	104
(2)	Interest paid	(23)
184	<b>Net cash flows from operating activities</b>	81

Interest received in 2012/13 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

### 23. Cash Flow Statement - Investing Activities

2012/13 £000		2013/14 £000
(1,912)	Purchase of property, plant and equipment, investment property and intangible assets	(2,750)
(1,206)	Proceeds from short and long term investments	1,000
1,357	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	483
(395)	Other receipts/(payments) from investing activities (including capital grants and contributions)	1,306
<b>(2,156)</b>	<b>Net cash flows from Investing activities</b>	<b>39</b>

The purchase of long term investments during 2012/13 is an interest bearing deposit due to mature 24 September 2014.

### 24. Cash Flow Statement - Financing Activities

2012/13 £000		2013/14 £000
(414)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(232)
	Cash receipts of short and long term borrowing	65
	Repayments of short and long term borrowing	(8)
(5,245)	Council Tax and Business Rates Net Cash Inflows	1,174
<b>(5,659)</b>	<b>Net cash flows from Financing activities</b>	<b>999</b>

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

Restated 2012/13 £000		2013/14 £000
1,757	Depreciation, amortisation and impairment	1,533
0	Downward revaluations	3,003
642	Carrying Amount of non-current assets disposed in the year	9
842	Increase / Decrease in Provisions	(7)
2	Increase / Decrease in Stock	18
(150)	Increase / Decrease in Debtors	(4,466)
(20)	Increase / Decrease in Creditors	3,496
1,290	Movement in pension liability	1,946
(186)	Other non-cash adjustments	428
<b>4,177</b>	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>5,960</b>

## NOTES TO THE ACCOUNTS

---

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

2012/13 £000		2013/14 £000
(1,363)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(425)
(977)	Capital Grants & Contributions	(1,643)
4,203	Any other items for which the cash effects are investing or financing activities	(1,174)
<b>1,863</b>	<b>Adjust net surplus or deficit on the provision of services for investing and financing activities</b>	<b>(3,242)</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 cash flows relating to these items are presented in **Note 23** and **Note 24** after adjusting for cash flows in respect of outstanding balances at the end of the current and prior financial year.

## NOTES TO THE ACCOUNTS

### 27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *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:

- The cost of retirement benefits is based on cash flows (payment of employer's pension 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:

Directorate Income and Expenditure 2013/14	Chief Executive £000	Finance, Revenues & Benefits £000	Leisure & Parks £000	Democratic, Development & Legal £000	Community, Housing & Health £000	Operational Services £000	Total £000
Fees, charges & other service income	(277)	(920)	(2,772)	(2,008)	(1,047)	(5,675)	(12,699)
Government Grants		(20,372)	(169)	(107)	(43)		(20,691)
<b>Total Income</b>	<b>(277)</b>	<b>(21,292)</b>	<b>(2,941)</b>	<b>(2,115)</b>	<b>(1,090)</b>	<b>(5,675)</b>	<b>(33,390)</b>
Employee Charges	792	1,949	2,448	2,735	1,859	3,522	13,305
Other services expenses	248	21,044	3,118	1,149	761	3,151	29,471
Support Service Recharges	(305)	(657)	153	656	(279)	353	(79)
Depreciation, amortisation and impairment		181	1,165	244	701	3,486	5,777
<b>Total Expenditure</b>	<b>735</b>	<b>22,517</b>	<b>6,884</b>	<b>4,784</b>	<b>3,042</b>	<b>10,512</b>	<b>48,474</b>
<b>Net Expenditure</b>	<b>458</b>	<b>1,225</b>	<b>3,943</b>	<b>2,669</b>	<b>1,952</b>	<b>4,837</b>	<b>15,084</b>

Directorate Income and Expenditure 2012/13 Restated	Chief Executive £000	Finance, Revenues & Benefits £000	Leisure, Parks & Play £000	Democratic, Development & Legal £000	Community, Housing & Health £000	Operational Services £000	Total £000
Fees, charges & other service income	(259)	(509)	(3,940)	(1,902)	(921)	(5,733)	(13,264)
Government Grants		(26,408)	(83)	(81)	(131)		(26,703)
<b>Total Income</b>	<b>(259)</b>	<b>(26,917)</b>	<b>(4,023)</b>	<b>(1,983)</b>	<b>(1,052)</b>	<b>(5,733)</b>	<b>(39,967)</b>
Employee Charges	860	1,869	2,741	2,699	1,794	3,370	13,333
Other services expenses	350	27,102	4,034	1,061	880	3,224	36,651
Support Service Recharges	(231)	(747)	375	353	(152)	293	(109)
Depreciation, amortisation and impairment		257	1,577	617	648	529	3,628
<b>Total Expenditure</b>	<b>979</b>	<b>28,481</b>	<b>8,727</b>	<b>4,730</b>	<b>3,170</b>	<b>7,416</b>	<b>53,503</b>
<b>Net Expenditure</b>	<b>720</b>	<b>1,564</b>	<b>4,704</b>	<b>2,747</b>	<b>2,118</b>	<b>1,683</b>	<b>13,536</b>

## 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.

2013/14	Directorate Analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(12,699)	(773)		(13,472)
Interest and investment income			(109)	(109)
Income from council tax			(6,656)	(6,656)
Government grants	(20,691)		(5,708)	(26,399)
<b>Total Income</b>	<b>(33,390)</b>	<b>(773)</b>	<b>(12,473)</b>	<b>(46,636)</b>
Employee expenses	13,305	36		13,341
Other service expenses	29,471	149		29,620
Support Service recharges	(79)	79		0
Depreciation, amortisation and impairment	5,777	720		6,497
Interest Payments			24	24
Pension interest and expected return on Assets			1,416	1,416
Precepts & Levies			1,478	1,478
Payments to Housing Capital Receipts Pool			1	1
Gain or Loss on Disposal of Fixed Assets			(41)	(41)
Capital Grants & Contributions			(364)	(364)
<b>Total Expenditure</b>	<b>48,474</b>	<b>984</b>	<b>2,514</b>	<b>51,972</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>15,084</b>	<b>211</b>	<b>(9,959)</b>	<b>5,336</b>

2012/13	Directorate Analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(13,264)	(760)	-	(14,024)
Interest and investment income	-	-	(246)	(246)
Income from council tax	-	-	(7,068)	(7,068)
Government grants and contributions	(26,703)	-	(5,247)	(31,950)
<b>Total Income</b>	<b>(39,967)</b>	<b>(760)</b>	<b>(12,561)</b>	<b>(53,288)</b>
Employee expenses	13,333	44	-	13,377
Other service expenses	36,651	177	-	36,828
Support Service recharges	(109)	78	-	(31)
Depreciation, amortisation and impairment	3,628	91	-	3,719
Interest Payments	-	-	39	39
Pension interest and expected return on Assets	-	-	1,204	1,204
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 & Contributions	-	-	(478)	(478)
Soft Loans	-	-	(94)	(94)
<b>Total Expenditure</b>	<b>53,503</b>	<b>390</b>	<b>3,698</b>	<b>57,591</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>13,536</b>	<b>(370)</b>	<b>(6,575)</b>	<b>2,015</b>

## NOTES TO THE ACCOUNTS

### 28. 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 :

2012/13 £000	Building Control Service	2013/14 £000
592	Expenditure incurred	565
(473)	Income received	(503)
(45)	Fee payable by South Staffordshire Council	(40)
(45)	Fee payable by Tamworth Borough Council	(40)
<b>29</b>	<b>Lichfield District Council's Contribution</b>	<b>(18)</b>

### 29. 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 Lichfield District Council and **42.5%** from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

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

2012/13 £000		2013/14 £000
	<b>Funding provided to the operation</b>	
(1,929)	Contribution from Lichfield	(1,892)
(1,426)	Contribution from Tamworth	(1,400)
<b>(3,355)</b>	<b>Total funding provided to the operation</b>	<b>(3,292)</b>
	<b>Expenditure met by the operation</b>	
2,276	Pay and allowances	2,318
19	Premises costs	22
1,494	Transport costs	1,296
559	Supplies and Services	573
253	Support Costs	253
(1,357)	Revenue income	(1,304)
<b>3,244</b>	<b>Total expenditure</b>	<b>3,158</b>
<b>(111)</b>	<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>(134)</b>
<b>(64)</b>	<b>Lichfield District Council's share of 57.5% of the net (surplus)/deficit arising on the operation</b>	<b>(77)</b>

## NOTES TO THE ACCOUNTS

### Reconciliation of Joint Waste Surplus to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)

This reconciliation shows how the figures above relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012/13 £000		2013/14 £000
(111)	<b>Net (surplus) arising on the pooled budget during the year</b>	<b>(134)</b>
1,929	Add: Lichfield's Contribution shown as expenditure in the CIES	1,892
(119)	Amounts not reported in the Joint Waste Service	96
<b>1,699</b>	<b>Net Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>1,854</b>

### 30. Members' Allowances

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

2012/13 £000		2013/14 £000
251	Allowances	263
30	Expenses	9
<b>281</b>	<b>Total</b>	<b>272</b>

### 31. 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	2013/14	93,714	2,284	120		17,676	113,794
	2012/13	103,299	16,959	572		20,315	141,145
Strategic Director	2013/14	78,783	1,556	200		14,764	95,303
Democratic , Development and Legal Services	2012/13	78,783	1,556	397		14,367	95,103
Strategic Director	2013/14	78,783	1,556	890		14,764	95,993
Community, Housing and Health	2012/13	78,783	1,556	235		14,367	94,941
Director of Operational Services	2013/14	58,582	2,459	920	70,937	11,206	144,104
	2012/13	71,217	1,405	1,119		12,970	86,711
Director of Finance, Revenues and Benefits	2013/14	71,217	1,405	166		13,329	86,117
	2012/13	71,217	1,405	112		12,970	85,704
Director of Leisure, Parks and Play	2013/14	71,217	-	449		13,085	84,751
	2012/13	69,595	1,340	1,149		12,683	84,767

- The Chief Executive retired at the end of 2012 and their successor commenced early 2013.
- The Director of Operational Services was made redundant in January 2014 and the post was removed from the establishment.

## NOTES TO THE ACCOUNTS

The Council's other employees receiving more than **£50,000** remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2012/13 Number of employees	Remuneration band	2013/14 Number of employees
3	£50,000-£54,999	4
	£55,000-£59,999	1
	£60,000-£64,999	1

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	4	6		12	4	18	£21,868	£120,591
£20,001 - £40,000		2		2		4		£123,100
£40,001 - £60,000		1		2		3		£143,667
£60,001 - £80,000		1	1		1	1	£78,451	£72,671
£80,001 - £100,000			1		1		£92,958	
£100,001 - £150,000								
£150,001 - £200,000				1		1		£170,849
<b>Total</b>	<b>4</b>	<b>10</b>	<b>2</b>	<b>17</b>	<b>6</b>	<b>27</b>	<b>£193,277</b>	<b>£630,878</b>

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

Exit Package Cost Band	2012/13			2013/14		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£21,868		£21,868	£116,042	£4,549	£120,591
£20,001 - £40,000				£113,387	£9,713	£123,100
£40,001 - £60,000				£53,037	£90,630	£143,667
£60,001 - £80,000	£34,259	£44,192	£78,451	£35,886	£36,785	£72,671
£80,001 - £100,000	£44,139	£48,819	£92,958			
£100,001 - £150,000						
£150,001 - £200,000				£70,937	£99,912	£170,849
<b>Total</b>	<b>£100,266</b>	<b>£93,011</b>	<b>£193,277</b>	<b>£389,289</b>	<b>£241,589</b>	<b>£630,878</b>

### 32. 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:

2012/13 £000		2013/14 £000
60	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	60
14	Fees payable to the Grant Thornton UK LLP for the certification of grant claims and returns for the year	8
1	Fees payable in respect of other services provided by the Audit Commission during the year (NFI)	1
<b>75</b>	<b>Total</b>	<b>69</b>

The fees for other services payable in both 2012/13 and 2013/14 related to the National Fraud Initiative.



## NOTES TO THE ACCOUNTS

As part of the Audit Commission's closure strategy retained surplus's have been distributed to Local Authorities, Lichfield received a rebate in 2013/14 of **£7,000k**.

### 33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £000		2013/14 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
134	Heritage Lottery Fund	
	Other Grants	
	Staffordshire County Council (Venture House)	116
95	Other Contributions	237
<b>229</b>	<b>Sub Total (Capital)</b>	<b>353</b>
7,068	Council Tax Income	6,655
4,189	Non-Domestic rates	1,452
829	Non Ring Fenced Government Grants	3,904
<b>12,086</b>	<b>Sub Total (Revenue)</b>	<b>12,011</b>
<b>12,315</b>	<b>Total</b>	<b>12,364</b>

2012/13 £000		2013/14 £000
	<b>Credited to Services</b>	
418	Disabled Facilities Grant	421
	Section 106 – Laurel House	200
126	Section 106 - Hawksyard	
	Staffordshire County Council (Friary Grange Leisure Centre)	412
204	Other Contributions	257
<b>748</b>	<b>Sub Total (Capital)</b>	<b>1,290</b>
26,283	Housing and Council Tax Benefits	20,240
136	Department for Communities and Local Government	145
284	Other Government Departments and Agencies	194
45	Staffordshire County Council Building - Safer Communities	
77	Positive Futures	16
	Office of the Police and Crime Commissioner	57
173	Contributions from other Local Authorities	193
	Contributions From other Local Authorities-Shared	
1,426	Services	1,400
<b>28,424</b>	<b>Sub Total (Revenue)</b>	<b>22,245</b>
<b>29,172</b>	<b>Total</b>	<b>23,535</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 :

		<b>31 March 2014 £000</b>
<b>Capital Grants Receipts in Advance</b>		
Other Contributions	153	
<b>Current Liabilities</b>		
Other Contributions	91	
<b>Long Term Liabilities</b>		
<b>Total</b>		<b>244</b>

		<b>31 March 2014 £000</b>
<b>Revenue Grants Receipts in Advance</b>		
Natural England-Environmental Stewardship	93	
Heritage Lottery Fund	750	
Neighbourhood Planning	52	
Other Contributions	24	
<b>Current Liabilities</b>		
<b>Total</b>		<b>919</b>

## NOTES TO THE ACCOUNTS

---

### 34. 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 27** on reporting for resources allocation decisions. Grant received during the year are shown in **Note 33**.

#### 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 30**. During 2013/14, works and services to the value of **£109,000** were commissioned from companies in which thirty four members had an interest (**£500,000** in 2012/13). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£107,000** to voluntary organisations (**£107,000** in 2012/13) in which 3 members had positions on the governing body. Details of these declarations are recorded in the Register of Members' Interest, open to public inspection by appointment.

#### Other Public Bodies

The Council received the sum of **£354,000** from Bromford Housing Group in 2013/2014 in respect of the right to buy claw back on the sale of dwellings

#### Entities Controlled or Significantly Influenced by the Council

The net amount owed to the Council from entities controlled or significantly influenced by the Council at the end of 2013/14 was **£1.484 million** (**£185,000** owed from the Council in 2012/13).

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.

Payment of subsidy of **£663,000** was made to the Lichfield Garrick Theatre Trust in 2013/14 (**£113,000** in 2012/13). Support services provided by the Council to the Garrick totalled **£147,000** (**£24,000** in 2012/13). Two District Councillors are members of the Board of Trustees.

## NOTES TO THE ACCOUNTS

### 35. 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.

2012/13 £000		2013/14 £000
1,403	<b>Opening Capital Financing Requirement</b>	1,466
	<i>Capital Investment</i>	
1,864	Property, Plant & Equipment	2,992
	Investment Properties	51
158	Intangible Assets	113
1,890	Revenue Expenditure Funded from Capital under Statute	1,399
	<i>Sources of Finance</i>	
(2,304)	Capital receipts	(845)
(999)	Government grants and other contributions	(1,563)
	<i>Sums set aside from revenue:</i>	
(169)	Direct revenue contributions	(289)
(377)	Minimum revenue provision	(288)
1,466	<b>Closing Capital Financing Requirement</b>	3,036

	<b>Explanation of movements in year</b>	
723	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	1,863
(250)	Finance lease assets returned	(5)
(33)	Lichfield Garrick loan novation	
(377)	Minimum revenue provision	(288)
63	<b>Increase /(decrease) in Capital Financing Requirement</b>	1,570

### 36. 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 2013 £000	31 March 2014 £000
Vehicles, Plant, Furniture and Equipment	509	306
<b>Total</b>	<b>509</b>	<b>306</b>

## NOTES TO THE ACCOUNTS

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

	31 March 2013	31 March 2014
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	229	212
- non-current	461	248
Finance costs payable in future years	44	23
<b>Minimum lease payments</b>	<b>734</b>	<b>483</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£000	£000	£000	£000
Not later than one year	251	226	229	212
Later than one year and not later than five years	483	257	461	248
<b>Total</b>	<b>734</b>	<b>483</b>	<b>690</b>	<b>460</b>

### 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 2013	31 March 2014
	£000	£000
Not later than one year	496	571
Later than one year and not later than five years	924	545
Later than five years	413	482
<b>Total</b>	<b>1,833</b>	<b>1,598</b>

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

	31 March 2013	31 March 2014
	£000	£000
Minimum Lease Payments	364	587
<b>Total</b>	<b>364</b>	<b>587</b>

## NOTES TO THE ACCOUNTS

---

### 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 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:

	Restated 31 March 2013	31 March 2014
	£000	£000
Not later than one year	508	494
Later than one year and not later than five years	1,249	1,123
Later than five years	3,276	3,206
<b>Total</b>	<b>5,033</b>	<b>4,823</b>

The figures for the year ended 31 March 2013 included the lease income for the Bakers Lane precinct in Lichfield City Centre. This income is based on a rental share of 11% of applicable income and expenditure. The Council's share is contingent on a number of factors such as the level of shop occupancy, rental levels and expenditure incurred in the operation of the Shopping Centre. Therefore the contingent nature of this income means it has no longer been included in this note although it will continue to be credited to the Comprehensive Income and Expenditure Statement on receipt.

### **37. Impairment Losses**

The Council undertook an impairment review of its non-current assets at 31 March 2014 and within the Assets under Construction category are capitalised costs related to the Friarsgate Development including the scheme's Compulsory Purchase Order (CPO) which expired on 24 February 2014. A new CPO will be required to take the scheme forward and therefore an impairment of **£151k** has been charged to the Comprehensive Income and Expenditure Statement to reflect the assessed recoverable value being lower compared to the carrying value for the previous CPO.

### **38. 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 pension's liabilities with investment assets.

## NOTES TO THE ACCOUNTS

### 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:

Restated 2012/13 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2013/14 £000
	<i>Cost of Services:</i>	
1,592	- current service cost	1,923
125	- past service costs	176
-	- settlements and curtailments	
	<i>Financing and Investment Income and Expenditure</i>	
1,204	- net interest expense	1,416
<b>2,921</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,515</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit comprising:	
(4,854)	- Return on plan assets (excluding the amount included in the net interest expense)	375
	- Actuarial gains and losses arising on changes in demographic assumptions	2,148
(105)	- Actuarial gains and losses arising on other experience	(3,314)
9,878	- Actuarial gains and losses arising on changes in financial assumptions	1,618
<b>4,919</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>827</b>
	<i>Movement in Reserves Statement</i>	
<b>(6,209)</b>	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(2,771)</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<b>1,631</b>	<b>- employers' contributions payable to scheme</b>	<b>1,571</b>

## NOTES TO THE ACCOUNTS

### Pension assets and Liabilities recognised in the Balance Sheet

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

Restated 2012/13 £000	Local Government Pension Scheme	2013/14 £000
(85,886)	Present value of defined benefit obligation	(90,255)
54,640	Fair value of plan assets	56,238
<b>(31,246)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(34,017)</b>

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

Restated 2012/13 £000	Local Government Pension Scheme	2013/14 £000
47,847	Opening fair value of scheme assets	54,640
2,288	Interest income	2,447
4,854	Remeasurement gain(loss):	
	- The return on plan assets, excluding the amount included in the net interest expense	(375)
1,516	Contributions from employer	1,453
531	Contributions from employees into the scheme	505
115	Contributions in respect of unfunded benefits	116
(2,396)	Benefits paid	(2,432)
(115)	Unfunded benefits paid	(116)
<b>54,640</b>	<b>Closing position as at 31 March</b>	<b>56,238</b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)

Restated 2012/13 £000	Local Government Pension Scheme	2013/14 £000
72,884	Opening balance at 1 April	
	- Present value of funded liabilities	84,054
	- Present value of unfunded liabilities	1,830
1,592	Current service cost	1,923
125	Past Service cost (including curtailments)	176
3,492	Interest costs	3,863
531	Contribution from scheme participants	505
	Remeasurement (gain)loss:	
	- Actuarial gains/losses arising from changes in demographic assumptions	2,148
9,878	- Actuarial gains/losses from changes in financial assumptions	1,618
(105)	- Other experiences	(3,314)
(2,396)	Benefits paid	(2,432)
(115)	Unfunded benefits paid	(116)
<b>85,886</b>	<b>Closing position as at 31 March</b>	<b>90,255</b>

IAS19 Change to Accounting Standard Defined Benefit Pension Schemes for details of the restated 2012/13 see **Note 42**.



## NOTES TO THE ACCOUNTS

### Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2013				Period ended 31 March 2014			
	Quoted process in active markets	Quoted process not in active markets	Total	% of Total Assets	Quoted process in active markets	Quoted process not in active markets	Total	% of Total Assets
	£000	£000	£000		£000	£000	£000	
Cash and cash equivalents	1,278.1		1,278.1	2%	2,387.1		2,378.1	4%
Equity Securities:								
- Consumer	5,026.1		5,026.1	9%	4,271.7		4,271.7	8%
- Manufacturing	3,067.6		3,067.1	6%	3,994.1		3,994.1	7%
- Energy and Utilities	2,289.3		2,289.3	4%	2,353.5		2,353.5	4%
- Financial institutions	4,189.8		4,189.8	8%	4,220.1		4,220.1	8%
- Health and Care	2,842.6		2,842.9	5%	2,943.4		2,943.4	5%
- Information technology	2,275.9		2,275.9	4%	2,570.5		2,570.5	5%
	1,185.7		1,185.7	2%	1,184.9		1,184.9	2%
Debt Securities								
- Corporate Bonds	4,139.5		4,139.5	8%	4,208.6		4,208.6	7%
Private equity:								
- All		1,747.5	1,747.5	3%		1,761.7	1,761.7	3%
Real Estate:								
- UK Property		4,252.8	4,252.8	8%		4,131.7	4,131.7	7%
Investment Funds and Unit Trusts:								
- Equities	16,729.3		16,729.3	31%	16,641.1		16,641.1	30%
- Bonds	2,780.5		2,780.5	5%	2,733.2		2,733.2	5%
- Hedge Funds		1,001.6	1,001.6	2%		1,065.3	1,065.3	2%
- Other		1,833.6	1,833.6	3%		1,771.2	1,771.2	3%
<b>Total Assets</b>	<b>45,804</b>	<b>8,836</b>	<b>54,640</b>	<b>100%</b>	<b>47,508</b>	<b>8,730</b>	<b>56,238</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2013/14. This is undertaken every three years and 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 2014.

## NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

2012/13 Percentage %	Local Government Pension Scheme	2013/14 Percentage %
	Long-term expected rate of return on assets in the scheme	
4.5	Equity investments	4.3
4.5	Bonds	4.3
4.5	Property	4.3
4.5	Cash	4.3
4.5	Expected Return on Assets	4.3
2.8	Rate of inflation	2.8
5.1	Rate of increase in salaries	4.6
2.8	Rate of increase in pensions	2.8
4.5	Rate for discounting scheme liabilities	4.3
	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	22.1
23.4	- Women	24.3
	Longevity at 65 for future pensioners:	
23.3	- Men	24.3
25.6	- Women	26.6

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and type of assumptions used in preparing the sensitivity analysis below did not change from those used in previous period.

Change in assumption at 31 March 2014	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	9,343
1 year increase in member life expectancy	3%	2,708
0.5% increase in the Salary Increase Rate	4%	3,310
0.5% increase in the Pension Increase Rate	6%	5,866

## NOTES TO THE ACCOUNTS

### Scheme History

Local Government Pension Scheme	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation	(80,412)	(66,234)	(72,884)	(85,886)	(90,255)
Net Liability arising from defined benefit obligation	44,039	46,047	47,847	54,640	56,238
<b>Net Liability arising from defined obligation</b>	<b>(36,373)</b>	<b>(20,187)</b>	<b>(25,037)</b>	<b>(31,246)</b>	<b>(34,017)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£34.017 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£16.384 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 Employers contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is **£1.537 million**.

### **39. 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.
- 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 2014 is **£265,126**. No provision has been made for this amount as the outcomes of the claims are currently unknown.

#### Future Business Rate Appeals

- The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors (10%), central government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

## NOTES TO THE ACCOUNTS

- The Council has included a provision of **£0.6m** (the overall provision in the Business Rates Collection Fund is **£1.6m** and this Council's share of the Local Business Rates Retention scheme is **40%**) for appeals outstanding on the 31 March 2014 of **£27.1m**. However, local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31 March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Council's Financial Statements.
- It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Council has therefore made no provision in the accounts for future successful appeals. However, to provide an indication of the possible level of future successful appeals, the level of historic appeals together with the average level of success and savings in Rateable Value is shown for both the 2005 and 2010 lists below:

	2005 List	2010 List	Overall
Total value of Rateable Values appealed	£124.30m	£81.60m	£205.90m
Average success rate	45.18%	31.01%	
Average % reduction in Rateable Value	10.40%	8.11%	9.86%
<b>Total reduction in Rateable Value</b>	<b>£5.80m</b>	<b>£1.40m</b>	<b>£7.20m</b>
Years since the List was compiled	9	4	
Average annual reduction in Rateable Value	£0.64m	£0.35m	
Standard Business Rate Multiplier in 2014/15	48.2p	48.2p	
<b>Average annual cost of reduction based on 2014/15 Multiplier</b>	<b>£0.31m</b>	<b>£0.17m</b>	
<b>District Council Share at 40%</b>	<b>£0.12m</b>	<b>£0.06m</b>	
Appeals outstanding 31/03/14	£0.20m	£26.90m	£27.10m
Provision included	£0.02m	£1.58m	£1.60m
Provision as a % of Appeals outstanding	10.08%	5.89%	5.92%

### 40. Contingent Assets

- Under the Deed of Transfer of the Council's Housing Stock to Bromford Housing Association (HomeZone) on 24 March 1997, the Council is entitled to a share of any housing receipts the Association receives in relation to transferred properties.

### Events after the Reporting Period

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

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

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

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

## NOTES TO THE ACCOUNTS

---

### **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
- Macroeconomic indicators;
- Corporate developments and information in the general and financial media.

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

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

## NOTES TO THE ACCOUNTS

### Specified Investments<sup>5</sup>

Financial Asset Category	Strategy Approved 22 February 2013		Strategy Approved 24 February 2014	
	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 25% Canada 25% Australia 25% Singapore		100% UK 25% Canada 25% Australia 25% Singapore	

### Non Specified Investments

Financial Asset Category	Strategy Approved 22 February 2013		Strategy Approved 24 February 2014	
	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>  Fitch = A+ Moody's = A1 Standard and Poors = A+	£2.0 million	<u>Minimum Long Term Rating</u>  Fitch = A- Moody's = A3 Standard and Poors = A-	£2.0 million
Group Limit	£3 million		£3 million	
Sovereign Limits	100% UK 25% Canada 25% Australia 25% Singapore		100% UK 25% Canada 25% Australia 25% Singapore	

<sup>5</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

---

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 **£9.725m (£6.238m** of short term investments and **£3.487m** 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 2014 that this was likely to crystallise.

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 2014
	£000	£000
Less than three months	2,308	2,611
Three to six months	106	234
Six months to one year	110	201
More than one year	207	286
<b>Total</b>	<b>2,731</b>	<b>3,332</b>

### 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 2014
	£000	£000
Less than one year	(2,869)	(3,535)
Between one year and two years		(47)
<b>Total</b>	<b>(2,869)</b>	<b>(3,582)</b>

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

## NOTES TO THE ACCOUNTS

---

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

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

#### IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet however; the main changes are as follows:

- Expected Return on Assets

This is in relation to the return on Pension Scheme Assets such as those held by the Staffordshire County Council Local Government Pension Fund. Advanced credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using the expected return on assets assumptions).

- Asset Disclosures

IAS19 requires a much more detailed breakdown of pension fund assets. The values of the assets broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those that do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

- Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's Defined Benefit Pension Scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 38).

#### Service Code of Practice (SeRCOP) reclassifications

The Council has reviewed the classifications of its expenditure and income under SeRCOP and has reclassified two cost centres as detailed below:

Cost Centre	Reclassified From	Reclassified To	Reason
Street lighting	Highways and transport services	Cultural and related services	The street lighting is located on open space not on highways.
Grounds Maintenance	Central services to the public	Cultural and related services	The grounds maintenance relates to Parks and Open Spaces primarily owned by the Council

The impact on the Council's 2012/13 published financial statements is shown in the tables below. Where disclosures have been restated in line with the adjustments, the 2012/13 column on the disclosure table is headed as 'Restated 2012/13'.



## NOTES TO THE ACCOUNTS

### Comprehensive Income and Expenditure Statement

	2012/13 Net Expenditure	IAS19 Pensions Restatement	SeRCOP Reclassifications	Restated 2012/13 Net Expenditure
	£000	£000	£000	£000
Central services to the public	1,060		26	1,086
Cultural and Related Services	4,844		(19)	4,825
Environmental & Regulatory Services	3,014			3,014
Planning Services	1,875			1,875
Highways and transport services	(833)		(7)	(840)
Other housing services	1,137			1,137
Corporate and democratic core	2,149			2,149
Non-distributed costs	290			290
<b>Cost of Services</b>	<b>13,536</b>			<b>13,536</b>
Other Operating Expenditure (Note 9)	167			167
Financing and Investment income and Expenditure (Note 10)	198	429		627
Taxation and Non-Specific Grant Income (Note 11)	(12,315)			(12,315)
<b>(Surplus) or Deficit on Provision of Services (cash flow)</b>	<b>1,586</b>	<b>429</b>		<b>2,015</b>
(Surplus) or deficit on revaluation of non-current assets	(957)			(957)
Surplus or (deficit) on revaluation of available for sale Financial Assets	(1)			(1)
Actuarial gains / losses on pension scheme assets / liabilities	5,348	(429)		4,919
Other gains / (losses)	2			2
<b>Other Comprehensive Income and Expenditure</b>	<b>4,392</b>	<b>(429)</b>		<b>3,963</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>5,978</b>			<b>5,978</b>

## NOTES TO THE ACCOUNTS

### Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
As reported	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012</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>(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>(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
Restatements	£000	£000	£000	£000	£000	£000	£000
Surplus or (Deficit) on Provision of Services – IAS19 Pensions Restatement	(429)				(429)		(429)
Other Comprehensive Income and Expenditure						429	429
<b>Total Comprehensive Income and Expenditure</b>	<b>(429)</b>				<b>(429)</b>	<b>429</b>	
Adjustments between accounting basis and funding basis	429				429	(429)	

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Restated 2012/13	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012</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	(2,015)				(2,015)		(2,015)
Other Comprehensive Income and Expenditure						(3,963)	(3,963)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,015)</b>				<b>(2,015)</b>	<b>(3,963)</b>	<b>(5,978)</b>
Adjustments between accounting basis & funding basis ( <b>Note 7</b> )	2,033		(184)	(21)	1,828	(1,828)	
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>18</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>

## NOTES TO THE ACCOUNTS

### Cash Flow Statement

	2012/13 £000	IAS19 Pensions Restatement £000	Restated 2012/13 Net Expenditure £000
Net (surplus) or deficit on the provision of services	1,586	429	2,015
Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements <b>(Note 25)</b>	(3,748)	(429)	(4,177)
Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities <b>(Note 26)</b>	(1,863)		(1,863)
<b>Net cash flows from Operating Activities</b>	<b>(4,025)</b>		<b>(4,025)</b>
Investing Activities <b>(Note 23)</b>	2,156		2,156
Financing Activities <b>(Note 24)</b>	5,659		5,659
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>3,790</b>		<b>3,790</b>
Cash and cash equivalents at the beginning of the reporting period	(8,857)		(8,857)
<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>(5,067)</b>		<b>(5,067)</b>

## COLLECTION FUND AND NOTES

### 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.

2012/13 £000	Collection Fund	2013/14 £000
	<b>Income</b>	
50,308	Council Tax	52,177
5,658	Transfer from(to) general fund-Council Tax Benefit	(105)
32,245	Non-domestic rates	32,315
	Transitional protection payments -non-domestic rates	114
<b>88,211</b>	<b>Total income</b>	<b>84,501</b>
	<b>Expenditure</b>	
55,785	Precepts and demands from major preceptors and the authority - Council Tax	51,485
	Share of non-domestic rating income to major preceptors and the authority - Non-domestic rates	15,758
31,883	Payment with respect to central share(including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities.	15,758
51	Impairment of Debts/appeals for Council Tax	35
29	<ul style="list-style-type: none"> <li>• write-offs on uncollectable amounts</li> <li>• allowance for impairment</li> </ul>	113
441	Impairment of debts/appeals for non-domestic rates	68
(204)	<ul style="list-style-type: none"> <li>• write-offs on uncollectable amounts</li> <li>• allowance for impairment</li> <li>• allowance for non-domestic rates appeals</li> </ul>	1,605
125	Charge to General Fund for allowable collection costs for non-domestic rates	125
<b>88,110</b>	<b>Total expenditure</b>	<b>85,056</b>
	<b>Council Tax</b>	
(101)	Movement on Fund (Surplus)/Deficit	(438)
62	Balance at beginning of year	(39)
(39)	Balance at end of year	(477)
	<b>Non-domestic rates</b>	
	Movement on Fund (Surplus)/Deficit	993
	Balance at end of year	993

2012/13 £000	Allocation of Collection Fund (Surplus)/Deficit	2013/14		
		Council Tax £000	NDR £000	Total £000
(5)	Lichfield District Council	(61)	397	336
(27)	Staffordshire County Council	(336)	89	247
(5)	Staffordshire OPCC	(58)	10	(48)
(2)	Staffordshire Fire Authority	(22)		(22)
	Government		497	497
<b>(39)</b>		<b>(477)</b>	<b>993</b>	<b>516</b>

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

### Council Tax

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, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and the office of the Police and Crime Commissioner Staffordshire 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 1.1% to cover appeals, changes in discounts and bad debts that arise) **35,274** for 2013/14. This basic amount of Council Tax for a Band D property (**£1,459.59** for 2013/14) is multiplied by the proportion specified for the particular band to give an individual amount due.

The schedule of Authorities which made a Council Tax precept on the Collection Fund in 2013/14 is shown below:

2012/13 £000	Council Tax	2013/14 £000
<b>39,350</b>	<b>Staffordshire County Council</b>	<b>36,235</b>
<b>6,793</b>	<b>Staffordshire Office of Police &amp; Crime Commissioner (OPCC)</b>	<b>6,265</b>
<b>2,587</b>	<b>Staffordshire Fire Authority</b>	<b>2,386</b>
<b>5,598</b>	<b>Lichfield District Council</b>	<b>5,256</b>
	<b>Parish Precepts :</b>	
34	Alrewas	30
69	Armitage with Handsacre	67
256	Burntwood Town Council	224
15	Clifton Campville with Thorpe Constantine	14
12	Colton	11
3	Curborough & Elmhurst, Farewell & Chorley	2
22	Drayton Bassett	20
11	Edingale	11
12	Elford	11
58	Fazeley Town Council	53
51	Fradley and Streethay	48
20	Hammerwich	19
3	Hamstall Ridware	3
6	Harlaston	5
7	Hints and Canwell	7
13	Kings Bromley	11
14	Longdon	14
14	Mavesyn Ridware	13
129	Shenstone	116
4	Swinfen and Packington	4
5	Wall	5
2	Weeford	2
44	Whittington and Fisherwick	41
19	Wigginton and Hopwas	17
634	Lichfield City Council	595
<b>1,457</b>	<b>Total Parish Precepts</b>	<b>1,343</b>
<b>55,785</b>		<b>51,485</b>

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

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

Band	Band Width	2012/13 Band D Equivalent (Tax Base)			2013/14 Band D Equivalent (Tax Base)			
		£	Number of Dwellings	%	99.5%	Number of Dwellings	%	98.9%
A	0 to 40,000		3,189	8	3,173	2,246	6	2,223
B	40,001 to 52,000		6,921	18	6,886	5,787	16	5,726
C	52,001 to 68,000		8,054	21	8,014	7,440	21	7,361
D	68,001 to 88,000		5,703	15	5,675	5,633	16	5,573
E	88,001 to 120,000		5,351	14	5,324	5,269	15	5,213
F	120,001 to 160,000		4,581	12	4,558	4,637	13	4,588
G	160,001 to 320,000		3,817	10	3,798	3,808	11	3,768
H	320,001 upwards		707	2	703	708	2	700
Class O			117		117	122		122
<b>TOTAL</b>			<b>38,440</b>	<b>100</b>	<b>38,248</b>	<b>35,650</b>	<b>100</b>	<b>35,274</b>

### Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2013/14 amounting to **£113,406**. The total allowance for impairment of debt as at the 31 March 2014 is **£418,767** and represents **37%** of the **£1,454,307** outstanding debt.

### Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **47.1p** (2012/13 **45.8p**) and the small business non-domestic rating multiplier **46.2p** (2012/13 **45.0p**) 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.

2012/13 £000		2013/14 £000
81,840	Non-Domestic rateable value at year end	81,724
32,245	Gross rates payable	32,315

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received. The Council's Share is **40%** with the remainder paid to precepting bodies.

2012/13 £000	Preceptors	Share %	2013/14 £000
	<b>Central Share</b>		
	Central Government	50%	15,758
	<b>Major Precepting Bodies</b>		
	Staffordshire County Council	9%	2,837
	Staffordshire Fire Authority	1%	315
	Lichfield District Council	40%	12,606
	<b>Total Precepting Bodies</b>	<b>50%</b>	<b>15,758</b>

### NDR Allowance for Impairment

An increase in the allowance for impairment was made during 2013/14 amounting to **£109,300**. The total allowance for impairment of debt as at the 31 March 2014 is **£298,240** and represents **36%** of the **£823,640** outstanding debt.

# ANNUAL GOVERNANCE STATEMENT

---

## Annual Governance Statement 2013/14

### 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>6</sup> This was approved at Audit Committee on 31 March 2008.

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 2014 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. (This can be seen in tabular format at Appendix 1).

### *Creating and implementing a vision*

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

1. The Council agreed a 4 year Strategic Plan in 2012 entitled Plan for Lichfield District 2012-16 that was the subject of detailed consultation with Members, partners, employees and the public. It was adopted by the District Board as a plan for all agencies to deliver. It set 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. This plan has been reviewed in 2013/14, in light of the impact of the reduced financial capacity of the Council (see para 26).
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

---

<sup>6</sup> A copy of the code can be obtained from the Director of Finance, Revenues and Benefits

## ANNUAL GOVERNANCE STATEMENT

---

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 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 devised a 1-year high level Action Plan for 2013/14 which contained the tasks for the year. This 1-year plan sets out the activities, projects, targets and measures to be monitored throughout the year. The performance reports regarding the delivery of the Action Plan were subject to scrutiny and reviewed by Cabinet. The most recent update was reported to and approved by Cabinet on 4 February 2014.
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 how future development and growth of Lichfield District are 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.
11. 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.
12. 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.
13. The performance management framework was reviewed so that each of the four O & S Committees now 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 are also provided with statistical activity and performance data. This new system became effective in June 2013.
14. 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.
15. On the 4 February 2014 the Medium Term Financial Strategy (Revenue and Capital) (MTFS (R&C)) 2014-17 reported to Cabinet that there is a Funding Gap of £3,143,450 over the period 2014/15 to 2016/17. The Council is legally required to balance the Budget in the first year of the three year MTFS (R&C) 2014-17 and set out its proposals to balance the second two financial years 2015/16 and 2016/17. The use of General Reserves of £405,880 will balance the Revenue Budget in 2014/15. However, the Council has agreed a change in policy which means that after 2014/15, General Reserves will not be used in 2015/16 and 2016/17, thus leaving a Funding Gap of £2,737,570 that will need to be closed.



## ANNUAL GOVERNANCE STATEMENT

---

16. Fit for the Future was set up as a change programme in May 2013 to respond to the challenging financial pressures that the Council found itself facing. At the time of the programme being launched it was made clear that there was not only an immediate budget deficit to address but also medium to long term pressures coupled with the change in how local government would be funded that needed to be tackled.
17. A two phase programme – phase one to address immediate budget pressure and phase two to look at medium to long term sustainability was therefore proposed and launched.
- Phase 1 comprised a project to address the immediate financial challenges of the 2014/15 budget.
  - Phase 2 comprises a series of service reviews. 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. All options for delivery are considered as part of the reviews. The length of each review may vary but each will be managed through project management principles and reported through the relevant Overview and Scrutiny Committees to Cabinet and Council. All council services will be reviewed at some point in the MTFs period. It is important to note that this is not an exercise just to save money (though of course that is needed) it is an exercise to make sure that we are delivering the services that the communities we serve need, in the most appropriate and cost efficient way.

### Delivering financial savings

18. We have categorised phase 1 as any savings achieved in year as part of F4F, so there is no direct correlation to the proposals that went to the Cabinet and Council in 2013. In those papers the overall savings against the target of £1.7m for 2014/15 being sought through that approval process was £1.042m.
19. Progress with other efficiency measures taken across the council during the year mean that the total savings against the £1.7m target for 2014/15 was £1.3m.
20. The breakdown by directorate can be shown as:

Service	2013/14 £	2014/15 £
Chief Executive	59,620	61,940
Finance, Revenues and Benefits	64,160	76,740
Leisure, Parks and Play	47,360	394,520
Democratic, Development and Legal	152,040	218,960
Community Housing and Health	(22,690)	202,790
Operational Services	198,070	348,830
<b>Total</b>	<b>£498,560</b>	<b>£1,303,780</b>

#### Please note:

- In 2013/14 savings of £498,560 were achieved.
  - Further savings of £805,220 have been achieved for 2014/15, totalling permanent savings to date of £1,303,780.
21. Some figures will vary as proposals identified change during implementation but the figures above are what has been identified in the MTFs. Sound progress has therefore been made, although it is accepted and acknowledged that services have been reduced though these actions notably in community (the Community and Partnerships team has ceased) and in mobile leisure and play services.

### Staffing

22. 25 posts were identified as being redundant through the process, 11 voluntary and 14 compulsory. 25 people have now left the organisation on Compulsory or Voluntary redundancy and a further 5 are at risk. This process will continue to change as Service Reviews are progressed.

## ANNUAL GOVERNANCE STATEMENT

---

*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*

23. In February 2014 Full Council approved the detailed budget, which allocated resources to appropriate priorities.
24. The MTFs is updated annually to reflect changes regarding the government policy, legislative changes and economic conditions.
25. Cabinet receives quarterly financial reports on both revenue and capital expenditure compared with budget.
26. In light of the need for such substantial savings Members requested that the ambitions laid out in the Plan for Lichfield District should be reviewed as they considered that not all of the aspirations contained therein could be pursued and delivered as originally intended. An initial assessment of the themes, aims and ambitions was undertaken. Cabinet Members and Directors concluded that having regard to the strategic nature of the Plan, there is evidence to show that investment will continue to be made against all of the aims/ambitions set out although the level of investment has been reduced in some areas as a consequence of the Fit for the Future programme. As the Plan is also endorsed by partners, the ambitions expressed within it were never intended to be delivered by Lichfield District Council alone. Partners also invest and contribute to the themes and aims outlined in the Plan. It was therefore concluded that the high level strategic Plan does not need to be changed at this stage and instead a revised format for the Annual Plan 2014/15 has been used as the vehicle to ensure that the aspirations of the Council are focussed, realistic and deliverable having regard to the reduced resources now available. The conclusions arising from the Member/Director review of the overall Plan were reported to Strategic O&S Committee and Cabinet in early 2014. Impacts of the F4F programme on specific services were reported to relevant O&S Committees within the context of the mid year performance reports (January 2014 O&S meetings).
27. 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. 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). A comprehensive community consultation exercise has been developed as part of Fit for the Future in order to raise residents awareness of the services the District Council delivers and to seek their views on the importance of our services and the opportunities for future savings or income generation. This has been developed through a cross party working group of councillors and will be launched on 23 May 2014. The exercise will provide valuable information from the community to better inform Members as they continue to make difficult decisions on spending and priorities.
28. In previous surveys 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. There will be a newer Feeling the Difference Survey but this tends to be community safety orientated.
29. Strategic Outcomes –
  - Work was completed on a multi deck car park facility at Friary Outer. This has created 400 car parking spaces, together with 54 sheltered housing units and social housing. Construction has also started on a new hotel adjacent to the car park. This is expected to be open by autumn 2014.
  - Working with Staffordshire County Council (SCC) we achieved a smooth transition to the Waste 2 Resource (WS2) facility for residual waste at Four Ashes. Deliveries commenced in October 2013 with SCC reimbursing our additional costs.
  - The Friary Grange swimming pool and changing rooms were refurbished and reopened
  - A skate park in the City was constructed and opened in spring 2014

## ANNUAL GOVERNANCE STATEMENT

---

- We are making improvements in the way we use technology. Since April 2013, the Council has set up an ICT Review Group which reported to O&S and then Cabinet (February 2014).
- The Operational Services' Directorate ceased during 2013/14 and the various department allocated to the other Directorates including a newly created Leisure and Parks Directorate.

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

30. 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.
31. 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.
32. 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.
33. 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. This year for example updates were made on several occasions in line with updates to legislative changes and changes to the Standards Regime. 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.
34. 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.
35. 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*

36. The role of the Standards Committee is to promote and maintain high standards of conduct by members and co-opted members.
37. 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 re-adopted the Members Code of Conduct as changes have been made as part of the Localism Act 2011.
38. 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.
39. The ethos of the Paid Service is that officers serve all of the Council, and to this end each of the Directors and the Chief Executive offer to meet with opposition Spokespersons. The development of the governance arrangements and specifically the development of the accountability of officers to Members is periodically reviewed by Leadership Team at their meetings.
40. 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.
41. 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 2013/14 there were two Members Code of Conduct complaints received, neither of which resulted in an investigation or a finding that there was a breach of the Code of Conduct.
42. The Council can evidence that it has acted decisively when complaints of unacceptable behaviour have been made by employees.

## ANNUAL GOVERNANCE STATEMENT

---

43. 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.
44. 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***

45. The Constitution contains Council's procedures, rules and Scheme of Delegation including the Financial Regulations and Standing Orders.
46. 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 considered and agreed 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.
47. 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 b.
48. 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.
49. There are departmental risk registers which are maintained systematically, and Internal Audit assessments of our risk management consistently show substantive assurance.
50. 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.
51. During 2013/14 Internal Audit carried out a review of the Council's Risk Management System. This review concluded that Substantial Assurance can be found from the controls within the system.

### ***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)***

52. 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.

#### **53. 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 2013/14 is the Director of Finance, Revenues and Benefits who reports directly to the Chief Executive and is one of the five members of the Corporate Leadership Team, including the Chief Executive.

#### **54. 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.

## ANNUAL GOVERNANCE STATEMENT

---

### 55. 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.

### 56. 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.

### 57. 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*

58. 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.

59. 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.

60. 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*

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

62. 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

63. 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.

64. 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.

65. 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.

66. In addition, a Director's Internal Control Checklist or where appropriate a Manager's Internal Control Checklist is sought annually 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.

## ANNUAL GOVERNANCE STATEMENT

---

67. 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**

68. The Authority has a whistle blowing policy in place, which is reviewed by the Audit Committee.
69. We have received three whistle blowing reports during the year. One was investigated but there was no evidence to support the concern and so was not taken any further. One was investigated and included as part of a normal internal audit review, but again no issue had arisen. The third was under a full investigation at the year end.
70. 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. An audit of the systems for complaints, comments and suggestions took place in 2012 which led to the production and launch of a Complaints Charter – Guidance for Staff in autumn 2013. The Charter explains the Council's complaints process (including defining the difference between a complaint and a service request), how the process is managed internally and what customers can expect. The internet page for complaints has been updated and Complaints Checklists provided for investigating officers. During 2013/14 we received 101 complaints. Although this represents an increase on 2012/13, (only 37 complaints received) this may be because of improved recording as a consequence of placing greater focus on complaints. The majority of complaints (91%) were resolved at stage one of the procedure (84% in 2012/13) and 93% of complaints were responded to within 20 working days (79% in 2012/13).
71. During 2013/14, the Ombudsman investigated one complaint against the Council, the outcome of this was determined in early 2014/15. The Council was found not to be at fault.

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

72. 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 2013/14 on topics including Planning Enforcement, Community Safety, Community Infrastructure Levy, Renewable Energy and Planning, Partnerships and Community Leadership and Licensing.
73. 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.
74. Senior politicians appraise the Chief Executive's performance against these targets and the Chief Executive appraises the Directors. As part of this process development needs and solutions are identified and agreed.
75. 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 PDR process is currently under review. Workshops have been held to obtain views of the PDR process and to discuss the details of the changes that are to be introduced for the next round of PDRs.
76. 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.

### **Communications**

77. The Council's investment in consultation and research was significantly reduced in 2013 and the post holder made redundant. Consequently, the District Council works closely with the Staffordshire Intelligence Hub for assistance and advice on research and intelligence. The District Council subscribes to and 'enhanced offer' with the Observatory and has received a Community Safety Profile (which forms the basis of our Community Safety Delivery Plan), and independent validation for our community consultation. Consultations include those which support the development of major

## ANNUAL GOVERNANCE STATEMENT

---

strategies like A Plan for Lichfield District, the Local Development Framework, the Housing Strategy. Outcomes of consultations are shared publicly on the Council's consultation website at [www.lichfielddc.gov.uk/voicait](http://www.lichfielddc.gov.uk/voicait).

78. 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 2013/14 key messages were circulated following Leadership Team meetings which also comment on performance issues from time to time.
79. The Council publishes a newspaper called *In Touch* twice a year. This is issued to approximately 80% of homes and contains key information about Council services and activities.
80. 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.
81. The Council maintains a high quality web-site [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk) which was given the top rating of four stars in this year's Better Connected (SOCITM), an independent survey. 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.
82. 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).
83. 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. A new Customer Relationship Management (CRM) system went live in July 2013. The system is designed to manage customer interactions across multiple departments without the need to refer to back office specialist staff. The system is able to deliver both front and back office functionality, bringing benefits of a seamless service, reducing costs and enhancing the customer experience. Processes have been reviewed and mapped over to the new CRM for Streetscene, Joint Waste, Environmental Health, Pollution Control, Environmental Health Commercial, Street Name Plates and Private Sector Housing.
84. 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.
85. 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**

86. 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.
87. Lichfield District has a District Board which brings together the public and voluntary sector agencies and local businesses, for its Local Strategic Partnership. Four elected Members sit on the Board (representing the District and County Councils and Fire Authority and ensuring democratic accountability). The purpose, function and structure of the LSP has been reviewed regularly and a questionnaire survey of Board Members carried out in 2013 reinforced the need for the Board and the value placed upon it by constituent organisations. Minutes of District Board meetings are included with Cabinet agendas so that all members can keep updated with its activities.
88. The Board endorsed seven priority areas for joint action during 2013/14 and these have been the focus for shared activity. There is a move countrywide to delegate more funding to local level and the

## ANNUAL GOVERNANCE STATEMENT

---

Board provides the governance and decision making for much of this investment (for example, funding from the Police and Crime Commissioner). A preliminary discussion has taken place regarding the introduction of a model for locality commissioning so that incoming resources can be used to achieve cross cutting objectives and shared outcomes.

89. The Council is part of external partnerships which support to its strategic agenda – including the Staffordshire Strategic Partnership, the Stoke and Staffordshire and the Greater Birmingham and Solihull Local Enterprise Partnerships, the Greater Birmingham and Solihull Business Rates Pool, county and regional waste partnerships, and housing and community safety partnerships.
90. The transfer of public health to local government has meant that the District Council has become increasingly involved in county level partnership health focussed activity. This together with the funding challenges facing the health and social care sector has meant that the Council is participating in the implementation of the new Better Care Fund (subject of a Cabinet Member decision), and is a member of the Integrated Commissioning Executive Group which supports the Staffordshire Health and Wellbeing Board. The District Council has also been involved in the procurement and commissioning of home improvement services in Staffordshire, and chaired a countrywide Steering Group for this purpose. Recommendations to approve participation in the Partnership and the related governance arrangements were endorsed by the District Council's O&S Committee and Cabinet in summer 2013.
91. The Authority's financial management arrangements conform to 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 2014/15

92. Whilst the annual governance statement is a review of the Council for the previous year (2013/14) it is important to set the context for the future too. As noted in paragraph 12, the Council has a Funding Gap of £2,737,570 over the next three years. The Government has 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 six 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.
93. To try to bridge this funding gap further progress will need to be made with the Fit for the Future programme. The Phase 2 Service Reviews are well underway. including Asset Management, Development services, Housing, and Grounds Maintenance, Parks and Countryside. Reports will be presented to the various Overview and Scrutiny Committees during 2014. The Service Reviews are monitored closely through Leadership Team and all opportunities to reduce cost or increase income are actively pursued. A regular review of progress against the financial targets is being taken by Leadership Team.
94. For these reasons we also need to continue to consider which services we invest in and deliver and how they assist in building our budgets to sustain us in the future – how do we attract business, how do we help it to grow and how do we balancer the growth of our local economy with the need to maintain and enhance the environment that makes Lichfield District an attractive place to live, work and visit.
95. In autumn 2014 the Council will undergo a Local Government Association Peer Review. This is a voluntary process commissioned by the Council to aid improvement and learning. The process involves the appointment of an independent panel of peer assessors by the LGA who engage with a wide range of people connected with the Council and the findings are delivered immediately in order to inform on areas for improvement and additional focus The core components of the challenge are as follows:
  - Understanding of the local context and priority setting
  - Financial planning and viability
  - Political and managerial leadership
  - Governance and decision-making
  - Organisational capacity



## ANNUAL GOVERNANCE STATEMENT

---

### **Review of effectiveness of Governance Framework**

96. 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.
97. 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.
98. The Constitution is reviewed and updated throughout the year, and this includes reviewing the governance framework.
99. 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.
100. Existing corporate policies are reviewed and updated in accordance with best practice on an ongoing basis.
101. 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.
102. 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.
103. 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 2011/12 onwards, whilst the Audit Committee retains overall responsibilities as 'Those Charged with Governance', Strategic (Overview and Scrutiny) Committee is responsible for recommending approval of the Statement of Accounts to Council."
104. The Council's performance results for 2013/14 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.
105. The Council's 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 2013/14.
106. The Council has an Audit Committee that provides independent, effective assurance about the adequacy of the Council's governance environment. The Audit Committee endorses the Local Code of Good Governance for approval by Full Council and recommends the Annual Governance Statement for approval.
107. 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.**

108. Internal Audit reports directly to the Chief Executive, to command enhanced significance and independence.
109. 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.

## ANNUAL GOVERNANCE STATEMENT

110. Internal Audit review services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control. Audit reports detailing the findings of each review are issued to Service Managers and their Directors and where appropriate, the Chief Financial Officer (Section 151 Officer), Monitoring Officer and Chief Executive.
111. 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.
112. 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.
113. During 2013/14, 86% of the Internal Audit work plan was completed. The shortfall was a result of a period of long term sick leave within the section which affected the available resources.
114. An annual review of the effectiveness of the system of internal audit is also undertaken by the Internal Audit Manager based on the CIPFA Code of Practice Standards, and using feedback from Directors, the S151 Officer, Managers and External Audit. The review for 2013/14 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 2012/13 and subsequently progressed in 2013/14

Issue	Action Plan Finding 2012/13	Assigned to	Timescale
The Local Government Resource Review has resulted 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 are being 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 replaced the Council Tax Benefit scheme with a local scheme for Council Tax Support	A Local Scheme has been designed for Lichfield District Council, taking account of the cut in the amount of finance the Council will receive, and to 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

115. The officer working group have provided an assessment of the governance arrangements using the Internal Control Checklist, together with Internal Audit and External Audit views. From these no significant issues have been identified.

## ANNUAL GOVERNANCE STATEMENT

116. 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:-

Issue	Action Plan	Assigned to	Timescale
Financial Resilience – The Council's settlement in respect of the Revenue Support Grant (RSG) for 2014/15 shows a reduction of 24% from its 2013/14 level. There has therefore been a significant deterioration of the Council's finances. There is the risk that the financial resources will not be sufficient to support all of the planned top priorities. In addition, there is the risk that the areas that rely on income generation may not achieve their targets.	The Council has launched F4F to manage changes that will be required across the Council and its services. It approved F4f Phase 1 to deliver savings of £1m to the end of 2015/16. F4F phase 2 has commenced with a series of service reviews and the second tranche of reviews have commenced in 2014.	Leadership Team  Chief Financial Officer - Director Finance, Revenues and Benefits.	For the period of the Medium Term Financial Strategy
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. This risk is related to the impact of Local Council Tax support and Spare Room Subsidy. In addition, a Single Fraud Investigation Service (SFIS) to tackle all Welfare Benefit and Tax Credit Fraud has been introduced and will roll out nationally over an 18 month period October 2014 to March 2016. LA investigation staff may transfer to SFIS.	The Council is supporting the Revenues and Benefits and Customer Services team by additional resources via agency staff and via overtime. This is funded by Central Government under the 'new burdens' grant. Policy development and key communications to our customers are taking place.	Leadership Team  Chief Financial Officer - Director Finance, Revenues and Benefits.	Up to March 2016
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 Bus Station including its Public Toilets and the Multi Storey Car Park) which now require considerable updating and investment. Risks for the project relate to land ownership, economic conditions and project management.	The Council has recruited employees with a high level of skills in major development projects and created Lichfield District Venture Board to progress this. Member scrutiny takes place through the Environment and Development (Overview and Scrutiny) Committee.	Leadership Team & Cabinet	April 2015
The Council has its link to Central Government IT networks disconnected. The potential is for the disruption to the delivery of the business of the Council leading to reputational damage and increased costs in terms of recovery and prevention from delivering statutory functions in Housing and Council Tax Benefits. This could also result in fines should the Council be found to have not acted in an appropriate manner. This is a strategic risk, overarching the delivery of the Strategic Plan objectives.	The Council controls the risk of losing data though the annual audit process of ensuring that we stay compliant with the requirements of being connected to the Central Government network. Accreditation with the Public Sector Network for 2013 was confirmed by the Cabinet Office on 27 January 2014. This compliance certificate is valid until 11 September 2014. The annual IT health check commenced on 15 April 2014 and outcomes arising from it will be fixed and incorporated into the new IT infrastructure.	Leadership Team  Chief Financial Officer - Director Finance, Revenues and Benefits.	April 2015
Since April 2014, the Council's core IT systems are no longer supported by Microsoft and the room the equipment is located in cannot support current demand. 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 have been working on a business case for addressing many of these problems with both Northgate and Staffordshire County Council. As part of this an ICT Review Group has been set up with the Portfolio Holder responsible for ICT chairing this Group, member representation from the Strategic Overview and Scrutiny Committee and relevant officers within the Council. At the Council meeting on 24 February 2014, the Business Case for IT Investment was approved and subsequently the project has commenced.	Leadership Team  Chief Financial Officer - Director Finance, Revenues and Benefits.	April 2015

## ANNUAL GOVERNANCE STATEMENT

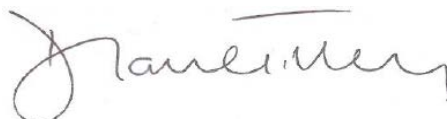
---

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

June 2014

## ANNUAL GOVERNANCE STATEMENT

### APPENDIX 1: THE KEY ELEMENTS AND ROLES WITHIN THE OVERALL ASSURANCE FRAMEWORK

BODY	COMMENTS
THE COUNCIL	<p>The Council is composed of 56 Councillors who are elected every four years.</p> <p>The Council appoints the Leader and the members of the Cabinet. It also decides the delegation of Cabinet functions within the Cabinet. The Council holds the Cabinet to account by appointing Overview and Scrutiny Committees to question decisions and propose policy changes.</p> <p>The Council appoints other committees to deal with non-Cabinet functions and also the Standards Committee.</p> <p>The Council meeting will set the overall Budget and Policy Framework and will be a focus of debate about the performance of the Cabinet.</p>
THE CABINET	<p>The Council carries out all of the Local Authority's functions which are not the responsibility of the Council or its Committees whether by law or under the Constitution.</p> <p>The Cabinet consists of the Leader of the Council together with eight Councillors appointed to the Cabinet by the Council.</p> <p>The Cabinet has the key role in proposing the Budget and Policy Framework to the Council.</p> <p>The Cabinet and its members lead the community planning process and the drive for Value for Money. It also takes in year decisions on resources and priorities and is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.</p> <p>The Cabinet will also respond to any recommendations and reports from the Overview and Scrutiny Committees, Partnership Panels and the Standards Committee.</p>
OVERVIEW AND SCRUTINY COMMITTEES	<p>There are four Overview and Scrutiny Committees which support the work of the Cabinet and Council as a whole.</p> <p>They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on policies, budget and service delivery.</p> <p>Overview and Scrutiny Committees also monitor the decisions of the Cabinet. They can 'call in' a decision which has been made by the Cabinet but not implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.</p>
REGULATORY COMMITTEES	<p>There are a number of Regulatory Committees which deal with a range of functions with which the Cabinet cannot deal by law. Examples are development control (including planning applications), licensing, health and safety and employment issues relating to Council staff.</p>
THE STANDARDS COMMITTEE	<p>This Committee is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted members, ensuring</p>

## ANNUAL GOVERNANCE STATEMENT

---

	that they observe the Members' Code of Conduct.
AUDIT COMMITTEE	<p>This Committee is responsible for dealing with specific internal audit reports and the main issues arising, seeking assurance that action has been taken where necessary.</p> <p>It also considers the internal control environment and the level of assurance that may be given as to its effectiveness, including the review of the Statement of Internal Control, and to approve if appropriate this Statement and recommend its adoption by Council.</p> <p>The Audit Committee also approves the annual Statement of Accounts (including the Annual Governance Statement), considering whether appropriate accounting policies have been followed and whether there are concerns arising from the Financial Statements or from the External Auditors that need to be brought to the attention of the Council.</p>
FORUMS AND PANELS	There are a number of advisory panels and forums to meet and engage with members of the public and external organisations and to advise and report to the Cabinet. They include Parishes, Housing Associations, Sports, and the Arts.
THE CORPORATE TEAM	<p>The Full Council appoints a Chief Executive who will also be the Head of Paid Service. The Appointments Sub-Committee will appoint Chief Officers. The Chief Executive and the Chief Officers form the Corporate Team with each member heading up a service area with its own distinct responsibilities. In addition to the the Chief Executive, there are currently four Chief Officers:</p> <p>Strategic Director of Community, Housing and Heath  Strategic Director of Development and Legal Services  Director of Finance, Revenues and Benefits and Section 151 Officer  Director of Leisure and Parks.</p> <p>The Corporate Team has a number of common responsibilities which includes providing leadership and support to the Council's governance mechanisms, ensuring appropriate standards of performance, operational effectiveness, probity, open government and availability of relevant and timely advice and guidance to elected members.</p>

## GLOSSARY OF TERMS

---

### **Accounting Policies**

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

### **Accrual**

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

### **Accumulated Absences Account**

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

### **Balance Sheet**

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

### **Capital Adjustment Account**

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

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

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

### **Capital Receipts**

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

### **Cash Equivalents**

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

### **Collection Fund**

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

### **Community Assets**

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

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

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

### **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

---

### **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

---

### **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 misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

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

Prior to 1 April 2013, the Council collected and paid rates collected into a national pool, which was then re-distributed on the basis of population.

### **Non-Domestic Rates (NNDR)**

From 1 April 2013, the Council collects Business Rates and distributes them on the basis of **50%** Central Government, **40%** Lichfield District Council, **9%** Staffordshire County Council and **1%** Staffordshire Fire Authority.

### **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.

## GLOSSARY OF TERMS

---

### **Non-Ring-fenced Government Grant**

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

### **Unusable and Usable Reserves**

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

## INDEPENDENT AUDITORS REPORT

---

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LICHFIELD DISTRICT COUNCIL

#### Opinion on the Authority financial statements

We have audited the financial statements of Lichfield District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Lichfield District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Director of Finance and Procurement and auditor

As explained more fully in the Statement of the Director of Finance, Revenues and Benefits Responsibilities, the Director of Finance, Revenues and Benefits is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Revenues and Benefits; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Lichfield District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## INDEPENDENT AUDITORS REPORT

---

### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

## INDEPENDENT AUDITORS REPORT

---

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Lichfield District Council *put in place proper arrangements to secure economy, efficiency and effectiveness* in its use of resources for the year ended 31 March 2014.

### Certificate

We certify that we have completed the audit of the financial statements of Lichfield District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

30 September 2014

---

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 ਖਿੱਟਰਪੈਟਰ 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 فرمتی 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.

Copies of this document can be made available in larger print, Braille or audio cassette on request ☎01543-308000

# FORWARD PLAN

## VERSION 2

Issued: 12.09.2014

Effective for the Period 01.10.2014 – 31.01.2015

Representations in respect of all the matters shown should be sent in writing to the contact officer indicated at Lichfield District Council, District Council House, Frog Lane, Lichfield, Staffs. WS13 6YU no later than one week before the decision is due to be made. Copies of documents can also be obtained by contacting the relevant Officer. Facsimile: 01543 309899; Telephone: 01543 308000

- Key decisions are:
1. A decision made in connection with setting the Council Tax
  2. Expenditure or savings if they exceed £50,000
  3. A decision which significantly affects the community in two or more wards

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
<b>Money Matters Report:</b>  1) Council's Financial Performance 2013/14 2) Statement of Accounts 2013/14		23/09/2014			Strategic (O&S) Committee	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 253733

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
3) Treasury Management Outturn & Pls for 2013/14 3) Annual Governance Statement 2013/14						
<b>Money Matters Reports:</b>  1) Council's Financial Performance 2013/14 2) Treasury Management Outturn and Pls for 2013/14		30/09/2014			Council	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 253733



MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
Better Care Fund	To endorse progress on the development of the Better Care Fund for Staffordshire	07/10/2014	To be included on the Work Programme for CHH O&S in 14/15	Member decision report (reported to Council in April) Better Care Fund submission	Cabinet	<b>OFFICER:</b> Ms H Titterton (01543) 308700  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
External Funding for Housing	Acceptance of Government Funding for Disabled Facilities Grants and acceptance of Section 106 commuted sum for affordable housing.	07/10/2014		Notification of Government Funding for DFG's Section 106 Agreement.	Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308072  <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
Friarsgate – Future Actions	To agree the future actions regarding the Friarsgate Development	07/10/2014	Issues considered at meeting 2/12/13		Cabinet	<b>OFFICERS:</b> Mr R King (01543) 308060 Miss H Cook (01543) 308252  <b>CABINET MEMBER:</b> Councillor M Wilcox (01283) 791761
Southern Staffordshire Building Control Partnership	To enter into a long term agreement with Tamworth Borough Council and South Staffs Council	07/10/2014	Building Control Partnership Board	Building Control Partnership Report and Briefing Paper	Cabinet	<b>OFFICER:</b> Mr G Cooper (01543) 308155  <b>CABINET MEMBER:</b> Councillor I M P Pritchard (01922) 682268
Managing the Parks Estate	To consider management arrangements of specific parks and open spaces	07/10/2014	Parish Councils Operational Services, Leisure Tourism and Communications (O&S) Committee	Service Review Documents Correspondence with Parish Councils	Cabinet	<b>OFFICER:</b> Mr N Turner (01543) 308761  <b>CABINET MEMBER:</b> Councillor A F Smith (01543) 410685

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
Asset Management Review	To consider the potential disposal of some property assets following a review of the property holdings.	14/10/2014	Officers of the District Council and marketing agents.	Public minutes of Asset Strategy Group	Council	<b>OFFICER:</b> Mr J G Brown (01543) 308061 <b>CABINET MEMBER:</b> Councillor C J Spruce (01543) 253722
Action on an Empty Property	To consider options available to bring an empty property back into use and determination of the appropriate option.	04/11/2014			Cabinet	<b>OFFICER:</b> Mr C Gibbins (01543) 308072 <b>CABINET MEMBER:</b> Councillor C Greatorex (01543) 416677
<b>Money Matters Reports:</b> 1) Council's Financial Performance 2014/15 for first 6 months April to September 2014 2) Treasury Management		18/11/2014			Strategic (O&S) Committee	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770 <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 253733

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
Performance for first 6 months April to September 2014						
<b>Money Matters Reports:</b> 1) Council's Financial Performance 2014/15 for first 6 months April to September 2014 2) Treasury Management Performance for first 6 months April to September 2014		02/12/2014			Cabinet	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 253733
<b>Money Matters Reports:</b> 1) Medium Term Financial Strategy 2) Treasury Management Policy and		17/02/2015			Council	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 253733

MATTER FOR KEY DECISION <sup>(1)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DATE OR PERIOD WHEN DECISION LIKELY <sup>(3)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (f no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	WHO WILL MAKE DECISION <sup>(6)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
Strategy 3) Council's Tax Resolution 2015/16						
Exception and Exemptions Financial Regulations 2013/14		08/04/2015			Audit Committee	<b>OFFICER:</b> Mrs J Kitchen (01543) 308770  <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 253733

1. The matter in respect of which the decision is to be made
2. What decision the Council will be asked to make
3. A date on which, or period within which, the decision will be made
4. What groups of people and/or organisations will be consulted before the decision is made and how the consultation will be carried out.
5. What background documents will be available to the person or Committee making the decision
6. Who will make the decision, i.e. the Cabinet, an Cabinet Member alone, an Officer under Delegated Powers
7. The Officer or Member who should be contacted regarding the matter under consideration.

## MEMBERS OF THE CABINET

**Leader of Cabinet and Cabinet Member for Communications**  
**Deputy Leader of Cabinet and**  
**Cabinet Member for Economic Growth, Tourism & Development**  
**Cabinet Member for Leisure and Parks**  
**Cabinet Member for Community, Housing and Health**  
**Cabinet Member for I.T. and Waste Management**  
**Cabinet Member for Finance, Democratic and Legal Services**

**Councillor M. J. Wilcox**

**Councillor I. M. P. Pritchard**  
**Councillor A. F. Smith**  
**Councillor C. Greatorex**  
**Councillor I. M. Eadie**  
**Councillor C. J. Spruce**

## MEMBERS OF THE COUNCIL

Allsopp, Mrs J A  
Arnold, Mrs S P  
Awty, R J  
Bacon, B F  
Bacon, Mrs N  
Barnett, Mrs S A  
Bland, Mrs M P  
Boyle, Mrs M G  
Constable, Mrs B L  
Constable, D H  
Cox, R E  
Derrick, B W  
Drinkwater E N

Eadie, I M  
Eagland, Mrs J M  
Evans, Mrs C D  
Fisher, Mrs H E  
Flowith, Mrs L E  
Greatorex, C  
Hancocks, Mrs R  
Heath, H R  
Hogan, P  
Humphreys, K P  
Isaacs, D  
Leytham, D J  
Marshall, T

Mosson, R C  
Mynott, G  
Norman, S G  
Pearce, A  
Perkins, Mrs E C  
Powell, J J R  
Pritchard, I M P  
Pullen, D.R.  
Richards, Mrs V  
Roberts, N J  
Salter, D F  
Smedley, D  
Smith, A F

Smith, D S  
Spruce, C J  
Stanhope MBE, Mrs M  
Strachan, R W  
Taylor, S D  
Thomas, T J  
Tittley, M.C  
Tranter, Mrs H  
Walker, J T  
Warfield, M A  
White, A G  
Wilcox, M J  
Wilks, J J

Willis-Croft, K A  
Wilson, B  
Woodward, Mrs S E  
Yeates, B W

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15** (v6)

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
<b>Policy Development</b>								
Terms of Reference	✓				To remind the Committee of the terms of reference and suggest any amendments		RK	Cllr Spruce
Compliments and Complaints	✓				To provide members with an overview of the compliments and complaints received corporately during the last financial year and a more detailed analysis of those which are of specific relevance to this Committee	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	RK	Cllr Spruce
Fit for Future	BP	BP			This will outline progress on the programme to date and propose budget reductions	A Well Managed Council - We'll keep a tight control and management of the council's finances	DT	Cllr Wilcox
End of Year Performance Overview for 2013/2014	✓				Scrutinise performance against the projects and activities set out in the One Year Action Plan 12/13 which fall within the remit of the Strategic O&S Committee	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	HS	Cllr Greatorex

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15** (v6)

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
Council's Financial Performance for 2013/14		✓			Scrutinise the Council's performance against the Medium Term Financial Strategy	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Statement of Accounts 2013/14		✓			Scrutinise the Statement of Accounts	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	JK	Cllr Spruce
Treasury Management Outturn & Prudential Indicators for 2013/14		✓			Scrutinise performance of the Treasury Management Strategy	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	JK	Cllr Spruce
Asset Review		✓			Confidential item relating to the potential disposal of assets held by the District Council.		RKK	Cllr Spruce
Half yearly performance report for 2014/15			✓		Scrutinise performance against the projects and activities set out in the One Year Action Plan 13/14 which fall within the remit of the Strategic O&S Committee	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	RK	Cllr Spruce



**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15 (v6)**

Item	17th June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
Half-yearly report on financial performance for 2014/15			✓		Monitor the position in relation to the Medium Term Financial Strategy for 2013/2014	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Half Year Report on Treasury Management Services and Projected Prudential Indicators 2014/15			✓		Monitor Treasury Management activities and Prudential Indicators	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Fit for the Future Programme - Reviews					To update the Committee on the latest position on reviews which are taking place and consider the Project Initiation Documents.	A Well Managed Council - We'll keep a tight control and management of the council's finances	DT/RK/ JK	Cllr Spruce
Medium Term Financial Forecast for Revenue /Capital 2012/15				✓	Scrutinise the Council's resource plans in relation to the delivery of the Strategic Plan priorities	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
Treasury Management Strategy Report				✓	Outline District Council's strategy to manage investments and banking and control risks	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2014-15** (v6)

Item	17 <sup>th</sup> June 2014	23 <sup>rd</sup> Sept 2014	18 <sup>th</sup> Nov 2014	21 <sup>st</sup> Jan 2015	Details/Reasons	Link to 2014/15 One Year Action Plan	Officer	Member Lead
One Year Action Plan 2015/16				✓	This will accompany the three year medium term financial forecast for Revenue/Capital and reflect the one year actions needed to deliver the Plan for Lichfield District	A Well Managed Council - We'll maximise the council's performance, innovation and efficiency, so we use our resources well and deliver good quality and better value services	HS	Cllr Greatorex
Third Quarter Review of Performance against Financial Strategy 2014/15				✓	Scrutinise financial performance and the revised estimate for the full year.	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK	Cllr Spruce
<b>Briefing Papers</b>								
Individual Electoral Registration	✓				Update on progress to implement individual electoral registration		RK	Cllr Spruce