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30<sup>th</sup> August 2016

Dear Sir/Madam

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE**

A meeting of the above mentioned Committee has been arranged to take place on **WEDNESDAY 7<sup>th</sup> SEPTEMBER 2016** 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), Tittley (Vice-Chairman), Mrs Baker, Mrs Barnett, Constable, Drinkwater, Marshall, Matthews, Powell, Rayner, Mrs Stanhope MBE, White and 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 9<sup>th</sup> June 2016 (copy attached)
4. Work Programme and Forward Plan (copy attached)
5. Money Matters 2015/16:  
Review of Financial Performance against the Financial Strategy (copy attached)
6. Statement of Accounts 2015/16 and Letter of Representation (copy attached)
7. Money Matters 2016/17: Review of Financial Performance against the Financial Strategy (April to June 2016) (copy attached)

Briefing Papers to be issued separately:

\*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**

**9<sup>th</sup> JUNE 2016**

### **PRESENT:**

Councillors Strachan (Chairman) Mrs Barnett, Constable, Marshall, Matthews, Powell, Rayner, Mrs Stanhope and Mrs Woodward.

(In accordance with Council Procedure Rule No.17 Councillors Mrs H. Fisher, Pritchard, Pullen, Spruce and Wilcox attended the meeting)

**APOLOGIES FOR ABSENCE** were received from Councillors Mrs Baker, Drinkwater, Tittley (Vice-Chairman) and White

### **DECLARATIONS OF INTEREST:**

There were no Declarations of Interest

### **MINUTES**

The Minutes of the Meeting held on 2<sup>nd</sup> February 2016 were taken as read, approved as a correct record and signed by the Chairman. It was noted that members of the O&S Improvement Task Group had recently been on training and a meeting would be arranged after the EU Referendum.

**RESOLVED:** That the Minutes of the Meeting held on 2<sup>nd</sup> February 2016 be approved as a correct record.

### **FORWARD PLAN AND WORK PROGRAMME**

Members considered the Work Programme and Forward Plan and it was requested that an item on the impact of the management restructure including changes to the culture within the Council be added. It was also requested and agreed to receive briefings on the progress of the West Midlands Combined Authority and other models for Local Government.

**RESOLVED:** That the Forward plan and Work Programme be noted and the outcome of questions raised would be forwarded to the Committee.

### **TERMS OF REFERENCE**

Members were reminded of the Terms of Reference for the Strategic (Overview & Scrutiny) Committee.

### **REVENUES AND BENEFITS FIT FOR THE FUTURE REVIEW**

The Committee received a report on the Fit for the Future (F4F) review of the Revenue and Benefits service. It was reported that external consultants Peopletoo and ICE Creates had been engaged to aid the review. It was reported that it had been a large project and covered all aspects of Revenues and Benefits along with a part of the Connects service.

It was reported that the review explored strengths and weaknesses of service along with the customer journey when using the service and concluded that performance was very good and

staff were committed and motivated. It did however find that resilience was a concern due to small size of the some of the specialist teams.

Members noted that after consideration, it was recommended that the service remain in-house with improvements made to the customer journey including more simple benefits transactions being handled at the front desk by the Connects team. This would speed up processing time which would provide better customer service and free up the back office staff to more complex claim processing.

It was also reported that technology had become an important theme in the review and facilitating channel shift would allow customers to access the service when most convenient to them. It was noted that software needed to be future proof and flexible to be able to potentially work with other authorities to give the option to share services. It was also noted that systems would need to be mobile friendly and as streamlined as possible to aid better adaption when further changes occurred. It was asked how Councils co-ordinate their software systems so that there is the potential to join up; it was noted that Chief Executives were aware of this issue and that this would be taken into account as new systems were procured. The Committee was reassured that web access would not be the only route for customers to use the RBS and face-to face would remain for those not able to use IT.

The Committee asked if there was a risk of needing better personal security for staff if more was being done at the front desk. Members were reassured that staff were skilled at diffusing difficult situations and that this had not previously been an issue although vigilance and staff training would continue.

Overpayments was discussed and Members felt that it was a big area and the goal was to be as proactive as possible. It was noted that staff would continue to work in reviewing claims and had signed up to get real time information.

Members felt that Business Rates was important as it would be funding 100% of the District Council in the near future. It was noted that there was good communication between building control who checked properties and would be advertising for a temporary property inspector soon.

The Committee sought reassurance that there was adequate resources and it was noted that there would be a need for people to continue to carry out the day job whilst changes to service took place. It was reported that additional resources would be funded on a short term basis using the New Burdens Fund from DWP.

Members agreed that keeping the service in house with changes to processes to become more efficient was the best option.

**RESOLVED:** That the key proposals and recommendations as set out in Appendix A, Section 10 to the report be endorsed.

## **END OF YEAR PERFORMANCE OVERVIEW 2015/16 FOR THE FINANCE, REVENUES & BENEFITS AND DEMOCRATIC & LEGAL DIRECTORATES**

The Committee received a report on the progress against the relevant activities and projects set out in the District Council's One Year Action Plan for 15/16. Targets for proposed activity and performance indicators for 2016/17 were also reported.

An update on the sale of the Bore Street shops was requested and it was reported that although expressions of interest were shown, no bids had been received and so PSP Partnership looking at what options were viable. When asked, it was reported that PSP would receive a percentage of any income over the market value for their services. It was also noted that only underperforming assets would be disposed of. It was asked if assets could be

developed through a public company and it was reported that there was not the volume of land to make it viable for the Council to develop themselves. Some Members had reservations in selling property as it created an income however it was noted that maintenance of the buildings had become a factor and investment versus income was considered before any decision was made. It was noted, that the Council was liaising with other public sector bodies including Staffordshire County Council and Bromford Housing regarding the Public Estate Programme and PSP Partnership would also be involved in the next Asset Strategy Group.

When asked, it was reported that processing time for benefits had been changed from seven to eight days to take into account that resources would be stretched whilst implementing changes to the service following the review. It was also noted that the Council Tax collection rate was better than the national average.

Members asked if the target for Freedom of Information requests was unrealistic and it was reported that it was a statutory timescale and so not considered ambitious.

**RESOLVED:** That the report and comments made be noted.

(The Meeting finished at 7.20 p.m.)

CHAIRMAN

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2016-17 (v2)**

Item	9 June 2016	7 Sept 2016	15 Nov 2016	30 Jan 2017	Details/Reasons	Link to 2016/17 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	
Fit for the Future Revenue and Benefits Service Review	✓				To seek comments on the draft report including findings and recommendations from this Review prior to consideration by Cabinet	One of the top ten priorities is a Council that is Fit for the Future; the target is to develop and implement a Delivery Plan for the Revenues and Benefits review by March 2017	JK/PL/ YW	Councillors Spruce and Pullen
Fit for the Future Programme: Programme update and overview				✓	To note progress of the Programme to date, approve the next phase of reviews, and endorse changes to programme governance arrangements		DT	
End of Year Performance Overview for 2015/2016	✓				Scrutinise performance against the projects and activities set out in the One Year Action Plan 15/16 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	Councillor Spruce

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2016-17 (v2)**

Item	9 June 2016	7 Sept 2016	15 Nov 2016	30 Jan 2017	Details/Reasons	Link to 2016/17 One Year Action Plan	Officer	Member Lead
Overview & Scrutiny Review				✓	Update		RK	
Money Matters 2015/16 : Review of Financial Performance against the Financial Strategy		✓			Scrutinise the Council's performance against the Medium Term Financial Strategy Scrutinise performance of the Treasury Management Strategy	A Well Managed Council - We'll keep a tight control and management of the council's finances	JK/AT	
Statement of Accounts 2015/16		✓			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/AT	
Money Matters 2016/17 : Review of Financial Performance against the Financial Strategy - April to September 2016			✓		Monitor the position in relation to the Medium Term Financial Strategy for 2015/2016  Monitor Treasury Management activities and Prudential Indicators	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/JK	
Medium Term Financial Strategy (Revenue and Capital) 2017-21				✓	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/AT	

**STRATEGIC (OVERVIEW AND SCRUTINY) COMMITTEE DRAFT WORK PROGRAMME FOR 2016-17 (v2)**

Item	9 June 2016	7 Sept 2016	15 Nov 2016	30 Jan 2017	Details/Reasons	Link to 2016/17 One Year Action Plan	Officer	Member Lead
Annual Action Plan 2017/18  Directorate Top 10 2017/18				✓	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	HT/AT	Leader / Councillor Pullen
Money Matters 2016/17: Review of Financial Performance against the Financial Strategy - April to November 2016				✓	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/AT	
<b>Briefing Papers</b>								



# LICHFIELD DISTRICT COUNCIL

## FORWARD PLAN

Updated: 26.08.2016

Effective for the Period 01.09.2016 – 31.12.2016

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 CABINET DECISION (PLEASE MARK KEY DECISIONS WITH AN ASTERIX) <sup>(1) (*)</sup>	CONFIDENTIAL YES/NO <sup>(8)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DECISION TO BE TAKEN BY AND DATE <sup>(3)(6)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (If no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
*Fit for the Future Review of Community Transport	No	To approve recommendations arising from the F4F review	Cabinet 06/09/2016	Report to Community, Housing and Health O&S Committee in June 2016	F4F report	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor D Pullen (01532) 300075

\* DENOTES KEY DECISION

MATTER FOR CABINET DECISION (PLEASE MARK KEY DECISIONS WITH AN ASTERIX) <sup>(1) (*)</sup>	CONFIDENTIAL YES/NO <sup>(8)</sup>	DECISION EXPECTED TO UNDERTAKE <sup>(2)</sup>	DECISION TO BE TAKEN BY AND DATE <sup>(3)(6)</sup>	CONSULTATION <sup>(4)</sup> INCLUDING CONSULTATION WITH OVERVIEW & SCRUTINY (If no consultation has been undertaken please briefly explain why)	DOCUMENTS AVAILABLE <sup>(5)</sup>	CONTACT OFFICER/CABINET MEMBER <sup>(7)</sup>
Shenstone Neighbourhood Plan – Referral to Referendum	No	Approval to proceed the Neighbourhood Plan to referendum	Cabinet 06/09/2016	The Decision Statement has not been reported to Overview and Scrutiny. Progress with all Neighbourhood Plans has however been continually reported as part of a regular Local Plan update item.	<ol style="list-style-type: none"> <li>1. Neighbourhood Planning (General) Regulations 2012</li> <li>2. DCLG letter to Chief Planners 'Update on financial support for Neighbourhood Planning in 2016/17' 9<sup>th</sup> March 2016</li> <li>3. Local Plan Strategy (Adopted February 17 2015).</li> <li>4. Shenstone Neighbourhood Plan Independent Examination Final Report.</li> </ol>	<p><b>OFFICERS:</b> Mr C Jordan (01543) 308202 Ms V Morgan (01543) 308148</p> <p><b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232</p>

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Local Development Scheme	No	Adoption of updated Local Development Scheme	Cabinet 06/09/2016	Local Plan Site Allocations options considered by Economic Growth, Environment and Development (Overview and Scrutiny) Committee in June 2016	Local Development Scheme	<b>OFFICER:</b> Mr A Baldwin (01543) 308147  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232
*Money Matters 2015/16: Review of Financial Performance against the Financial Strategy	No		Cabinet 06/09/2016  Council 27/09/2016	Strategic (O&S) Committee 07/09/2016		<b>OFFICER:</b> Mr A Thomas (01543) 308012  <b>CABINET MEMBER:</b> Councillor C J Spruce (01543) 258120
*Money Matters 2016/17: Review of Financial Performance against the Financial Strategy – April to June 2016	No		Cabinet 06/09/2016  Council 27/09/2016	Strategic (O&S) Committee 07/09/2016		<b>OFFICER:</b> Mr A Thomas (01543) 308012  <b>CABINET MEMBER:</b> Councillor C J Spruce (01543) 258120

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Amendments to the Constitution regarding the dismissal of Statutory Officers	No		Council 27/09/2016	Full Council		<b>OFFICER:</b> Mr R King (01543) 308060  <b>CABINET MEMBER:</b> Councillor C J Spruce (01543) 258120
*Statement of Accounts 2015/16	No		Council 27/09/2016	Strategic (O&S) Committee on 07/09/2016		<b>OFFICER:</b> Mr A Thomas (01543) 308012  <b>CABINET MEMBER:</b> Councillor C J Spruce (01543) 258120
*Revised Housing Assistance Policy	No	Approve minor amendments to the Housing Assistance Policy	Cabinet Member Decision by 30/09/2016		Revised Housing Assistance Policy	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C. Greatorex (01543) 416677

\* DENOTES KEY DECISION

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*Acceptance of External Funds – Better Care Fund	No	To accept funding to support expenditure on Disabled Facilities Grants and amend the capital programme accordingly.	Cabinet 04/10/2016	None	Notification of funding allocation	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C. Greatorex (01543) 416677
Contribution towards a housing redevelopment scheme	No	To agree a financial contribution to Bromford towards the redevelopment of defective housing stock which will deliver additional affordable housing units in the District	Cabinet 04/10/2016	Consultation has taken place with Bromford which owns the defective stock		<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C. Greatorex (01543) 416677

\* DENOTES KEY DECISION

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*To accept the offer of grant funding of £2.4 million from GBSLEP towards the Friarsgate scheme and approve the legal documentation to allow the Council to receive the funding	No	To accept the offer of grant funding and agree the grant agreement between Birmingham City Council and Lichfield District Council	Cabinet 04/10/2016			<b>OFFICER:</b> Sarah Woffenden (01543) 308116 Mob 07710 554 817  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232
*To accept the offer of grant funding of £2.66 million from SSLEP towards the Friarsgate Scheme and approve the legal documentation to allow the Council to receive the funding.	No	To accept the offer of grant funding and agree the grant agreement between Staffordshire County Council and Lichfield District Council	Cabinet 04/10/2016			<b>OFFICER:</b> Sarah Woffenden (01543) 308116 Mob 07710 554 817  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232

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*Coach Parking; to agree the proposed lease terms for land at Staffordshire University & the financial implications of this.	No	To accept the agreement to lease terms between LDC & South Staffordshire College/Staffordshire University & associated financial implications	Cabinet 04/10/2016			<b>OFFICER:</b> Sarah Woffenden (01543) 308116 Mob 07710 554 817  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232
*To accept the proposed Governance structure for the implementation of Friarsgate development project.	No	To agree the Governance structure for Friarsgate project.	Cabinet 04/10/2016			<b>OFFICER:</b> Sarah Woffenden (01543) 308116 Mob 07710 554 817  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232

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To approve the Council's Efficiency Plan	No	To approved the Council's Efficiency Plan for submission to Government by 14 October 2016	Cabinet 04/10/2016	Leadership Team	Efficiency Plan  Top Tips from the Local Government Sector on preparing and submitting an efficiency plan	<b>OFFICERS:</b> Ms D Tilley (01543) 308001 Mr A Thomas (01543) 308102  <b>CABINET MEMBER:</b> Councillor M Wilcox (01543) 543289
Community Infrastructure Levy 12 List consultation.	No	Endorse the Community Infrastructure Levy 12 list for a four week consultation period	Cabinet 04/10/2017	Community Infrastructure Levy 123 List consultation considered by Economic Growth, Environment and Development (Overview and Scrutiny) Committee in September 2016	Community Infrastructure Levy 123 List consultation	<b>OFFICER:</b> Ms A Richards (01543) 308152  <b>CABINET MEMBER:</b> Councillor I Pritchard (01543) 472232
*Revenues and Benefits IT System	No	Award of Contract	Cabinet 04/10.2016		Contract documents	<b>OFFICER:</b> Mrs P Leybourne (01543) 308921  <b>CABINET MEMBER:</b> Councillor C Spruce (01543) 258120

\* DENOTES KEY DECISION



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Mid Year Performance Report – Annual Action Plan 2016/17	No	To approve the report	Cabinet 01/11/2016	A mid year performance report for the Directorate Top 10s will be considered by Strategic O&S in November and the other three O&S Committees in January 2017	Mid year Performance Outturn report	<b>OFFICER:</b> Mrs H Titterton (01543) 308700  <b>CABINET MEMBER</b> Leader – Mike Wilcox (01543) 543289 Councillor D Pullen (01532) 300075
*Leisure Outsourcing Procurement	Yes	To agree the evaluation criteria and the specification for the leisure services tender documents	Cabinet 01/11/2016	With the Project Board, Leisure Parks and Waste Manager (O&S) Committee	Project documents	<b>OFFICER:</b> Mr R King (01543) 308060  <b>CABINET MEMBER:</b> Councillor A F Smith (01543) 410685

\* DENOTES KEY DECISION

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*Revised eligibility criteria and award threshold of the Discretionary Housing Payment (DHP) Policy.	No	To agree an amended DHP policy with revised eligibility criteria and award thresholds.	Cabinet Member Decision by 30/11/2016	Consultation with major Registered Providers and the Strategic Housing Partnership has been undertaken.	Revised DHP Policy	<b>OFFICERS:</b> Mrs P Leybourne (01543) 308921 Mr C Gibbins (01543) 308702  <b>CABINET MEMBERS:</b> Councillor C Greatorex (01543) 416677 Councillor C J Spruce (01543) 258120
*Revised Homeless Prevention and Assistance Policy	No	Approve amendments to the Homeless Prevention and Assistance Policy	Cabinet Member Decision by 30/11/2016		Revised Homeless Prevention and Assistance Policy	<b>OFFICER:</b> Mr C Gibbins (01543) 308702  <b>CABINET MEMBER:</b> Councillor C. Greatorex (01543) 416677

\* DENOTES KEY DECISION

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*Fees and Charges	Yes	To consider fees and charges of core activities in Leisure Centres and Parks in 2017	Cabinet Member Decision November 2016	Leisure, Parks and Waste Management (O&S) Committee October 2016	Report to O&S Committee and reaction Report to Cabinet	<b>OFFICER:</b> Mr R King (01543) 308060 <b>CABINET MEMBER:</b> Councillor A F Smith (01543) 410685
Annual Action Plan 2017/18	No	To approve the Annual Action Plan	Cabinet 07/02/2017 Council 21/02/2017	The AAP is comprised from the Directorate Top 10s for 2017/18; these will be considered during the January 2017 round of O&S Committees	Annual Action Plan	<b>OFFICER:</b> Mrs H Titterton (01543) 308700 <b>CABINET MEMBER</b> Leader – Mike Wilcox (01543) 543289 Councillor D Pullen (01532) 300075

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, Council a Cabinet Member alone, an Officer under Delegated Powers
  7. The Officer or Member who should be contacted regarding the matter under consideration.
  8. Indicate whether the report will be confidential.
- \* Denotes Key Decision

**\* DENOTES KEY DECISION**

## MEMBERS OF THE CABINET

**Leader of Cabinet**  
**Deputy Leader of Cabinet and**  
**Cabinet Member for Economic Growth, Development and Environment**  
**Cabinet Member for Leisure and Parks**  
**Cabinet Member for Housing & Health**  
**Cabinet Member for Waste Management**  
**Cabinet Member for Finance and Democracy**  
**Cabinet Member for Tourism and Communications**  
**Cabinet Member for Community**

**Councillor M. J. Wilcox**

**Councillor I. M. P. Pritchard**  
**Councillor A. F. Smith**  
**Councillor C. Greatorex**  
**Councillor I. M. Eadie**  
**Councillor C. J. Spruce**  
**Councillor Mrs H. E. Fisher**  
**Councillor D. R. Pullen**

## MEMBERS OF THE COUNCIL

Allsopp, Mrs J A  
Awty, R J  
Bacon, Mrs N.  
Baker, Mrs D F  
Bamborough, R. A. J.  
Banevicius, Mrs S W  
Barnett, Mrs S A  
Boyle, Mrs M G  
Constable, Mrs B L  
Constable, D H J  
Cox, R E  
Drinkwater, E N  
Eadie, I M

Eagland, Mrs J M  
Evans, Mrs C D  
Fisher, Miss B  
Fisher, Mrs H E  
Greatorex, C  
Hassall, Miss E A  
Humphreys, K P  
Leytham, D J  
Marshall, T  
Matthews, T R  
Mills, J  
Mosson, R C  
O'Hagan, J P  
Powell, J J R

Pritchard, I M P  
Pullen, D R  
Pullen, Mrs N I  
Ray, P  
Rayner, B L  
Salter, D F  
Shepherd, Miss O J  
Smedley, D  
Smith, A F  
Spruce, C. J.  
Stanhope MBE, Mrs M  
Strachan, R W  
Tittley, M C  
Tranter, Mrs H

Warfield, M A  
White, A G  
Wilcox, M. J.  
Woodward, Mrs S E  
Yeates, A  
Yeates, B W

# Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy

## Cabinet Member for Finance and Democracy

Date:	7 September 2016
Agenda Item:	5
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members :	Full Council

## Strategic (Overview and Scrutiny) Committee

### 1. Executive Summary

- 1.1 The report covers the financial performance for the financial year 2015/16.
- 1.2 The Revenue Budget was below budget by **(£194,755)** at the service level and this is within the target of **£250,000**. Overall the Revenue Budget was below budget by **(£157,065)** compared to the Revised Approved Budget and this sum will be transferred to General reserves.
- 1.3 The budgeted transfer from general reserves was **(£400,450)** as approved by Council on 17 February 2015. The Council's performance in the year resulted in **£1,281,475** being transferred to general reserves. This means the Council's general reserves improved by **£1,681,925** for the financial year 2015/16 in comparison with the Original Budget.
- 1.4 Total revenue reserves held at 31 March 2016 amount to **£9,936,226**: this is made up of general reserves of **£4,279,145** and earmarked reserves of **£5,657,081**.
- 1.5 The Capital Programme was below budget by **(£930,658)**; recommendation 2.3 below is for slippage of **£1,123,000** in 2015/16 to be carried forward to 2016/17.
- 1.6 The Council has received additional capital receipts of **(£186,224)** compared to the Approved Budget.
- 1.7 In terms of Council Tax and Business Rates:
  - The Council's collection performance based on debt raised in the year is **98.79%** and is much higher than comparable Councils and for debts covering all years it has remained consistent.
  - There is a lower than estimated surplus for Council Tax of **£16,809** and this will be included in the 2017/18 Budget as reduced income.
  - The Council will for the first time will be paying Business Rate levy of **£578,305** to the GBS pool and will receive **(£187,949)** of returned levy. This is **£22,356** more net levy than the Revised Approved Budget after taking account of the budgeted volatility allowance.
  - Overall Retained Business Rate Income was **£40,682** lower than the Revised Approved Budget.
  - The Council's collection performance based on debt raised in the year is **97.50%** and is lower than comparable Councils due to several one off items and an agreed payment deferral. In terms of debts covering all years it has remained consistent.
  - There is a lower than estimated deficit for Business Rates of **(£498,123)** and this will be included in the 2017/18 Budget as additional income.
- 1.8 The Council's investments achieved a risk status that was more secure than the aim of **A-** and yield exceeded three of the four industry standard LIBID yield benchmarks.
- 1.9 The Treasury Management function received the second highest assurance of **Substantial Assurance** from Internal Audit and has complied with all of the Prudential Indicators.

## 2. Recommendations

- 2.1 To note the report and issues raised within.
- 2.2 To note that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy (Revenue and Capital) 2016-20 (MTFS (R&C) 2016-20).
- 2.3 To note **£1,123,000** of Capital Programme slippage related to 2015/16 will be added to the Approved Budget in 2016/17 as outlined at **APPENDIX B**.
- 2.4 To note the actual 2015/16 Prudential Indicators contained within the report.

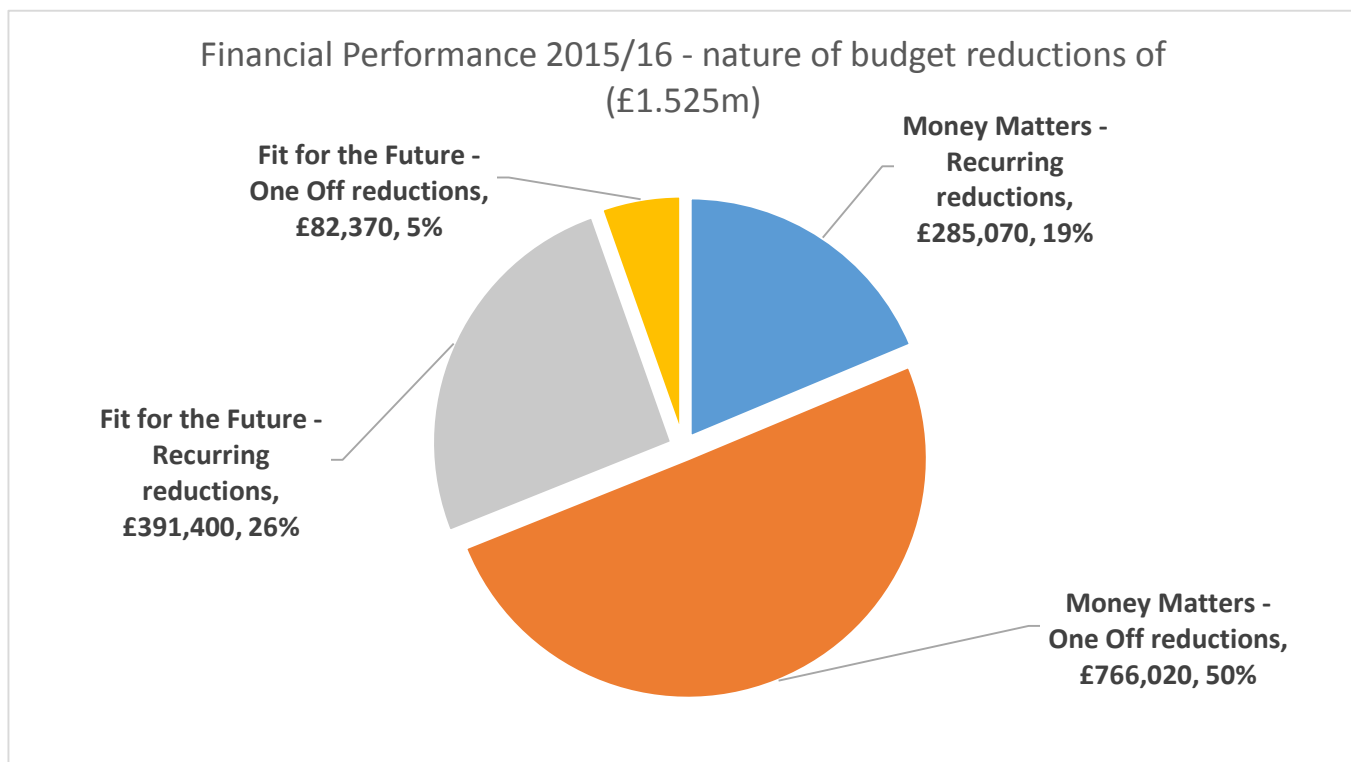
## 3. Background

### Budget Management

- 3.1. The MTFS (R&C) 2015-18 approved by Council on 17 February 2015 included the Original Budget for 2015/16 and set out the allocation of resources and the policies and parameters within which managers are required to operate.
- 3.2. Throughout the financial year, Money Matters reports are provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at 3, 6 and 8 months intervals to monitor financial performance.
- 3.3. The Money Matters reports update the Approved Budget to reflect latest projections and the 8 month Money Matters report formed the basis of the Revised Approved Budget for 2015/16 approved by Council on 23 February 2016.

### The Revenue Budget

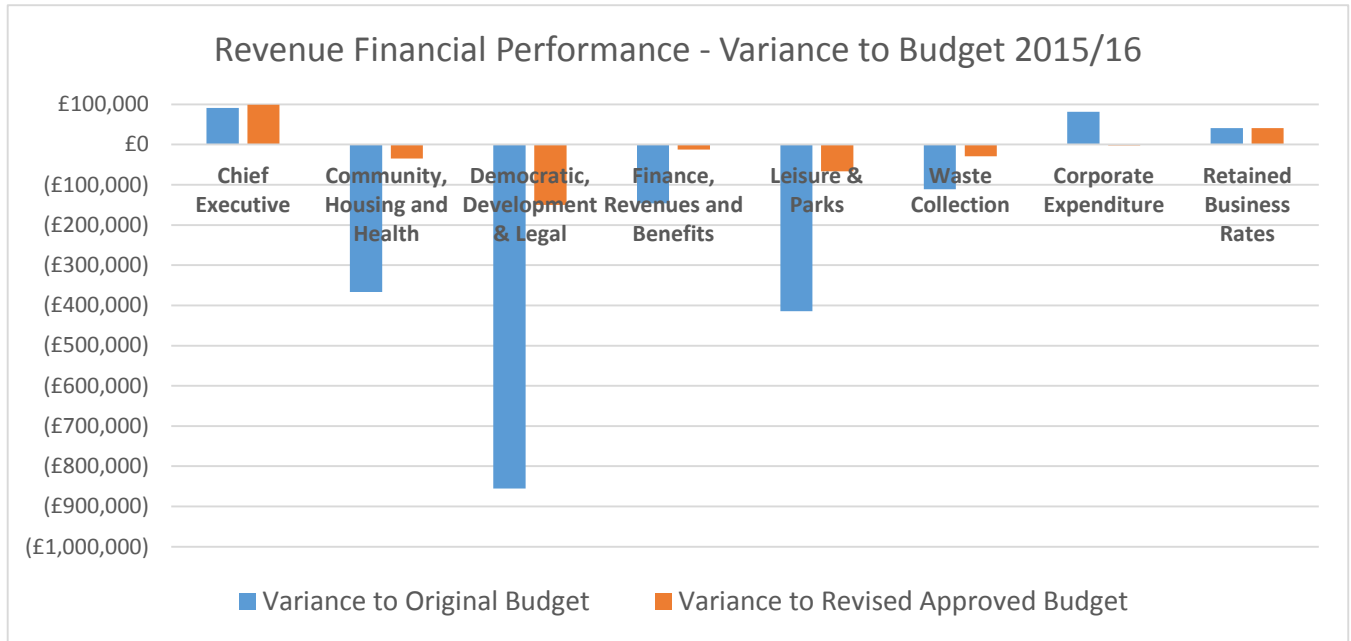
- 3.4. The budgetary changes throughout the financial year meant that rather than a contribution from General reserves of (**£400,450**) approved in the Original Budget that a contribution to General reserves of **£1,124,410** would occur in the Revised Approved Budget. A summary of the budgetary changes totalling (**£1,524,860**) is shown in the graph below:



3.5 In terms of financial performance, compared to the Revised Approved Budget, the key points to note are:

- Net cost of services was below budget by **(£194,755)** and this is within the set target of **£250,000**.
- Corporate expenditure including the net treasury position was below budget by **(£2,374)**.
- Funding had a shortfall of **£40,064** with the Business Rates element being **£40,682**.
- Overall the financial performance was below budget by **(£157,065)**. The level of General reserves has improved by **£1,681,925** (£400,450 transfer not required plus savings identified throughout the year of £1,124,410 plus actual year end performance of £157,065) compared to the Original Budget.

3.6 A summary of the financial performance compared to both the Original Budget and the Revised Approved Budget is shown in the graph below. The detail related to these figures is shown at **APPENDIX A** together with the gross expenditure and gross income for each Service area.



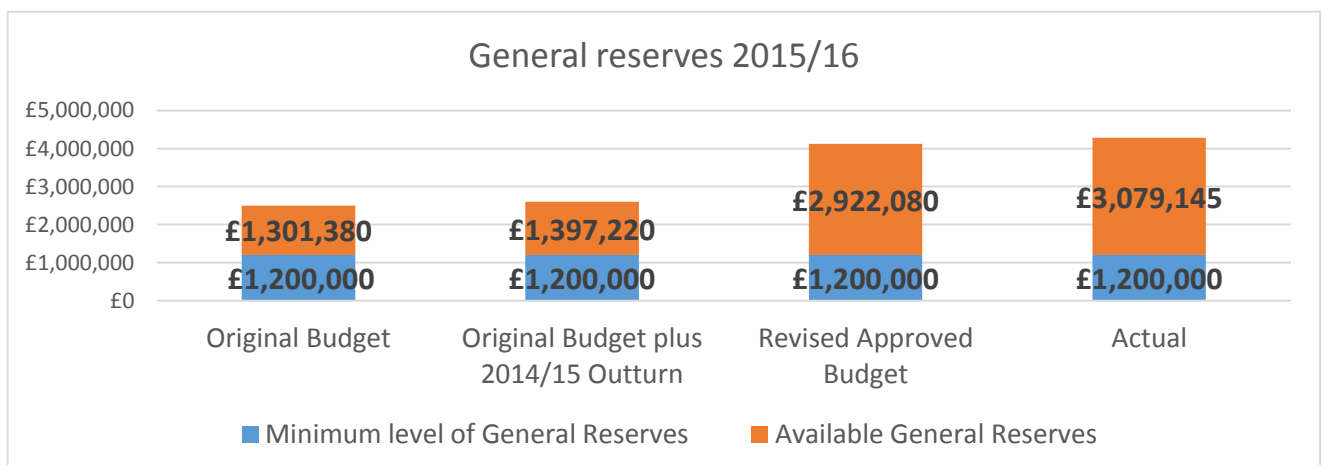
3.7 In order to understand the reasons for this below budget performance of **(£157,065)**, analysis work has been undertaken and the details are shown in **APPENDIX A**. In summary, the budget variance falls into two categories :

- One-off net savings (additional expenditure offset by additional income) of **(£127,375)**.
- Ongoing savings/additional income of **(£29,690)**.

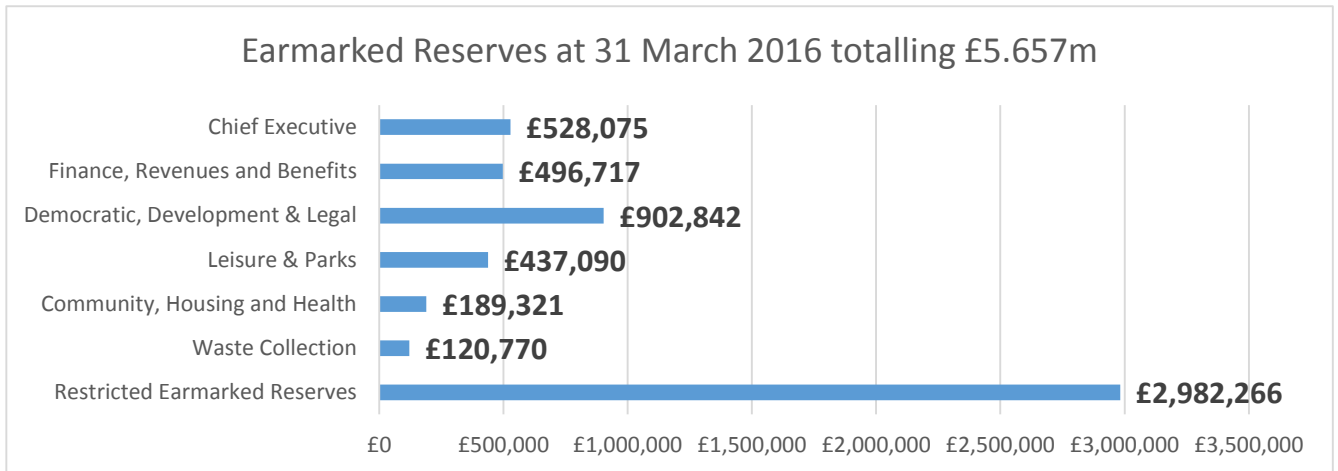
3.8 The ongoing savings/additional income will be incorporated into the Council's MTFS (R&C).

#### Revenue General Reserves and Earmarked Reserves

3.9 The following Revenue general reserves are available to assist the Council in meeting General Fund expenditure as part of the MTFS:

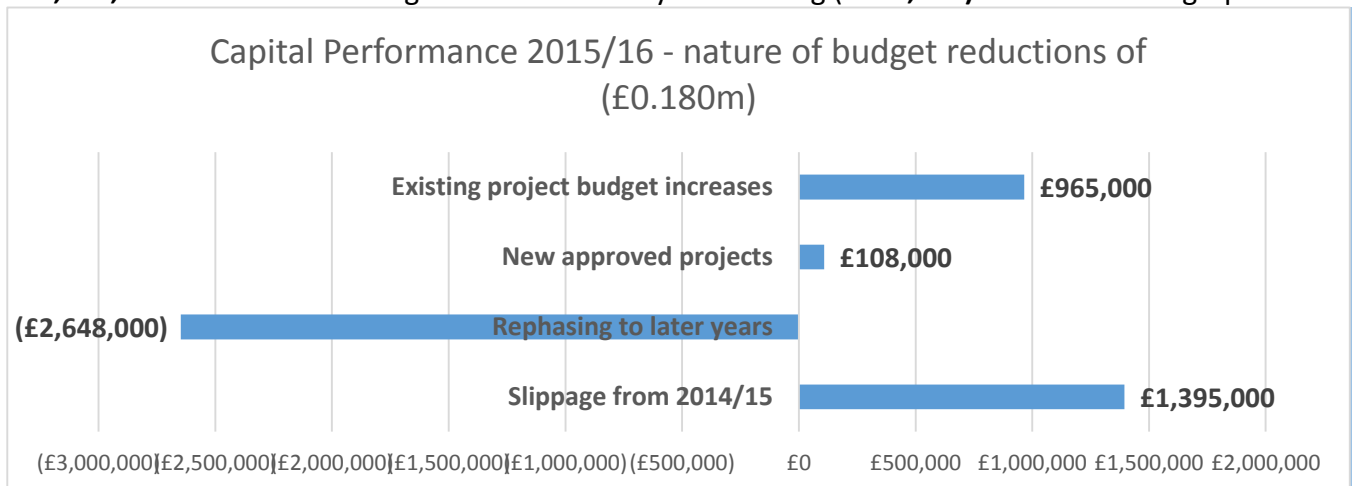


- 3.10 Earmarked reserves are classified into unrestricted reserves where there are no restrictions over their use and restricted reserves where their establishment or use is determined by a legal or partnership agreement such as the car park reserve. We are currently reviewing our earmarked reserves approach to ensure reserves are managed in the most effective way.
- 3.11 A summary of earmarked reserves is shown in the chart below and in detail at **APPENDIX A**.

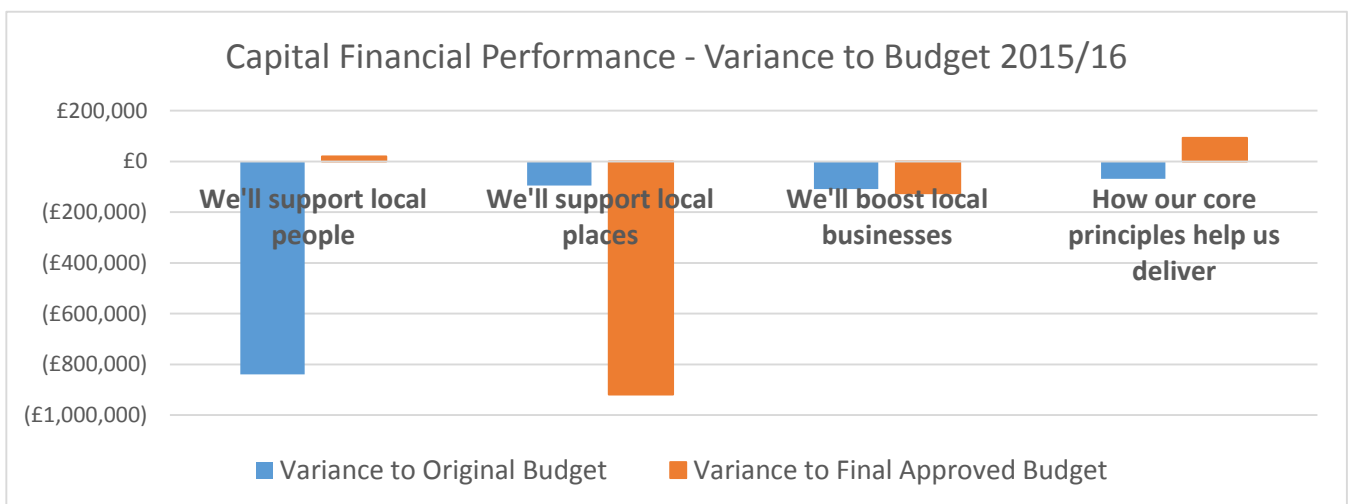


### The Capital Programme

- 3.12. A summary of the budgetary changes from the Original Budget of **£5,051,000** to the Final Approved Budget of **£4,871,000** undertaken throughout the financial year totalling **(£180,000)** is shown in the graph below:



- 3.13. This below budget performance compared to both the Original Budget and the Final Approved Budget of **(£930,658)** or **19%** is shown in the graph below and in detail at **APPENDIX B**:





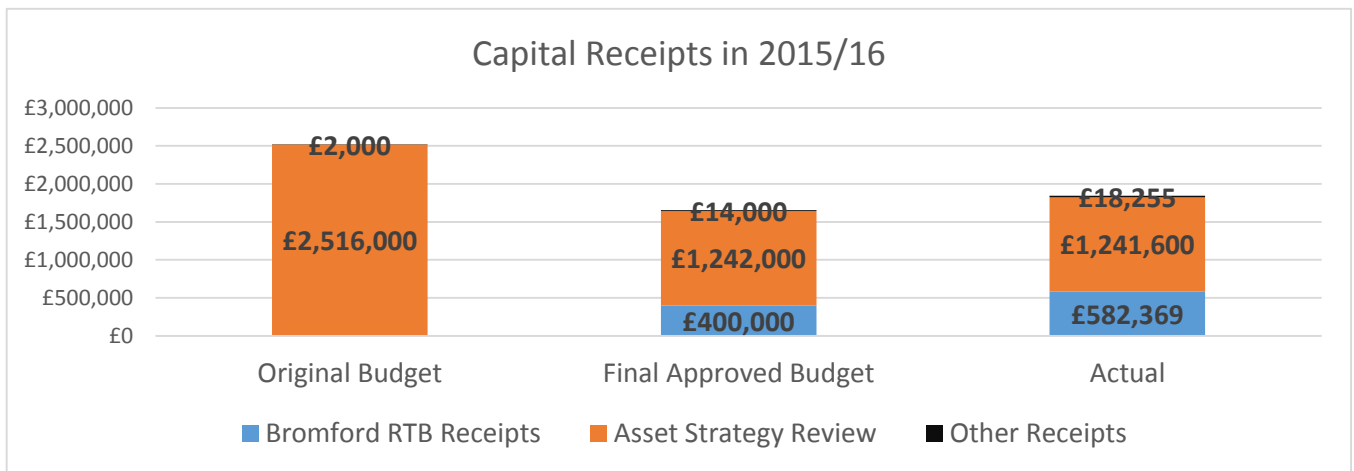
3.14. The reason for the significant variance on we'll support local places relates to the waste collection vehicle replacement programme. This contract hire arrangement must be treated as capital expenditure funded by a leasing obligation because the risks and rewards of ownership have been assessed as transferring to the Council<sup>1</sup>. A below budget spend has occurred of **(£872,000)** because a number of vehicles originally planned to be procured during 2015/16 will now be procured in later financial years.

3.15. The below budget performance of **(£930,658)** can be categorised as:

- Delays in spend taking place which is known as slippage of **(£1,123,000)**.
- Technical adjustments including new finance leases of **£226,000**.
- Other adjustments including project underspends of **(£33,658)**.

3.16. The slippage in 2015/16 of **£1,123,000** is recommended to be added to the Capital Programme in 2016/17 when this delayed spend is planned to take place. The slippage together with the Revised Budget for 2016/17 is shown in **APPENDIX B**.

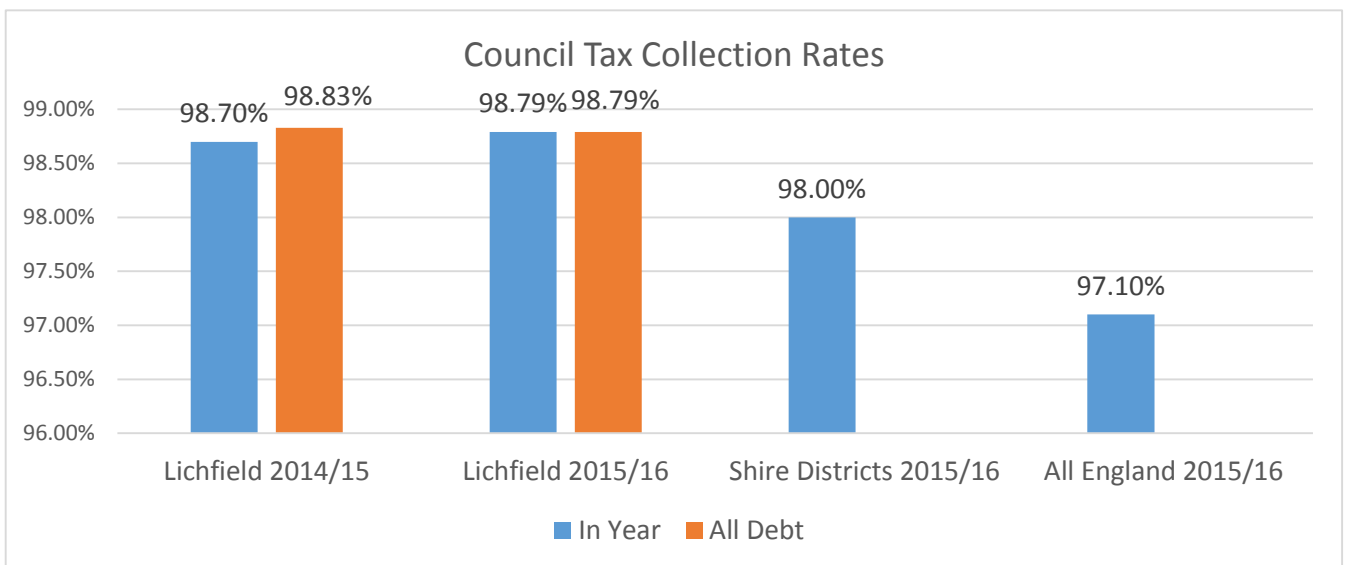
3.17. The actual capital receipts of **(£1,842,224)** received during 2015/16 compared to the Original **(£2,518,000)** and Revised Approved Budgets **(£1,656,000)** are shown in the graph below:



### Council Tax

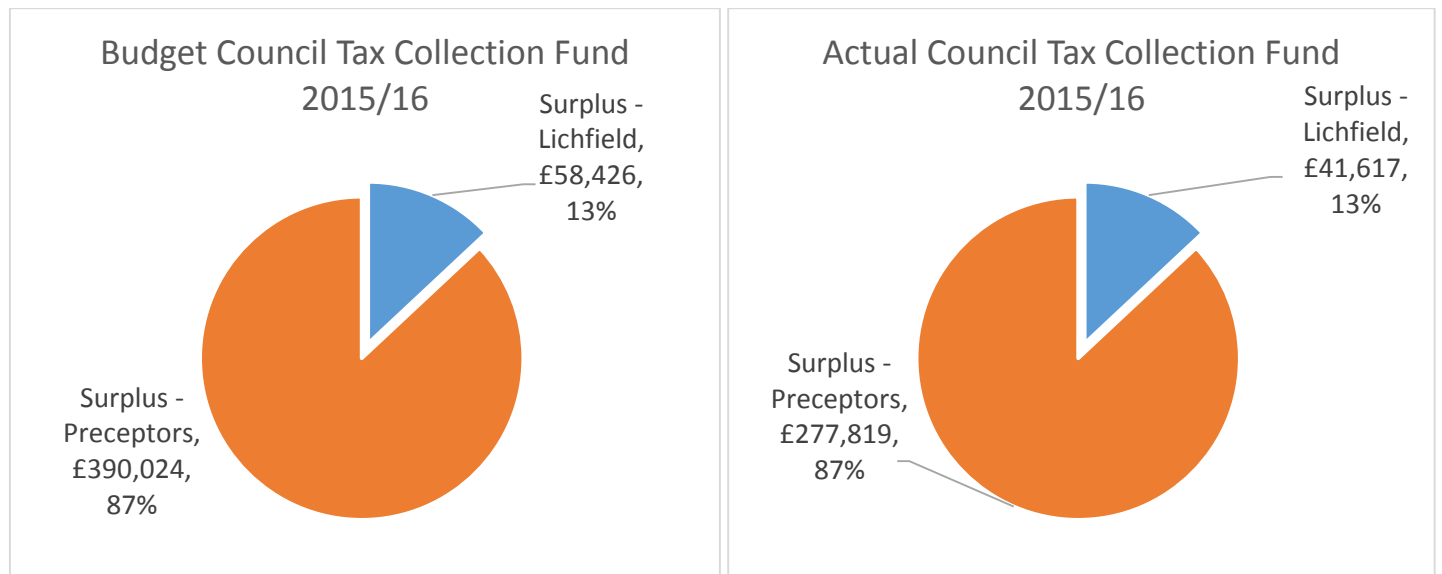
3.18. The Council was responsible for the collection of Council Tax for all precepting authorities in 2015/16 totalling **£54m**.

3.19. The collection performance for Council Tax in 2014/15 and 2015/16 compared to the overall in year performance in 2015/16 for shire districts and England is shown in the graph below:



<sup>1</sup> Cabinet Report 8 September 2015.

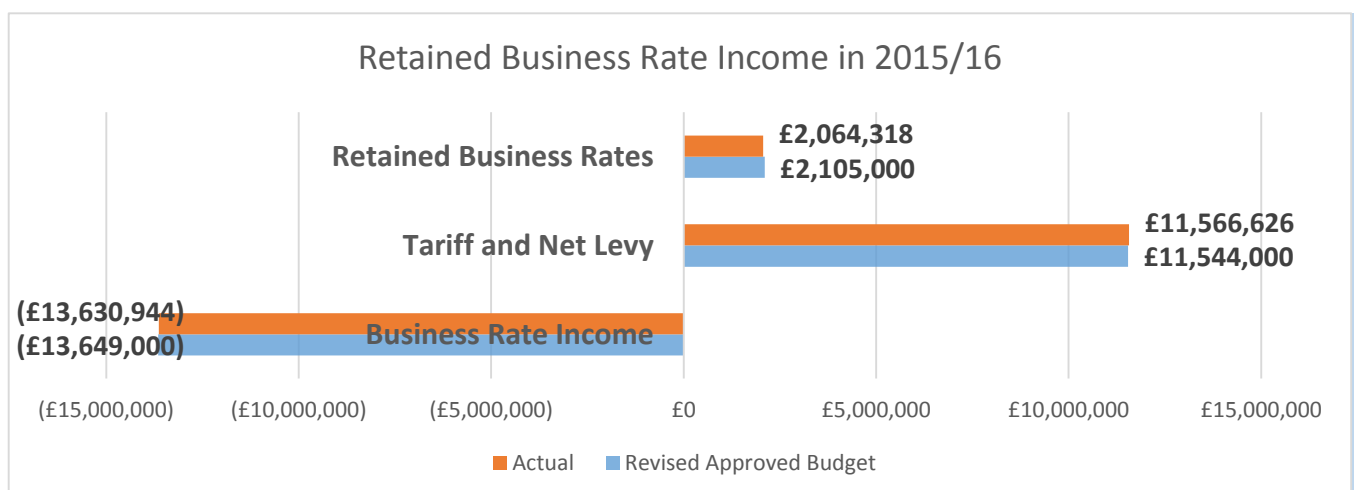
- 3.20 The collection performance has improved from 2014/15 and remains significantly higher than the average for Shire Districts and England.
- 3.21 A summary of the budgeted and actual Council Tax Collection Fund performance is shown in the graph below with detail shown at **APPENDIX C** and is based on Lichfield's (including Parishes) current share of Council Tax of **13%**:



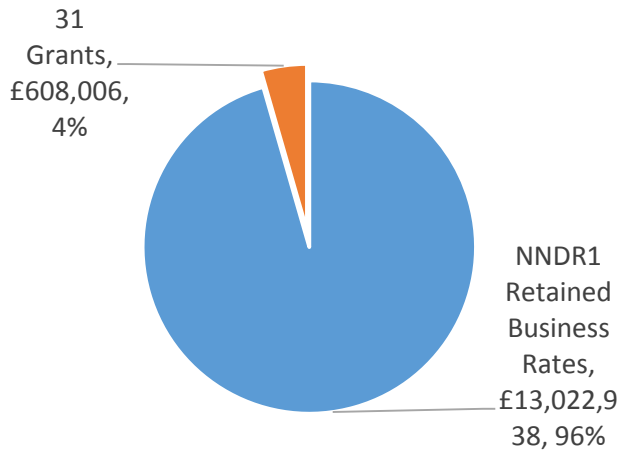
- 3.22 The main reason the surplus is lower than estimated is because despite improved collection performance in 2015/16 the Corporate Debt Team has assessed that a higher transfer to the bad debt provision is required to reflect the current risk on non-collection of arrears.
- 3.23 The reduction in the Council's share of the surplus of **£16,809** will be included in the 2017/18 Budget.

### Business Rates

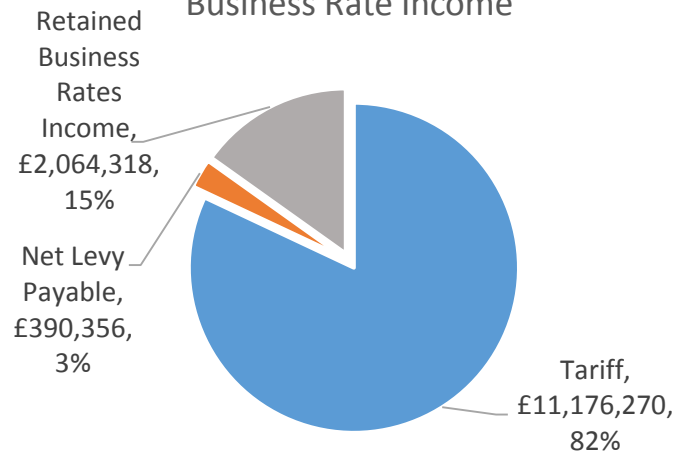
- 3.24 The Council collected Business Rates for all partners in 2015/16 totalling **£34m**.
- 3.25 The Council receives a **40%** share of Business Rates income. The Council's share included in its budget is based on the NNDR 1 estimated level together with Section 31 grants for certain reliefs granted. The Council must then pay the Government set tariff and any net levy based on growth above the Government set baseline (or receive safety net in the event of business rates have reduced more than a set percentage below the baseline).
- 3.26 The Retained Business Rate income for 2015/16 was **(£2,064,318)** compared to the Revised Approved Budget of **(£2,105,000)**, a shortfall of **£40,682**. The detail of the Council's actual and budgeted share of Business Rates income, the tariff and net levy and retained Business Rates in 2015/16 is shown in detail at **APPENDIX C** and in the graphs below:



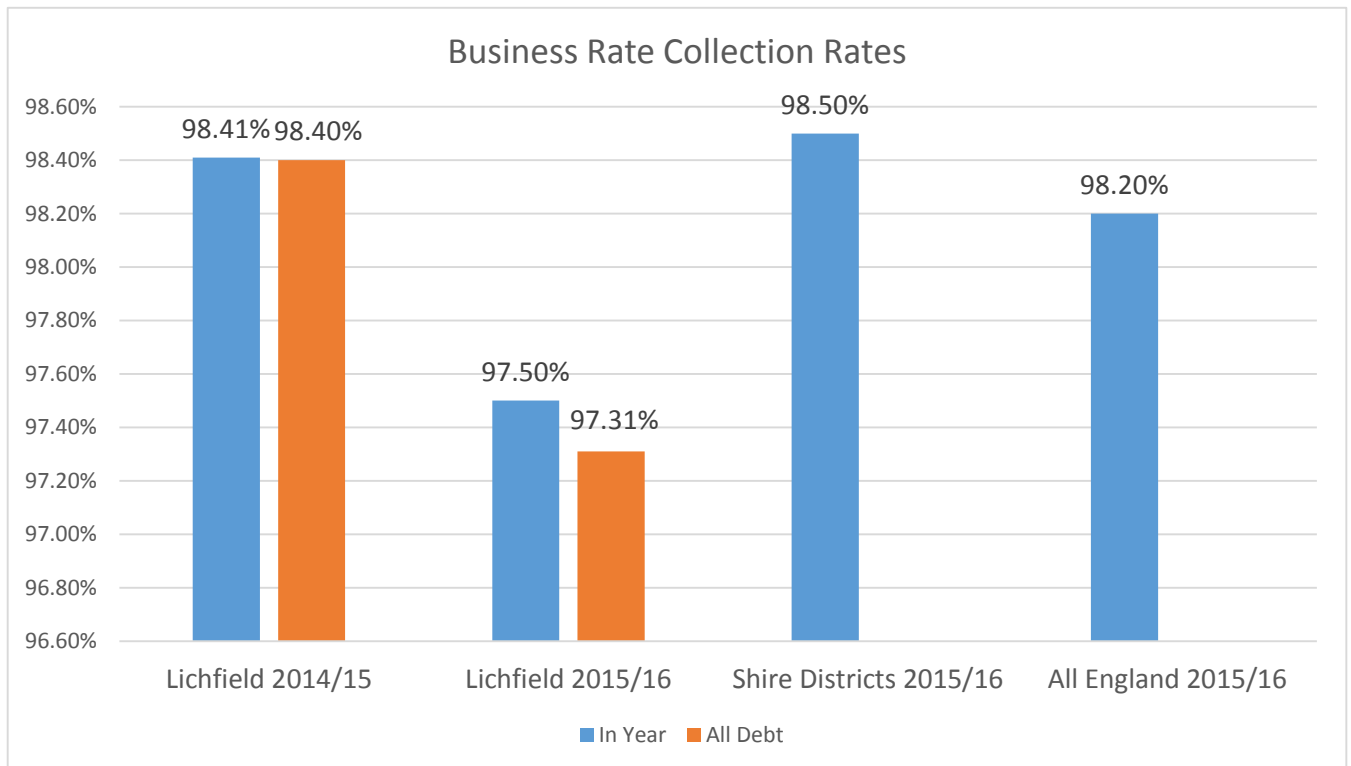
### The makeup of the Council's share of Business Rate Income



### The use of the Council's share of Business Rate Income



3.27 The collection performance for Business Rates in 2014/15 and 2015/16 compared to the overall in year performance in 2015/16 for shire districts and England is shown in the graph below:

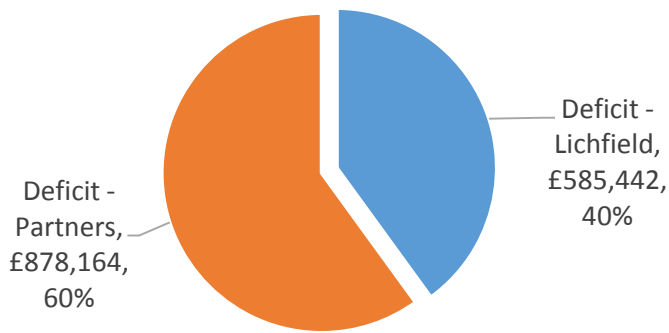


3.28 In year debt collection performance has deteriorated from 2014/15 and is now lower than the average for Shire Districts and England. The reason for the reduction in performance (reported previously in Money Matters Reports) for both in year and all debt was as a result of:

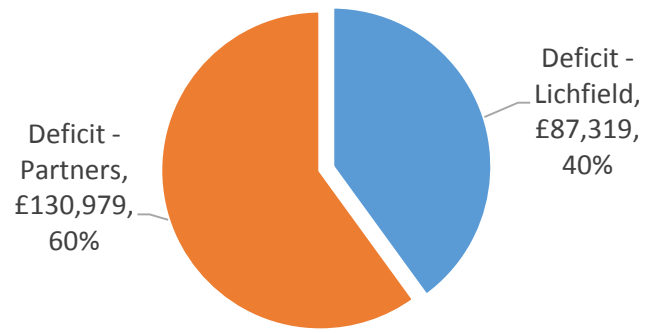
- The amount of collectable debt has increased from **£35.1m** to **£36.4m**.
- New rating assessments, appeals and other changes equating to a **(0.88%)** reduction in the collection rate.
- A payment deferral as part of the Council's support for economic development in the District equating to a **(0.17%)** reduction in the collection rate.

3.29 A summary of the budgeted Business Rates Collection Fund performance is shown in the graphs below with detail shown at **APPENDIX C** and is based Lichfield's prescribed share of **40%**:

### Budget Business Rates Collection Fund



### Actual Business Rates Collection Fund



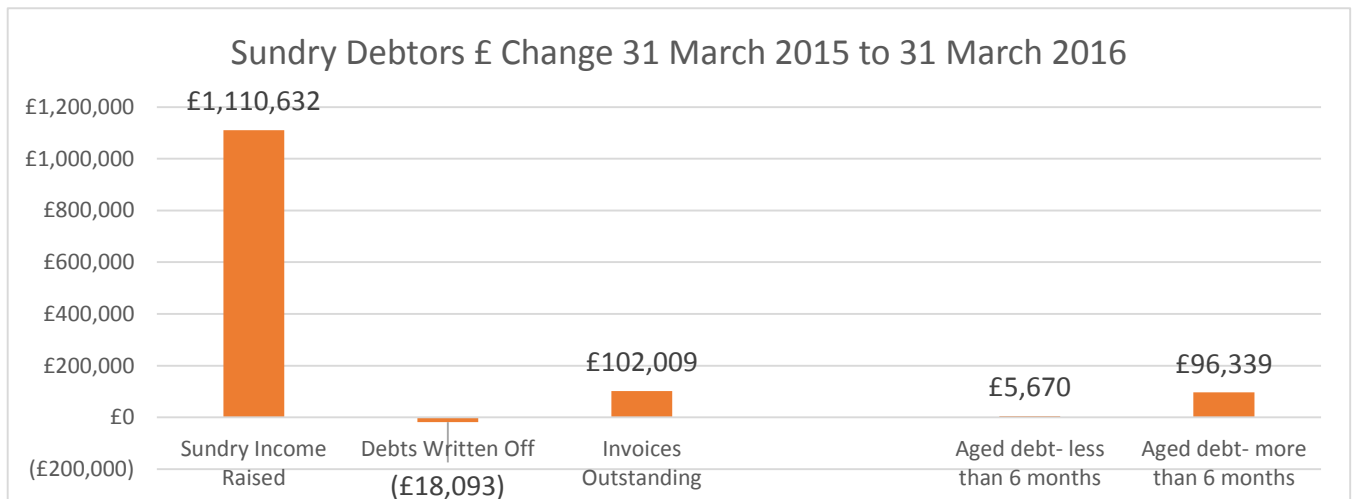
3.30 The main reasons the deficit is lower than estimated of (£1,245,308) are:

- The Corporate Debt Team has assessed that a lower transfer to the bad debt provision is required to reflect the current risk on non-collection (£252,722).
- The level of provision for business rate appeals is lower than estimated (£374,174).
- There has been lower relief granted to empty properties than estimated (£901,189).
- Other reasons £282,777.

3.31 The reduction in the Council's share of the deficit of (£498,123) will be included in the 2017/18 Budget.

#### Sundry Debtors

3.32 A summary of key transactions levels and collection performance for Sundry Debtors in 2015/16 compared to 2014/15 is shown in the graph below:



3.33 The collection performance is shown in detail at **APPENDIX D** and is summarised below:

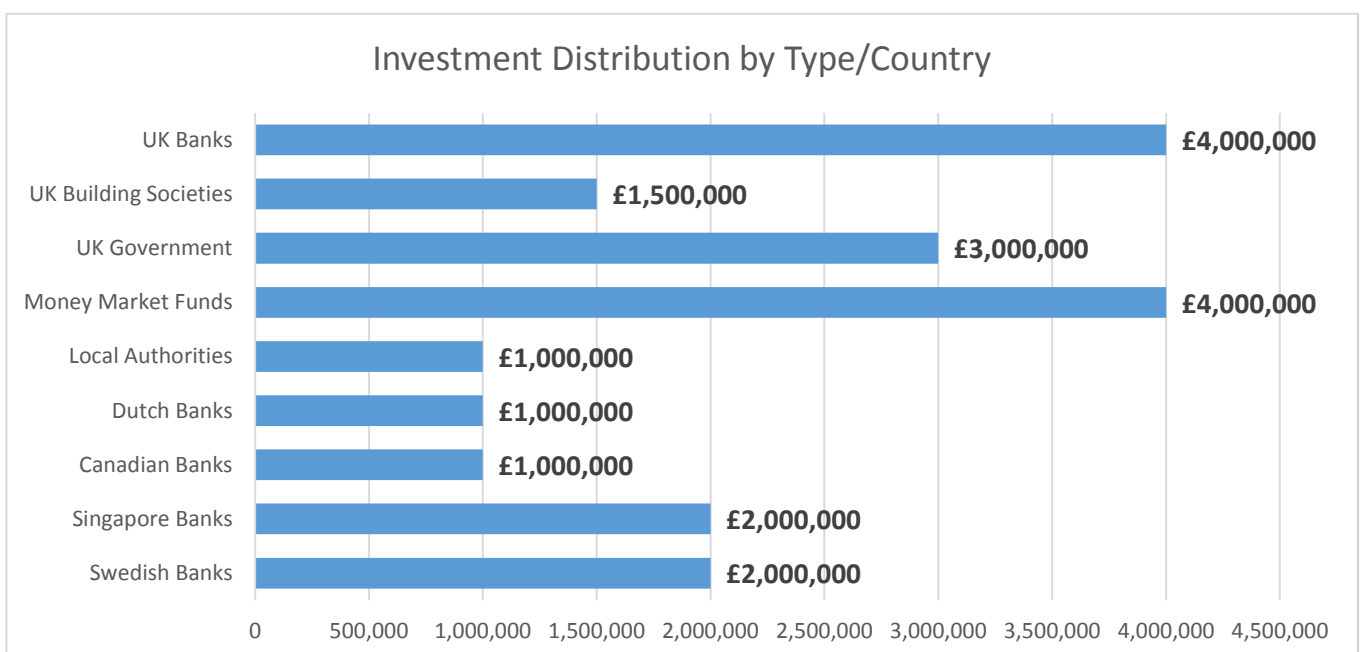
- The collection of sundry debts has remained consistent throughout 2015/16.
- The value of income raised has increased by £1,110,632 or 16.22% and the value of write offs has reduced by (£18,093) or (28.70%).
- Overall invoices outstanding has increased by £5,670 or 5.87% with an increase in those outstanding for more than 6 months by £96,339 or 19.52% due to an increase in housing benefit overpayment debts that take longer to collect. The introduction of Real Time Information (RTI) has contributed to more overpayments being identified related to unreported changes in circumstances (such as income not declared, savings not declared).

## Treasury Management

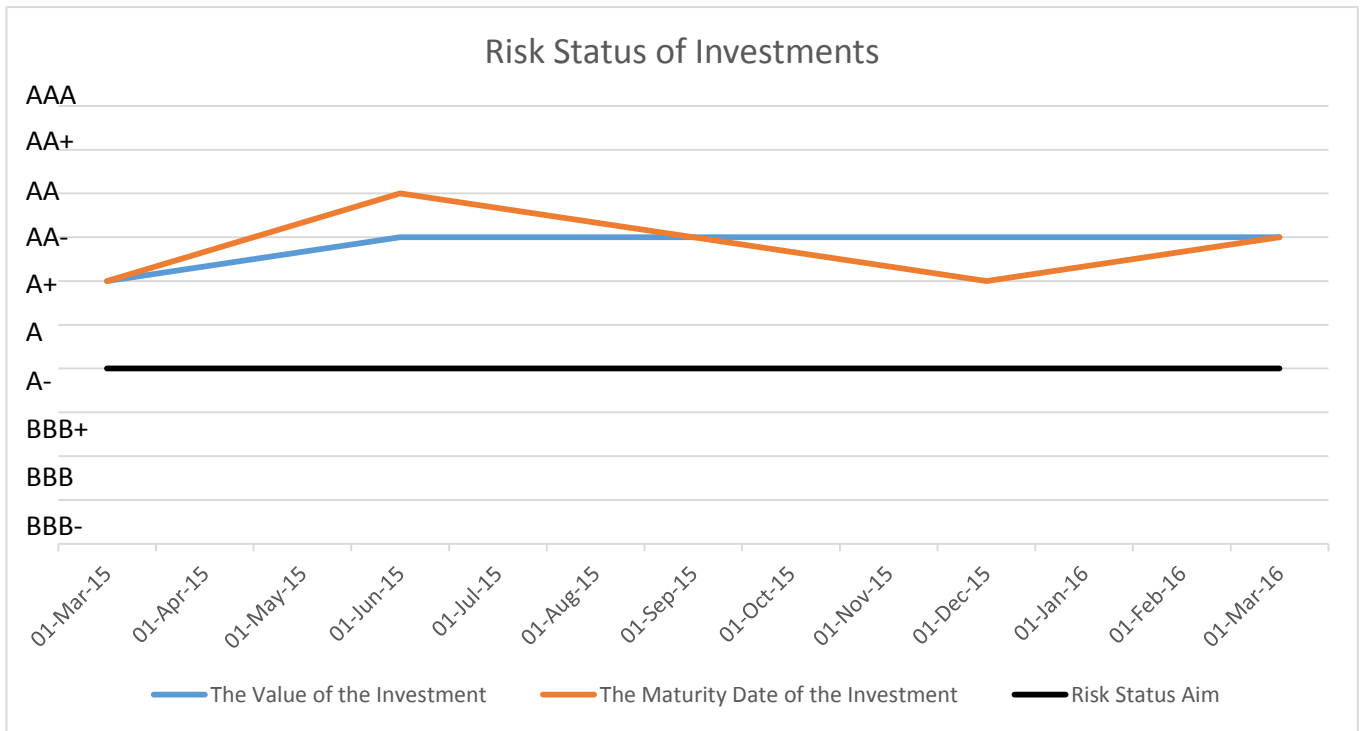
- 3.34 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2015/16 and the actual Prudential Indicators for 2015/16.
- 3.35 Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), 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 Strategic Overview and Scrutiny Committee on Treasury policy; strategy and activity.
- 3.36 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."*
- 3.37 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.
- 3.38 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and
- presents details of capital spend, capital financing, borrowing and investment transactions;
  - reports on the risk implications of Treasury decisions and transactions;
  - gives details of the outturn position on Treasury Management transactions in 2015/16;
  - confirms compliance with Treasury limits and Prudential Indicators and
  - 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.
- 3.39. The report is to full Council and in addition is also submitted to the Strategic Overview and Scrutiny Committee who are responsible for scrutiny of the Treasury Management function.

## The Security of Our Investments

- 3.40. The investments the Council had at the 31 March 2016 of **£19,500,000** by type and Country are summarised in the graph below and in more detail at **APPENDIX E**:

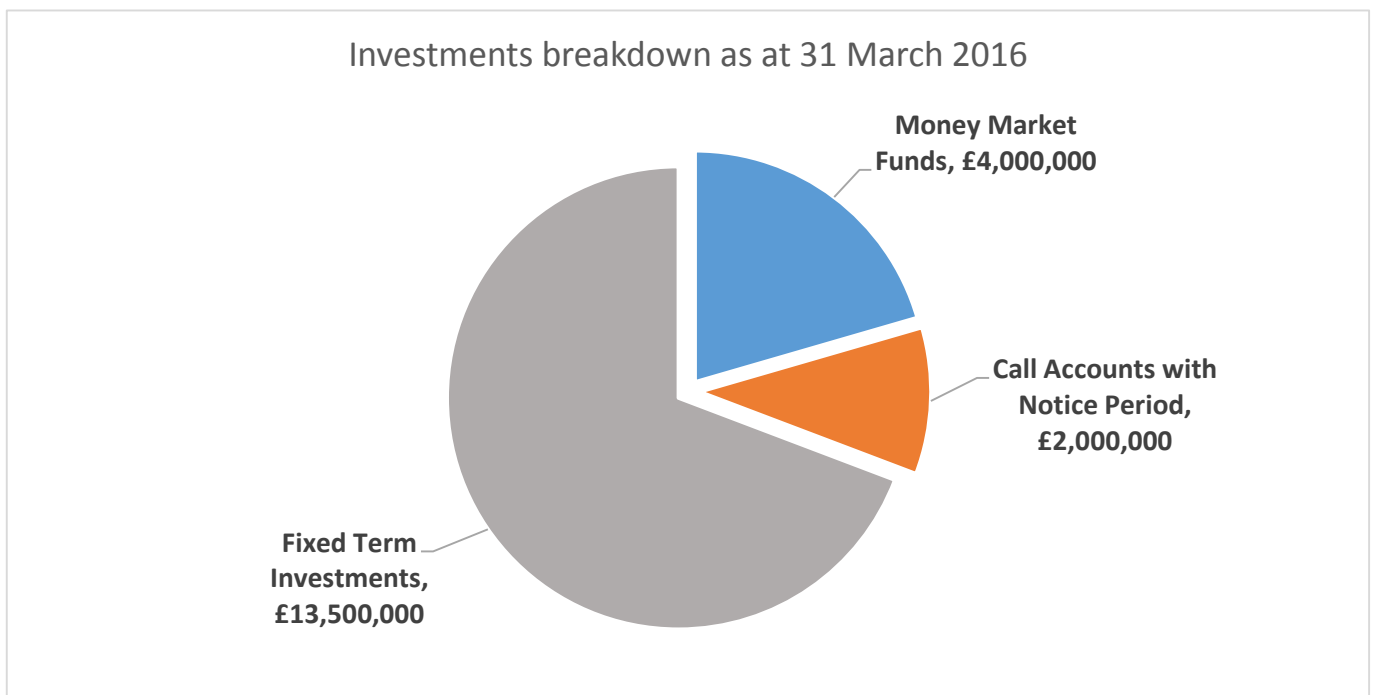


3.41. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value throughout 2015/16 is summarised in the graph below:



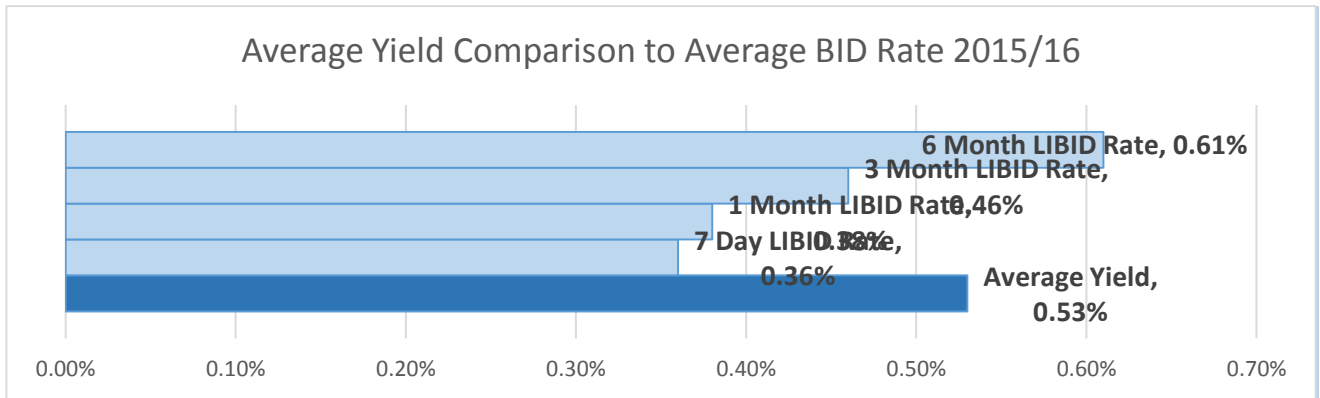
### The Liquidity of our Investments

3.42. The Council has not had to temporarily borrow during 2015/16 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The proportion of investments of this type is shown in the graph below:



## The Return or Yield of our Investments

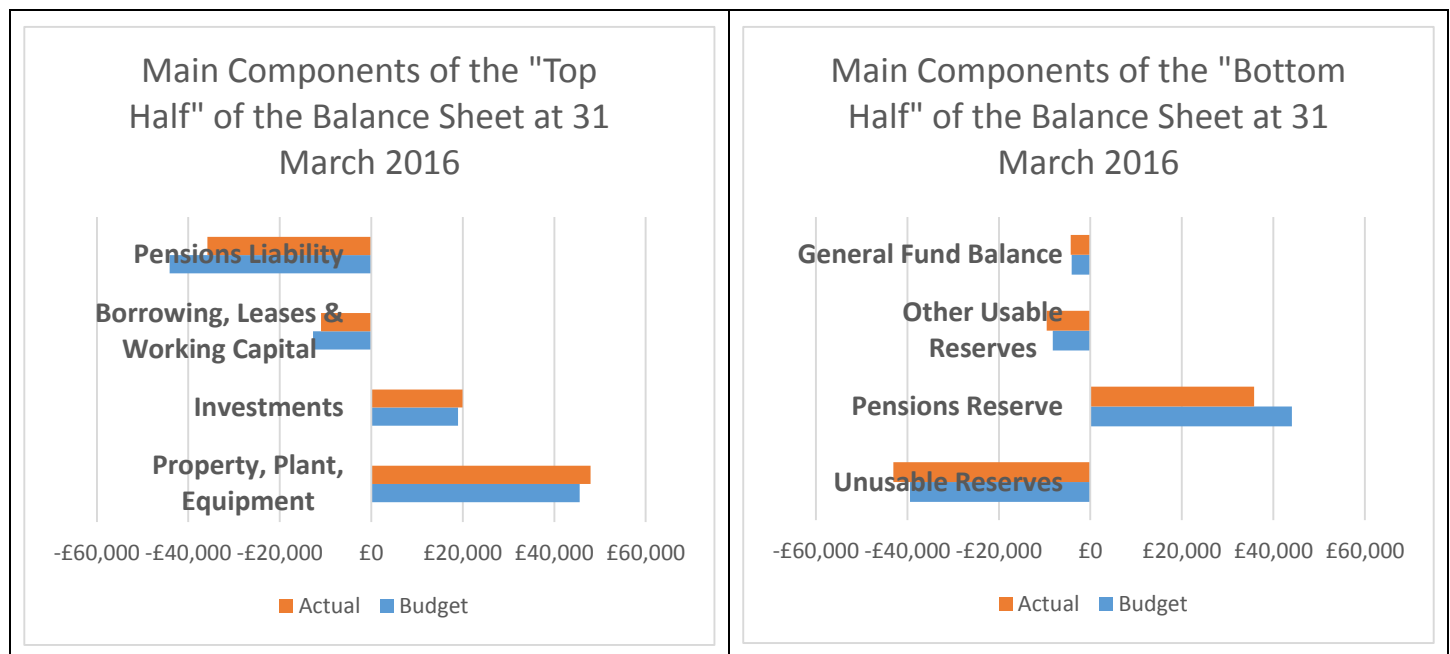
3.43. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the 7 day LIBID rate) is shown in the graph below:



3.44. The investment activity during the financial year generated (£140,992) of net investment income compared to a budget of (£140,500) and overall the Net Treasury position was below budget by (£2,374).

## The Council's Balance Sheet

3.45. The Council's Balance Sheet at 31 March 2016 is shown at APPENDIX F and in summary below:

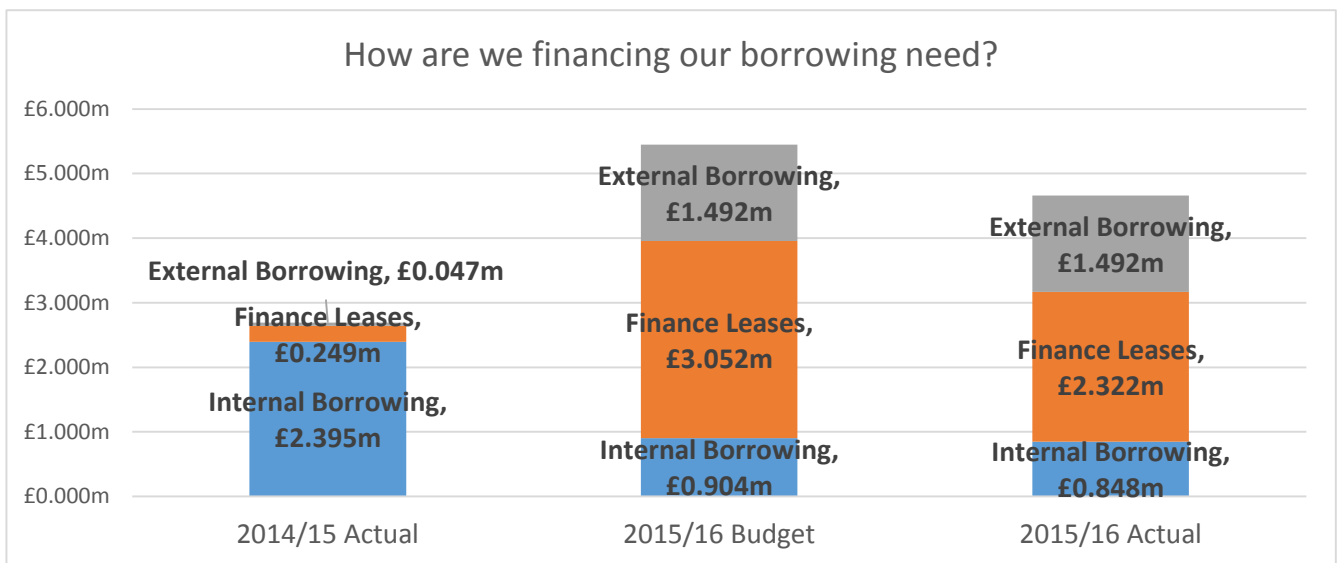
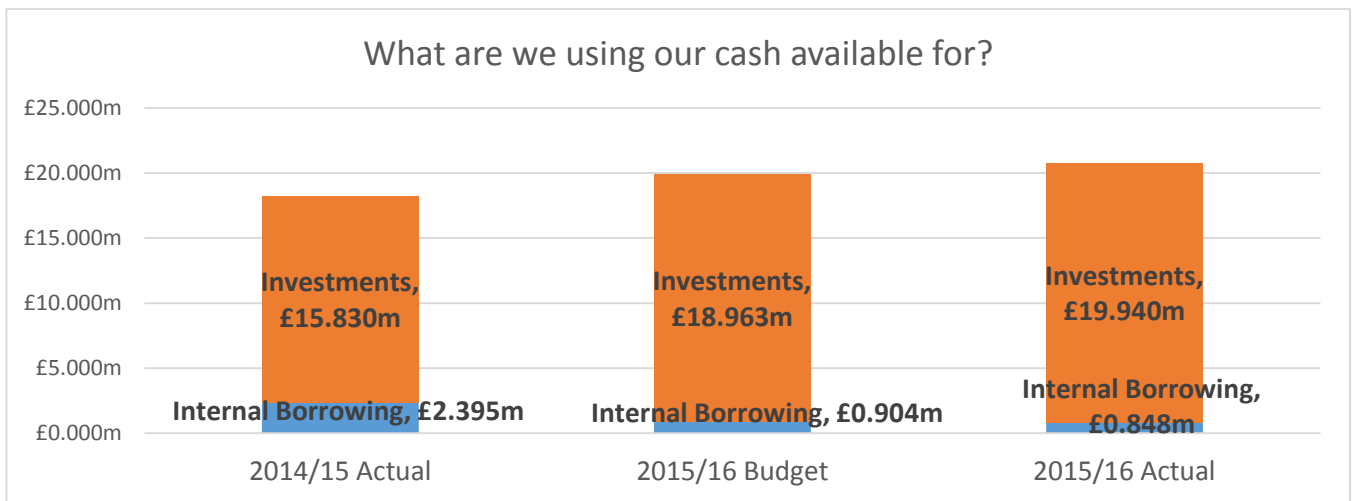


3.46. The Council externally borrowed £1.5m in April 2015 and this is being repaid over a period of 25 years. In addition, a new waste fleet was procured using a contract hire arrangement with a value of vehicles received in 2015/16 totalling £2.2m. This arrangement has been assessed as being a finance lease and therefore the assets and liabilities appear on the Council's Balance Sheet.

3.47. There is a variance of £13.3m between the budgeted and actual Balance Sheets and the main reasons are detailed below:

- The actuary's valuation of the pension fund liability in the "Top Half" of the Balance Sheet is £8.2m lower than last year's valuation due to changes in the assumptions used. The impact of the pensions fund liability is reversed under statutory arrangements via a pensions reserve in the "Bottom Half" of the Balance Sheet.
- The value of property, plant and equipment is higher by £2.1m mainly due to revaluations by the District Valuer of the Leisure Centres and the Lichfield Garrick. These increases in valuation reflect the valuation method used that is based on the cost of replacement.

3.48. The Council's Treasury position at 31 March 2016 in terms of how available cash has been utilised together with the level of borrowing need and how it has been financed is summarised in the two graphs below:



### Treasury Management Assurance

3.49. As part of the Council's assurance framework, Internal Audit undertake periodic reviews of the Treasury Management function. A review was undertaken in 2015/16 and the Council received the second highest level of assurance known as **Substantial Assurance**<sup>2</sup>. The detail of the results of the review findings are shown at **APPENDIX G**.

<b>Alternative Options</b>	There are no alternative options.
<b>Consultation</b>	Consultation is undertaken as part of the 'Plan for Lichfield District' and with Leadership Team.

<sup>2</sup> The Council's Internal Audit assurance levels are: Excellent, Substantial, Adequate, Limited and Poor.



## Financial Implications

### Prudential indicators (PI) 2015/16:

- We can confirm that the Council has complied with its Prudential Indicators for 2015/16; these were originally approved by Council at its meeting on 17 February 2015 and were fully revised and approved by Council on 23 February 2016 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 2015/16.
- 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 in **APPENDIX H** and are summarised in the table below :

PI	Details	2015/16 Final Budget	2015/16 Actual	Compliant
1	Capital Expenditure (£)	£4.871m	£3.940m	
2	Ratio of Financing Costs to Net Revenue Stream (%)	2%	3%	
3	Capital Financing Requirement (£)	£5.448m	£4.664m	
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 (£)	(£0.28)	(£0.18)	
6	Authorised Limit (£)	£13.732m	£4.587m	
7	Operational Boundary (£)	£5.405m	£4.587m	
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%)	(87%)	
10	Upper limit for investments variable interest rate exposure (Highest)	100%	100%	
11	Upper limit for borrowings fixed interest rate exposure (Highest)	(100%)	(43%)	
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%	5.17%	
12	12 months and within 24 months	100%	5.08%	
12	24 months and within 5 years	100%	12.24%	
12	5 years and within 10 years	100%	20.40%	
12	10 years and within 20 years	100%	40.80%	
12	20 years and within 30 years	100%	16.32%	
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)	£2.300m	£1.000m	
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions.		

- Detailed analysis of the Financial Performance for 2015/16 is shown in the **APPENDICES** attached.

<b>Contribution to the Delivery of the Strategic Plan</b>	The MTFS underpins the delivery of the 'Plan for Lichfield District 2012-16'.
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<b>Equality, Diversity and Human Rights Implications</b>	There are no additional Equality, Diversity or Human Rights implications.
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<b>Crime &amp; Safety Issues</b>	There are no additional Crime and Safety Issues.
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	<b>Risk Description</b>	<b>How We Manage It</b>	<b>Severity of Risk (RYG)</b>
<b>A</b>	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	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
<b>B</b>	Counterparty default	A new Annual Investment Strategy was approved by Cabinet on 7 April 2015. This new Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material
<b>C</b>	The Performance of the Economy in light of the EU Referendum	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.	Red - Severe
<b>D</b>	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
<b>E</b>	Planned capital receipts are not received	The Council plans to dispose of a number of assets to fund capital investment including Industrial Units and Shops. Two of these sales have been completed and the remaining one is being monitored closely to ensure any subsequent financial implications are included in the MTFS.	Red - Severe
<b>F</b>	New Government policies including the level of cuts to Communities and Local Government	To ensure any new policies such as those related to Business Rates and New Homes Bonus are evaluated and the impact is incorporated into the MTFS.	Red - Severe

<b>Background Documents</b>	<ul style="list-style-type: none"><li>• CIPFA Code of Practice for Treasury Management in the Public Services</li><li>• Money Matters : Medium Term Financial Strategy (Revenue and Capital) 2015-18 Cabinet 3 February 2015.</li><li>• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy (3 months) - Cabinet 8 September 2015</li><li>• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy (6 months) - Cabinet 1 December 2015</li><li>• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy (8 months) - Cabinet 9 February 2016</li><li>• The Prudential Code for Capital Finance in Local Authorities</li></ul>
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<b>Relevant web link</b>	<a href="#"><u>Cabinet - Lichfield District Council</u></a>
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## The Revenue Budget

	Original Budget (£)	Approved Budget (£)	Actual Outturn (£)	2015/16 Variance (£)	2015/16 Target Variance (+/-) (£)
Chief Executive	772,460	765,030	863,554	98,524	6,000
Community, Housing & Health	2,217,360	1,885,810	1,850,605	(35,205)	20,000
Democratic, Development & Legal	1,097,170	392,170	241,745	(150,425)	61,000
Finance, Revenues & Benefits	2,428,290	2,294,110	2,281,698	(12,412)	31,000
Leisure & Parks	3,167,270	2,818,790	2,752,471	(66,319)	71,000
Waste Collection	1,311,000	1,228,930	1,200,013	(28,917)	61,000
<b>Net cost of services</b>	<b>10,993,550</b>	<b>9,384,840</b>	<b>9,190,085</b>	<b>(194,755)</b>	<b>250,000</b>
Net Treasury Position	74,900	(39,500)	(41,874)	(2,374)	
Revenue Contributions to the Capital Programme	154,000	154,000	154,000	0	
<b>Net Revenue Expenditure</b>	<b>11,222,450</b>	<b>9,499,340</b>	<b>9,302,211</b>	<b>(197,129)</b>	
Approved Earmarked reserves	92,000	290,250	290,250	0	
<b>Cost of local services met by local and national taxes</b>	<b>11,314,450</b>	<b>9,789,590</b>	<b>9,592,461</b>	<b>(197,129)</b>	
<b>How we plan to fund this</b>					
Local Taxes	(5,620,560)	(5,620,560)	(5,620,560)	0	
Grants and Business Rates	(5,293,440)	(5,293,440)	(5,253,376)	40,064	
<b>Funding Sub Total</b>	<b>(10,914,000)</b>	<b>(10,914,000)</b>	<b>(10,873,936)</b>	<b>40,064</b>	
<b>Sub Total</b>	<b>400,450</b>	<b>(1,124,410)</b>	<b>(1,281,475)</b>	<b>(157,065)</b>	
General Reserve	(400,450)	1,124,410	1,281,475	157,065	
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Analysis of gross expenditure, income and net expenditure for 2015/2016

Area	Actual Gross Expenditure (£)	Actual Gross Income (£)	Actual Net Expenditure (£)
Chief Executive	906,139	(42,585)	863,554
Community, Housing & Health	2,493,407	(642,802)	1,850,605
Democratic, Development & Legal	4,833,278	(4,591,533)	241,745
Finance, Revenues & Benefits	22,966,601	(20,684,903)	2,281,698
Leisure & Parks	6,094,896	(3,342,426)	2,752,471
Waste Collection	5,148,830	(3,948,817)	1,200,013
<b>Net cost of services</b>	<b>42,443,151</b>	<b>(33,253,066)</b>	<b>9,190,085</b>
Net Treasury Position	106,438	(148,312)	(41,874)
Revenue Contributions to the Capital Programme	154,000	0	154,000
<b>Net Revenue Expenditure</b>	<b>£42,703,589</b>	<b>(£33,401,378)</b>	<b>£9,302,211</b>

## Reasons for the end of year below Budget Performance

	Variance (£)	Expenditure		Income	
		One Off (£)	Recurring (£)	One Off (£)	Recurring (£)
<b>Chief Executive</b>					
Communications and Information - additional income for services	(3,523)	(306)		(3,217)	
Minor Balance	(953)	1,275	0	(2,228)	0
Approved at Leadership Team Earmarked reserves	103,000	103,000		0	
<b>Chief Executive Total</b>	<b>£98,524</b>	<b>£103,969</b>	<b>£0</b>	<b>(£5,445)</b>	<b>£0</b>
<b>Community, Housing &amp; Health</b>					
Homelessness Service - bad debt provision 7.7k and courses 750, B&B overspent. Over recovered storage and B&B income budgets	5,980	9,017		(3,037)	
Homelessness Prevention - Grant received from Shropshire Council put into reserve, small underspend other fees (homeless prevention) and bad debt over provided for	(9,332)	(1,037)		(8,295)	
Private Sector Housing - reduction in Warmer Healthier Homes Healthier People payments	(4,178)	(4,179)		1	
Building Safer Communities - some expenditure has no budget but was Grant funded or covered by reserve	(4,197)	7,503		(11,700)	
Food Safety - Rate my Place income (no budget)	(6,554)	161		(6,715)	
Repossession Prevention Fund -3 loans awarded and bad debt provision 8.5K (no budget), income covers 3 loans awarded	6,051	13,551		(7,500)	
Prevention Assistance Fund - loan underwritten but bad debt over provided for	(4,036)	(4,035)		(1)	
Housing Strategy and the Enabling Role - reserve given up (EARM no longer required CHH 033), small income balance	(30,430)	(30,399)		(31)	
Minor Balance	1,409	20,353	0	(18,944)	0
Approved at Leadership Team Earmarked reserves	10,083	10,083			
<b>Community, Housing &amp; Health Total</b>	<b>(£35,205)</b>	<b>£21,017</b>	<b>£0</b>	<b>(£56,222)</b>	<b>£0</b>
<b>Democratic, Development &amp; Legal</b>					
District Council House - additional Repairs and Maintenance	9,429	9,484		(55)	
Democratic Services - savings in employee cost/supplies & Services	(9,012)	(7,349)		(1,664)	
Legal Services - savings in employee cost, Legal fees and additional Legal fees income	(23,939)	(17,129)		(6,810)	
Other Land and Property - savings in professional fees and additional freehold sales income	(14,516)	(4,934)		(9,582)	
Countryside Projects-Earmarked Reserve No Longer Required	(23,252)	(23,252)		0	
Business Support and Investment-Earmarked Reserve Not Required	(34,628)	(34,628)		0	
District Highways - underspends on street name plates and unadopted roads	(11,521)	(3,521)	(8,000)	0	
Multi Storey car park	(19,754)	(3,646)		(5,108)	(11,000)
Parking Enforcement	15,416	3,581		835	11,000
Lichfield Car Parks - vandalism repairs offset with insurance claims	491	12,340		(11,850)	
Conservation and Listed Buildings – Earmarked Reserve No Longer Required and reduction in Shared Service income	(40,582)	(42,372)		469	1,320
Minor Balance	(832)	(12,273)	0	11,441	0
Approved at Leadership Team Earmarked reserves	2,276	2,276			
<b>Democratic, Development &amp; Legal Total</b>	<b>(£150,425)</b>	<b>(£121,422)</b>	<b>(£8,000)</b>	<b>(£22,793)</b>	<b>£1,320</b>
<b>Finance, Revenues &amp; Benefits</b>					
Additional New Burdens Grant received for Revenues & Benefits	(5,409)	(319)		(5,090)	
Street Naming and Numbering - additional income	(7,051)	640		(7,691)	
Director - Finance Revenues & Benefits - additional income	(2,597)	(2,537)		(60)	
Lichfield BID - additional income for administering the BID	(6,641)	59		0	(6,700)
Housing Benefit Payments - actual Subsidy Claim reflected	(260)	951,213		(951,473)	
Minor Balance	(3,616)	31,904	1,250	(36,770)	0
Approved Earmarked reserves	13,160	13,160			
<b>Finance, Revenues &amp; Benefits Total</b>	<b>(£12,412)</b>	<b>£994,121</b>	<b>£1,250</b>	<b>(£1,001,083)</b>	<b>(£6,700)</b>

**APPENDIX A**

	Variance (£)	Expenditure		Income	
		One Off (£)	Recurring (£)	One Off (£)	Recurring (£)
<u>Leisure &amp; Parks</u>					
Administration Budget - Saving in relation to marketing, office expenditure/ printing/ equipment and lower employee costs	(8,962)	(8,889)		(73)	
Health & Safety- minor balance	(3,101)	(3,757)		656	
Sports Development and Positive Futures - Some projects started later than anticipated resulting in lower costs versus budget and income received later in year	(19,490)	18,431		(21,150)	
Parks and Open Spaces - Overspends on tree works and premises maintenance at Beacon Park partly offset by over performance on income from core activities. Pressures at Burntwood Parks in particular due to the works on Hospital Road and the reduction in income from the lease and that at St Matthews. Unplanned income received for Wharf Lane close to year end so could not be utilised	28,513	65,729		(37,217)	
Friary Grange Leisure Centre – Over performance on income following the refurbishment and upgrade of facilities. The charge from SCC for the Joint User Agreement was significantly less than budget	(34,505)	(13,765)	440	(8,180)	(13,000)
King Edward VI Leisure Centre - Savings on employees due to leavers and utilities due to mild winter and efficient usage	(9,066)	12,285	(25,000)	(16,351)	20,000
Burntwood Leisure Centre – Underspending on marketing budget, other supplies and services lines and employee costs and premises (utilities)	(32,935)	(32,833)		(102)	
Garrick – Repairs to ventilation system slipped so reserve for £15k	(12,218)	(12,218)		0	
Insurance - Savings on consultant fees, commission to brokers and course fees	(3,367)	(3,387)		21	
Streetscene - Grounds Maintenance - Expenditure includes capital purchase of equipment to be moved to asset register, income includes part exchange allowance for this equipment. Ad hoc higher than budget for external contracts	4,081	21,825		(17,744)	
Public Conveniences – Minor balance	(2,096)	(2,131)		35	
Streetscene Management - Minor balance	(2,145)	(2,145)		0	
Street Cleansing Approved Earmarked reserves – trunk road cleansing	28,971	28,971			
<b>Leisure &amp; Parks Total</b>	<b>(£66,319)</b>	<b>£68,116</b>	<b>(£24,560)</b>	<b>(£116,876)</b>	<b>£7,000</b>
<u>Waste Collection</u>					
Joint Waste - Q4 saw increase in recycling tonnages after a fall over the first 3 quarters. Due to milder winter hence more organic waste and also increase in dry recycling. This affects both expenditure (gate fee) and income (recycling credit and sale proceeds from dry recycling)	(21,715)	67,883		(89,598)	
Other Waste - increased 2nd brown bin income and bulky income	(1,399)	0		(1,399)	
Trade Waste - new customers hence increased disposal costs and income	(5,062)	9,020		(14,082)	
Minor Balance	(741)	1,928	0	(2,669)	0
<b>Waste Collection Total</b>	<b>(£28,917)</b>	<b>£78,830</b>	<b>£0</b>	<b>(£107,747)</b>	<b>£0</b>
<u>Net Treasury Position</u>					
Treasury Management – lower internal interest payments.	(2,374)	(4,062)		1,688	0
<b>Net Treasury Position Total</b>	<b>(£2,374)</b>	<b>(£4,062)</b>	<b>£0</b>	<b>£1,688</b>	<b>£0</b>
<u>Local Taxes</u>					
Minor Balance	0	499	0	(499)	0
<b>Local Taxes Total</b>	<b>0</b>	<b>499</b>	<b>0</b>	<b>(499)</b>	<b>0</b>
<u>Grants</u>					
Section 31 grants are lower than forecast and additional net levy on Business Rate Growth	40,064	254,190	0	(214,126)	0
<b>Grants Total</b>	<b>£40,064</b>	<b>£254,190</b>	<b>£0</b>	<b>(£214,126)</b>	<b>£0</b>
<b>Total</b>	<b>(£157,065)</b>	<b>£1,395,259</b>	<b>(£31,310)</b>	<b>(£1,522,634)</b>	<b>£1,620</b>

## Unrestricted Earmarked reserves Summary 2015/16 as at 31st March 2016

Reserve Name	Initial Set Up Year	1 April 2015 £	31 March 2016 £
Web Site Development	2008/09	(31,000)	(40,200)
Fit for the Future	2013/14	(321,925)	(418,225)
Fit for the Future	2013/14	(25,730)	0
IAS 19 - Employee Benefits	2014/15	(69,650)	(69,650)
<b>Chief Executive Total</b>		<b>(448,305)</b>	<b>(528,075)</b>
SMBC Refresh Costs	2010/11	(12,000)	0
Benefits - New Burdens Grant	2014/15	(96,320)	(185,380)
Public Access Upgrade	2014/15	(6,000)	0
IT Health check	2014/15	(30,500)	0
Spend Analysis - Prospend in 2016/17 & 2017/18	2014/15	(8,198)	(16,298)
Business Rates	2014/15	(162,379)	(275,039)
Payment Kiosk	2014/15	(20,000)	(20,000)
<b>Finance, Revenues &amp; Benefits Total</b>		<b>(335,397)</b>	<b>(496,717)</b>
City Centre Pedestrianisation Sinking Fund	2011/12	(27,663)	0
Inward Investment and Place Marketing	2010/11	(60,000)	(44,000)
High Street Innovation Fund - Lichfield	2012/13	(6,650)	0
High Street Innovation Fund - Burntwood	2012/13	(2,594)	0
Three Spires Head Lease Rent	2014/15	(66,000)	(33,000)
Individual Electoral Registration	2014/15	(35,850)	(33,270)
Lichfield District Council Election	1984/85	(97,469)	(14,000)
Grant Aid -Development Historic Building Grants	1982/83	(39,649)	(9,600)
Grant Aid -Development Nature Conservation Fund	1982/83	(19,284)	(10,000)
Canal Culvert at Huddlesford	2013/14	(4,200)	0
Refurbishment of Bird Street Car Park	2013/14	(116,912)	0
HS2	2013/14	(50,930)	(44,806)
Judicial Review/Planning Appeals	2013/14	(266,139)	(199,160)
Friarsgate	2014/15	(92,000)	(382,250)
Arts Development	2014/15	(600)	(1,026)
Tourism Strategy	2014/15	(8,067)	0
Tourism System Upgrade	2015/16		(15,700)
Elections Additional Support	2015/16		(114,780)
Spatial Policy Office Expenses	2015/16		(1,250)
<b>Democratic, Development &amp; Legal Total</b>		<b>(894,008)</b>	<b>(902,842)</b>
Wharf Lane	2007/08	(24,217)	(4,314)
Comprehensive Tree Survey	2012/13	(34,280)	(32,280)
Beacon Park Composting Bays	2011/12	(2,836)	0
Friary Grange Leisure Centre - Reception, Catering/Viewing area & Gym	2013/14	(807)	(807)
FGLC - Evolve Cardio Equipment	2013/14	(2,970)	(2,970)
Burntwood Leisure Centre Synthetic Pitch Renewal	2013/14	(40,000)	(40,000)
King Edward VI Leisure Centre Synthetic Pitch Renewal	2013/14	(115,000)	(115,000)
National Memorial Arboretum	2014/15	(20,000)	(14,745)
Vehicle for Parks Team	2014/15	(32,170)	(6,604)

**APPENDIX A**

<b>Reserve Name</b>	<b>Initial Set Up Year</b>	<b>1 April 2015 £</b>	<b>31 March 2016 £</b>
Transfer of Property	2014/15	(25,000)	(24,250)
Squash Courts and Sports Hall Floors Friary Grange Leisure Centre	2014/15	(50,000)	(50,000)
Leisure Services Review	2014/15	(20,000)	(2,000)
Grounds Maintenance Vehicles and Equipment Sinking Fund	2014/15	(24,300)	(69,600)
Trunk Road Sweeping	2014/15	(50,540)	(40,550)
Friarsgate Shop mobility Equipment	2015/16		(5,000)
Pockets Parks Programme	2015/16		(11,000)
Positive Futures POC Funding	2015/16		(2,971)
Garrick - Repairs to ventilation system	2015/16		(15,000)
<b>Leisure &amp; Parks Total</b>		<b>(442,120)</b>	<b>(437,090)</b>
Old Mining College Repairs	2005/06	(7,750)	0
Building Safer Communities	2010/11	(12,723)	(10,203)
Domestic Homicide	2011/12	(2,500)	0
Assistant CDW - delayed redundancy	2013/14	(11,448)	0
Customer Services Channel Shift	2011/12	(17,000)	(17,000)
Environmental Health Legal Costs	2011/12	(10,000)	0
EH - Vehicle Maintenance/Replacement	2011/12	(23,941)	(23,941)
Homelessness Strategy	2010/11	(57,610)	0
DCLG Grant Homelessness	2010/11	(39,802)	0
Warmer Homes Healthier Homes	2012/13	(27,727)	0
Homeless & Repossession Prevention Fund	2010/11	(34,549)	(16,022)
Stock Condition Survey	2015/16		(65,000)
Housing Strategy - Evidence Base Update	2015/16		0
Housing Void Loss	2011/12	(8,089)	0
Choose Housing Register	2011/12	(9,592)	0
CCTV Review & Infrastructure	2010/11	(180)	0
Home Repair Assistant Grants - Capital Bid	2013/14	(13,000)	0
Public Health Funding	2013/14	(11,666)	(11,666)
Customer Services – Counter call System	2014/15	(24,000)	(3,648)
Transfer of Old Mining College	2014/15	(3,000)	0
Evidence Base Strategic Plan	2014/15	(12,000)	0
Web Site Development Rate My Place	2014/15	(11,400)	(11,400)
CCTV Sinking Fund	2015/16		(20,358)
Shropshire & Staffordshire Homelessness Prevention Partnership residual grant	2015/16		(8,487)
Letting Agent Regulations	2015/16		(761)
Smoke & Carbon Monoxide Regulations	2015/16		(835)
<b>Community, Housing &amp; Health Total</b>		<b>(337,977)</b>	<b>(189,321)</b>
Dry Recycling Contract - LDC Share (Note 1)	2014/15	(115,000)	(100,570)
IAS 19 Employee Benefits - LDC Share	2014/15	(20,200)	(20,200)
<b>Joint Waste Total</b>		<b>(135,200)</b>	<b>(120,770)</b>
<b>Total Earmarked reserves</b>		<b>(£2,593,007)</b>	<b>(£2,674,815)</b>



## Restricted Earmarked reserves Summary 2015/16

Reserve Name	Initial Set Up Year	1 April 2015 £	31 March 2016 £
<b>Democratic, Development &amp; Legal</b>			
South Staffordshire Building Control Partnership - Building Regulations Reserve	2014/15	(85,241)	(146,055)
Friary Multi Storey Sinking Fund	2015/16	0	(1,140)
Land Charges Partnership	2015/16	0	(19,499)
POS-Worthington Road, Fradley	2010/11	(1,834)	(1,834)
Darwin Park Estate Lights	2010/11	(10,684)	(10,684)
Birmingham Road Car Park Repairs and Renewals	1995/96	(1,551,888)	(1,715,560)
<b>Democratic, Development &amp; Legal Total</b>		<b>(1,649,646)</b>	<b>(1,894,772)</b>
<b>Leisure &amp; Parks</b>			
POS-Cannock Road (97/00877) Area K Larks Rise Burntwood	2010/11	(7,853)	(7,853)
POS-St Matthews Site, Burntwood(97/00295)	2010/11	(72,110)	(72,065)
POS-Beacon School, Lichfield (99/00638) Beacon Park	2010/11	(3,212)	(3,212)
Section 106-Forest of Mercia 10/01563	2011/12	(700)	(700)
POS-Fradley South (96/00203) Alexander Close	2010/11	(1,517)	(1,517)
Public Open Spaces	1991/92	(5,534)	(5,534)
Commuted Sums – Hawksyard	2015/16	0	(218,218)
Commuted Sum – Darwin Park	2015/16	0	(14,437)
POS – Darwin Park	2015/16	0	(123,676)
HLF LDC Contribution	2011/12	(34,401)	(34,401)
Heritage Lottery Fund - Management	2013/14	(8,250)	(8,250)
* Friary Grange Synthetic Pitch Sinking Fund	2011/12	(10,020)	(13,360)
<b>Leisure &amp; Parks Total</b>		<b>(143,597)</b>	<b>(503,223)</b>
<b>Joint Waste</b>			
Waste Shared Service Property growth - LDC Share	2010/11	(237,190)	(284,628)
Waste Shared Service Property growth - TBC Share	2010/11	(175,310)	(210,373)
Dry Recycling Contract - TBC Share	2014/15	(85,000)	(74,340)
IAS 19 Employee Benefits TBC Share	2014/15	(14,930)	(14,930)
<b>Joint Waste Total</b>		<b>(512,430)</b>	<b>(584,270)</b>
<b>Total Earmarked reserves</b>		<b>(£2,305,673)</b>	<b>(£2,982,265)</b>

- Friary Grange Synthetic Pitch Sinking Fund was reclassified as restricted during 2015/16

### Capital Programme Performance in 2015/16

Priority	Original Budget £	Final Budget £	Actual Outturn £	Variance £	
We'll support local people	1,544,000	685,000	705,096	20,096	☑
We'll support local places	2,387,000	3,211,500	2,292,300	(919,200)	●
We'll boost local businesses	585,000	601,500	476,778	(124,722)	●
How our core principles help us deliver	535,000	373,000	466,168	93,168	☑
<b>Total Capital Expenditure</b>	<b>£5,051,000</b>	<b>£4,871,000</b>	<b>£3,940,342</b>	<b>(930,658)</b>	

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

### Vehicle, Equipment and Systems Renewal Schedule 2015/16

The vehicle, equipment and systems renewal schedule in 2015/16 included in the Capital Programme is shown in the table below:

Detail	Final Budget £	Actual Spend £	Budgeted Funding	Comments
Kubota Mower	0	14,750	Revenue	
Parks Team Vehicle	32,000	25,566	Earmarked Reserve	
Environmental Health Vehicle	24,000	0	Earmarked Reserve	Slipped to 16/17
Refuse Vehicles	3,112,000	2,240,000	Finance Lease	16 delivered in 15/16, remainder to arrive in 16/17
<b>Vehicles</b>	<b>£3,168,000</b>	<b>£2,280,316</b>		
IT Upgrades	337,000	340,953	Capital Receipts, Revenue and Grant	
<b>Other</b>	<b>£337,000</b>	<b>£340,953</b>		

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

Under the terms of the funding agreement with the National Lottery in relation to Burntwood Leisure Centre (BLC), LDC is required to set aside resources to be used for the future repair and renewal of BLC in a 'Sinking Fund'. Monitoring information for all approved projects is shown in the table below:

Project Name	Annual Spend in 2015/16		
	Final Budget £	Actual Outturn £	Variance £
Planned maintenance	30,000	34,394	4,394
<b>TOTAL</b>	<b>£30,000</b>	<b>£34,394</b>	<b>£4,394</b>

## Projected Capital Programme Budget for 2016/17

Project	Original Budget £	Approved Updates £	Slippage £	Projected Budget £
CE - City Centre Strategy and Interpretation	0		1,500	1,500
CHH - Accessible Homes (Disabled Facilities Grants)	850,000		16,000	866,000
CHH - Customer Services - Counter Call System	0		4,000	4,000
CHH - DCLG Monies	212,000		0	212,000
CHH - Decent Homes Standard	542,000		0	542,000
CHH - EH Vehicle	0		24,000	24,000
CHH - Energy Insulation Programme	30,000		21,000	51,000
CHH - Home Repair Assistance Grants	15,000		0	15,000
CHH - Replacement Community Transport Minibuses	90,000		0	90,000
CHH - Unallocated S106 Affordable Housing Monies	400,000		0	400,000
CHH - Website Development : 'Rate my Place'	0		11,000	11,000
DDL - Ancient Monument (Friary)	0		1,500	1,500
DDL - Asset Management - Works resulting from Condition Survey	344,000		0	344,000
DDL - Asset Management: District Council House	30,000		1,000	31,000
DDL - Canal Culvert at Huddlesford	100,000		0	100,000
DDL - Car Parks Variable Message Signing	32,000		0	32,000
DDL - Community Building at Hawksyard	166,000		0	166,000
DDL - Env. Improvements - Upper St John St & Birmingham Road	7,000		0	7,000
DDL - Fazeley Crossroads Environmental Improvements	4,000		0	4,000
DDL - Oakenfield Play Area (Sinking Fund)	9,000		0	9,000
DDL - Old Mining College - Refurbish access and signs	0		14,000	14,000
DDL - Planning Software (Implementation Costs)		19,500	0	19,500
DDL - Sankey's Corner Environmental Improvements - Phase 4	4,000		1,000	5,000
DDL - The Leomansley Area Improvement Project	0		3,000	3,000
FRB - Proactive Information Solutions Upgrade Programme	381,000		-4,000	377,000
LDV - Friarsgate Support	2,655,000	25,000	89,000	2,769,000
LDV - Garrick Square	58,000		0	58,000
LP - BLC Enhancement Work	99,000		-4,000	95,000
LP - Darnford Park	0		13,000	13,000
LP - Depot Sinking Fund	11,000		0	11,000
LP - Grounds Maintenance Vehicles and Equipment	24,000		0	24,000
LP - King Edwards Synthetic Pitch Renewal + Floodlights	165,000		0	165,000
LP - Other Burntwood Leisure Centre Sinking Fund Projects	143,000		20,000	163,000
LP - Play Area at Hawksyard (S106)	0		1,000	1,000
LP - Shortbutts Park, Lichfield	0		38,000	38,000
LP - Squash Court and Sports Hall Floors (FGLC)	50,000		0	50,000
LP - Stowe Pool Improvements	595,000		0	595,000
WC - Vehicle Replacement Programme	489,000		872,000	1,361,000
<b>Total Capital Programme</b>	<b>£7,505,000</b>	<b>£44,500</b>	<b>£1,123,000</b>	<b>£8,672,500</b>

## Council Tax

## Collection Performance

	Council Tax			
	31 March 2015	31 March 2016	Change	
<b>Amount Collected as a %</b>	<b>98.83%</b>	<b>98.79%</b>	<b>(0.04%)</b>	<b>●</b>
In year arrears outstanding at 31 March	£908,963	£798,209		
Previous years arrears at 31 March	£704,610	£828,107		
Total arrears outstanding at 31 March	£1,613,573	£1,626,316	0.80%	●
Write offs as at 31 March	£43,307	£59,999		

## Collection Fund

	Budget £m	Actual £m	Variance £m
(Surplus) Brought Forward	(£1.14)	(£1.14)	(£0.00)
Amount Due	(£54.28)	(£54.42)	(£0.14)
Bad Debt Provision	£0.02	£0.28	£0.27
Precept Payments	£53.95	£53.95	£0.00
Transfer Estimated Surplus to Preceptors	£1.01	£1.01	£0.00
<b>(Surplus) Carried Forward</b>	<b>(£0.45)</b>	<b>(£0.32)</b>	<b>£0.13</b>

Allocation of (Surplus)			
<b>Lichfield District Council</b>	<b>(£0.06)</b>	<b>(£0.04)</b>	<b>£0.02</b>
Staffordshire County Council	(£0.32)	(£0.22)	£0.09
Staffordshire Fire and Rescue Authority	(£0.02)	(£0.01)	£0.01
OPCC	(£0.05)	(£0.04)	£0.02

## Business Rates

### The Council's Retained Business Rates Income

	Approved Budget £	Actual £	Variance £
<b>NNDR 1 Based Retained Business Rates</b>			
Retained Business Rates	(£13,023,000)	(£13,022,938)	£62
Section 31 Grants	(£626,000)	(£608,006)	£17,994
Tariff	£11,176,000	£11,176,270	£270
<b>Pre Levy or Safety Net Income</b>	<b>(£2,473,000)</b>	<b>(£2,454,674)</b>	<b>£18,326</b>
<b>NNDR 3 Based Levy Payments</b>			
Levy Payable	£329,000	£578,305	£249,305
Volatility Allowance	£146,000	£0	(£146,000)
Returned Levy from GBS Pool	(£107,000)	(£187,949)	(£80,949)
<b>Post Levy or Safety Net Income</b>	<b>(£2,105,000)</b>	<b>(£2,064,318)</b>	<b>£40,682</b>

### Collection Performance

	Non Domestic Rates			
	31 March 2015	31 March 2016	Change	
<b>Amount Collected as a %</b>	<b>98.40%</b>	<b>97.31%</b>	<b>(1.09%)</b>	<b>●</b>
In year arrears outstanding at 31 March	£827,450	£905,635		
Previous years arrears at 31 March	£507,606	£363,120		
Total arrears outstanding at 31 March	£1,335,056	£1,268,755	(5.00%)	<input checked="" type="checkbox"/>
Write offs as at 31 March	£82,102	£137,080		

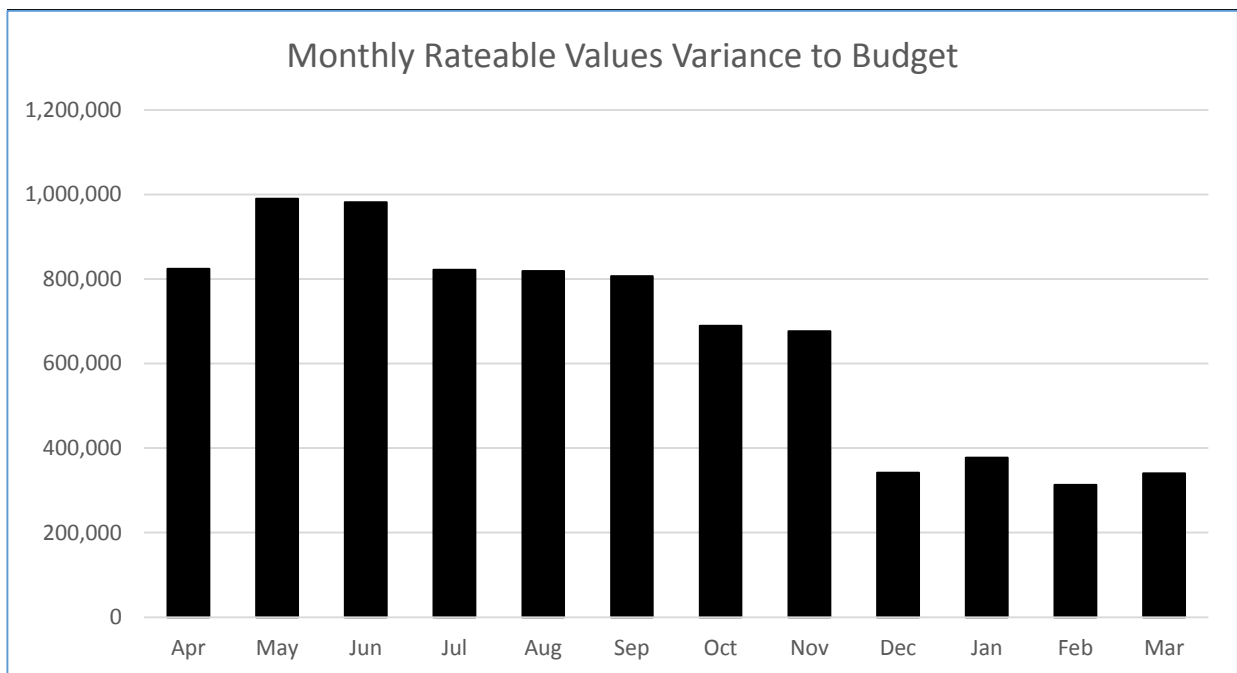
### Collection Fund

	Budget £m	Actual £m	Variance £m
Deficit Brought Forward	£1.42	£1.42	(£0.00)
Amount Due	(£33.63)	(£34.46)	(£0.83)
Bad Debt Provision	£0.32	£0.07	(£0.25)
Appeals	£0.32	(£0.05)	(£0.38)
Payments to Partners including LDC	£32.56	£32.56	£0.00
Collection Allowance	£0.12	£0.12	£0.00
Transitional Protection	£0.01	£0.22	£0.21
Transfer estimated surplus to Partners	£0.34	£0.34	£0.00
<b>Deficit Carried Forward</b>	<b>£1.46</b>	<b>£0.22</b>	<b>(£1.25)</b>
Allocation of Deficit			
<b>Lichfield District Council</b>	<b>£0.59</b>	<b>£0.09</b>	<b>(£0.50)</b>
Staffordshire County Council	£0.13	£0.02	(£0.11)
Staffordshire Fire and Rescue Authority	£0.01	£0.00	(£0.01)
Central Share	£0.73	£0.11	(£0.62)

- Favourable  
 Adverse

## Rateable Value Analysis in 2015/16

The change in Rateable Value by month (compared to the Budgeted level included in the Medium Term Financial Strategy of **£82,290,000**) is shown in the graph below:



The individual Rateable Values that were greater than **£1m** in Lichfield District in 2015/16 were:

- Tesco, Fradley **£2,730,000**
- Tesco, Lichfield **£2,130,000**
- Swish, Fradley **£1,660,000**
- Morrisons, Burntwood **£1,330,000**
- Drayton Manor, Fazeley **£1,315,000**

## Sundry Debtor Performance

Details	31 March 2015		31 March 2016		All Debts Change	Variance
	All Debts	Property Debts	All Debts	Property Debts		
Value of sundry income raised	6,848,530	836,274	7,959,162	763,860	16.22%	☑
value of debts written off	63,039	834	44,946	14	-28.70%	☑
value of invoices outstanding	1,737,782	60,434	1,839,791	80,330	5.87%	●
% of income raised	25%	7%	23%	11%		

Aged Debtor Analysis						
Less than 6 months	1,244,266	52,670	1,249,936	48,416	0.46%	●
more than 6 months	493,516	7,764	589,855	31,914	19.52%	●

☑ Favourable

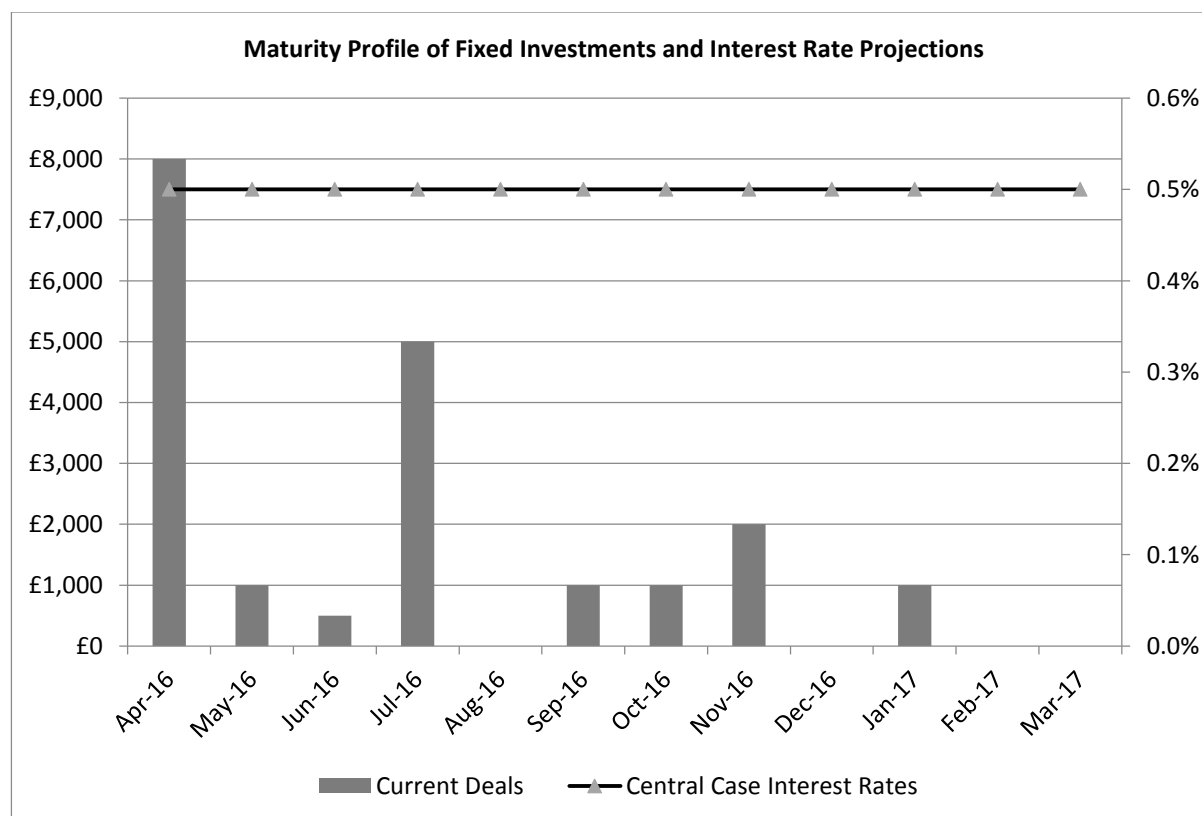
● Adverse

### Investments in the 2015/16 Financial Year

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>						
Invesco	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
Legal & General	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
Federated	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
BNP Paribas	£1,000,000	01-Apr-16	Instant Access		AAA	N/A
<b>Fixed Term Investments</b>						
Nationwide	£1,000,000	18-Apr-16	18	0.66%	A	No
Lloyds	£1,000,000	16-Nov-16	230	1.07%	A	No
Close Bros.	£1,000,000	29-Apr-16	29	0.65%	A	No
National Counties Building Society	£500,000	10-Jun-16	71	0.72%	Unrated	No
DBS	£1,000,000	14-Jul-16	105	0.70%	AA-	Yes
HSBC	£1,000,000	14-Jul-16	105	0.45%	AA-	No
Salford City Council	£1,000,000	28-Oct-16	211	0.55%	Unrated	No
United Overseas Bank	£1,000,000	18-Nov-16	232	0.72%	AA-	Yes
<b>Call Accounts with Notice Period</b>						
Santander	£1,000,000	27-Sep-16	180	1.15%	A	Yes
Handelsbanken	£1,000,000	05-May-16	35	0.45%	AA-	Yes
<b>Treasury Bills</b>						
	£3,000,000	11-Jul-16	82	0.47%	AA+	No
<b>Certificates of Deposit</b>						
Rabobank	£1,000,000	05-Apr-16	5	0.64%	A+	Yes
Nordea Bank AB	£1,000,000	15-Apr-16	15	0.65%	AA-	Yes
Toronto-Dominion	£1,000,000	27-Jan-17	302	0.92%	AA-	Yes
<b>Total Investments</b>	<b>£19,500,000</b>					
Accounting Adjustments and Other Balances	£440,000					
<b>Balance Sheet Total</b>	<b>£19,940,000</b>					

The maturity profile of these investments at 31 March 2016 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:





## APPENDIX E

However, the previous table 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:

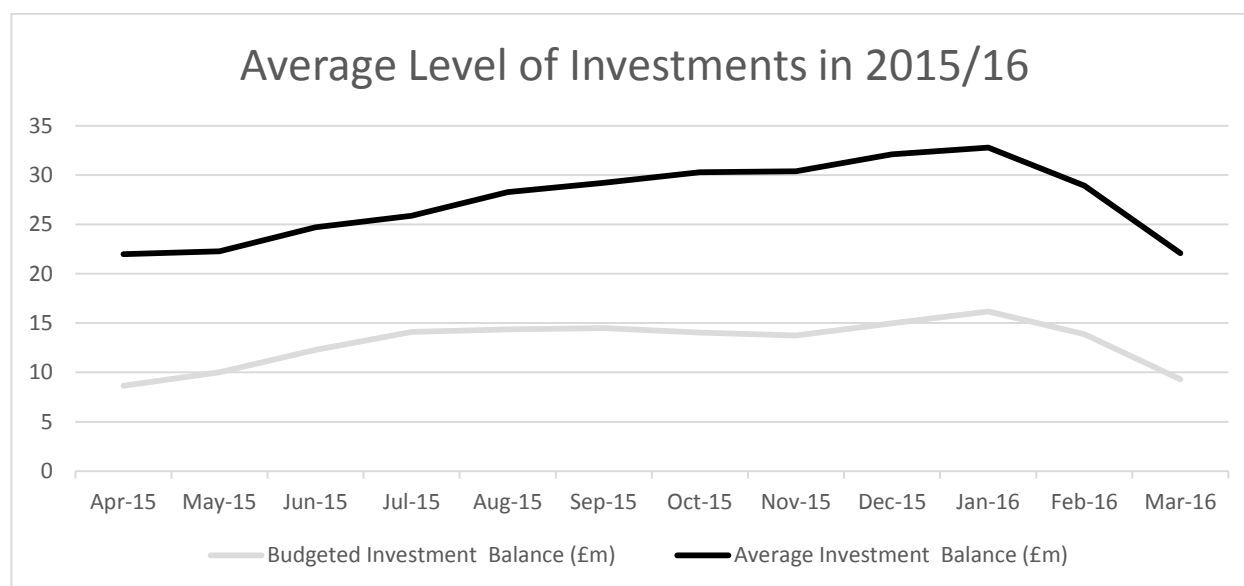
Counterparty	Number of Deals	Total Principal Invested	Is the Counterparty on our list of eligible institutions at 31 March 2016?
Debt Management Office	13	31,500,000	Yes
UK Government - Treasury Bills	6	16,000,000	Yes
Federated	24	13,940,000	Yes
Insight	17	13,300,000	Yes
Deutsche Bank	14	9,690,000	Yes
Invesco Aim	15	9,220,000	Yes
Ignis	13	7,760,000	Yes
SWIP	10	6,465,000	Yes
Blackrock	9	4,470,000	Yes
Goldman Sachs	7	3,800,000	Yes
Barclays Bank	3	3,000,000	Yes
Lloyds	3	3,000,000	Yes
Nationwide	3	3,000,000	Yes
DBS Bank	2	2,000,000	Yes
HSBC	2	2,000,000	Yes
Nordea Bank AB	2	2,000,000	Yes
Telford & Wrekin Council	1	2,000,000	Yes
United Overseas Bank	2	2,000,000	Yes
Cumberland Building Society	3	1,500,000	Yes
National Counties Building Society	3	1,500,000	Yes
Close Bros	1	1,000,000	Yes
Credit Suisse AG	1	1,000,000	Yes
Handelsbanken	1	1,000,000	Yes
Landesbank Hessen-Thüringen	1	1,000,000	Yes
Pohjola Bank	1	1,000,000	Yes
Rabobank	1	1,000,000	Yes
Salford City Council	1	1,000,000	Yes
Santander	1	1,000,000	Yes
Standard Chartered	1	1,000,000	Yes
Toronto-Dominion Bank	1	1,000,000	Yes
BNY Mellon	2	890,000	Yes
Legal & General	1	740,000	Yes
<b>Total</b>	<b>165</b>	<b>£149,775,000</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 2015/16

The graph below compares the budget for average investment levels in 2015/16 with the actual levels.



### 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 2016 had a risk status of **AA-** based on the length of the investment and **AA-** 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<sup>3</sup>:

Date	The Value of the Investment	The Maturity Date of the Investment
31 March 2015	A+	A+
30 June 2015	AA-	AA
30 September 2015	AA-	AA-
31 December 2015	AA-	A+
31 March 2016	AA-	AA-

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.

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 to provide for unforeseen cash flow requirements. The average length of investments we made in 2015/16 was **100 days**.

<sup>3</sup> This data is now supplied by our Treasury Management Advisors and may differ slightly to what has been reported previously.

**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 2015/16 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 2015/16 we did not need to temporarily borrow.

**Yield:**

In 2015/16 we achieved an average interest rate of **0.53%** and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate, which was **0.36%**, the 1 month rate was **0.38%**, the 3 month rate was **0.46%** and the 6 month rate was **0.61%**.

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:

Details	2015/16 Final Budget	2015/16 Actual Outturn
Average amount we had available to invest (£m)	£27.34m	£27.48m
Average Interest Rate (%)	0.51%	0.53%
Interest Receipts	(149,000)	(145,322)
Interest Paid and Other Costs	8,500	4,330
<b>Net Investment Income (£)</b>	<b>(£140,500)</b>	<b>(£140,992)</b>
Car Loan and Other Interest	(1,000)	(2,990)
External Borrowing Interest	38,000	38,221
Minimum Revenue Provision	64,000	63,887
<b>Net Treasury Position</b>	<b>(£39,500)</b>	<b>(£41,874)</b>

## Balance Sheet

	Type	2014/15 Actual £	2015/16 Actual £	2015/16 Budget £	Variance to Budget £
Property, Plant and Equipment + Heritage Assets + Assets Held for Sale	CFR	37,347	42,230	40,046	2,184
Investment Property	CFR	6,578	5,572	5,408	164
Intangible Assets	CFR	153	119	110	9
Investments	INV	15,830	19,940	18,963	977
Borrowing	BOR	(47)	(1,492)	(1,492)	0
Finance Leases	LEA	(248)	(2,323)	(3,052)	729
Working Capital	CRED	(7,835)	(7,175)	(8,210)	1,035
Pensions	PEN	(44,069)	(35,820)	(44,069)	8,249
<b>Total Assets Less Liabilities</b>		<b>£7,709</b>	<b>£21,051</b>	<b>£7,703</b>	<b>£13,348</b>

<u>Unusable Reserves</u>					
Revaluation Reserve	CFR	(3,450)	(6,571)	(3,450)	(3,121)
Capital Adjustment Account	CFR	(37,938)	(36,687)	(36,666)	(21)
Deferred Credits	CRED	(54)	(47)	(48)	1
Pension Scheme	PEN	44,069	35,820	44,069	(8,249)
Benefits Payable During Employment Adjustment Account	CRED	226	213	226	(13)
Collection Fund	BAL	421	46	527	(481)
<u>Usable Reserves</u>					
Unapplied Grants and Contributions - General	BAL	(760)	(759)	(760)	1
Unapplied Grants and Contributions - SAC	BAL	(13)	(20)	(13)	(7)
Unapplied Grants and Contributions - Section 106	BAL	(960)	(465)	(597)	132
Usable Capital Receipts	BAL	(769)	(2,094)	(1,736)	(358)
Usable Capital Receipts - Arts Statue	BAL	(134)	(134)	(134)	0
Burntwood Leisure Centre Sinking Fund	BAL	(379)	(345)	(329)	(16)
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	BAL	(29)	(29)	(29)	0
City Centre Redevelopment Sinking Fund	BAL	(25)	(25)	(25)	0
King Edwards Leisure Centre Sinking Fund	BAL	(17)	(17)	(17)	0
Elections	BAL	(97)	(129)	(97)	(32)
Public Open Spaces	BAL	(91)	(447)	(91)	(356)
Three Spires Multi Storey	BAL	(1,552)	(1,716)	(1,673)	(43)
Building Regulations	BAL	(85)	(146)	(85)	(61)
Other Earmarked reserves	BAL	(3,015)	(3,199)	(2,598)	(601)
Grant Aid - Development	BAL	(59)	(20)	(55)	35
General Fund Balance	BAL	(2,998)	(4,279)	(4,122)	(157)
<b>Total Equity</b>		<b>(£7,709)</b>	<b>(£21,051)</b>	<b>(£7,703)</b>	<b>(£13,348)</b>

		2014/15 Actual £	2015/16 Actual £	2015/16 Budget £	Variance to Budget £
Working Capital	CRED	(7,663)	(7,009)	(8,032)	1,023
Pensions	PEN	0	0	0	0
Usable Reserves	BAL	(10,562)	(13,778)	(11,834)	(1,944)
<b>Total Cash Available</b>		<b>(£18,225)</b>	<b>(£20,787)</b>	<b>(£19,866)</b>	<b>(921)</b>

**This cash available is planned to be used for :**

Capital Financing Requirement	CFR	2,690	4,663	5,448	(785)
Less : Other Debt Liabilities (Finance Leases)	LEA	(248)	(2,323)	(3,052)	729
Less : External Borrowing	BOR	(47)	(1,492)	(1,492)	0
<b>Equals : Internal Borrowing</b>		<b>2,395</b>	<b>848</b>	<b>904</b>	<b>(56)</b>
Investments	INV	15,830	19,940	18,963	977
<b>Total</b>		<b>£18,225</b>	<b>£20,787</b>	<b>£19,866</b>	<b>£921</b>

## 1516 Treasury Management

Report Type: Audit File Report

Report Author: Alison Swift

Generated on: 30 September 2015



Executive Summary	In accordance with the 2015/16 Internal Audit Plan an audit of the Treasury Management system has been undertaken. This report highlights the areas assessed and the findings of the audit work, making recommendations for improvements where control weaknesses, including the potential for fraud to occur, have been identified.		
Overall Opinion of Audit Area	Audit are pleased to be able to report substantial assurance can be given that the system, process or activity should achieve its objectives safely and effectively and that controls are in place and operating satisfactorily.	Substantial	
Expected Control Title	01 The Council has a clearly defined and approved strategy for Treasury Management in line with the CIPFA TM Code and the prudential code	Substantial	
	02 Transfer of funds should be appropriately authorised and documented	Adequate	
	03 Investments and loans are only made in accordance with the Council's approved strategy	Substantial	
	04 There is regular monitoring and reporting of investment performance	Substantial	
	05 There should be effective cash flow forecasting records to support decisions	Substantial	
	06 Adequate separation of duties exists in the processing of investments	Substantial	
	07 There are clearly defined procedures for the use of investment brokers and specialist advisors	Substantial	
Observations	Overall the review highlighted 4 recommendations including 1 medium and 3 low recommendations. Management has accepted 3 of the recommendations.		
Areas of Notable Practice			

## COMPLIANCE WITH PRUDENTIAL INDICATORS 2015/16

### 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 Deputy Section 151 reports that the Authority had no difficulty meeting this requirement in 2015/16. 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 :

No. 1 Capital Financing	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Non-Current Assets	3.453	4.356	4.099	3.226
Revenue Expenditure funded from Capital under Statute	1.598	0.980	0.772	0.714
<b>Total</b>	<b>£5.051</b>	<b>£5.336</b>	<b>£4.871</b>	<b>£3.940</b>

3.2 This capital expenditure has been financed as follows:

<b>No. 1 Capital Financing</b>	<b>2015/16 Original £m</b>	<b>2015/16 Approved £m</b>	<b>2015/16 Revised £m</b>	<b>2015/16 Actual £m</b>
Capital Receipts	0.985	0.875	0.689	0.512
Burntwood Sinking Fund	0.128	0.050	0.050	0.034
Other Sinking Funds	0.000	0.000	0.000	0.000
Capital Grants and Contributions	1.359	0.674	0.645	0.591
Earmarked reserves etc.	0.032	0.221	0.221	0.324
Revenue Contributions	0.154	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	2.393	3.362	3.112	2.325
<b>Total</b>	<b>£5.051</b>	<b>£5.336</b>	<b>£4.871</b>	<b>£3.940</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:

<b>No. 2 Ratio of Financing Costs to Net Revenue Stream</b>	<b>2015/16 Original £m</b>	<b>2015/16 Approved £m</b>	<b>2015/16 Revised £m</b>	<b>2015/16 Actual £m</b>
Investment Income	(0.091)	(0.140)	(0.149)	(0.148)
Internal Interest	0.013	0.008	0.008	0.015
External Borrowing Interest	0.049	0.039	0.039	0.039
Finance Lease Interest Charges	0.048	0.020	0.020	0.015
Minimum Revenue Provision	0.613	0.370	0.354	0.351
<b>Total Financing Costs</b>	<b>0.632</b>	<b>0.297</b>	<b>0.272</b>	<b>0.272</b>
Total Funding Available	£10.914	£10.914	£10.914	£10.874
%	<b>6%</b>	<b>3%</b>	<b>2%</b>	<b>3%</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.

<b>No. 3 Capital Financing Requirement</b>	<b>2015/16 Original £m</b>	<b>2015/16 Approved £m</b>	<b>2015/16 Revised £m</b>	<b>2015/16 Actual £m</b>
<b>Balance Brought Forward</b>	3.335	2.690	2.690	2.690
Capital Expenditure financed from borrowing and Invest to Save	2.393	3.362	3.112	2.325
Minimum Revenue Provision	(0.613)	(0.370)	(0.354)	(0.351)
<b>Balance Carried Forward</b>	<b>£5.116</b>	<b>£5.682</b>	<b>£5.448</b>	<b>£4.664</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.

No. 4	£m 31/03/16 £m	2015/16 Revised £m
LT Borrowing	1.415	1.415
Short Term Element of LT Borrowing	0.077	0.077
Short Term Element of LT Liabilities	0.414	0.261
Other Long Term Liabilities	1.908	2.791
<b>Total</b>	<b>£3.814</b>	<b>£4.544</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.

No.5 Incremental Impact of Capital investment Decisions	2015/16 Original £	2015/16 Approved £	2015/16 Revised £	2015/16 Actual £
<b>Band D Equivalent</b>	<b>£5.27</b>	<b>(£0.72)</b>	<b>(£0.28)</b>	<b>(£0.18)</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 **£13,557,000** for 2015/16 and revised to **£13,732,000**.

**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 **£4,550,000** and revised to **£5,405,000**.

- 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 :

No. 6 and 7 Authorised Limit and Operational Boundary	2015/16 Maximum £m	2015/16 Year Start £m	2015/16 Year End £m
External Borrowing - Long Term	1.415	0.031	1.415
External Borrowing - Short Term	0.077	0.016	0.077
Bank Overdraft	0.773	0.000	0.000
Other Long Term Liabilities - Short Term	0.414	0.188	0.414
Other Long Term Liabilities - Long Term	1.908	0.060	1.908
<b>Total</b>	<b>£4.587</b>	<b>£0.295</b>	<b>£3.814</b>

<u>Details</u>	2015/16 Original £m	2015/16 Approved £m	2015/16 Final £m	2015/16 Maximum £m
Authorised Limit	13.557	14.522	13.732	4.587
Operational Boundary	4.550	5.515	5.405	4.587



## 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>	
•	Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003.
•	Council has incorporated any changes resulting from the CIPFA Treasury Management Code within its treasury policies, practices and procedures.
•	At its meeting on 17 February 2015, Council originally approved its Prudential Indicators for 2015/16.
•	The Prudential Indicators were fully revised and approved by Council on 23 February 2016.

## 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:

<u>No. 9</u>	2015/16 Original £m	2015/16 Approved £m	2015/16 Revised £m	2015/16 Actual £m
Outstanding Borrowing	(1.602)	(1.492)	(1.492)	(1.492)
Other Long Term Liabilities	(1.857)	(3.052)	(3.052)	(2.322)
<b>Gross Debt</b>	<b>(£3.459)</b>	<b>(£4.544)</b>	<b>(£4.544)</b>	<b>(£3.814)</b>
Capital Financing Requirement	£5.116	£5.682	£5.448	£4.664
<b>Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>

## 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.

No. 10 and 11	2015/16 Original %	2015/16 Approved %	2015/16 Revised %	2015/16 Highest %	2015/16 Lowest %	2015/16 Average %
<b>Fixed Interest Rates</b>						
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(100%)	(87%)	(57%)	(68%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%	100%
<b>Net Fixed Exposure (No. 10)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>13%</b>	<b>43%</b>	<b>32%</b>
<b>Variable Interest Rates</b>						
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(100%)	(43%)	(13%)	(31%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%	0%	0%	0%
<b>Net Variable Exposure (No. 11)</b>	<b>(70%)</b>	<b>(70%)</b>	<b>(70%)</b>	<b>(43%)</b>	<b>(13%)</b>	<b>(31%)</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.

<b>No. 12</b> <b>Maturity Structure of Fixed Rate Borrowing</b>	<b>£</b>	<b>%</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	77,083	5.17%	0%	100%
12 months and within 24 months	75,733	5.08%	0%	100%
24 months and within 5 years	182,640	12.24%	0%	100%
5 years and within 10 years	304,400	20.40%	0%	100%
10 years and within 20 years	608,800	40.80%	0%	100%
20 years and within 30 years	243,520	16.32%	0%	100%
30 years and within 40 years		0.00%	0%	100%
40 years and within 50 years		0.00%	0%	100%
50 years and above		0.00%	0%	100%
<b>Total</b>	<b>1,492,176</b>			

**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:

<b>No 13</b> <b>Upper Limit for total principal sums invested over 364 days</b>	<b>2015/16</b> <b>Original</b> <b>£m</b>	<b>2015/16</b> <b>Approved</b> <b>£m</b>	<b>2015/16</b> <b>Revised</b> <b>£m</b>	<b>2015/16</b> <b>Actual</b> <b>£m</b>
<b>Upper Limit</b>	<b>2.300</b>	<b>2.300</b>	<b>2.300</b>	<b>1.000</b>

**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.

# Statement of Accounts 2015/16

## Cabinet Member for Finance and Democracy

Date:	7 September 2016
Agenda Item:	6
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	No
Local Ward Members	Full Council



## Strategic (Overview and Scrutiny) Committee

### 1. Executive Summary

- 1.1 The Statement of Accounts has been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom - 2015/16. The Accounts and Audit (England) Regulations currently requires a Local Authority to certify its set of Accounts by 30 June and publish an Audited set of its accounts by the 30 September each year.
- 1.2 New Regulations will bring forward the date for the certification of the unaudited accounts to 31 May from 30 June from 2017/18 (one month). The deadline for final publication of the audited accounts will also be brought forward to the 31 July from 30 September from 2017/18 (two months).
- 1.3 To manage this change a number of items in the Final Accounts project plan have been brought forward to enable the draft Statement of Accounts to be produced on 3 June 2016.
- 1.4 The Statement of Accounts was signed by the Deputy Section 151 on 16 June 2016. This was an improvement from 2014/15 when they were signed on 19 June 2015.
- 1.5 A copy of the Unaudited Statement of Accounts was placed on the Council's website on 16 June 2016. The period of inspection and elector's right to question the External Auditor also commenced on 16 June 2016 for 30 working days until 27 July 2016.
- 1.6 There were no requests from electors to inspect the accounts and no questions were raised of the External Auditor during this period.
- 1.7 There may be some rounding differences in the report and figures for income, increases in liabilities and increases in reserves are shown with brackets.

### 2. Recommendations

- 2.1 The Committee:
  - Considers the Councils Statement of Accounts for 2015/16 (attached at **APPENDIX A**) prior to Approval by Council on 27 September 2016.
  - Receives the External Auditor's Audit Findings Report at **APPENDIX B**.
  - Approves the Letter of Representation at **APPENDIX C**.

### 3. Background

- 3.1. The Council is annually required to produce and certify a Statement of Accounts in line with the Code of Practice on Local Authority Accounting. In 2015/16 there are two key changes to the accounting requirements that impact on our Statement of Accounts:
  - **The Narrative Statement** – this was a replacement for the Explanatory Foreword and aims to provide information so that members of the public, including electors and residents of Lichfield District, Council Members, partners, stakeholders and other interested parties can for the 2015/16 financial year:

- See the performance of the Council including progress against its strategic objectives
  - Understand the overarching financial position of the Council
  - Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
  - Have sight of the progress made in monitoring the key risks faced by the Council.
- **Fair Value Measurement** – this is applied from 2015/16 onwards and is related to:
    - **Surplus assets** with their value based on their economic benefits.
    - **Investment properties** with their value based on highest and best use.
    - **Liabilities** such as external borrowing with their value based on best transfer price.

The standard introduces additional disclosure requirements based on the 3 level fair value hierarchy. Level 1 has the highest use of market based prices and therefore the least disclosures with level 3 using non market data such as estimated creditworthiness and therefore more disclosures.

3.2. The Statement of Accounts is included at **APPENDIX A** is comprised of the following sections (the Annual Governance Statement and core statements are in bold and are explained further in the paragraphs below):

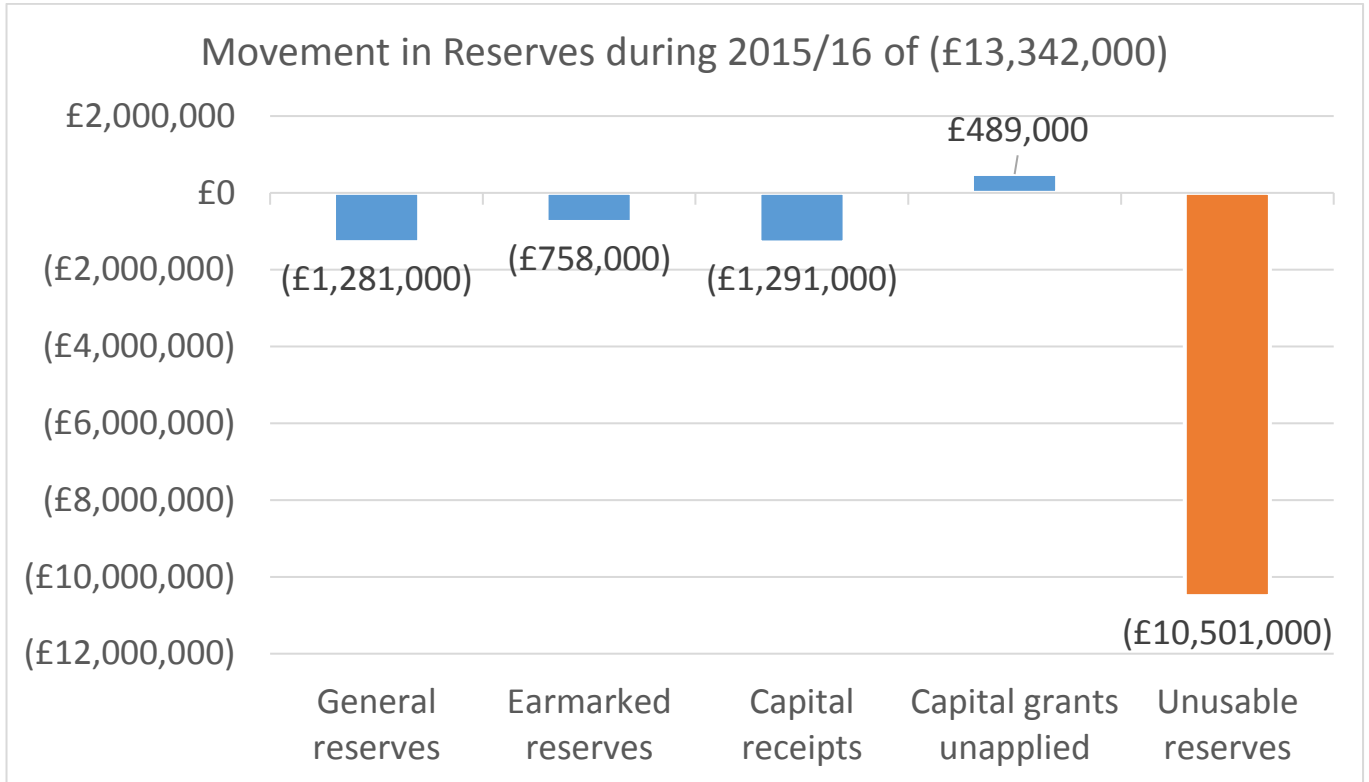
<b>Section</b>	<b>Description</b>	<b>Page</b>
Statement of responsibilities	Details of the Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts.	3
Narrative report	The narrative statement sets out an analysis of Lichfield District Council through the eyes of its management.	4
<b>Annual Governance Statement</b>	This sets out the governance structures of the Council and its key internal controls.	23
<b>Movement in Reserves Statement</b>	This is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'usable' which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.	40
<b>Comprehensive Income and Expenditure Statement</b>	This Statement records all of the Council's income and expenditure for the year based on accounting requirements. The top half of the statement provides an analysis by service area – this is a standard analysis provided by CIFPA so that local authority accounts and spending can be compared. The bottom half of the statement deals with the corporate transactions and funding.	41
<b>Balance Sheet</b>	This Statement is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.	42
<b>Cash Flow Statement</b>	This shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).	43
Notes to the Accounts	These provide more detail about the Council's accounting policies and individual transactions.	46
Collection Funds and Notes	This summarises the collection of Council Tax and Business Rates, and the redistribution of some of the money to the precepting authorities and to Central Government.	104
Glossary of Terms	This provides an explanation of the terms used in the Statement of Accounts.	107
Independent Auditor's Report	The External Auditor's opinion.	111

## The Annual Governance Statement

- 3.3. We have a legal responsibility to conduct a **review of the effectiveness of our Governance Framework**. This review is informed by many factors including the views of Internal and External Audit, internal control questionnaires completed by the Council's directorates, Members' views using a Member's questionnaire, performance information reported to the Overview & Scrutiny Committees and the risk management process.
- 3.4. The **conclusion of the review** is that **during 2015/16**, there are **no significant weaknesses** in either **Governance or internal control** and the Governance Framework and internal control environment were operating to provide reasonable and objective assurance that any significant risks impacting on the achievement of the Council's principal objectives will be identified and actions taken to avoid or mitigate their impact.
- 3.5. Some of the areas discussed within the Annual Governance Statement for 2015/16 are as follows:
1. Significant progress took place during 2015/16 towards **creating a 'Corporate Council'** including:
    - the development of a new **Strategic Plan** that sets out the priority outcomes for the Council.
    - a review of the **management and leadership structures** to promote cross council working i.e. a 'one council' ethos.
    - developing the **role of Overview and Scrutiny Committee** to enable more timely and effective contribution to key decisions and policy developments.
    - strengthening **corporate policy and information** including updating policies setting out the expectations of staff and managers and developing a new **Code of Conduct for employees** and creating a set of **organisational values**.
  2. The Council's **Contract Procedure Rules** and **Financial Procedure Rules** were updated during 2015/16. These form a key part of the Governance Framework, are set by the Council to regulate its internal procedures for the conduct of its business and are contained within the Constitution.
  3. An external **review of the Council's budget** was carried out. This was a review commissioned by the Chief Executive and Director of Finance, Revenues and Benefits and carried out by the Local Government Association in light of the challenging financial circumstances faced by the local government sector. The review looked at areas such as our approach to budget setting, the effectiveness of budget monitoring and the behaviours of budget holders. A report was produced in March 2016 and work is underway to implement its recommendations.
- 3.6. The following paragraphs will provide a little more detail in relation to the core statements.

## The Movement in Reserves Statement

3.7. The changes in usable and unusable reserves during 2015/16 are summarised in the graph below:

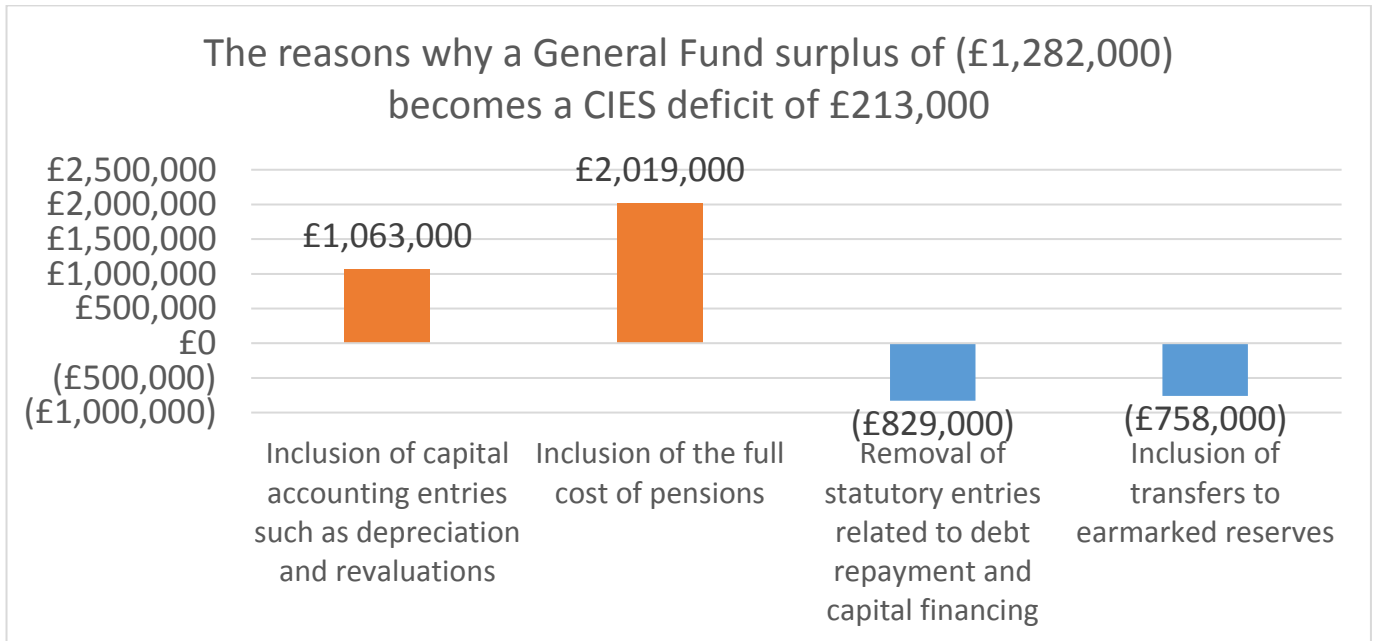


3.8. The reserves have increased during 2015/16 due to the following:

- There was a general fund surplus of revenue income over expenditure during 2015/16 and therefore **(£1,281,000)** was contributed to general reserves.
- Additional contributions of **(£758,000)** were made to earmarked reserves to reflect resources being set aside for specific projects such as Friarsgate.
- Capital receipts have increased by **(£1,291,000)**. There were additional receipts generated from the sale of assets such as the Industrial Units in Chasetown and Lichfield. Capital receipts were also used to fund capital investment during the year including projects related to Friarsgate and Information Technology enhancement.
- Capital grants unapplied are grants and contributions received for capital investment where there are no repayment conditions (where there are repayment conditions these are treated as liabilities). The level has reduced by **£489,000** during 2015/16 either because the sums have been used to finance capital investment or because further information on their intended use has been identified and they have been transferred to revenue.
- Unusable reserves have increased by **(£10,501,000)**. These are accounting reserves that are not available to fund capital investment or revenue expenditure and principally relate to the revaluation reserve, the capital adjustment account and the pension's reserve. The most significant increases relate to a reduction in the negative pensions reserve of **(£8,249,000)** and an increase in the revaluation reserve of **(£3,121,000)**.

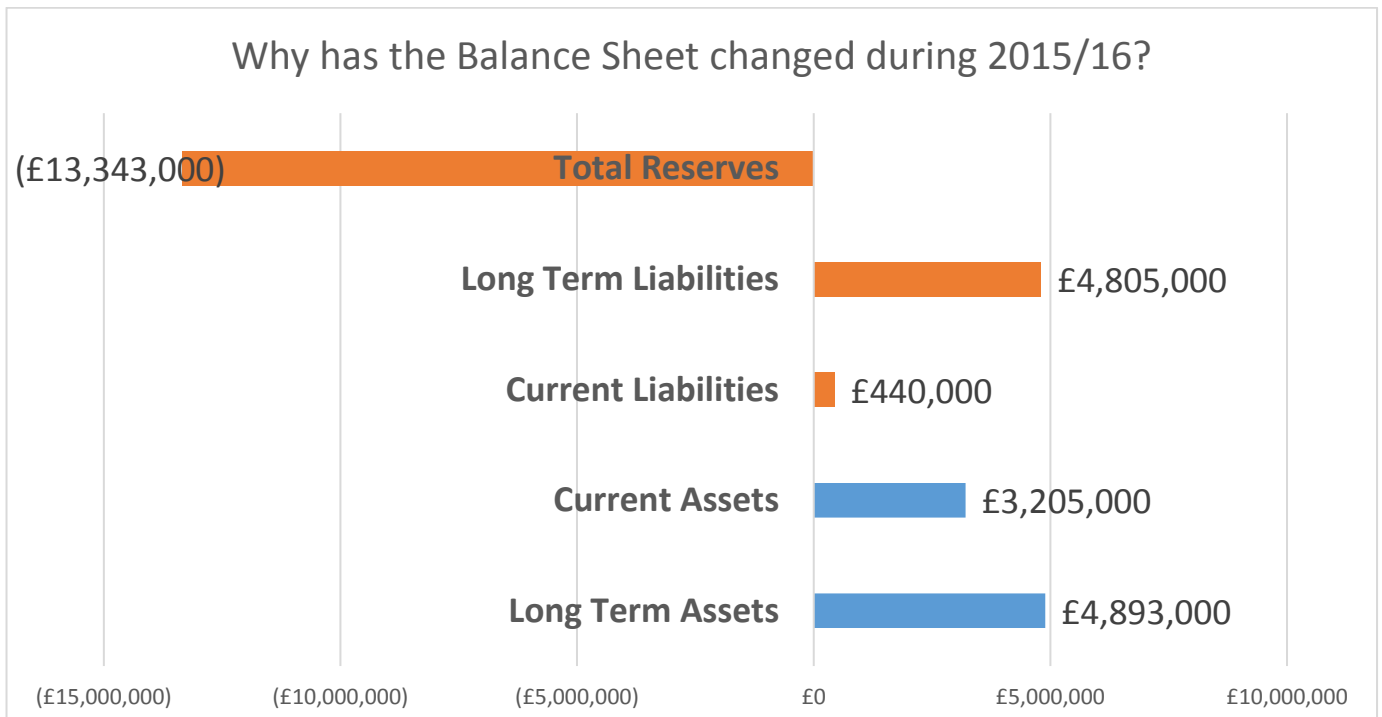
## The Comprehensive Income and Expenditure Statement

- 3.9. The Council prepares and monitors its revenue financial performance during the financial year based on statutory requirements and this is the funding or general fund basis. The information included in the narrative statement is prepared using this basis.
- 3.10. As part of its Statement of Accounts, the Council is also required to prepare a Comprehensive Income and Expenditure Statement based on accounting requirements.
- 3.11. These two statements produce different figures for financial performance because of the different bases that are used in their preparation.
- 3.12. The graph below illustrates the main reasons why a General Fund Surplus of **(£1,282,000)** becomes a deficit on Provision of Services in the Comprehensive Income and Expenditure Statement of **£213,000**.



## The Balance Sheet

- 3.13. The changes in the Balance Sheet during 2015/16 are shown in the graph below:

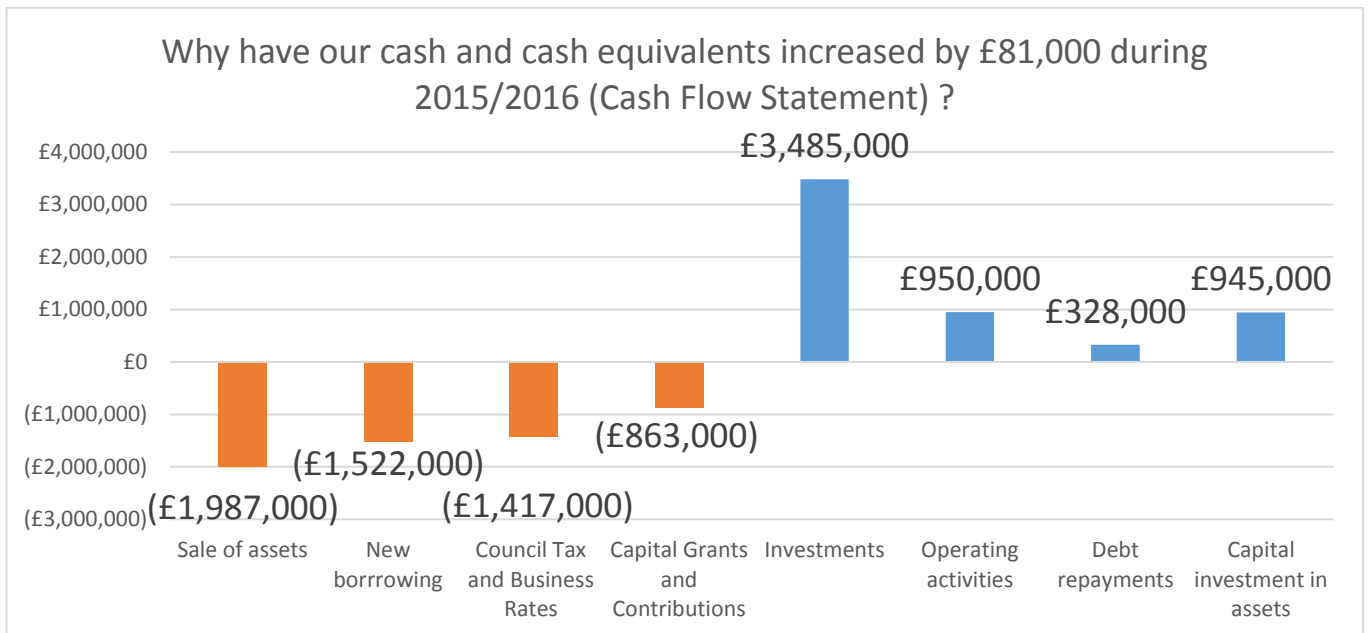


3.14. The main reasons for these changes are detailed below:

- **Total Reserves** – the Pensions reserve has reduced by **(£8,249,000)** reflecting the Actuary’s latest estimates, the revaluation reserve has increased by **(£3,121,000)** to reflect increases in asset values and general reserves have increased by **(£1,281,000)** to reflect the surplus in the year.
- **Long Term Liabilities** – the Pension liability has reduced by **£8,249,000**, a long term Public Works Loans Board Loan increased net borrowing by **(£1,384,000)** and the new Waste Fleet contract Hire arrangement was assessed to be a finance lease increasing these obligations by **(£1,848,000)**.
- **Current Assets** – short term investments have increased by **£3,485,000** to reflect additional cash available and this is explained further in the cash flow statement below.
- **Long Term Assets** – Property, Plant and Equipment has increased by **£4,803,000** as a result of the new Waste Fleet vehicles and increases in the value of assets assessed by the District Valuer.

### The Cash Flow Statement

3.15. The cash flow statement shows how the level of cash and cash equivalents has changed during the financial year. The sources of cash income and expenditure and the impact on cash and cash equivalents is shown in the graph below:



3.16. The cash flow statement shows that the Council has received cash income from:

- The sale of assets including the industrial units at Chasetown and Lichfield.
- New external borrowing from the Public Works Loans Board.
- Council Tax and Business Rate cash flows.
- Capital grants and contributions such as planning obligations.

3.17. This cash income has been used for:

- Temporary investment in line with our approved Treasury Management Strategy.
- Funding day to day revenue operations.
- The repayment of external borrowing and finance leases.
- Capital investment in non-current assets including the Information Technology replacement programme.

3.18. The External Auditor’s Audit Findings report is attached at **APPENDIX B**. This details the findings from the final accounts audit as well as providing a Value for Money conclusion. There are no specific recommendations or issues of concern for the Committee to consider.



3.19. The Council's External Auditor is required to obtain written representations from management in respect of matters which could affect the Council's financial position as reflected in the financial statements. Whilst the letter should be signed by the Chief Executive and Chief Financial Officer (Section 151), it has been requested, as good practice, that the Committee considers and approves the letter. The letter is attached at **APPENDIX C**.

Alternative Options	There are no alternative options.
Consultation	Leadership Team are consulted on the Statement of Accounts including detailed involvement in the content of the Narrative Statement and the Annual Governance Statement.
Financial Implications	The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility for the production and certification of this Statement.
Contribution to the Delivery of the Strategic Plan	The Statement of Accounts feeds into the Medium Term Financial Strategy enabling Members to monitor progress against the plan in a timely manner to ensure resources are allocated in line with priorities and ambitions of the Council.
Equality, Diversity and Human Rights Implications	The Statement of Accounts contains contact information for interested parties on page 112 in 8 different languages. There are no Human Rights issues.
Crime & Safety Issues	There are no Crime and Community Safety Issues.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Statement of Accounts is not completed in line with the Statutory requirement for certification and publication.	We have a detailed project plan. Tasks are accelerated each year and alternative approaches are adopted to ensure the new requirement of the unaudited Statement of Accounts being certified and available for inspection by 31 May will be achieved for 2017/18.	Green (Tolerable)
B	The Statement of Accounts is not completed to the required quality, in line with Statutory and Accounting requirements or has a qualified opinion issued by the External Auditor	The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications. This training includes attendance at training and development related specifically to the production of the Statement of Accounts.	Green (Tolerable)

<b>Background documents</b> Statement of Accounts working papers 2015/16 The Accounts and Audit (England) Regulations CIPFA Code of Practice on Local Authority Accounting in the United Kingdom
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<b>Relevant web links</b> <a href="https://www.lichfielddc.gov.uk/Council/Financial-information/Downloads/Statement-of-accounts/Statement-of-accounts-2015-16.pdf">https://www.lichfielddc.gov.uk/Council/Financial-information/Downloads/Statement-of-accounts/Statement-of-accounts-2015-16.pdf</a>
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# Statement of Accounts 2015/16

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If you have any comments on this **Statement of Accounts 2015/16** or would like any further information please contact:

Internal Business Support Services  
Lichfield District Council  
Council House  
Frog Lane  
Lichfield  
Staffordshire  
WS13 6YY

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

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

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# Statement of Responsibilities for the Statement of Accounts

## **The Council's Responsibilities**

The Council is required:

To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the Chief Finance Officer (CFO)<sup>1</sup> is currently the Internal Business Support Executive / Deputy Section 151 Officer;

- 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 CFO Responsibilities**

The 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 2016.

In preparing this Statement of Accounts, the 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 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 CFO**

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year.

**Anthony Thomas, CPFA, MAAT**  
**Internal Business Support Executive / Deputy Section 151 Officer**

The Statement of Accounts for 2015/2016 has been approved by Full Council on 27 September 2016. The Audit Findings Report was reported to Strategic Overview and Scrutiny Committee on 7 September 2016.

**The Leader of the Council: Councillor Michael Wilcox Date: xx September 2016**

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<sup>1</sup> The Director of Finance, Revenues and Benefits has been absent from the Authority during the preparation of the Statement of Accounts due to illness. The Statement of Accounts has therefore been certified by the Deputy Section 151 Officer.

# Narrative Report

## Introduction

The Statement of Accounts for the year ended 31 March 2016 has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom 2015/16 and the Service Accounting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that members of the public, including electors and residents of Lichfield District, Council Members, partners, stakeholders and other interested parties can for the 2015/16 financial year:

- See the performance of the Council including progress against its strategic objectives
- Understand the overarching financial position of the Council
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Have sight of the progress made in monitoring the key risks faced by the Council

This **Narrative Report** is structured as follows:

- An Introduction to Lichfield District
- An Introduction to Lichfield District Council
- A Summary of the Performance of Lichfield District Council in 2015/16
- A Summary of the Financial Performance of Lichfield District Council in 2015/16
- A Summary of the Principal Risks and Uncertainties Facing Lichfield District Council
- Explanation of the Financial Statements

## An Introduction to Lichfield District

Lichfield District is located in south-east Staffordshire and borders the West Midlands Conurbation. The District comprises the two principal settlements of Lichfield City and Burntwood Town. The District also comprises many villages set within a varied and attractive rural area.

Lichfield City is a compact city surrounded by Green Belt and open countryside, which is nationally significant particularly due to its unique three-spired Cathedral, and as the birthplace of Doctor Samuel Johnson. It has a wealth of listed buildings, designated Conservation Areas, and other key heritage assets including Beacon Park and the Heritage Centre. Lichfield City centre is particularly important because of its quality built environment in which much of the trade and tourism of the District takes place.

The settlement of Burntwood has evolved from its historic origins as a series of smaller mining communities which have combined over time. Burntwood is set within the Green Belt and is in close proximity to areas of high environmental significance both ecologically and physically – Cannock Chase Area of Outstanding Natural Beauty (AONB) to the north and Chasewater Country Park to the east.

The rural parts of the District vary in their character and function. The south, south-western and south-eastern part is Green Belt, which separates the District from the West Midlands Conurbation although

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one community, Little Aston, adjoins the boundary with Birmingham to the south, and another, Fazeley, is closely linked to Tamworth to the east. The southern rural areas are bisected by major road networks (A38, A5 and the M6 Toll) and the Lichfield to Birmingham rail line, and hence villages served by these routes – in particular Shenstone – tend to have very strong commuter links to surrounding conurbations. The Green Belt character is varied, comprising farmland, historic estates, wood and heath land, canals and rivers.

Tourism is a significant part of the local economy based on the heritage, character and environment of the area, with Lichfield City being a particular focal point. There are a number of important visitor attractions within the District. These include Drayton Manor Park, which lies in the Green Belt on the edge of Fazeley, the developing attraction of the National Memorial Arboretum, the sub-regional attraction of Chasewater County Park and the Cannock Chase AONB.

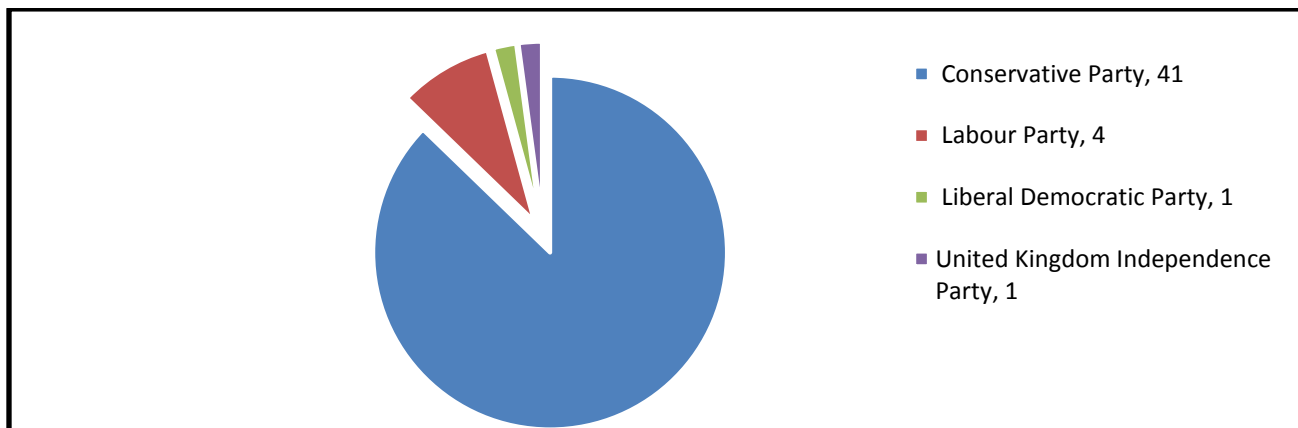
On average the District is prosperous and ranks well within the indices of deprivation (although there are areas where deprivation exists). The District performs well at all levels of education with pupils on average achieving well. Lichfield has lower than the national average levels of unemployment. It has a growing population with a higher proportion of older people than the national average.

It is an attractive location for people to live and as such has been a significant destination for migrants from the West Midlands conurbation and other nearby towns. The availability of jobs, the history of inward migration to the District, and good road connections have increased accessibility and raised the profile of the District as an area for business investment.

Recently the Sunday Times voted Lichfield District as one of the top places to live in the Midlands and Britain. An extract from the Sunday Times reads: 'people aspire to live in this town-sized city, 18 miles north of Birmingham, for its mix of charming historic buildings (more than 230 are listed), energetic arts scene (the Garrick Theatre and music festivals in summer), good schools, excellent restaurants and café culture.'

### An Introduction to Lichfield District Council

Lichfield District Council was formed in 1974 from Lichfield City Council and Lichfield Rural District Council. The Council has 26 wards, with 47 elected Members. The political composition of seats (after the election in May 2015) is as follows:



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The policies of the Council are directed by the Political Leadership and implemented by the Leadership Team (comprising a Chief Executive and four Directors), supported by officers. The Council employs approximately 400 people of which 60% are permanent and the remainder temporary employees.

Lichfield District Council provides services to a population in excess of 102,000 people. These services include:

- *Collecting waste and recycling and keeping streets free of litter, including removal of abandoned vehicles and fly tipped waste*
- *Maintaining parks and open spaces*
- *Collecting council tax and business rates*
- *Administering housing benefit and council tax support*
- *Managing car parks*
- *Monitoring CCTV*
- *Providing and managing public toilets*
- *Running leisure centres and leisure services*
- *Dealing with planning applications and providing building control*
- *Compiling and maintaining the electoral register and administering elections*
- *Providing advice on environmental health*
- *Inspecting food and drink premises to make sure they are safe and hygienic*
- *Providing support for people who are homeless, and home adaptations to help people live independently*
- *Providing a tourist information service, support to arts and culture, events and festivals, and promoting tourism*
- *Working in partnership to promote community safety*
- *Carrying out conservation and wildlife management at protected sites*
- *Encouraging economic regeneration and creating plans for the future development of the District, for example the Local Plan*
- *Providing support and guidance to businesses*

The Council also delivers a range of internal services that support these operational functions. These internal services include: customer services; human resources; IT services, communications; data protection; financial services; debt recovery; legal and democratic services; insurance services; equalities; complaints and MP enquiries; mapping services.

The Council operates in what is referred to as a 'two-tier' local government structure where services such as education, social care, children's services, highways, libraries and trading standards are delivered by a county council, in this instance, Staffordshire County Council. There are also 25 parish, city and town councils across the District which also deliver services to the community.

**The list below provides examples of some of the work carried out during the year by the Council:**

- *5,500 inspections of building work to keep people safe and sound*
- *Recycled 55.3% of household waste*
- *540 food safety inspections to make sure restaurants are clean and safe*
- *Allocated £192k funding for community services*
- *Dealt with more than 850 applications for planning approval*

## NARRATIVE REPORT

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- *Cleaned 900,000 metres of roads, streets and green areas*
- *Maintained 4 sites of special scientific interest and hundreds of acres of heathland*
- *Had 600,000 visits to its leisure centres*
- *Helped to attract 3 million visitors to the District who spent £90m in the local economy*
- *Gave advice and support to 4,500 businesses*
- *Arranged for 75 disabled adaptations to help to keep people in their homes for longer*
- *Named and numbered 602 properties*
- *Dealt with 6,000 claims for housing benefit and council tax support*
- *Prevented 150 households from becoming homeless*
- *Emptied 111,000 bins every week across Lichfield and Tamworth*
- *Handled more than 135,000 customer enquiries*

## The Council's Performance

For 2015/16, the Council had a Strategic Plan called 'A Plan for Lichfield District 2012-16' which was approved by Cabinet in February 2012. This Plan set out the ambition, focus and priorities for this period. It had three Strategic Themes and 13 aims/ambitions for the District Council and its partners to pursue. These are set out below:

- **We'll support people**
  - *Help people to feel secure by tackling crime and anti-social behaviour*
  - *Support and encourage individuals and groups to take responsibility for shaping and improving communities through voluntary effort and social action*
  - *Help and support the vulnerable to live independent and fulfilled lives, preventing homelessness*
  - *Improve the health and wellbeing of the population of the District*
- **We'll shape place**
  - *Enhance and protect the District's assets, historic environment and open spaces*
  - *Ensure a cleaner and greener environment*
  - *Work with others to provide access to market, specialist and affordable homes*
  - *Require a range of sustainable transport choices with good regional and national transport links*
  - *Reduce carbon emissions and promote energy efficiency and renewable energy*
- **We'll boost business**
  - *Grow our local economy with improved retail offer and high quality manufacturing and service sector jobs*
  - *Position the District as a good place to do business*
  - *Build a more prosperous District through heritage, tourism and culture*
  - *Create a vibrant rural economy*

The Plan for Lichfield District 2012-16 not only sets out our strategic direction but also provides the context for the Annual Action Plan, which sets out the main priorities for each financial year.

The Annual Action Plan for 2015/16, approved by Full Council in February 2015, identified a 'Corporate Top 10'. This built upon the Top 10 issues produced by each of the Directorates. The



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Directorate Top 10s were created as each Directorate identified their own critical issues for the coming year having regard to the strategic priorities (as set out in the Plan for Lichfield District 2012-16), service plans, national legislation and policy changes, the Fit for the Future Programme (phase 2), financial pressures and performance targets.

The Annual Action Plan has been performance-managed in the usual way with update reports to Leadership Team on a quarterly basis and reports to Cabinet in December 2015 (half yearly) and July 2016 (full year).

The full year outcomes for the 2015/16 **Corporate Top 10** are highlighted below:

### 1. Balance the budget in the Medium Term Financial Strategy (Revenue and Capital) 2015-18 (MTFS (R&C))

Action	Progress
<b>Council to operate within +/- £250k of the approved budget</b>	Final outturn figures produced 29 April - underspend against Approved Budget - <b>£194,755</b>
<b>Quarterly production of Money Matters Report accounting for the financial performance of the Council for revenue and capital</b>	Quarter1, Quarter2 and 8 months (Revised Estimate) reports presented to Cabinet and Strategic O&S during 2015/16 End of year report scheduled for Cabinet and Strategic O&S 7 September 2016
<b>Deliver approved Fit for the Future savings and increased income</b>	Savings identified for <b>2015/16:£473,770</b> ; 2015/16-2017/18 £1,116,270
<b>Maximise collection of income</b>	Council Tax: <b>98.76%</b> collected of total income due (2014/15 98.83%) Non Domestic Rates: <b>97.31%</b> collected of total income due (2014/15 98.41%)

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### 2. Implement Fit for the Future Phase 2

Action	Progress
<p><b>Complete Service Reviews in the following areas</b></p> <ul style="list-style-type: none"> <li>• <b>Housing</b></li> <li>• <b>Assets</b></li> <li>• <b>Revenues and Benefits</b></li> <li>• <b>Parks, Grounds Maintenance and Countryside</b></li> <li>• <b>Economic Development</b></li> </ul>	<p>Review completed; one-off savings: <b>£82k</b>; ongoing savings <b>£6k</b>. Action Plan produced and being implemented            Disposal of industrial units in Lichfield and Burntwood; Old Mining College lease transferred to Burntwood Town Council; condition survey at District Council House            Process mapping completed and report to Leadership Team            Focus on reducing size of estate and becoming more efficient.            The Review will also look at contract management, assessing shared services and market testing            Review completed and consultation undertaken on draft Economic Development Strategy – report to Economic, Growth, Environment and Development (EGED) Overview and Scrutiny (O&amp;S) April 2016 and Cabinet May 2016</p>
<p><b>Undertake Service Reviews in :</b></p> <ul style="list-style-type: none"> <li>• <b>Leisure Services</b></li> </ul>	<p>Physical Activity and Sports Strategy produced; progress made on outsourcing the running of the leisure centres. Project Manager will be recruited</p>

### 3. Consider and where appropriate implement the findings of the Peer Review

Action	Progress
<p><b>Strategic Plan 2016-20 approved by Cabinet in February 2016</b></p>	<p>Plan approved by Strategic O&amp;S, Cabinet and Full Council February 2016. Performance Management Framework for the Plan drafted focusing on outcomes by 2020</p>
<p><b>Develop organisational values by 31 December 2016 (having regard to outcome of the Employee Survey) and introduced in the Autumn</b></p>	<p>Values approved as part of process of adopting the Strategic Plan. Programme of briefing sessions held with staff February 2016 to raise awareness of changes to 'working at Lichfield District Council'</p>
<p><b>Review purpose, structure and approach to Overview and Scrutiny by October; implement changes by May 2016</b></p>	<p>Member Task Group set up; fewer reports now being produced; reports have specific strategic focus; manageable meetings; Triangulation meetings between Cabinet and Scrutiny Committee Chairs. Update on progress given to all O&amp;S Committees</p>
<p><b>Produce Economic Development Strategy by October 2015; review service delivery by March 2016</b></p>	<p>Consultation on draft strategy February and March 2016. Results presented to EGED O&amp;S April 2016 and Cabinet May 2016</p>

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### 4. Deliver elections and facilitate a smooth transfer to the new Council

Action	Progress
Administer the Parliamentary, District and Parish elections on 7 May	Elections administered and results declared
Provide a comprehensive induction pack and training programme for Members in May 2016	Induction prepared in advance of election and provided to all elected Members. 14 training sessions covering, equality, diversity and respect; introduction into planning and probity; working with partners; safeguarding awareness; introduction into O&S; making defensible planning decisions

### 5. Develop and embed Locality Commissioning

Action	Progress
Work with partners to expand the role and influence of locality commissioning arrangements including the new Prevention Fund	Completed first two rounds of funding allocations during 2015/16. <b>£400k</b> available for investment in local community and voluntary organisations in 2016/17. Locality Commissioning Board agreed to enter into SLAs with eight bodies from round one and subject to satisfactory performance, agreements with round two organisations will be extended to March 2017
Performance manage new contracts (to be let in April 2015)	Online performance management tool 'Upshot' purchased. Funders and successful applicants trained to use it. Locality Commissioning Board to considered full year outcomes at meeting in May 2016
Account to Members for LDC investment in community and voluntary sector	Reports to Community, Housing and HealthH) O&S January 2016 and March 2016

### 6. Complete the ICT upgrade project

Action	Progress
Complete phase 1 and initiate phase 2 of the upgrade project	Phase 1 largely completed; PSN compliance certificate issued January 2016
100% of devices converted to the new IT platform	99% of devices converted, three computers remaining as software package not compatible with Windows 7 - software being upgraded by supplier and should be ready by June 2016
Achieve compliance with Government Security requirements (Public Sector Network) (PSN) achieved and maintained	Achieved - certificate received January 2016

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### 7. Adopt and deliver the Local Plan

Action	Progress
<b>Adopt the Local Plan and commence work on the associated Site Allocations Plan</b>	Plan adopted February 2015. Local Plan Strategy confirmed as forming part of the Development Plan for the District. Work is continuing to inform preparation of a Part Two Site Allocations Local Plan
<b>Adopt the Community Infrastructure Levy Scheme (CIL) Charging Schedule and Regulation 123 List</b>	CIL approved by Full Council April 2016 and will be adopted June 2016

### 8. Develop Lichfield City and Burntwood Town Centres

Action	Progress
<b>Support the creation of a Business Improvement District (BID) for Lichfield City and ballot in summer 2015</b>	BID operational with BID chair and Board in place and appointment of BID Manager overseeing work programme of agreed actions linked to Business Plan/Prospectus
<b>Provide support to the Burntwood business community</b>	On-going dialogue with local councillors, the Town Council, Local Community Partnership, Staffs County Council and other parties re re-development of certain areas of the Town
<b>Complete car parking Strategy Review</b>	Consultation on draft Parking Strategy ended 31 March 2016. Report to Members and agreement of final Strategy to follow

### 9. Implement the Friarsgate scheme

Action	Progress
<b>Complete an amended Development Agreement</b>	Amended Development Agreement being implemented with relevant milestones monitored and on target
<b>Determine planning application for revised scheme</b>	Planning application submitted and accepted May 2016

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### 10. Review and update the safeguarding policy and procedures

Action	Progress
<b>Update policies and procedures to ensure they are robust and that issues of child sexual exploitation (CSE) are taken into account</b>	Updated Safeguarding Children and Adults at Risk Policy and Annual Report approved by Cabinet December 2015. Safeguarding Policy and Procedure presented to managers' briefing (January 2016) and the addition of CSE highlighted. All staff and Members received copy of updated leaflet in January 2016
<b>Implement recommendations from internal audit report</b>	All recommendations implemented
<b>Review Governance Arrangements on safeguarding</b>	Updated Safeguarding Children and Adults at Risk Policy and Annual Report approved by Cabinet December 2015. All staff and Members received copy of an updated leaflet in January 2016
<b>Offer training to all elected Members</b>	15 Members trained September 2015 and further session end of April 2016
<b>Provide training to all staff who come into contact with children and vulnerable adults</b>	Training framework developed identifying exact level of training required by each member of staff against 5 levels of training need. Summary of framework included as appendix in revised Safeguarding Procedures. In early 2016, 61 staff received level 1 training. During 2015, 15 members of the connects team were trained in CSE awareness

**Financial Performance**

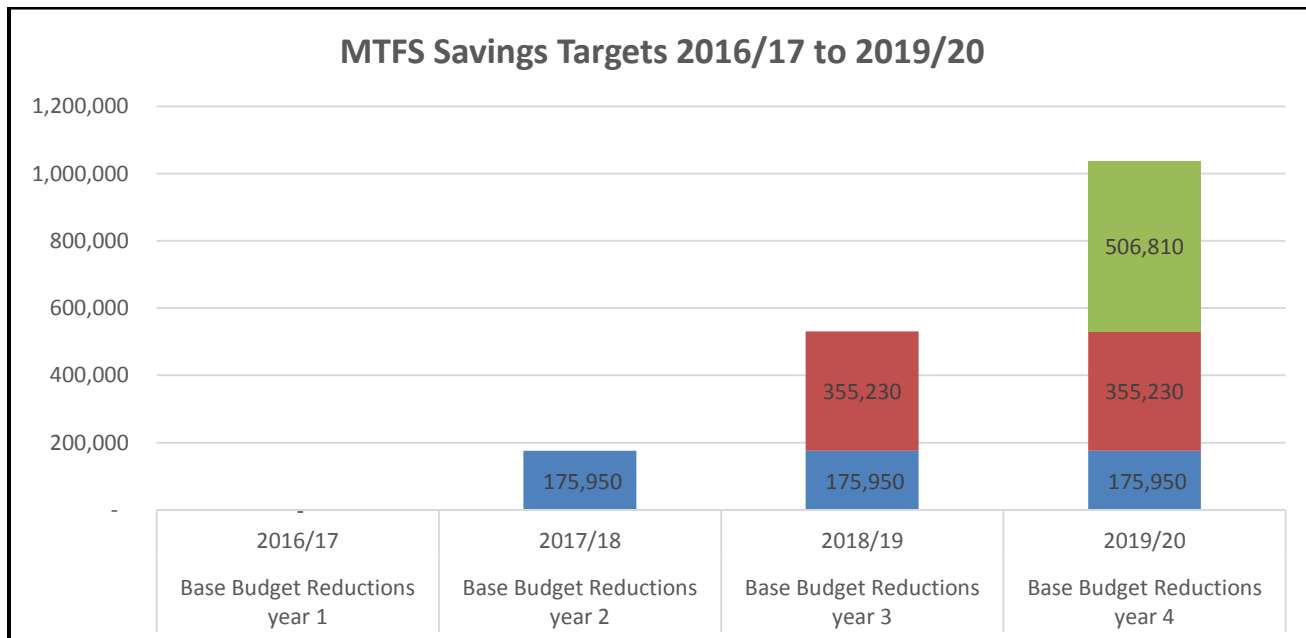
**The Economic Climate and its Impact on Lichfield District Council**

For the last few years, Lichfield District Council has faced significant financial challenges due to reductions in funding from Central Government, cost pressures within services and greater volatility in financing. The process is ongoing, will last until at least 2019/20 and will be continuously reviewed as the Council develops a stronger understanding of the challenges it faces.

In November 2015, the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances in the medium term for three main reasons:

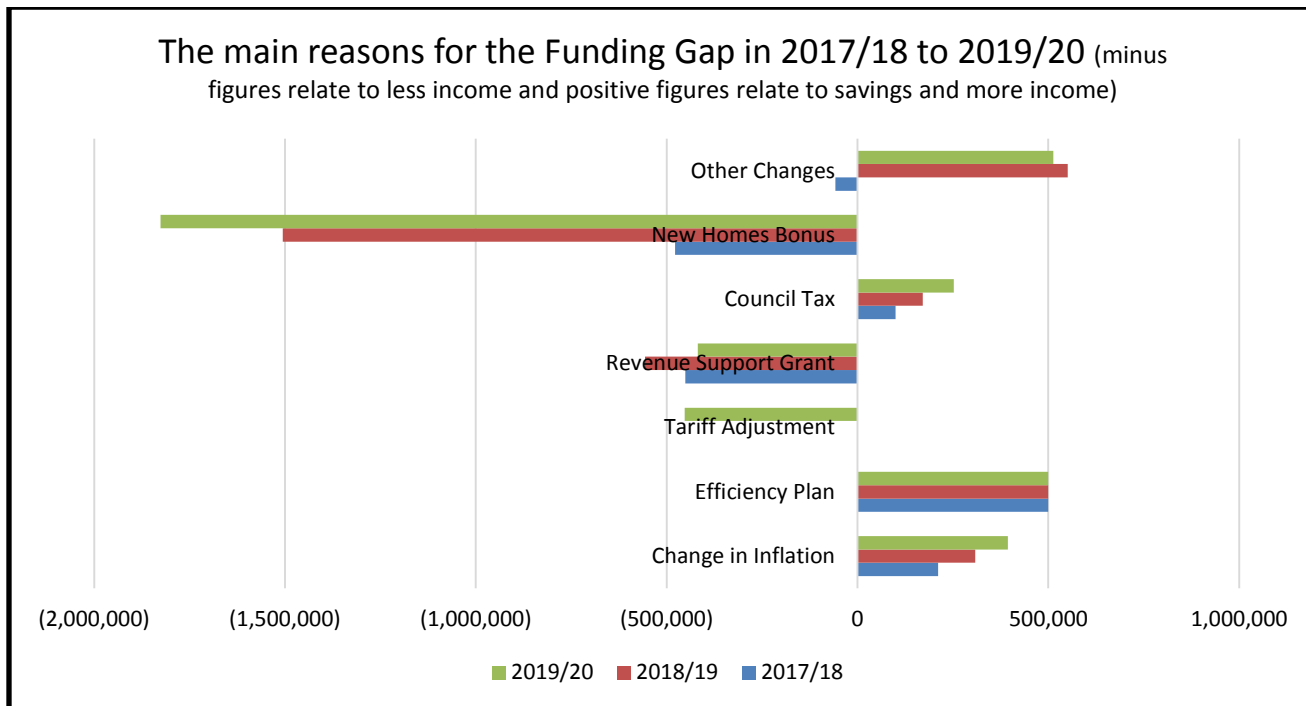
- A tapering and a reduction in the amount of New Homes Bonus (NHB) to be paid to councils. This is to ensure nationally that £800m of the NHB fund can be redirected to Adult Social Care.
- Retained Business Rates – this has changed as a result of the Government's introduction of a 'Tariff Adjustment'. This adjustment reflects the Government's new approach in determining Revenue Support Grant (RSG) allocations. This approach now takes into account the amount that can be raised locally through Council Tax. In practice this means that councils such as Lichfield which have a higher tax base, that is more properties above the average Band D, will have less RSG. Potentially for Lichfield District Council, any further national reductions could result in negative RSG. For the Council the Business Rate Tariff has been adjusted upwards with the result that it will have to pay more Business Rates to Government from 2019/20 onwards (based on the current Business Rates System where 50% is retained by local government).
- RSG – by 2019/20 this will be reduced to **£zero**.

The cumulative Funding Gap of **£1,037,990** over the next four years will require savings to be found from within the base budget as shown on the chart below.



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The main reasons for the Funding Gap identified in the MTF5 2016-20 are shown in the chart below.



The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2019/20.

The Fit for the Future Programme (F4F) is the Council's transformation programme. It was introduced in May 2013 to help make the Council functionally fit for the challenges ahead. 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. The programme has helped to deliver significant financial savings to date and has helped put the Council on a sounder financial footing in the short term.

If the Council wishes to take up a four-year Funding Settlement to 2019/20, it is required to have an **Efficiency Plan**. The Council has developed an **Efficiency Plan**, to both meet the Funding Gap and achieve the Government's requirements. The **Efficiency Plan** has four strands:

- **In Year Efficiency Savings/Income Generation.** This is in recognition of the Council's favourable financial performance over the last three financial years, in comparison with the Approved Budget.
- **Fit for the Future (F4F) Efficiency Savings/Income Generation.** This is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be needed across LDC and its services in order to meet all of the changes following the fundamental review of Local Government finances.
- **F4F Transformational Change.** This is the element of the F4F programme designed to reshape and redesign LDC and its services into one that is fit for the future.
- **Growing the Business Rates and Council Tax base.** The Council will seek to maximise the growth of both of these in order to increase the income from these funding sources. This will help to enable LDC to become financially self-sufficient over the medium term.

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### Financial Performance in 2015/16

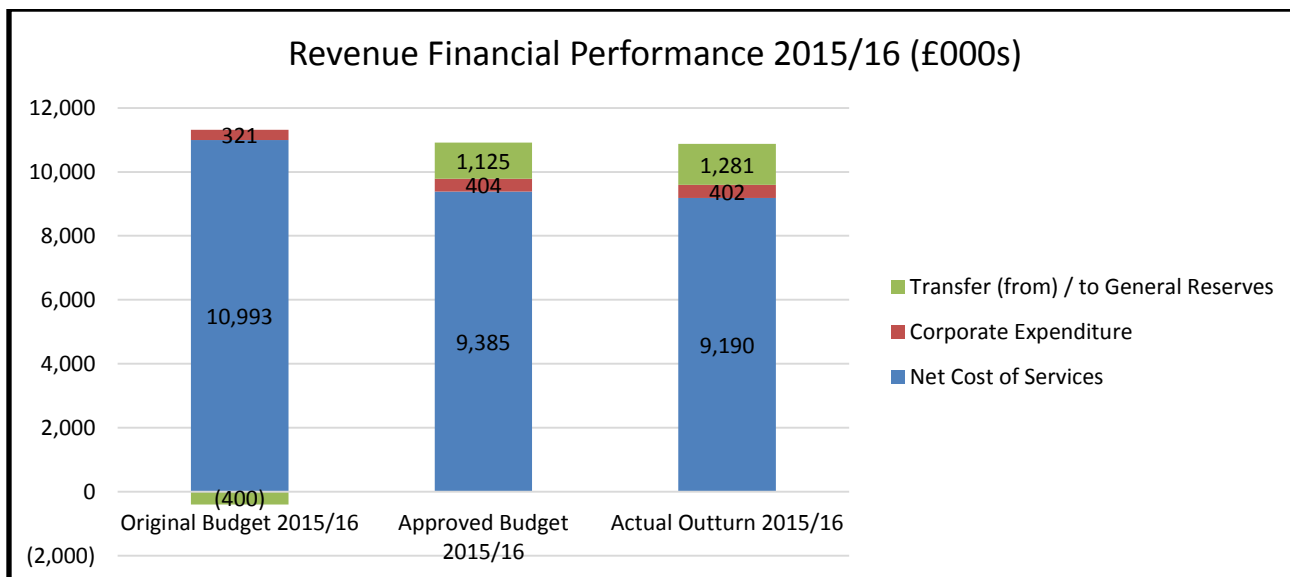
The ability to deliver the outcomes set out in the 'Plan for the District 2012-16' is dependent on the resources available over the life of the plan. Therefore, the Council prepares a Medium Term Financial Strategy (Revenue and Capital) ((MTFS (R&C))). This covers how we will use reserves, our investments, and our approach to Council Tax and how we deploy our Capital. It also looks at the medium term as the cost pressures we are likely to face and how these could be financed. We are required by Law to set a three year balanced budget. The MTFS (R&C) 2015-18 covers revenue and capital expenditure for the three financial years 2015-18. It was approved by Council on 17 February 2015.

The MTFS (R&C) is monitored and reported to Strategic Overview and Scrutiny Committee, Cabinet and Full Council in the format of our Money Matters Financial Performance Reports at the end of Quarter 1, Quarter 2 and month 8 (Revised Estimate). It is the latter against which the year-end outturn position is monitored both in terms of revenue outturn and capital outturn. The revenue and capital transactions recorded in these statements supported all of the Council's activities in 2015/16.

### Revenue Financial Performance in 2015/16

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.

The chart below shows the Revenue financial performance for 2015/16. The target set by the Council is for the net expenditure incurred in delivering services (Net Cost of Services) to be within **£250,000** of the Approved Budget. The actual performance was **£195,000** below the Approved Budget, and is in addition to the significant savings already identified during the year in Money Matters Reports. This meant that **£1.281m** was added to General Reserves compared to an estimate contained in the Original Budget of **£400,000** being withdrawn.

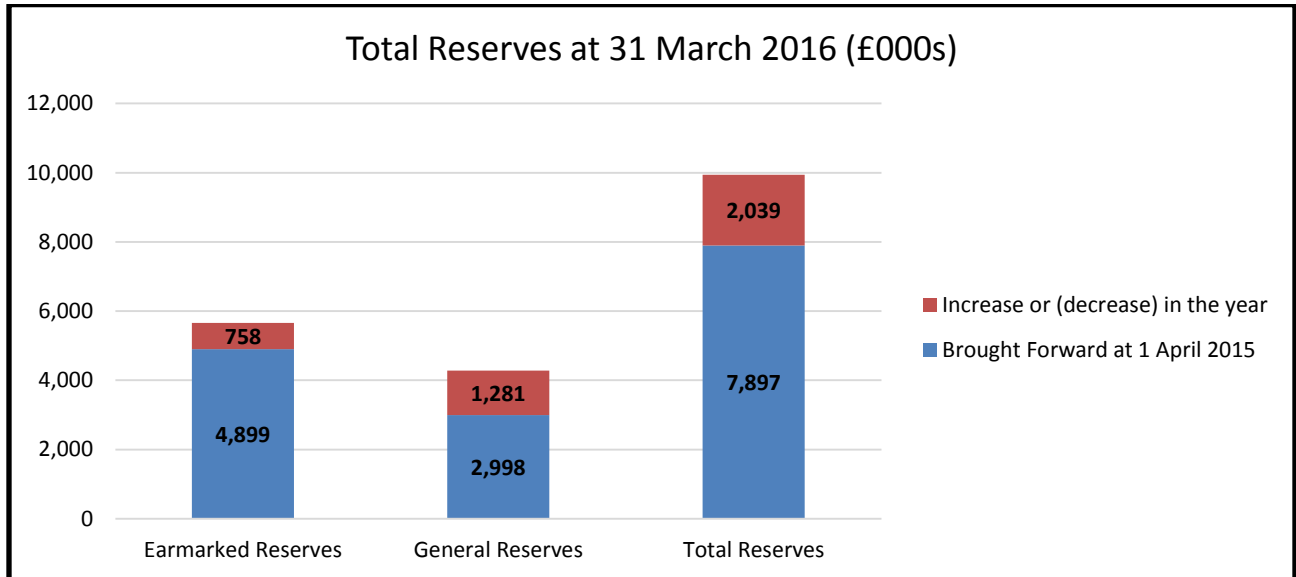




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The chart below shows the level of Revenue Earmarked and General Reserves.



The Earmarked Reserves have been built up over time to provide funding for specific activities in line with the Council's medium term aims and objectives. The General Reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risks. The risk-based assessment for 2015/16 set the Council's Minimum Level at **£1.200m**. This means that there is a surplus of **£3.079m** of General Revenue Reserves over and above the Minimum Level.

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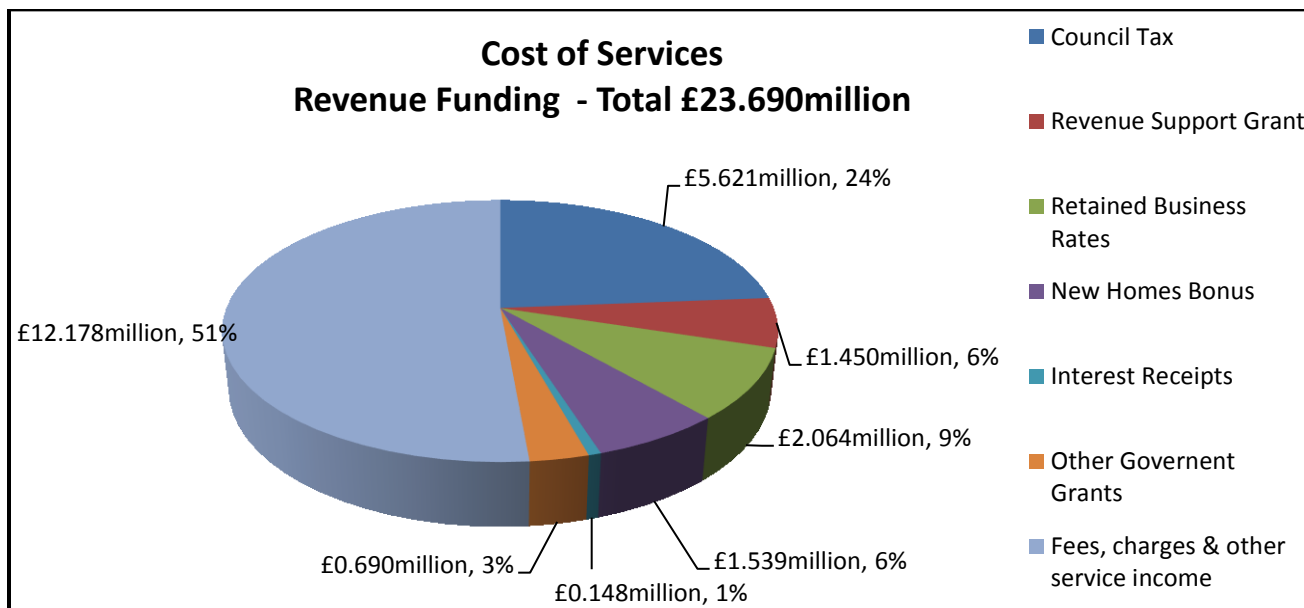
The details of net expenditure for activities included under the Net Cost of Services and Corporate Expenditure categories in the chart above together with the sources of funding in the format of the information contained in our Council Tax Leaflet is shown below:

	Original Budget £'000	Approved Budget £'000	Actual Outturn £'000	Amount per Person £	Amount per Band D Property £
Local Tax Collection, Elections, Land Charges, Community Grants	566	221	883	£8.65	£24.36
Leisure Centres, Pools, Open Spaces, Tourism, Theatre	3,171	2,957	2,788	£27.30	£76.87
Waste Collection, Recycling, Street Cleansing, Environmental Health	3,226	3,219	3,051	£29.88	£84.14
Car Parks, District Highways and Civil Parking Enforcement	(637)	(827)	(846)	(£8.28)	(£23.32)
Housing Strategy & Advice, Homelessness, Housing Benefits	1,154	919	709	£6.94	£19.55
Development & Building Control, Planning Policy, Economic Development	1,526	1,051	825	£8.08	£22.75
Trade Waste Collection	(64)	(88)	(98)	(£0.96)	(£2.71)
Corporate costs	2,052	1,932	1,878	£18.39	£51.77
<b>Net Cost of Services</b>	<b>10,994</b>	<b>9,385</b>	<b>9,190</b>	<b>£90.01</b>	<b>£253.42</b>
Revenue Contributions to the Capital Programme	154	154	154	£1.51	£4.25
Approved earmarked reserves	92	290	290	£2.84	£8.00
Interest receipts/payments	75	(40)	(42)	(£0.41)	(£1.15)
Transfer (from) or to General Reserves	(400)	1,124	1,282	£12.55	£35.34
<b>Net Expenditure</b>	<b>10,914</b>	<b>10,914</b>	<b>10,874</b>	<b>£106.50</b>	<b>£299.85</b>
Business Rates	(2,134)	(2,105)	(2,064)	(£20.22)	(£56.92)
Revenue Support Grant	(1,450)	(1,450)	(1,450)	(£14.21)	(£40.00)
New Homes Bonus	(1,539)	(1,539)	(1,539)	(£15.07)	(£42.44)
Other Grants and Local Council Tax Support to Parishes	99	70	69	£0.68	£1.91
(Surplus) or Deficit on the collection of Council Tax and Business Rates from the previous year	(269)	(269)	(269)	(£2.63)	(£7.41)
<b>Amount to be raised from Council Tax</b>	<b>5,621</b>	<b>5,621</b>	<b>5,621</b>	<b>£55.05</b>	<b>£154.99</b>

The Statement of Accounts includes the Comprehensive Income and Expenditure (CIES) on page 41 and this shows the Revenue expenditure and income in a standardised format. The information presented previously for Revenue (General Fund) shows that for 2015/16, the Council had an excess of income over expenditure (a Surplus) of **£1.281m**. However, the CIES shows a 'Deficit on Provision of Services (cashflow) of **£213,000**. 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 (therefore, for example, it includes depreciation) whereas the General Fund raises taxation to cover expenditure in accordance with statutory regulations (for example depreciation is replaced by the statutory provision for debt repayment).

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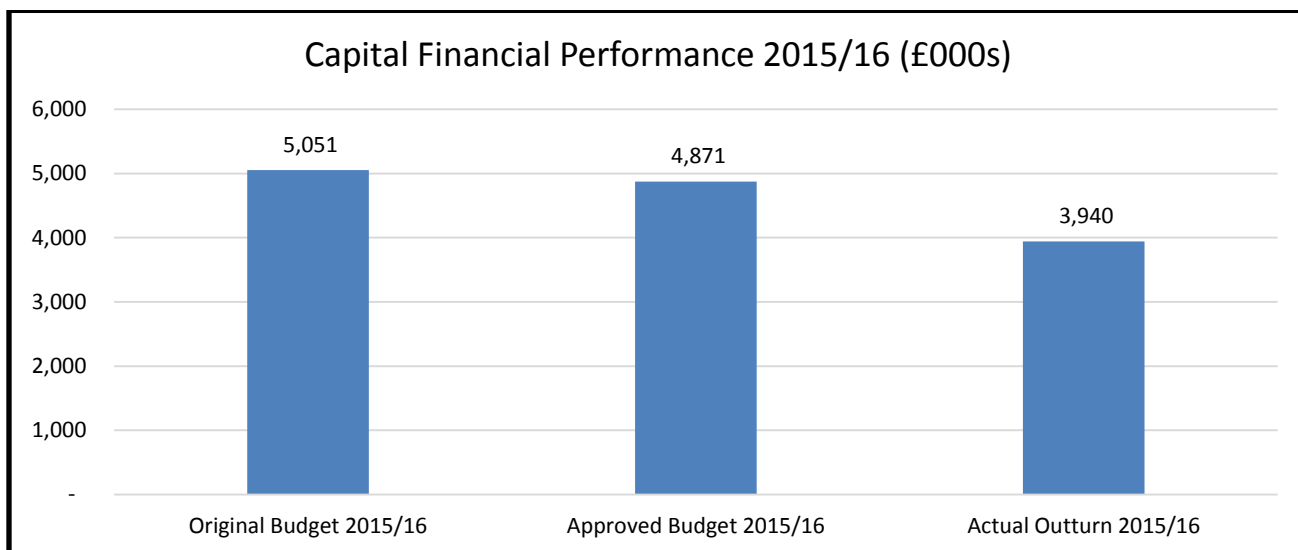
The chart below shows the make-up of our funding from the table on the previous page plus the income from fees, charges and other service income, other Government Grants and interest for 2015/16.



### Capital Financial Performance in 2015/16

Capital spending represents spend on assets or is defined as capital under law that will provide benefit to the District over a number of years.

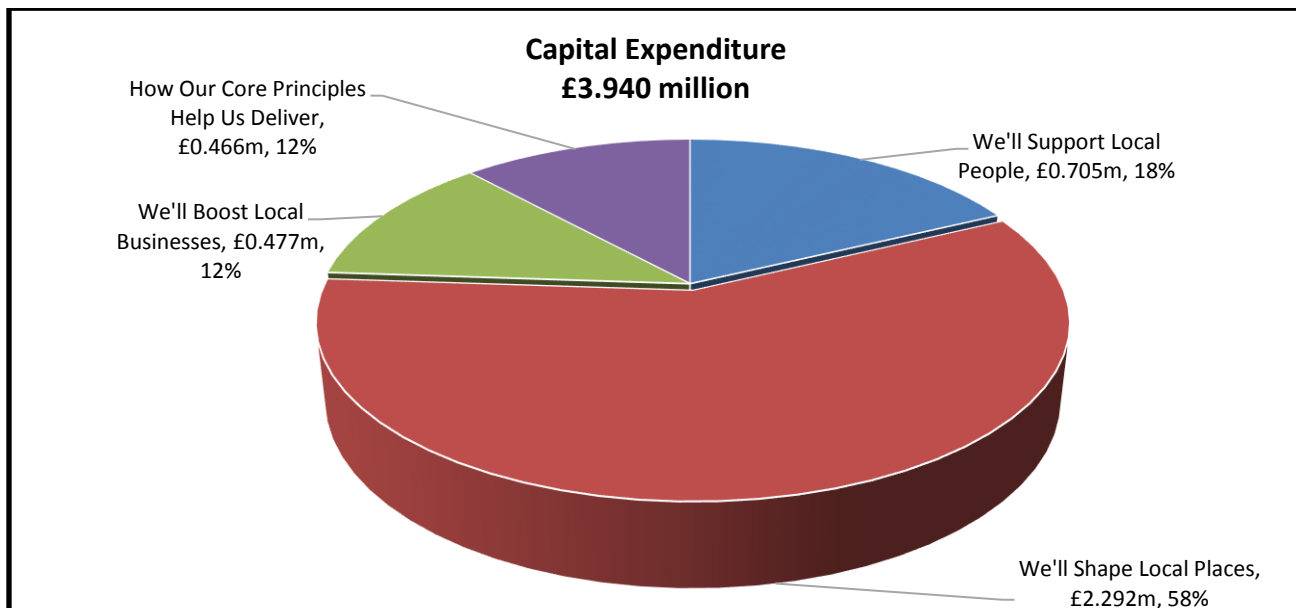
The chart below shows the final Capital financial performance for 2015/16 compared to the Original and Approved Budgets.



The Actual Outturn was **£3.940m** and this was **£931,000** below the Approved Budget of **£4.871m**. The main reason for the variance is due to lower spend compared to budget (**£872,000**) on the Waste Collection Vehicle Replacement Programme. This occurred because a number of the vehicles that were planned to be delivered in 2015/16 will, as a result of a delay in manufacturing, now become available in 2016/17.

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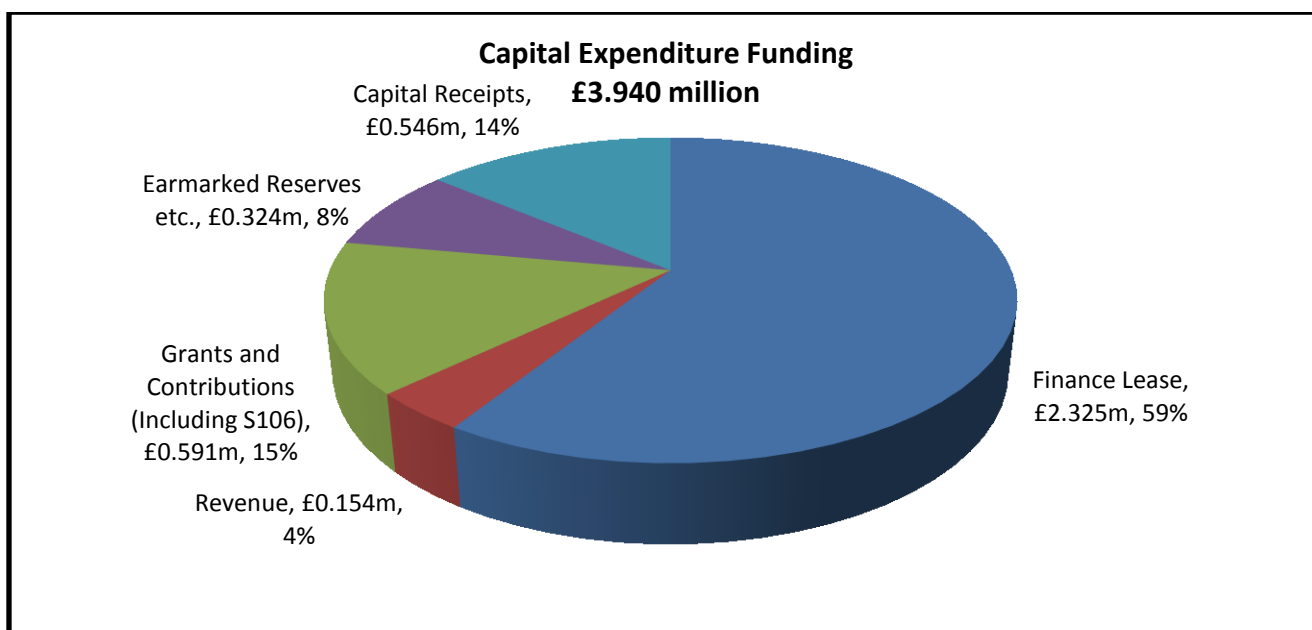
The capital expenditure shown by the Council's top priorities for 2015/16 is shown on the chart below.



There are a number of sources which the Council can use to fund this capital expenditure:

- 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
- Earmarked Reserves
- Finance Leases – these enable assets to be purchased via a series of payments over a period of time

The funding of the 2015/16 capital expenditure is illustrated in the chart below.



### Principal Risks and Uncertainties

A Risk Management Strategy is in place to identify and evaluate risks. A Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Plan, as this sets out our priorities. This assessment ensures that we have measures in place to control the potential risks to our business objectives. Risks are judged on their likelihood of occurrence and their potential impact.

Many risks have either a low impact or likelihood, but those that currently have the highest overall scores and are assessed as 'Severe', are monitored by Members and Senior Officers and are reported to the Audit Committee.

There are currently three risks that are classed as 'Severe'

- Financial resilience
- Friarsgate
- Management restructure

The potential impact and the management of each these risks are discussed below.

#### **Financial Resilience**

##### Risk to the Council

This is the risk that the continued reductions in Government funding will mean that the financial resources available to the Council are not sufficient to support all of the planned priorities that we have. This will impact on the Council's ability to run its services and may mean that some services are reduced or even stopped.

##### Management of Risk

The F4F Programme, the Council's transformation programme, was launched in May 2013 to help make the Council financially and functionally fit for the future. This Programme has delivered significant financial savings to date and continues to include a range of Service Reviews and Projects aimed at delivering further financial savings, service improvements and organisational development.

The Council closely monitors its in-year financial position and this is reported on a quarterly basis to Cabinet and Strategic Overview and Scrutiny Committee via the Money Matters Report.

#### **Friarsgate**

##### Risk to the Council

Friarsgate is the Council's flagship regeneration project in the centre of Lichfield City. The Scheme will improve the retail and leisure offer in the City. It will also replace existing Council Infrastructure (the Bus Station, Public Toilets and the Multi Storey Car Park) all in need of considerable updating and investment. Risks relate to land ownership, economic conditions and project management.

The Scheme has faced a number of delays and the concern is that further delays or even failure of the Scheme could result in: public disappointment, damage to the Council's reputation and finances, adverse publicity, and a negative effect on the economy within the District.

## **NARRATIVE REPORT**

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### Management of Risk

The Council is utilising employees who have skills in major development projects. Member scrutiny takes place through the Economic Growth, Environment and Development Overview and Scrutiny Committee, and a presentation of the Scheme has been given to Members (November 2015).

A revised project management structure and governance structure for the Project has been developed to ensure that the adequate skills, resource and reporting lines are in place. In addition, there are ongoing discussions with the Developer regarding the progress of the Scheme.

### **Management Restructure**

#### Risk to the Council

As part of the F4F Programme, a review of senior management structures has been undertaken as part of the wider work to create a 'corporate council'. It is anticipated that re-organising the senior management structures will help to ensure that the Council has a management structure that is fit for the future.

The main risks to the Council of the management restructure are: reduction in staff morale which affects recruitment and retention; insufficient capacity to manage services if staff leave prior to restructure; loss of knowledge and experience from the Council; potential substantial costs involved in possible redundancy payments in order to move the Council to the new structure.

#### Management of Risk

The Council is ensuring that staff are kept advised on the progress of the review and the timescales for each phase of the work. In addition, all staff, and in particular those directly affected, are able to make their views known through consultation.

The Council also aims to manage the requests for staff to leave on the basis of business need and in accordance with Council policy and to follow this policy for any redeployment and recruitment. An Earmarked Reserve has been created for the purposes of funding potential redundancy costs.

### Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards.

A glossary of key terms can be found at the end of this publication.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area – this is a standard analysis provided by CIPFA so that local authority accounts and spending can be compared.

The bottom half of the statement deals with the corporate transactions and funding. Expenditure represents a combination of:

- Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
- Discretionary expenditure focussed on local priorities and needs.

The **Movement in Reserves Statement** – this is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'usable' which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

The **Balance Sheet** – this is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** – this shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

The **Annual Governance Statement** – this sets out the governance structures of the Council and its key internal controls.

The **Notes** to the Core Statements provide more detail about the Council's accounting policies and individual transactions.

The **Collection Fund** – this summarises the collection of Council Tax and Business Rates, and the redistribution of some of the money to the precepting authorities and to Central Government.

**Anthony Thomas**

**Internal Business Support Executive/Deputy Section 151 Officer (Deputy CFO)**

## ANNUAL GOVERNANCE STATEMENT

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<b>Section 1</b>	<b>Scope of Responsibility</b>
<b>Section 2</b>	<b>Purpose of the Governance Framework</b>
<b>Section 3</b>	<b>The Governance Framework</b>
<b>Section 4</b>	<b>Budget Challenges Facing the Council</b>
<b>Section 5</b>	<b>Creating a Corporate Council</b>
<b>Section 6</b>	<b>Annual Review of the Effectiveness of the Governance Framework</b>
<b>Section 7</b>	<b>Update on Significant Governance Issues 2014/15</b>

### Section 1: Scope of Responsibility

Lichfield District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements (known as a Governance Framework) for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has adopted a Code of Corporate Governance (“the Code”), which is consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’.

This statement explains how the Council has complied with the Code. It also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

### Section 2: Purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads its communities. It 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 to achieve policies, aims and objectives 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 the 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 2016 and up to the date of approval of the Statement of Accounts.



## ANNUAL GOVERNANCE STATEMENT

### Section 3: The Governance Framework

The key elements of the systems and processes that comprise the Council's Governance Framework are summarised in our six Core Principles. These are discussed below.

#### **1 Focusing on the Purpose of the Authority, on Outcomes for the Community and Creating and Implementing a Vision for the District**

*We ensure that we exercise strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcomes for citizens and service users.*

*We assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.*

*We ensure our users receive a high quality of service whether directly or in partnership, or by commissioning.*

*We measure the quality of services for users, ensuring they are delivered in accordance with our objectives and that they represent the best use of resources and that Council Tax payers and service users receive excellent value for money. We do this through the Performance Management Framework.*

#### **Outcomes – The Strategic Plan**

The Council has a Strategic Plan called 'A Plan for Lichfield District 2012-16' which was approved by Full Council in February 2012 and by the Lichfield District Board in March 2012. This sets out three strategic themes (focused on supporting people well, shaping place and boosting business) and 13 aims/ambitions for the District Council and its partners to pursue. It can be found on our website at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)

The Plan for Lichfield District sets out our strategic direction and provides the context for the Annual Action Plans (which are approved by Council each year in February).

In 2014, we moved away from producing a lengthy and detailed Annual Action Plan and instead identified and focused on a smaller number of key activities/projects in order to achieve progress against the aspirations in the Strategic Plan. Consequently, for 2014/15 a Corporate Top 10 Issues was produced which built upon Top 10s for each of the Directorates (which were endorsed by the January 2014 round of Overview and Scrutiny Committees). A similar approach has been taken for 2015/16 and all of the Overview and Scrutiny Committees considered Directorate Top 10s during the January 2015 round of meetings. The Corporate Top 10 2015/16– Annual Action Plan can be viewed at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk).

In developing the Corporate Top 10 for 2015/16, each Directorate identified their own critical issues for the coming year having regard to the strategic priorities (as set out in the Plan for Lichfield District), service plans, national legislation and policy changes, the Fit for the Future Programme (Phase 2), financial pressures and performance targets. Issues arising from the Community Consultation Exercise and Peer Review from 2014/15 were also taken into account. In addition, our operating environment and the issues that were likely to impact upon the Council in 2015/16 (and beyond) were reviewed and detailed in the form of a Political, Economic, Social and Technological (PEST) analysis.

The Annual Action Plan is performance-managed in the usual way using the Council's covalent

## ANNUAL GOVERNANCE STATEMENT

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system. Update reports are made to Leadership Team on a quarterly basis and reports presented to Cabinet in December (2015) for the mid-year outturn and July (2016) for the end of year outturn. A progress report on the Directorate Top 10 Issues for each of the Directorates is provided to the Overview and Scrutiny Committees at the January and June cycle of meetings as part of the Corporate Performance Management Framework. These reports also include activity and performance indicators to enable Members to track performance across the range of statutory and discretionary services which the Council provides. A copy of the year-end performance report will be published on our website with the papers for July 2016 Cabinet.

For 2016/17, there will be a new Performance Management Framework that has been developed during 2015/16 following a report from Internal Audit in October 2015. It is currently being discussed by Directorate Management Teams (following consultation with Leadership Team in March).

The Directorate Top 10 Issues are informed by the work carried out by service managers on their Annual Service Plans. During 2015/16 there was a review of the service planning process to make it more robust, consistent and corporate. In consultation with the managers, an 'Annual Service Plan – Policy and Procedure' was developed and this was published in October 2015. This forms part of the Council's Governance Framework and provides evidence of a systematic and robust management approach to service planning.

This will be the final Annual Action Plan developed within the context of the Plan for Lichfield District 2012-16. On 23 February 2016, the new Strategic Plan for Lichfield District Council 2016-20 was approved by Full Council. A copy can be found on our website at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)

Members of the Strategic Overview and Scrutiny Committee, along with all District Councillors, managers and staff, stakeholders (including the business and community and voluntary sectors) and local residents have had an opportunity to contribute to the Plan over a six month period.

The development of a new Strategic Plan was one of the five work streams within the Creating a Corporate Council (CCC) Fit for the Future (F4F) project (see section 5). The project identified a clear need to develop a new Strategic Plan not only because the previous Plan was due to end in March 2016, but more importantly due to other factors that suggested the need to review our priorities and role as a Council (this need was also a finding of the Peer Review that took place in September 2014):

- The local context – increasing overall population and numbers of older people
- The national policy environment
- Continued financial challenges facing local government

It has become increasingly important that we are clear on where we need to allocate our resources, and that we are focussing on the things that will make the biggest impact and difference. Whilst taking account of the key pledges and promises from the Administration's local election manifesto, the new Plan also focuses on those outcomes that are known to reduce demand and dependency on the Council's services (and the wider public purse).

The Evidence Base for the Strategic Plan produced for the Council by the Staffordshire Intelligence Hub, highlighted that the three key things that enable people to live fulfilling and independent lives are:

- Being in employment
- Staying active and healthy
- Having somewhere safe and affordable to live

## ANNUAL GOVERNANCE STATEMENT

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Engagement with Elected Members (Cabinet away day, Member Focus Group) and residents (Focus Group and 'In Touch' consultation) showed a broad agreement to these being the areas that the Council should focus on and resulted in the following priority outcomes being identified:

- A vibrant and prosperous economy
- Healthy and safe communities
- Clean, green and welcoming places to live

The Plan shows clearly the contribution the Council will make to the achievement of each priority outcome through its own direct delivery of services and activity. It also states where we will seek to influence and encourage partners and stakeholders to act, and how communities can help to achieve the outcomes.

In addition, the Plan makes clear how the Council will actively explore and pursue new ways of delivering services so that they can be delivered more efficiently and effectively, resulting in a fourth priority outcome:

- A Council that is 'Fit for the Future'

The Council now has a new Annual Action Plan for 2016/17 that was approved by Full Council in February 2016.

### **Outcomes – The Local Plan**

The new Local Plan took effect from 2015/16. This Plan is a framework against which all planning decisions are made. It was adopted by Full Council in February 2015. It aims to shape the future development of Lichfield District until 2029. It replaced the Plan that has been in place since 1998.

The Local Plan seeks to encourage sustainable development within the Lichfield District area, and includes policies on a number of key themes, including sustainable communities, infrastructure, homes for the future, economic development and enterprise, and healthy and safe communities. The Plan will therefore help to make sure the District is developed in the right way, including building the right number and types of houses, developing the right kind of shopping and recreational facilities, getting the right office and industrial spaces, creating opportunities for local jobs to be nurtured and protecting our wildlife, landscapes and heritage.

Progress reports on the implementation of the Local Plan are presented to the Economic Growth, Environment and Development Overview and Scrutiny Committee in addition to Cabinet.

As part of sustainable development, local authorities have to introduce a planning charge known as the Community Infrastructure Levy (CIL). The CIL is designed to act as a tool for local authorities to help deliver infrastructure to support the development of their area.

The CIL Charging Schedule sets out the rate of levy the Council will charge those types of development that are eligible to contribute towards infrastructure provision. The District Council's CIL was subject to examination in January 2016, with the Examiner's Report received in February 2016. It has been approved by Cabinet then by Full Council on 19 April 2016 for adoption on 13 June 2016.

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### **Outcomes – Locality Commissioning**

The District Council and its partners have adopted a locality commissioning model in order to introduce a more streamlined approach to funding local services, especially those provided by the voluntary and community sector. This model was endorsed by the Staffordshire Health and Wellbeing Board and approved by Cabinet in September 2014. Funding of £500k has been brought together between the District and County Councils, local Clinical Commissioning Group and Office of the Police and Crime Commissioner.

These partners agreed five high level aspirations and set these out in two Commissioning Prospectuses (issued in autumn 2014 and summer 2015) which divided the funding up between 20 Lots covering a range of outcomes to improve the quality of life of local people. A Locality Commissioning Board has been established by the Local Strategic Partnership (District Board) to oversee the process and this is chaired by the Cabinet Member for Community (District Council). The District Council is the 'accountable body' for the process and has led on the development of the framework which underpins the process.

The minutes of the Board are published on the District Council's website and circulated to all elected Members. Reports on the development of locality commissioning have also been received by the relevant Overview and Scrutiny Committee, and Members have been involved in agreeing the priorities for investing the contribution made by Lichfield District Council to the locality commissioning budget.

### **Outcomes - Partnerships**

The Council is part of a number of external partnerships which provide support to its strategic agenda. These include the Staffordshire Strategic Partnership, the Staffordshire Connects 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.

During 2015/16, the Council had to consider the opportunities and challenges that combined authorities either in Staffordshire or against an economic geography, with Birmingham City Council, Black Country, Solihull and Coventry, could make to our communities. In October Full Council met to discuss and vote on whether to accept the invitation offered to us (alongside 13 other district councils) to join the West Midlands Combined Authority as a non-constituent member. The majority of Members voted against this motion. The Leader of the Council explained that whilst Members support the principle of devolving more power to the regions and have fed into the plans for the creation of the West Midlands Combined Authority, it was felt that plans for the Combined Authority had progressed so rapidly that there is as yet not enough information about what joining would mean for Lichfield District and its residents.

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### **2 Members and Officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles**

*We ensure that there is effective leadership throughout the Authority and that we are clear about executive and non-executive functions and of the role and responsibility of the scrutiny function.*

*We strive to maintain a constructive working relationship between Authority Members and Officers and that their responsibilities are carried out to a high standard.*

*We ensure that relationships between the Authority and the public are clear so that each knows what to expect of the other.*

#### **Outcomes**

The Council has a Constitution (which can be found on our website at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)). This sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

In the Constitution we have defined and documented the roles and responsibilities of the Council, the Cabinet, Overview and Scrutiny Committees, Regulatory Committees, Standards Committee, Audit Committee, Forums and Panels and the Leadership Team.

The document also identifies the roles and responsibilities of Member and Officer functions with clear delegation arrangements and protocols for decision making and communication, for example, the statutory roles for the Head of Paid Service, the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer.

The Constitution also contains the protocol for Officer/Member relations. This is reviewed and amended on a regular basis.

The Council's Constitution is updated as and when changes are needed to be made with the Cabinet Member for Finance and Democracy submitting recommendations to Full Council. During 2015/16 a number of updates were approved by Full Council, including: the constitution and membership of Cabinet, committees and panels following the May 2015 District Council Election; adoption of the new Financial Procedure Rules and Contract Procedure Rules; various amendments to officer delegations; changes to the names of Cabinet posts; appointment of Proper Officers for Public Health and Disease Control Purposes.

### **3 Promoting Values for the Authority and Demonstrating the Value of Good Governance through Upholding High Standards of Conduct and Behaviour**

*We develop, communicate and embed codes of conduct, defining standards of behaviour for Members and Officers to ensure they exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.*

#### **Outcomes**

We have a Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members, ensuring that they observe the Members' Code of Conduct. The Codes of Conduct are supported by training and development programmes for both

## ANNUAL GOVERNANCE STATEMENT

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### Members and Officers.

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.

The ethos of the Paid Service is that officers serve all of the Council. Issues associated with the development of the Governance Framework are regularly discussed by Leadership Team at their meetings.

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 and adhered to. During 2015/16 there were five Members' Code of Conduct complaints received. Of these there was one breach but the Member responsible resigned before any action was taken.

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.

The Code of Conduct for employees (based on the National Code of Conduct for local government employees) is currently embedded in the disciplinary procedure. Work began in 2015/16 on refreshing and renewing this Code and our associated policies, to provide greater clarity and support to staff and managers. In January 2016 a final draft Code of Conduct was produced and this is currently out for consultation with the Unions. A copy of this draft can be found on the intranet.

This Code sets out the principles, behaviours and standards expected of employees in a single document. The purpose of the Code is to:

- Support the effective operation of the Council's business and wellbeing of its employees
- Assist the Council's employees to perform effectively by ensuring the rules and standards of the organisation are clearly communicated
- Guide the Council's employees in their dealings with the public, elected Members and other members of staff

The Code is supported and reinforced by new organisational values. These have been informed by engagement with staff through the employee survey in March 2015, and also focus groups during September and October 2015. As a result, the Council now has three core values that all our staff and Members work towards. These three Values are:

- Put customers first
- Improve and innovate
- Have respect for everyone

They have been embedded into the new Strategic Plan that takes effect from 1 April 2016.

In order to reinforce the 'put customers first' value, a Customer Promise has been developed which sets out the corporate standards that customers can expect in our dealings with them and, equally, how customers should treat our staff. This was approved by Cabinet in March 2016 and Full Council in April 2016.



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A programme of briefing sessions with staff was held in February 2016 to raise awareness of the various changes to 'working at Lichfield District Council', to ensure there is understanding of the new Code and the new organisational values.

The new Code of Conduct is also supported by a range of HR policies and procedures. An audit of the Council's policies and procedures took place during 2014/15. This showed that there was a need to review and refresh many of the policies as it was found that there were examples of duplication of policies and a blurring of policy, guidance and procedures. As a result of these findings, work began in 2015/16 to update our suite of HR policies. So far the following policies have been updated:

- Disciplinary Policy and Procedure
- Grievance Policy and Procedure (incorporating bullying and harassment)
- Attendance Management Policy and Procedure (managing sickness and other absences)
- Performance Management Policy and Procedure (replacing the Capability Policy and Procedure)

These policies are currently out to consultation with the Unions.

### **4 Taking Informed and Transparent Decisions which are Subject to Effective Scrutiny, and Managing Risk**

*We ensure that we are rigorous and transparent about how decisions are taken and we listen and act on the outcome of constructive scrutiny.*

*We source good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.*

*We ensure that an effective Risk Management system is in place.*

*We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.*

*The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair.*

*Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer.*

*We ensure that our independent Audit Committee undertakes the core functions identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities.*

*We ensure that there are effective arrangements for "whistleblowing" and for receiving and investigating complaints from the public.*

### **Outcomes**

The Council's Contract Procedure Rules and Financial Procedure Rules form part of the Governance Framework. These are the rules set by the Council to regulate its internal procedures for the conduct of its business, in addition to how it spends money and records transactions. They form part of the Council's Constitution and are termed 'Standing Orders'. Any amendments to them are subject to approval by Full Council.

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Financial Procedure Rules were last updated in 2014, Contract Procedure Rules in 2010. There have been a number of changes to procurement guidelines, processes and best practice (for example, the Public Contracts Regulations 2015) that needed to be incorporated into the Council's Contract Procedure Rules. As a result, both the Contract Procedure Rules and Financial Procedure Rules have recently been reviewed, the latter in line with CIPFA's publication 'Financial Regulations, A Good Practice Guide for an English Modern Council'.

The new Finance Procedure Rules were approved by Full Council in July 2015 (a copy can be found on our website at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)), and training for all staff and Members took place during November and December 2015. The new Contract Procure Rules were approved by Full Council in February 2016. Training on these took place during June 2016.

During 2015/16, one of the Corporate Top 10 Issues was to review and update the safeguarding policy and procedures. In December 2015, Cabinet approved the Council's 'Safeguarding Children and Adults at Risk of Abuse and Neglect Policy 2015' (copy can be found at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)). Under the 2015 Care Act, the Council has a legal responsibility to safeguard, promote well-being and protect children and vulnerable adults. The policy sets out specific responsibilities and how to spot potential abuse and report concerns. Considerable progress was also made in 2015/16 in raising awareness of child sexual exploitation, including the development of the Child Exploitation Action Plan. Each Directorate has its safeguarding lead, and training and awareness sessions have been carried out during 2015/16 for those staff members who come into contact with children and vulnerable adults. Members, too, have been offered training.

An annual report on safeguarding has also been produced for the first time. It shows that from April to September 2015, six concerns were raised. Two related to children and four to adults. Of these only one was take forward as a formal referral.

The Council also has a Public Sector Equality Duty under the Equality Act 2010. As part of this we produce an annual Statement showing how we are meeting our obligations. This Statement also helps our customers, staff, the Equality and Human Rights Commission, regulators and other interested parties to assess our equality performance and our compliance with equality legislation. The latest Statement was published in January 2016 and can be found on the internet at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)

The Council has a Risk Management Strategy, and managers are trained in the assessment, management and monitoring of risks. The Corporate Risk Register is reported on three times a year to Audit Committee and half yearly to Cabinet.

There are Directorate risk registers which are maintained systematically. During 2015/16 more use was made of the covalent system for managing departmental and corporate risks. This was in line with recommendations following a review of the Risk Management system at the Council during 2013/14. All reports requiring a decision include a risk assessment section.

The Council continues to monitor health and safety risks and ensures these are managed. In 2015/16 we presented our first annual health and safety performance report. This highlighted the number of accidents to staff and to members of the public; trends; training provided; changes to operating procures to reduce risks; and emerging challenges.

The Internal Business Support Services Executive / Deputy Section 151 is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.



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In 2012, CIPFA/SOLACE issued an application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements as detailed below. The Chief Financial Officer is:

- A key member of the Leadership Team
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure alignment with the Authority's financial strategy
- The lead for the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- Professionally qualified and suitably experienced
- Able to lead and direct a finance function that is resourced to be fit for purpose

During 2015/16, the Chief Finance Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

The Council's in-house Internal Audit function reports to the Chief Finance Officer. Following a review of the service during 2014/15, it was decided that management support for the service would change from a whole time in-house service to being a reduced service that is 'bought-in' from Tamworth Borough Council. This has been made possible by changes in the way the service is delivered which includes the use of an Audit Management Tool (Covalent Audits) to automate the entire Audit process – planning, scheduling, execution, fieldwork, reports production and recommendations tracking. This tool has increased the Audit team's productivity, resulting on more time spend on planned Audit work, whilst ensuring robust Audit reports that comply with all Local Government Codes of Practice.

For 2015/16 Internal Audit continued to operate in accordance with the Public Sector Internal Audit Standards.

An annual review of the effectiveness of the system of Internal Audit is undertaken by the Internal Audit Manager based on the Public Sector Internal Audit Standards and using feedback from Directors, the Section 151 Officer, Managers and External Audit. The review for 2015/16 concluded that the Authority's Assurance Arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. The Internal Audit Manager fulfils this role and is professionally qualified.

As part of the annual Audit Plan, Internal Audit completed fraud awareness and proactive fraud work in accordance with fraud risks identified, adhering to the CIPFA Code of Practice for Managing the Risk of Fraud. The conclusion of this work for 2015/16 is that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

The Council has a customer feedback scheme for the public to make complaints, comments and compliments, and constructive criticism which is used to improve services. The Complaints Charter provides guidance to staff on the Council's complaints process. During 2015/16 113 complaints were received compared with 114 in 2014/15. We received 240 compliments in 2015/16 which compares with 90 in 2014/15.

In June 2015, the Council received the Annual Review Letter from the Ombudsman for the period ending March 2015. It reported that 15 complaints and enquiries were received from Lichfield District Residents, the majority of which came from benefits and tax and from planning and development. This total figure compares favourably to the average 14 complaints received by District Councils nationally.

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Of the 15 complaints and enquires only two were upheld.

During 2015/16 two complaints were referred to the Ombudsman. Both have yet to be investigated.

The reporting of complaints and compliments continued to improve during 2015/16, with quarterly reports considered by Leadership Team and circulated to Managers. The reports include details of what we learned from the complaints and changes implemented as a result. Members were provided with monitoring reports on a six monthly basis, and Overview and Scrutiny Committees received a report on complaints received pertaining to their remit in the June (2015) cycle of meetings.

There were no whistleblowing reports during 2015/16.

### **5 Developing the Capacity and Capability of Members and Officers to be Effective**

*We make sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their respective roles.*

*We identify the development needs of Members and Senior Officers in relation to their strategic roles, and support these with appropriate training.*

*We encourage new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.*

#### **Outcomes**

The Council has a training plan for Members which is developed and monitored by the Employment Committee. With the creation of a new Cabinet following the May 2015 General Election, 2015/16 saw more training events, 14 in all. The areas covered included Members induction, equality, diversity and respect, introduction into planning and probity, working with partners, safeguarding awareness, introduction into Overview and Scrutiny and making defensible planning decisions.

During 2014/15 'Welcome Packs' had been developed to help new Members assimilate into the Council and these too were utilised.

The Chief Executive and Directors are set their performance targets annually. These are based on the delivery of the Annual Action Plan and the business risks anticipated for the year.

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.

Performance Development Reviews (PDRs) are carried out for employees and training needs are identified as part of this process. The importance of the PDR process for the Council continues to be highlighted by the Chief Executive. This has contributed to the increase in the number of completed PDRs during 2015/16 as compared with 2014/15. The rate for 2015/16 was 62%. Within this there are some areas which achieved up to 100% whilst others have room for improvement. A review has taken place during 2015/16 of the PDR forms and these have been updated so that for 2016/17, the Council's new Corporate Values (discussed above) will be embedded within the PDR forms.

A structured e-learning programme is available which greatly enhances the learning and development

## ANNUAL GOVERNANCE STATEMENT

opportunities for a large cross-section of employees. Areas covered include fraud awareness, equalities and data protection.

The Council seeks to ensure that its employees are kept up to date with issues affecting the Council, for instance, performance is communicated through regular emails called 'Key Messages from Leadership Team' as well as regular Manager 'Breakfast' Briefings. There are also individual team meetings and the staff newsletter Team LDC.

### **6 Engaging with Local People and Other Stakeholders to Ensure Robust Public Accountability**

*We exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.*

*We take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning.*

*We have established clear channels of communication with all sections of the community and other stakeholders ensuring accountability and encouraging open consultation. Meetings are held in public unless there are good reasons for confidentiality.*

#### **Outcomes**

As part of our use of partnership working, from time to time partners are invited to attend Overview and Scrutiny Committee meetings to facilitate discussions about shared priorities and the impact of plans and service delivery on local residents. Various partners have attended the Community, Housing and Health Overview and Scrutiny Committee, including the Clinical Commissioning Group (to discuss night time closure of the local Minor Injuries Unit), the Local Pharmaceutical Committee (to share concerns about reductions in resources), and the Local Policing Inspector (to update Members on community safety issues). There has also been a Member Seminar hosted by Bromford Housing, our stock transfer Registered Social Landlord (RSL). In addition, the Lichfield Garrick assisted the Leisure, Parks and Waste Management Overview and Scrutiny Committee looking at the socio-economic impact of the Theatre within the District.

There are also a number of arrangements in place for securing customer feedback. We consult with our community using the most appropriate research and communication tools available.

In addition to the twice yearly 'Intouch' publication, the Council also publishes newsletters for different sectors, for example, a quarterly Historic Parks newsletter for visitors to the park.

The Council maintains a website [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk) for customers (which was re-launched during 2015/16) and also manages a number of social media streams including Facebook and Twitter. In addition, the Council maintains a suite of supporting websites that help underpin the Council's strategic ambitions, including a tourism destination website [www.visitlichfield.co.uk](http://www.visitlichfield.co.uk) and service specific websites including [www.southernstaffs-buildingcontrol.co.uk](http://www.southernstaffs-buildingcontrol.co.uk) and [www.ratemyplace.org.uk](http://www.ratemyplace.org.uk).

We are committed to being open and transparent about how we work, our decision-making processes and the services we provide. As part of this commitment we are increasing the amount of data that

## ANNUAL GOVERNANCE STATEMENT

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we make available publicly so that residents are able to hold us to account better. This data has been published under the INSPIRE and Transparency regulations.

We have used the Government's Code of Recommended Practice for Local Authorities on Data Transparency, which recommends the datasets councils should make available as a minimum, as a starting point for deciding what information we should make available.

We have also used feedback and requests made under the Freedom of Information Act 2000 to identify additional datasets for publication. We will continue to increase the number of datasets that we make available over time, where resources and capacity permit and there is a clear public demand for the information.

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 for capturing information from customers to inform service development.

### Section 4: Budget Challenges facing the Council

The Plan for Lichfield District 2012-16 sets out the opportunities and challenges we face, the needs of the community, the Council's aspirations, our focus and our priorities.

To fund the Plan for the District the Council prepares a Medium Term Financial Strategy (MTFS). This covers how we will use our 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 are likely to face and how these could be financed. The MTFS relevant for 2015/16 is the MTFS (Revenue and Capital) 2015-18. This was approved by Full Council in February 2015 and can be found on our website at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk)

Lichfield District Council has a statutory duty to set a balanced budget in each of the three years (2015-18), and to calculate the level of Council Tax for its area. The Chief Finance Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up audit scrutiny. The Council is required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

Since 2013/14, there have been significant changes in local government finance ranging from the Localisation of Council Tax Support, wider welfare reforms and local retention of an element of business rates. These changes have introduced additional financial risks such as a major proportion (19%) of the Council's funding being dependent on the level of business rates growth or decline. Consequently, the Council implemented plans and strategies to manage these financial risks, for example the Fit for the Future (F4F) Programme introduced in May 2013.

F4F is the Council's transformation programme that aims to manage the change needed across the Council and its services in order to meet the challenges facing local government finances and to bridge the predicted revenue funding gap. Since its introduction the Programme has helped to identify a range of service improvements and deliver significant savings through a range of measures, including reductions in non-priority areas, changes to service standards, transferring assets and introducing or increasing charges for some services. Ultimately the Programme is reshaping and redesigning the Council and its services into one that is fit for the future with all the challenges that brings.

At the beginning of 2015/16, the F4F Programme had identified savings in excess of £1.8m. The remaining savings needing to be achieved together with the other pressures and additional income were incorporated into the Medium Term Financial Strategy (Revenue and Capital) 2015-18, which

## ANNUAL GOVERNANCE STATEMENT

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was approved by Full Council on 17 February 2015. This showed the total funding gap to be £1,705,030 over the period 2015/16 to 2017/18.

With the ongoing progress of the F4F Programme, this gap has now been reduced to £1,037,990 for the period 2016/17 to 2019/20 ((MTFS (Revenue and Capital) 2016-20 approved by Full Council on 23 February 2016)).

### **Forensic Analysis of Lichfield District Council's Budget**

As Lichfield District Council (like many councils) continues to face challenging financial circumstances, a report was commissioned by the Chief Executive and Director of Finance, Revenues and Benefits with support from the Local Government Association (LGA) to identify areas where we could improve the way our budgets are managed.

The review looked at:

- The Council's approach to budget setting
- The accuracy of the budget setting process
- The effectiveness of budget monitoring
- The behaviours of budget holders

A report was produced in March 2016 and work is currently underway to produce an action plan to implement its recommendations.

### **Section 5: Creating a Corporate Council**

The F4F Programme, the Council's transformation agenda, includes a range of service reviews and projects aimed at delivering financial savings, service changes and organisational development. One of those key projects, started in 2015, is 'Creating a Corporate Council' which comprises various work streams and initiatives that support the organisational development needed to create an organisation which operates in a more consistent manner, is informed by transparent policy, clear organisational values and good governance, and has management capacity that is structured and aligned effectively to support the future aspirations of Lichfield District Council.

The overall rationale for the 'Creating a Corporate Council' Review was the need and desire to address the areas for improvement identified by the LGA Corporate Peer Challenge (September 2014). In particular, strengthening the corporate culture and governance and create a 'one council' ethos across the organisation.

The scope of the Review (and focus for 2015/16) was:

- Reviewing management and leadership structures
- Reviewing employee terms and conditions
- Developing the role of Overview and Scrutiny
- Strengthening corporate policy and information

In addition, the formulation of a new Strategic Plan 2016-20 was considered as one of the work streams on the basis that the Plan will set out the priority outcomes the Council is striving for, as well as articulating the organisational values and operating principles.

The Review has drawn on external consultancy support and expertise to provide an independent

## ANNUAL GOVERNANCE STATEMENT

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analysis on which to base proposals and recommendations. For example, West Midlands Employers were commissioned to undertake a review of the current senior management structures. This comprised a desktop review and focus groups with managers and Members in June and September 2015. The LGA (Workforce Consultancy Team) was commissioned to support the work being undertaken to develop a new Employee Code of Conduct and revise some of the key HR policies (both discussed in section 3 above). Finally, the same team was commissioned to carry out a review of the current employee terms and conditions.

### **Summary of Key Findings and Conclusions**

A report was presented to Strategic Overview and Scrutiny in February 2016 that provided an update on the Review and its findings and conclusions. This can be found on the website at [www.lichfielddc.gov.uk](http://www.lichfielddc.gov.uk). A summary of these findings is highlighted below.

#### Development of a New Strategic Plan for 2016-20

This has been discussed in section 3 above.

#### Review of Senior Management and Leadership Structures

There has not been a fundamental review of the senior management structure for more than 10 years. The current structure and arrangements have evolved as a result of events and changing circumstances rather than by design. As a result some parts of the current organisational structure are now neither logical nor productive as they can be. The current structures do not promote cross council working thus lacking a corporate 'one council' ethos, something the LGA Corporate Peer Challenge in September 2014 observed.

The review proposes a new management structure, informed by engagement with Directors, Managers and elected Members and shaped by the new Strategic Plan 2016-20 and the likely future context in which councils will be operating. The proposed structure also takes account of models and approaches in other authorities, and has been designed to be cost neutral. The key design features and principles of the original proposed model were:

- An approach that recognises the need for new skills and different styles of leadership to address the transformation of services and organisational development with a strong customer focus and productive and innovative partnership working
- A Chief Executive post to be retained
- Three Directors
- 12 Head of Service posts
- Flexibility across and within the structure and over time
- Realignment of capacity to business needs as opposed to removing capacity through a cost reduction exercise.

The proposals have been presented to Full Council and Employment Committee and a formal consultation period with staff and the Unions has now taken place. This closed on 8 April 2016. The consultation responses have been considered and a final proposal put to Cabinet and Employment Committee in May 2016 and Full Council in June 2016. The recommended changes from the original structure is to have two not three Directors, the creation of a Deputy Chief Executive post and eight not 12 Heads of Service posts.



## ANNUAL GOVERNANCE STATEMENT

### Review of Employee Terms and Conditions

The observations made by the LGA (Workforce Consultancy Team) cover areas such as time recording and flexible working, car user allowances, car parking, redundancy and bank holiday and standby payments. The key proposals and recommendations are:

- To establish two officer working groups to further consider issues, options and proposals for staff car parking and user allowances and for flexible and agile working
- Leadership Team to consider the observations and findings from the LGA review.

Any proposed changes to employee terms and conditions will be subject to formal engagement with staff and Unions.

### Developing Overview and Scrutiny

This work stream is being led by a Member Task Group comprising of the Overview and Scrutiny Chairs and the Leader of the Opposition. The Group is focussing on improving the way Overview and Scrutiny operates so the Committees can make a more timely and effective contribution to key decisions and policy developments.

One of the key findings to emerge to date is that there is scope to reduce the number of reports considered by each Overview and Scrutiny Committee so that Members can provide more in-depth scrutiny of fewer specific items. This is to try to keep the focus of Committees strategic and as such another development is that Service Plans will no longer be routinely reported to Overview and Scrutiny Committees.

The Group also identified the need to develop the relationship further between the Cabinet and Scrutiny Committee Chairs, including a regular dialogue about forthcoming key decisions, policy development and other strategic matters. As a result, 'triangulation meetings' between Overview and Scrutiny Chairs, Vice Chairs and the relevant Cabinet Member(s) have recently been introduced.

There have been other minor practice improvements relating to the provision of information, meeting administration and adopting a more strategic approach.

It has been proposed that the Task Group continues and focuses on reviewing/revising the fundamental role/function of Overview and Scrutiny at Lichfield and the structure/approach that best supports that including the provision of information to Members more generally.

### Strengthening Corporate Policy and Information

The focus has initially been on HR policies, and particularly those that set out the expectations of staff and managers so that a clear and consistent understanding across the organisation about the expected standards of employee behaviour and conduct. These have become confused due to there being a plethora of policies covering a range of specific topics, with examples of duplication of policies and a blurring of policy, guidance and procedures.

So far a new Employee Code of Conduct has been written, new organisational values created and an updating of HR policies begun. These have been discussed in section 3 above.

There is now a need to focus on other aspects of corporate policy and information. In particular, a register of key policies for HR, Finance and Governance summarising the purpose of the policy, the policy owner, review dates and approval mechanism will help improve understanding and clarity about the policies that support day-to-day operations and management.

## ANNUAL GOVERNANCE STATEMENT

### Section 6: Annual Review of the Effectiveness of the Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our Governance Framework, including the system of internal control. The outcomes of the review are considered by Audit Committee and Overview and Scrutiny (which is charged with final approval of this statement).

The review is informed by:

- The views of Internal Audit, reported to Audit Committee through regular progress reports, and the Annual Internal Audit Opinion
- An annual review of the effectiveness of Internal Audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2015)
- The views of our external auditors, regularly reported to Audit Committee through regular progress reports, the Annual Audit Letter and Annual Governance Report
- The activities and operations of Council directorates who provide written assurance statements using an Internal Control Questionnaire
- The views of Members using a Members' Questionnaire
- The Risk Management Process, particularly the Strategic Risk Register
- Performance information is reported to Cabinet and Overview and Scrutiny Committees
- Progress made in addressing significant weaknesses and issues requiring significant improvement identified in previous Annual Governance Statements.

### Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2015/16 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

For 2015/16 no significant weaknesses in Governance or Internal Control were highlighted.

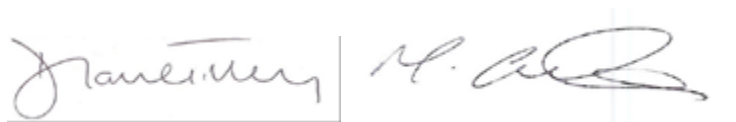
### Section 7: Update on Significant Governance Issues 2014/15

The system of Governance (including the system of Internal Control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no areas as representing a significant weakness in Governance or Internal Control during 2014/15.

Chief Executive

Leader of the Council



Date: 16 June 2016

Date: 16 June 2016



## MOVEMENT IN RESERVES

This statement shows the movement in the year on the different Reserves held by the Authority, analysed into 'Usable Reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	2,810	4,081	1,463	1,328	9,682	6,702	16,384
<b>Movement in Reserves 2014/15</b>							
Surplus/(Deficit) on provision of services	(500)				(500)		(500)
Other Comprehensive Income and Expenditure						(8,175)	(8,175)
<b>Total Comprehensive Income and Expenditure</b>	<b>(500)</b>				<b>(500)</b>	<b>(8,175)</b>	<b>(8,675)</b>
Adjustments between accounting basis & funding basis (Note 6)	1,506		(110)	405	1,801	(1,801)	
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>1,006</b>		<b>(110)</b>	<b>405</b>	<b>1,301</b>	<b>(9,976)</b>	
Transfers (to) / from Earmarked Reserves (Note 7)	(818)	818					
<b>Increase/Decrease in Year</b>	<b>188</b>	<b>818</b>	<b>(110)</b>	<b>405</b>	<b>1,301</b>	<b>(9,976)</b>	<b>(8,675)</b>
<b>Balance at 31 March 2015</b>	<b>2,998</b>	<b>4,899</b>	<b>1,353</b>	<b>1,733</b>	<b>10,983</b>	<b>(3,274)</b>	<b>7,708</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015</b>	2,998	4,899	1,353	1,733	10,983	(3,274)	7,708
<b>Movement in Reserves 2015/16</b>							
Surplus/(Deficit) on provision of services	(213)				(213)		(213)
Other Comprehensive Income and Expenditure						13,554	13,554
<b>Total Comprehensive Income and Expenditure</b>	<b>(213)</b>				<b>(213)</b>	<b>13,554</b>	<b>13,341</b>
Adjustments between accounting basis & funding basis (Note 6)	2,251		1,291	(489)	3,053	(3,053)	
<b>Net Increase/Decrease before Earmarked Reserves</b>	<b>2,038</b>		<b>1,291</b>	<b>(489)</b>	<b>2,841</b>	<b>10,501</b>	
Transfers (to) / from Earmarked Reserves (Note 7)	(758)	758					
<b>Increase/Decrease in Year</b>	<b>1,280</b>	<b>758</b>	<b>1,291</b>	<b>(489)</b>	<b>2,841</b>	<b>10,501</b>	<b>13,341</b>
<b>Balance at 31 March 2016</b>	<b>4,279</b>	<b>5,657</b>	<b>2,644</b>	<b>1,244</b>	<b>13,825</b>	<b>7,227</b>	<b>21,049</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.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,667	(464)	1,203	Central services to the public	2,242	(976)	1,266
6,445	(3,128)	3,317	Cultural and Related Services	5,984	(2,976)	3,008
6,810	(3,779)	3,031	Environmental & Regulatory Services	7,595	(4,211)	3,384
3,736	(2,395)	1,341	Planning Services	3,485	(1,590)	1,895
926	(1,949)	(1,023)	Highways and transport services	982	(1,810)	(828)
21,994	(21,069)	925	Other housing services	21,607	(20,776)	831
1,789	(108)	1,680	Corporate and democratic core	1,860	(71)	1,789
188	0	188	Non-distributed costs	180	0	180
<b>43,555</b>	<b>(32,892)</b>	<b>10,663</b>	<b>Cost of Services</b>	<b>43,935</b>	<b>(32,410)</b>	<b>11,525</b>
1,954	(735)	1,219	Other Operating Expenditure ( <b>Note 8</b> )	1,720	(709)	1,011
1,608	(988)	620	Financing and Investment income and Expenditure ( <b>Note 9</b> )	2,923	(2,198)	725
10,967	(22,968)	(12,001)	Taxation and Non-Specific Grant Income ( <b>Note 10</b> )	11,754	(24,802)	(13,048)
<b>58,084</b>	<b>(57,583)</b>	<b>500</b>	<b>(Surplus) or Deficit on Provision of Services (cash flow)</b>	<b>60,332</b>	<b>(60,119)</b>	<b>213</b>
		(177)	(Surplus) or deficit on revaluation of non-current assets			(3,286)
		8,352	Re-measurement of the net defined benefit liability			(10,268)
		<b>8,175</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(13,554)</b>
		<b>8,675</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(13,341)</b>

## 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 2015		Notes	31 March 2016
£000			£000
36,832	Property, Plant & Equipment	11	41,635
515	Heritage Assets	12	515
5,408	Investment Property	13	5,572
153	Intangible Assets		119
242	Long Term Debtors	14	202
<b>43,150</b>	<b>Long Term Assets</b>		<b>48,043</b>
1,170	Investment Property	13	0
0	Assets Held for Sale	17	80
49	Inventories		60
3,953	Short Term Debtors	15	4,672
12,037	Short Term Investments	14	15,521
4,338	Cash and Cash Equivalents	16	4,419
<b>21,547</b>	<b>Current Assets</b>		<b>24,752</b>
(16)	Short Term Borrowing	14	(77)
(10,586)	Short Term Creditors	18	(9,609)
(1,863)	Provisions	19	(1,789)
(136)	Capital Grants Receipts in Advance	33	(686)
<b>(12,601)</b>	<b>Current Liabilities</b>		<b>(12,161)</b>
(31)	Long Term Borrowing	14	(1,415)
(60)	Long Term Liabilities: Finance Leases	36	(1,908)
(44,069)	Long Term Liabilities: Defined Benefit Pension	38	(35,820)
(228)	Capital Grants Receipts in Advance	33	(440)
<b>(44,388)</b>	<b>Long Term Liabilities</b>		<b>(39,583)</b>
<b>7,708</b>	<b>Net Assets</b>		<b>21,051</b>
10,983	Usable Reserves	20	13,825
(3,275)	Unusable Reserves	21	7,227
<b>7,708</b>	<b>Total Reserves</b>		<b>21,051</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.

2014/15 £000		2015/16 £000
(500)	Net surplus or (deficit) on the provision of services	(213)
8,128	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements ( <b>Note 22</b> )	2,613
(3,839)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities ( <b>Note 23</b> )	(3,350)
<b>3,789</b>	<b>Net cash flows from Operating Activities</b>	<b>(950)</b>
(4,961)	Investing Activities ( <b>Note 24</b> )	(1,579)
2,023	Financing Activities ( <b>Note 25</b> )	2,610
<b>851</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>81</b>
3,487	Cash and cash equivalents at the beginning of the reporting period	4,338
<b>4,338</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 16)</b>	<b>4,419</b>

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## **NOTES TO THE ACCOUNTS**

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### **1. Accounting Policies**

#### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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

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### **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 2014/15 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 2015. 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 2015.

### **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.

### **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



## NOTES TO THE ACCOUNTS

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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.

#### **Post-Employment Benefits**

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

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

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

## NOTES TO THE ACCOUNTS

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- Liabilities are discounted to their value at current prices, using a discount rate of **3.2%** (based on the indicative rate of return on high quality corporate bonds).
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities      professional estimate.
  - Unquoted securities    current bid price.
  - Unitised securities     current bid price.
  - Property                 market value.
- The change in the net pensions liability is analysed into 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 apply 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 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

## NOTES TO THE ACCOUNTS

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measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

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

### Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

### Financial Instruments

#### Financial Liabilities

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

#### Financial Assets

The Council has two types of financial asset - Loans and Receivables and Available for Sale. Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are initially measured at fair value and subsequently at their amortised cost.

Available for Sale include Certificates of Deposit and Money Market Funds that are quoted in an active market and are measured at fair value.

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.

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### **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 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 where applicable and as set out in the charging schedule (once adopted) The Council will charge for and collect 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. The Council has agreed a charging schedule which has been independently examined and adopted by Full Council. CIL will be implemented during 2016/17.

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

### **Heritage Assets**

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

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.

## NOTES TO THE ACCOUNTS

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### 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 57 (Impairment) and pages 55 to 58 (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 55 to 58 (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 Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in

## NOTES TO THE ACCOUNTS

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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 in full and not just in respect of its interest in the joint venture and income that it earns from the venture.

### **Leases**

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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



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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:

- 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

## NOTES TO THE ACCOUNTS

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(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 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

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

#### Recognition

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

#### De Minimis Level

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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.



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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.
- 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.

## NOTES TO THE ACCOUNTS

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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.

### 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.

## NOTES TO THE ACCOUNTS

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### 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 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

## **NOTES TO THE ACCOUNTS**

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the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Provisions**

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

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

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

### **Contingent Liabilities**

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

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

### **Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and 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 15** 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 2015/16, 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 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- International Accounting Standard (IAS) 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' presentation of the Local Authority Financial Statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative, will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Account and Movement in Reserves Statement will change and introduce an new Expenditure and Funding Analysis.
- Other changes are due to Annual Improvement to International Financial Reporting Standards (IFRS) cycles; IFRS 11 Joint Arrangements; IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets; IAS 19 Employee Benefits. These changes are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016, and there is therefore no impact on the 2015/16 Statement of Accounts.

#### 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:

1. 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.
2. The Council hosts the Joint Waste Service with Tamworth Borough Council and is responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements. In February 2016 the Council procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**. At the 31 March 2016 the Net Book Value of the Assets was **£1,792,000** and the value of the finance lease obligation was **£2,190,000**. The assets of the operation in respect of vehicles, equipment, land and buildings have been assessed as being under the control of Lichfield District Council and are therefore shown on this Authority's Balance Sheet. The Joint Waste Service shares joint income and expenditure based on the ratio of properties in each area and the current ratio is **57.5%** Lichfield and **42.5%** Tamworth.



## NOTES TO THE ACCOUNTS

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

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

The items in the Authority's Balance Sheet at 31 March 2016 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>£57,000</b> and for vehicles, plant and equipment would increase by <b>£135,000</b> for every year that useful lives had to be reduced.
<b>Business Rate Appeals</b>	<p>Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2014/15 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 2016. 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 2016.</p> <p>Total Rateable Value of Appeals Outstanding at 31 March 2015 = <b>£42.0m</b></p> <p>Provision = <b>£4.12m</b></p> <p>Provision as a % of Appeals Outstanding = <b>9.81%</b></p>	<p>The key assumptions we have made in the calculation of the provision for Business Rate Appeals using Rateable Values (RV) are summarised below for both the 2005 and 2010 lists:</p> <p><u>2005 List</u> Average success rate <b>45.18%</b> Average reduction in RV <b>10.40%</b> Combined <b>4.70%</b></p> <p><u>2010 List</u> Average success rate <b>2.20%</b> Average reduction in RV <b>7.92%</b> Combined <b>2.31%</b></p> <p><u>Overall</u> Average success rate <b>38.36%</b> Average reduction in RV <b>9.59%</b> Combined <b>3.68%</b></p> <p>Each <b>1%</b> increase in the overall Combined figure would increase the provision by <b>£845,000</b>. The Council's share of this increase at <b>40%</b> would be <b>£338,000</b>.</p>
<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 pension's 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>£11,164,000</b> a 1 year, increase in member life expectancy would amount to <b>£3,001,000</b> and <b>0.5%</b> increase in Salary and pension rate would amount to <b>£3,807,000</b> and <b>£7,137,000</b> respectively.
<b>Sundry Income and Housing Benefit Overpayment Debtors</b>	At 31 March 2016, the Council had a balance of sundry income debtors of <b>£2,003,000</b> . A review of arrears suggested that an impairment of doubtful debts of <b>38% (£764,000)</b> was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	The element of debtors not covered by the Bad Debt Provision is <b>£1,231,000 (62%)</b> . Each <b>1%</b> increase in the percentages used to calculate the Bad Debt provision would increase the provision by <b>£12,000</b> .

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

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### 5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Section 151 on 16 June 2016.

A number of non-adjusting events after the Balance Sheet date have been identified:

#### Sale and Transfer of Non-Current Assets

The Council is currently in the process of selling the following Investment Properties:

- Bore Street Shops – these assets are valued at **£1,797,500** and the Council is currently in the process of identifying a purchaser.

The Council is also in the process of transferring a number of other assets such as Open Space to other bodies.

### 6. 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

	2015/16				2014/15			
	Usable Reserves			Movement in Unusable Reserves £000	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<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	1,700			(1,700)	1,399			(1,399)
Revaluation (gains) / losses on Property, Plant and Equipment	(134)			134	(180)			180
Movements in the market value of investment properties	(164)			164	(214)			214
Amortisation of intangible assets	20			(20)	43			(43)
Capital grants and contributions applied	(445)			445	(384)			384
Revenue expenditure funded from capital under statute	714			(714)	581			(581)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,247			(1,247)	308			(308)
Movement on loans due or advanced to the CIES								
<b>Insertion of Items not debited or credited to the CIES</b>								
Statutory provision for the financing of capital investment	(351)			351	(334)			334
Capital Expenditure charged to the General Fund	(478)			478	(299)			299
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
Capital Grants and Contributions unapplied credited to the CIES	342		(342)		(606)		606	
Application of grants to capital financing transferred to the Capital Adjustment Account			(147)	147		(201)		201
<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	(1,242)	1,242			(94)	94		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(594)	594			(503)	503		
Use of the Capital Receipts Reserve to finance new capital expenditure			(546)	546		(721)		721
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals								
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	5	(5)			1	(1)		
Transfer from deferred capital receipts reserve upon receipt of cash			6	(6)		15		(15)
<b>Adjustments primarily involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,748			(3,748)	3,345			(3,345)
Employers pension contributions and direct payments to pensioners payable in the year	(1,729)			1,729	(1,645)			1,645
<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	(375)			375	84			(84)
<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	(13)			13	4			(4)
<b>Total Adjustments</b>	<b>2,251</b>	<b>1,291</b>	<b>(489)</b>	<b>(3,053)</b>	<b>1,506</b>	<b>(110)</b>	<b>405</b>	<b>(1,801)</b>



## NOTES TO THE ACCOUNTS

### 7. 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 2015/16. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>							
Earmarked General Reserve	(1,963)		(485)	(2,448)	779	(857)	(2,526)
Earmarked Reserve-Restricted	(52)		(3)	(55)		(34)	(89)
Election Reserve	(117)	20		(97)	83	(115)	(129)
Public Open Spaces Reserve- Restricted	(104)	13		(91)		(356)	(447)
Joint Waste Shared Service Reserve-Restricted	(330)		(182)	(512)	11	(83)	(584)
Building Regulations Reserve (Restricted)	(61)		(24)	(85)		(61)	(146)
Development Grant Aid Reserve	(52)		(7)	(59)	54	(15)	(20)
Birmingham Road Car Park Capital Reserve -Restricted	(1,402)		(150)	(1,552)		(164)	(1,716)
<b>Total</b>	<b>(4,081)</b>	<b>33</b>	<b>(851)</b>	<b>(4,899)</b>	<b>927</b>	<b>(1,685)</b>	<b>(5,657)</b>

The **Earmarked General Reserve** has been provided to fund expenditure items in 2015/16 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. We build up this reserve over a four year period (we used the current balance to fund the election in May 2015 and have begun to build up the reserve again in 2015/16 to use for the election in 2019).

The **Public Open Spaces Reserve (Restricted)** has been established to meet the Council's 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 (Restricted)** 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 (Restricted)** represents sums set aside for future capital works in line with the legal agreement.

## NOTES TO THE ACCOUNTS

### 8. Other Operating Expenditure

2014/15 £000		2015/16 £000
1,506	Parish council precepts	1,523
1	Payments to the Government Housing Capital Receipts Pool	5
(4)	Deferred Receipts on loans and advances	0
214	(Gains)/Losses on the disposal of non-current assets	77
(499)	Unattached Capital Receipts	(594)
<b>1,218</b>	<b>Total</b>	<b>1,010</b>

### 9. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
15	Interest payable and similar charges	54
1,466	Pensions interest cost and expected return on pensions assets	1,420
(103)	Interest receivable and similar income	(148)
(644)	Income and expenditure in relation to investment properties and changes in their fair value	(566)
(114)	Net (Surplus)/Deficit on Trading Undertakings	(35)
<b>620</b>	<b>Total</b>	<b>725</b>

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

2014/15 £000		2015/16 £000
(6,885)	Council tax income	(7,053)
	<u>Business Rates</u>	
(12,088)	Council Share of Retained Business Rates	(13,755)
10,967	Less : Business Rates Tariff	11,176
0	Less : Business Rates Levy	578
0	Add : Business Rates Levy Repayable	(188)
(3,957)	Non-ring fenced government grants	(3,768)
(38)	Capital grants and contributions	(38)
<b>(12,001)</b>	<b>Total</b>	<b>(13,048)</b>

Non-ring fenced Government Grants are comprised of:

2014/15 £000		2015/16 £000
(1,203)	New Homes Bonus	(1,539)
0	Returned New Homes Bonus	(6)
(2,116)	Formula Grant	(1,451)
(105)	New Burdens Grants	(128)
(354)	Small Business Rates relief	(362)
(2)	Long Term Empty Property Relief	(2)
(159)	Retail Relief Grant	(244)
(18)	Business Rate Inflation Cap	(36)
<b>(3,957)</b>		<b>(3,768)</b>

## NOTES TO THE ACCOUNTS

### 11. Property, Plant and Equipment

Movements in 2015/16:

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>						
<b>At 1 April 2015</b>	<b>31,936</b>	<b>7,914</b>	<b>346</b>	<b>3,634</b>	<b>744</b>	<b>44,574</b>
Additions	186	2,878			161	3,225
Revaluation increases/(decreases) recognised in the revaluation reserve	1,775					1,775
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(198)					(198)
De-recognition – disposals		(1,345)				(1,345)
<b>At 31 March 2016</b>	<b>33,700</b>	<b>9,447</b>	<b>346</b>	<b>3,634</b>	<b>905</b>	<b>48,032</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2015</b>	<b>(1,504)</b>	<b>(6,047)</b>	<b>(41)</b>	<b>0</b>	<b>(151)</b>	<b>(7,743)</b>
Depreciation charge	(801)	(896)	(3)			(1,700)
Depreciation written out to the revaluation reserve	1,674					1,674
Depreciation written out to the surplus/deficit on the provision of services	74					74
Impairment losses/(reversals) recognised in the revaluation reserve	12					12
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	3					3
De-recognition – disposals		1,283				1,283
<b>At 31 March 2016</b>	<b>(542)</b>	<b>(5,661)</b>	<b>(44)</b>	<b>0</b>	<b>(151)</b>	<b>(6,397)</b>
<b>Net Book Value</b>						
At 31 March 2016	33,158	3,786	302	3,634	754	41,635
At 31 March 2015	30,432	1,866	305	3,634	594	36,832

## NOTES TO THE ACCOUNTS

### Comparative Movements in 2014/15:

	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 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>
Additions	(21)	878		21		51	930
Revaluation increases/(decreases) recognised in the revaluation reserve	97						97
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	129						129
De-recognition – disposals	(240)	(321)					(561)
Asset reclassifications					(456)		(456)
<b>At 31 March 2015</b>	<b>31,936</b>	<b>7,914</b>	<b>346</b>	<b>3,634</b>	<b>0</b>	<b>744</b>	<b>44,574</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2014</b>	<b>(906)</b>	<b>(5,699)</b>	<b>(38)</b>	<b>0</b>	<b>(17)</b>	<b>(151)</b>	<b>(6,811)</b>
Depreciation charge	(737)	(659)	(3)				(1,399)
Depreciation written out of the revaluation reserve	88						88
Depreciation written out to the surplus/deficit on the provision of services	51						51
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	311					311	311
De-recognition – disposals				17		17	
<b>At 31 March 2015</b>	<b>(1,504)</b>	<b>(6,047)</b>	<b>(41)</b>	<b>0</b>	<b>0</b>	<b>(151)</b>	<b>(7,743)</b>
<b>Net Book Value</b>							
At 31 March 2015	30,432	1,866	305	3,634	0	594	36,832
At 31 March 2014	31,065	1,657	308	3,613	439	542	37,624

## NOTES TO THE ACCOUNTS

### Other Land & Buildings Break-down

2014/15 £000		2015/16 £000
6,466	Arts Facility	7,255
350	Bus Station	350
939	Depot	1,000
700	Garage	700
9,903	Leisure Centre	11,779
2,375	Multi-storey Car Parks	2,311
1,998	Offices	2,059
52	Other Land & Buildings	50
414	Parks and Sports Grounds	421
874	Pavilions	843
505	Pool	500
304	Public Conveniences	223
79	Residential	100
3,981	Retail	4,035
1,491	Surface Car Parks	1,532
<b>30,432</b>	<b>Total</b>	<b>33,158</b>

### Depreciation

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

- Buildings – 2 to 90 years
- Vehicles, Plant, Furniture & Equipment – 1 to 16 years
- Infrastructure – 36 years
- Minster Pool – 88 years

### Capital Commitments

At 31 March 2016, the Council had **£872k** of capital commitments relating to refuse vehicles on finance leases that were not received by 31 March 2016. Last year the value was **£1.07** million which related to the upgrade of its ICT infrastructure.

### Effects of Changes in Estimates

In 2015/16, 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	Total £000
Carried at historical cost	23	3,786	3,809
Valued at fair value as at:			
- 31 March 2016	23,125		23,125
- 31 March 2015	1,268		1,268
- 31 March 2014	5,793		5,793
- 31 March 2013	2,948		2,948
<b>Total Cost or Valuation</b>	<b>33,158</b>	<b>3,786</b>	<b>36,944</b>

## 12. Heritage Assets

*The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* 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 2015/16:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
<b>Cost or Valuation</b>				
<b>At 1 April 2015</b>	<b>305</b>	<b>80</b>	<b>130</b>	<b>515</b>
<b>At 31 March 2016</b>	<b>305</b>	<b>80</b>	<b>130</b>	<b>515</b>

<b>Cost or Valuation</b>				
<b>At 1 April 2014</b>	<b>305</b>	<b>80</b>	<b>130</b>	<b>515</b>
<b>At 31 March 2015</b>	<b>305</b>	<b>80</b>	<b>130</b>	<b>515</b>

### Statues

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

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

## NOTES TO THE ACCOUNTS

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### 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 the 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.

## 13. Investment Properties

Valuation Process for Investment Properties - the fair value of the Authority's investment property is measured annually at each reporting date. All valuations are carried out externally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuation Techniques - there has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use of Investment Properties - in estimating the fair value of the Authority's investment properties, the highest and best use of the properties reflects their current use.

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:

2014/15 £000		2015/16 £000
536	Rental income from investment property	447
107	Direct operating expenses arising from investment property	119
<b>643</b>	<b>Net gain / (loss)</b>	<b>566</b>

## NOTES TO THE ACCOUNTS

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 tables summarise the movement in the fair value of investment properties over the year and identifies their fair values split by their level in the fair value hierarchy:

2014/15 £000		2015/16 £000
5,928	<b>Balance at the start of the year</b>	<b>6,578</b>
	Disposals	(1,170)
5	Additions	0
206	Net gains/(losses) from fair value adjustments	164
439	Transfers: From Surplus Assets	0
<b>6,578</b>	<b>Balance at the end of the year</b>	<b>5,572</b>
<b>5,408</b>	<b>Long Term Assets</b>	<b>5,572</b>
<b>1,170</b>	<b>Current Assets</b>	<b>0</b>

	2014/15			2015/16		
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Fair Value as at 31 March 2015 £000	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Fair Value as at 31 March 2016 £000
Residential Properties		54	54		54	54
Office Units	780		780	780		780
Commercial Units	5,400	344	5,744	4,230	508	4,738
<b>Total</b>	<b>6,180</b>	<b>398</b>	<b>6,578</b>	<b>5,010</b>	<b>562</b>	<b>5,572</b>

### 14. Financial Instruments

#### Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a financial obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Two long term loans with the Public Works Loans Board and Salix.
- Finance leases detailed at note 36.
- Trade payables for goods and services received.

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.



## NOTES TO THE ACCOUNTS

Loans and receivables comprise:

- Cash in hand.
- Bank current account and deposit accounts with National Westminster Bank.
- Fixed term deposits with banks and building societies.
- Loans to other local authorities.
- Trade receivables for goods and services delivered.

Available for sale financial assets (those that are quoted in an active market) comprising:

- Money market funds.
- Certificates of Deposit issued by banks and building societies.
- Treasury Bills.

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

Financial Assets	Long Term		Short Term	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
<b>Loans and receivables:</b>				
- Principal at amortised cost			11,000	9,500
- Accrued interest			37	17
<b>Available-for-sale investments:</b>				
- Principal at amortised cost			1,000	6,000
- Accrued interest				4
<b>Total Investments</b>			<b>12,037</b>	<b>15,521</b>
<b>Loans and receivables:</b>				
- Cash (including bank accounts)			507	418
<b>Available-for-sale investments:</b>				
- Cash equivalents at fair value			3,830	4,000
- Accrued interest			1	1
<b>Total Cash and Cash Equivalents</b>			<b>4,338</b>	<b>4,419</b>
<b>Debtors</b>				
Trade receivables	242	202	3,134	3,583
<b>Total included in Debtors</b>	<b>242</b>	<b>202</b>	<b>3,134</b>	<b>3,583</b>
<b>Total Financial Assets</b>	<b>242</b>	<b>202</b>	<b>19,509</b>	<b>23,523</b>

Financial Liabilities	Long Term		Short Term	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
<b>Loans at amortised cost:</b>				
Principal sum borrowed	(31)	(1,415)	(16)	(77) <sup>2</sup>
<b>Total Borrowing</b>	<b>(31)</b>	<b>(1,415)</b>	<b>(16)</b>	<b>(77)</b>
<b>Liabilities at amortised cost:</b>				
Finance leases	(60)	(1,908)		
<b>Total other Long Term Liabilities</b>	<b>(60)</b>	<b>(1,908)</b>		
<b>Liabilities at amortised cost:</b>				
Trade payables			(4,466)	(4,874)
Finance leases			(188)	(414)
<b>Included in Creditors</b>			<b>(4,654)</b>	<b>(5,288)</b>
<b>Total Financial Liabilities</b>	<b>(91)</b>	<b>(3,323)</b>	<b>(4,670)</b>	<b>(5,365)</b>

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Council had no legally enforceable right to set off financial assets and liabilities (all bank accounts with the Council's bank were either in credit or £0) at the 31 March 2016.

<sup>2</sup> (19)k Accrued Interest included within Short Term Creditors

## NOTES TO THE ACCOUNTS

### Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2014/15 Total		Financial Liabilities	Financial Assets		2015/16 Total
		Amortised Cost £000	Loans and Receivables £000	Available for Sale Assets £000	
£000					£000
15	Interest Expense	53			53
<b>15</b>	<b>Interest payable and similar charges</b>	<b>53</b>			<b>53</b>
(103)	Interest Income		(68)	(80)	(148)
<b>(103)</b>	<b>Interest and Investment Income</b>		<b>(68)</b>	<b>(80)</b>	<b>(148)</b>
<b>(88)</b>	<b>Net Gain / (Loss) for the Year</b>	<b>53</b>	<b>(68)</b>	<b>(80)</b>	<b>(95)</b>

### Financial Instruments - Fair Values

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2016, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2016, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- **Level 1** – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- **Level 2** – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- **Level 3** – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

## NOTES TO THE ACCOUNTS

	Fair Value Level	31 March 2015		31 March 2016	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value Level
<u>Financial assets held at fair value:</u>					
Money market funds	1	3,831		4,001	
Financial assets for which fair value is not disclosed:		15,920		19,724	
<b>Total Financial Assets</b>		<b>19,751</b>		<b>23,725</b>	
Recorded on the Balance Sheets as:					
Short Term Investments		12,037		15,521	
Cash & Cash Equivalents		4,338		4,419	
Short-term Debtors		3,134		3,583	
Long-term Debtors		242		202	
<b>Total Financial Assets</b>		<b>19,751</b>		<b>23,725</b>	

The fair value of short term assets is assumed to approximate to the carrying value.

	Fair Value Level	31 March 2015		31 March 2016	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<u>Liabilities</u>					
Long-term loans from PWLB	2			(1,461)	(1,499)
Other Long-term loans	2	(47)	(47)	(31)	(31)
Finance Lease liabilities	2	(248)	(251)	(2,322)	(2,377)
<b>Total</b>		<b>(295)</b>	<b>(298)</b>	<b>(3,814)</b>	<b>(3,907)</b>
Liabilities for which fair value is not disclosed		(4,467)		(4,874)	
<b>Total Financial Liabilities</b>		<b>(4,762)</b>		<b>(8,688)</b>	
Recorded on the Balance Sheet as:					
Short term creditors		(4,467)		(4,874)	
Finance Lease Liabilities		(248)		(2,322)	
Short Term Borrowing		(16)		(77)	
Long-term Borrowing		(31)		(1,415)	
<b>Total Financial Liabilities</b>		<b>(4,762)</b>		<b>(8,688)</b>	

The fair value of short term liabilities is assumed to approximate to the carrying value.

### 15. Short Term Debtors

31 March 2015 £000		31 March 2016 £000
724	Central government bodies	1,020
210	Council tax payers	349
540	Business rate payers	510
<b>1,474</b>	<b>Total statutory debtors</b>	<b>1,879</b>
<b>289</b>	<b>Manual prepayments</b>	<b>308</b>
1,087	Other local authorities	958
3	NHS Bodies	7
2,044	Other entities and individuals	2,618
<b>3,134</b>	<b>Total trade debtors</b>	<b>3,583</b>
<b>4,897</b>	<b>Total debtors</b>	<b>5,770</b>
Less bad debt provision:		
(97)	Council tax payers	(127)
(213)	Business rate payers	(197)
(634)	General debtors	(763)
0	Lichfield BID	(11)
<b>3,953</b>	<b>Total debtors</b>	<b>4,672</b>

## NOTES TO THE ACCOUNTS

### 16. Cash and Cash Equivalents

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

31 March 2015 £000		31 March 2016 £000
8	Cash held by the Authority	8
500	Bank Accounts	411
3,830	Money Market Funds	4,000
<b>4,338</b>		<b>4,419</b>

### 17. Assets Held for Sale

31 March 2015 £000		31 March 2016 £000
0	A Residential Property	80
<b>0</b>		<b>80</b>

### 18. Short Term Creditors

31 March 2015 £000		31 March 2016 £000
(3,292)	Central government bodies	(2,707)
(121)	Council tax payers	(222)
(310)	Business rate payers	(263)
<b>(3,723)</b>	<b>Total statutory creditors</b>	<b>(3,192)</b>
<b>(2,396)</b>	<b>Receipts in advance</b>	<b>(1,544)</b>
(2,464)	Other local authorities	(2,933)
(3)	NHS Bodies	(17)
0	Public corporations and trading funds	(1)
(2,000)	Other entities and individuals	(1,923)
<b>(4,467)</b>	<b>Total trade creditors</b>	<b>(4,874)</b>
<b>(10,586)</b>	<b>Total creditors</b>	<b>(9,609)</b>

### 19. Provisions

The Council had two provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £'000	Other Provisions £000	Total £000
<b>Balance at 1 April 2015</b>	<b>(183)</b>	<b>(1,670)</b>	<b>(10)</b>	<b>(1,863)</b>
Additional provisions made in 2015/16	(42)	(200)	0	(242)
Amounts used in 2015/16	85	222	10	317
<b>Balance at 31 March 2016</b>	<b>(140)</b>	<b>(1,648)</b>	<b>0</b>	<b>(1,789)</b>

## NOTES TO THE ACCOUNTS

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### Outstanding Legal Cases

The Authority has two legal cases in progress that have been provided for:

- **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 **£31,341**

- **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 **£109,113**. 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.

### Business Rates Appeals

The amount of **£1,648,144** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2016.

### Other Provisions

All other provisions are individually insignificant totalling **£9,520** these have been used in 2015/16.

## 20. Usable Reserves

2014/15 £000		2015/16 £000
2,998	General Fund	4,279
1,733	Capital Grants Unapplied	1,244
1,353	Capital Receipts Reserve	2,644
4,899	Earmarked Reserves	5,657
<b>10,983</b>	<b>Total Usable Reserves</b>	<b>13,825</b>

Further details on the movements within Usable reserves are shown in **Note 6** and **Note 7**.

## 21. Unusable Reserves

2014/15 £000		2015/16 £000
3,450	Revaluation Reserve	6,571
37,938	Capital Adjustment Account	36,687
54	Deferred Capital Receipts	47
(44,069)	Pensions Reserve	(35,820)
(420)	Collection Fund Adjustment Accounts	(46)
(226)	Accumulated Absence Account	(213)
<b>(3,275)</b>	<b>Total Unusable Reserves</b>	<b>7,227</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.

2014/15 £000			2015/16 £000
<b>3,474</b>	<b>Balance at 1 April</b>		<b>3,450</b>
221	Upward revaluation of assets	3,286	
(44)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
177	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		3,286
(109)	Difference between fair value depreciation and historical cost depreciation	(165)	
(92)	Accumulated gains on assets sold or scrapped	0	
(201)	Amount written off to the Capital Adjustment Account		(165)
<b>3,450</b>	<b>Balance at 31 March</b>		<b>6,571</b>

### Capital Adjustment Account

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

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

## NOTES TO THE ACCOUNTS

**Note 6** provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000			2015/16 £000
37,734	<b>Balance at 1 April</b>		37,938
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,399)	• Charges for depreciation and impairment of non-current assets	(1,700)	
180	• Revaluation gains/losses on Property, Plant and Equipment	134	
(43)	• Amortisation of intangible assets	(20)	
(581)	• Revenue expenditure funded from capital under statute	(714)	
(216)	• 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	(1,247)	
(2,059)	Adjusting amounts written out of the Revaluation Reserve		(3,546)
109	Net written out amount of the cost of non-current assets consumed in the year		165
35,784	Capital financing applied in the year:		34,556
721	• Use of the Capital Receipts Reserve to finance new capital expenditure	546	
444	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	461	
142	• Application of grants to capital financing from the Capital Grants Unapplied Account	130	
334	• Statutory provision for the financing of capital investment charged against the General Fund	351	
299	• Capital expenditure charged against the General Fund	478	
1,940	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,967
214			164
<b>37,938</b>	<b>Balance at 31 March</b>		<b>36,687</b>

### 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.

## NOTES TO THE ACCOUNTS

2014/15 £000		2015/16 £000
(34,017)	<b>Balance at 1 April</b>	(44,069)
(14,332)	Actuarial gains or losses on pensions assets and liabilities	11,651
5,980	Return on Plan Assets	(1,383)
(3,345)	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	(3,748)
1,645	Employer's pensions contributions and direct payments to pensioners payable in the year	1,729
<b>(44,069)</b>	<b>Balance at 31 March</b>	<b>(35,820)</b>

### Deferred Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
<b>69</b>	<b>Balance at 1 April</b>	<b>54</b>
(15)	Transfer to the Capital Receipts Reserve upon Receipt of Cash	(7)
<b>54</b>	<b>Balance at 31 March</b>	<b>47</b>

### Collection Fund Adjustment Account

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

Council Tax £000	Business Rates £000	2014/15 Total £000		Council Tax £000	Business Rates £000	2015/16 Total £000
61	(397)	(336)	<b>Balance at 1 April</b>	149	(569)	(420)
88	(172)	(84)	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	(108)	482	374
<b>149</b>	<b>(569)</b>	<b>(420)</b>	<b>Balance at 31 March</b>	<b>41</b>	<b>(87)</b>	<b>(46)</b>

### 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,



## NOTES TO THE ACCOUNTS

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.

2014/15 £000		2015/16 £000
(222)	<b>Balance at 1 April</b>	(226)
(4)	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	13
(226)	<b>Balance at 31 March</b>	(213)

### 22. Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2014/15 £000		2015/16 £000
1,442	Depreciation, amortisation and impairment	1,720
(180)	Downward revaluations	(134)
309	Carrying Amount of non-current assets disposed in the year	1,247
989	Increase / (Decrease) in Provisions	(74)
24	(Increase) / Decrease in Stock	(10)
2,946	(Increase) / Decrease in Debtors	(834)
1,085	Increase / (Decrease) in Creditors	(1,222)
1,700	Movement in pension liability	2,019
(187)	Other non-cash adjustments	(98)
<b>8,128</b>	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>2,613</b>

### 23. Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2014/15 £000		2015/16 £000
(596)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(1,831)
(992)	Capital Grants & Contributions	(102)
(2,251)	Any other items for which the cash effects are investing or financing activities	(1,417)
<b>(3,839)</b>	<b>Adjust net surplus or deficit on the provision of services for investing and financing activities</b>	<b>(3,350)</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 24** and **Note 25** after adjusting for cash flows in respect of outstanding balances at the end of the current and prior financial year.

## NOTES TO THE ACCOUNTS

### 24. Cash Flow Statement - Investing Activities

2014/15 £000		2015/16 £000
(1,017)	Purchase of property, plant and equipment, investment property and intangible assets	(945)
(5,800)	Proceeds from short and long term investments	(3,485)
697	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	750
1,158	Other (receipts)/payments from investing activities (including capital grants and contributions)	2,101
<b>(4,961)</b>	<b>Net cash flows from Investing activities</b>	<b>(1,579)</b>

### 25. Cash Flow Statement - Financing Activities

2014/15 £000		2015/16 £000
(212)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(251)
0	Cash receipts of short and long term borrowing	1,522
(16)	Repayments of short and long term borrowing	(77)
2,251	Council Tax and Business Rates Net Cash Inflows	1,416
<b>2,023</b>	<b>Net cash flows from Financing activities</b>	<b>2,610</b>

### 26. Cash Flow Statement - Operating Activities

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

2014/15 £000		2015/16 £000
107	Interest received	172
(15)	Interest paid	(15)
<b>92</b>	<b>Net cash flows from operating activities</b>	<b>157</b>

### 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 (SeRCOP)*. 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.

## NOTES TO THE ACCOUNTS

- Expenditure on some support services is budgeted for centrally and not charged to directorates.

### The 2015/16 Financial Year

The net direct expenditure of the Council's principal Directorates recorded in the format of the regular Money Matters Financial Performance reports for the year on pages 15 and 16 has been converted into the prescribed SERCOP format and is shown below:

2015/16 Directorate	2015/16 Actual £000	SERCOP ANALYSIS								Trading £000	Investment Properties £000
		Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
Chief Executive	864	275						589			
Community, Housing & Health	1,849	957	5	603	64		147	73			
Democratic, Development & Legal	169	928	218	4	(49)	(987)		290			(235)
Finance, Revenues & Benefits	2,282	1,776		18	(16)		149	177	178		
Leisure & Parks	2,826	470	1,703	614	39						
Waste Services	1,200			1,306							(106)
<b>Net direct expenditure</b>	<b>9,190</b>	<b>4,406</b>	<b>1,926</b>	<b>2,545</b>	<b>38</b>	<b>(987)</b>	<b>296</b>	<b>1,129</b>	<b>178</b>	<b>(106)</b>	<b>(235)</b>
						<b>9,531</b>					

This net direct expenditure for activities contained within the Cost of Services in the CIES on page 13 has been converted into the prescribed SERCOP full cost basis which includes recharges between Directorates, depreciation and pensions:

2015/16	SERCOP ANALYSIS								
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	Total £000
<b>Net direct expenditure</b>	<b>4,406</b>	<b>1,926</b>	<b>2,545</b>	<b>38</b>	<b>(987)</b>	<b>296</b>	<b>1,129</b>	<b>178</b>	<b>9,531</b>
Full Cost Conversion	(3,140)	1,082	839	1,857	159	535	660	2	1,994
<b>CIES – Cost of Services</b>	<b>1,266</b>	<b>3,008</b>	<b>3,384</b>	<b>1,895</b>	<b>(828)</b>	<b>831</b>	<b>1,789</b>	<b>180</b>	<b>11,525</b>

Trading and Investment Properties are contained within the Financing and Investment Income and Expenditure section of the CIES.

## NOTES TO THE ACCOUNTS

The information analysed by the type of income and expenditure is shown in the table below:

2015/16	SERCOP ANALYSIS								Total £000
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	
Fees, charges and other service income	(1,435)	(2,774)	(4,037)	(1,624)	(1,788)	(484)	(36)		(12,178)
Government Grants	(148)	(53)	(5)	(46)		(19,788)			(20,040)
<b>Total Income</b>	<b>(1,583)</b>	<b>(2,827)</b>	<b>(4,042)</b>	<b>(1,670)</b>	<b>(1,788)</b>	<b>(20,272)</b>	<b>(36)</b>	<b>0</b>	<b>(32,218)</b>
Employee Expenses	3,359	2,236	3,635	1,623	48	862	761	178	12,702
Other Service Expenses	2,883	2,157	2,717	625	586	19,783	334		29,085
Support Service Recharges	(3,697)	940	548	829	148	430	730	2	(70)
Depreciation, amortisation and impairment	304	502	526	488	178	28			2,026
<b>Total Expenditure</b>	<b>2,849</b>	<b>5,835</b>	<b>7,426</b>	<b>3,565</b>	<b>960</b>	<b>21,103</b>	<b>1,825</b>	<b>180</b>	<b>43,743</b>
<b>CIES – Cost of Services</b>	<b>1,266</b>	<b>3,008</b>	<b>3,384</b>	<b>1,895</b>	<b>(828)</b>	<b>831</b>	<b>1,789</b>	<b>180</b>	<b>11,525</b>

This further reconciliation shows how the figures in the above analysis relate to the Surplus or Deficit on the Provision of Services included in the CIES.

2015/16	SERCOP Analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(12,178)	(2,029)		(14,207)
Interest and investment income			(148)	(148)
Income from council tax			(7,053)	(7,053)
Government Grants	(20,041)		(6,573)	(26,614)
<b>Total Income</b>	<b>(32,219)</b>	<b>(2029)</b>	<b>(13,774)</b>	<b>(48,022)</b>
Employee Expenses	12,701	43		12,744
Other Service Expenses	29,084	223		29,307
Support Service Recharges	(67)	67		
Depreciation, amortisation and impairment	2,026	1094		3,120
Interest Payments			54	54
Pension interest and expected return on Assets			1,420	1,420
Precepts and Levies			2,101	2,101
Payments to Housing Capital Receipts Pool			5	5
Gain or Loss on Disposal of Fixed Assets			77	77
Capital Grants & Contributions			(594)	(594)
Deferred Receipts on Loans and Advances				
<b>Total Expenditure</b>	<b>43,744</b>	<b>1,427</b>	<b>3,063</b>	<b>48,233</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>11,524</b>	<b>(602)</b>	<b>(10,711)</b>	<b>211</b>

## NOTES TO THE ACCOUNTS

### The 2014/15 Financial Year

2014/15 Directorate	2014/15 Actual £000	SERCOP ANALYSIS								Trading £000	Investment Properties £000
		Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
Chief Executive	985	565						419			
Community, Housing & Health	2,060	1,118	3	472	91		296	80			
Democratic, Development & Legal	259	733	154	(26)	197	(981)		296			(113)
Finance, Revenues & Benefits	2,293	1,704			(10)		264	149	187		
Leisure & Parks	3,004	494	1,820	665	25						
Waste Services	1,433			1,565							(132)
<b>Net direct expenditure</b>	<b>10,034</b>	<b>4,614</b>	<b>1,977</b>	<b>2,676</b>	<b>303</b>	<b>(981)</b>	<b>559</b>	<b>944</b>	<b>187</b>	<b>(132)</b>	<b>(113)</b>
							<b>10,279</b>				

2014/15	SERCOP ANALYSIS									Total £000
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
<b>Net direct expenditure</b>	<b>4,614</b>	<b>1,977</b>	<b>2,676</b>	<b>303</b>	<b>(981)</b>	<b>559</b>	<b>944</b>	<b>187</b>		<b>10,279</b>
Full Cost Conversion	(3,412)	1,340	356	1,038	(42)	366	736	1		383
<b>CIES – Cost of Services</b>	<b>1,203</b>	<b>3,317</b>	<b>3,031</b>	<b>1,341</b>	<b>(1,023)</b>	<b>925</b>	<b>1,680</b>	<b>188</b>		<b>10,663</b>

2014/15	SERCOP ANALYSIS									Total £000
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
Fees, charges and other service income	(1,050)	(2,921)	(3,521)	(1,822)	(1,926)	(420)	(38)			(11,698)
Government Grants	(169)	(31)	(72)	(64)		(19,952)				(20,288)
<b>Total Income</b>	<b>(1,219)</b>	<b>(2,952)</b>	<b>(3,593)</b>	<b>(1,886)</b>	<b>(1,926)</b>	<b>(20,372)</b>	<b>(38)</b>			<b>(31,987)</b>
Employee Expenses	3,262	2,087	3,388	1,715	47	830	704	187		12,218
Other Service Expenses	2,458	2,697	2,372	937	736	20,137	276			29,614
Support Service Recharges	(3,692)	916	545	775	149	489	739	1		(78)
Depreciation, amortisation and impairment	393	570	319	(199)	(29)	(158)				895
<b>Total Expenditure</b>	<b>2,421</b>	<b>6,269</b>	<b>6,624</b>	<b>3,227</b>	<b>903</b>	<b>21,297</b>	<b>1,719</b>	<b>188</b>		<b>42,649</b>
<b>CIES – Cost of Services</b>	<b>1,203</b>	<b>3,317</b>	<b>3,031</b>	<b>1,341</b>	<b>(1,023)</b>	<b>925</b>	<b>1,680</b>	<b>188</b>		<b>10,663</b>

## NOTES TO THE ACCOUNTS

2014/15	SERCOP Analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(11,698)	(849)		(12,547)
Interest and investment income			(103)	(103)
Income from council tax			(6,885)	(6,885)
Government Grants	(20,288)		(5,116)	(25,404)
<b>Total Income</b>	<b>(31,987)</b>	<b>(849)</b>	<b>(12,104)</b>	<b>(44,939)</b>
Employee Expenses	12,218	41		12,259
Other Service Expenses	29,614	180		29,794
Support Service Recharges	(78)	78		0
Depreciation, amortisation and impairment	895	(208)		687
Interest Payments			15	15
Pension interest and expected return on Assets			1,466	1,466
Precepts and Levies			1,506	1,506
Payments to Housing Capital Receipts Pool			1	1
Gain or Loss on Disposal of Fixed Assets			214	214
Capital Grants & Contributions			(498)	(498)
Deferred Receipts on Loans and Advances			(4)	(4)
<b>Total Expenditure</b>	<b>42,649</b>	<b>91</b>	<b>2,700</b>	<b>45,440</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>10,663</b>	<b>(758)</b>	<b>(9,404)</b>	<b>500</b>

### 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:

2014/15 £000	Building Control Service	2015/16 £000
540	Expenditure incurred	553
(462)	Income received	(509)
(35)	Fee payable by South Staffordshire Council	(35)
(35)	Fee payable by Tamworth Borough Council	(35)
(35)	Contribution from Lichfield District Council	(35)
<b>(27)</b>	<b>(Surplus)/Deficit Transferred (To)/From Earmarked Reserves</b>	<b>(61)</b>

## NOTES TO THE ACCOUNTS

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

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

2014/15 £000		2015/16 £000
	<b>Funding provided to the operation</b>	
(1,904)	Contribution from Lichfield	(1,681)
(1,407)	Contribution from Tamworth	(1,242)
<b>(3,311)</b>	<b>Total funding provided to the operation</b>	<b>(2,923)</b>
	<b>Expenditure met by the operation</b>	
2,367	Pay and allowances	2,373
21	Premises costs	17
1,284	Transport costs	1,156
902	Supplies and Services	1,256
258	Support Costs	317
(1,576)	Revenue income	(2,233)
<b>3,255</b>	<b>Total expenditure</b>	<b>2,886</b>
<b>(56)</b>	<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>(37)</b>
<b>(32)</b>	<b>Lichfield District Council's share of 57.5% of the net (surplus)/deficit arising on the operation</b>	<b>(21)</b>

#### 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.

2014/15 £000		2015/16 £000
<b>(56)</b>	<b>Net (surplus) arising on the pooled budget during the year</b>	<b>(37)</b>
1,904	Add: Lichfield's Contribution shown as expenditure in the CIES	1,681
(106)	Amounts not reported in the Joint Waste Service	200
<b>1,742</b>	<b>Net Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>1,844</b>

## NOTES TO THE ACCOUNTS

### 30. Members' Allowances

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

2014/15 £000		2015/16 £000
259	Allowances	272
6	Expenses	3
<b>265</b>	<b>Total</b>	<b>275</b>

### 31. Officers' Remuneration

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

		Salary, Fees and Allowances £	Performance Pay <sup>3</sup> £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2015/16	100,283	9,507	502		22,418	132,710
	2014/15	96,029	9,137	399		20,424	125,989
Strategic Director Democratic , Development and Legal Services	2015/16	80,339	1,556	197		16,686	98,778
	2014/15	79,172	1,556	397		15,634	96,759
Strategic Director Community, Housing and Health	2015/16	80,339	1,556	236		16,672	98,803
	2014/15	79,172	1,556	320		15,634	96,682
Director of Finance, Revenues and Benefits	2015/16	72,622	1,405	156		15,051	89,234
	2014/15	71,568	1,405	187		14,114	87,274
Director of Leisure and Parks	2015/16	72,622	1,405	389		15,071	89,487
	2014/15	71,568	2,778	414		14,402	89,162

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

2014/15 Number of employees	Remuneration band	2015/16 Number of employees
2	£50,000-£54,999	3
1	£55,000-£59,999	
1	£70,000-£74,999	

<sup>3</sup> Performance pay – this relates to the percentage of pay that is withheld and then released on the basis of performance. The amounts can vary depending on percentage and timing of payment. The payment made in 2015/16 relates to that earned in 2014/15.



## NOTES TO THE ACCOUNTS

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

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	1		8		9		£50,324	
£20,001 - £40,000			2	1	2	1	£47,067	£25,734
£40,001 - £60,000			1		1		£53,218	
£100,001 - £150,000			1		1		£106,166	
<b>Total</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>1</b>	<b>13</b>	<b>1</b>	<b>£256,775</b>	<b>£25,734</b>

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

Exit Package Cost Band	2014/15			2015/16		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£50,129	£195	£50,324			
£20,001 - £40,000	£47,067		£47,067	£25,734		£25,734
£40,001 - £60,000	£45,584	£7,634	£53,218			
£100,001 - £150,000	£46,943	£59,223	£106,166			
<b>Total</b>	<b>£189,723</b>	<b>£67,052</b>	<b>£256,775</b>	<b>£25,734</b>	<b>0</b>	<b>£25,734</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:

2014/15 £000		2015/16 £000
61	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	47
16	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	5
2	Fees payable in respect of other services provided by the Audit Commission during the year (NFI)	0
<b>79</b>	<b>Total</b>	<b>52</b>

The fees for other services payable in 2014/15 related to the National Fraud Initiative. From 2014/15 the audit fees are being accounted for in the year to which they relate; 2014/15 includes both 2013/14 (£9k) and 2014/15 (£7k).

## NOTES TO THE ACCOUNTS

### 33. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2015/16:

2014/15 £000		2015/16 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
38	Other Contributions	38
<b>38</b>	<b>Sub Total (Capital)</b>	<b>38</b>
6,885	Council Tax Income	7,053
1,121	Non-Domestic rates	2,189
3,957	Non Ring Fenced Government Grants	3,768
<b>11,963</b>	<b>Sub Total (Revenue)</b>	<b>13,010</b>
<b>12,001</b>	<b>Total</b>	<b>13,048</b>

2014/15 £000		2015/16 £000
	<b>Credited to Services</b>	
343	Disabled Facilities Grant	384
200	Section 106 – Laurel House	0
380	Section 106 - Hawksyard	(387) <sup>4</sup>
30	Other Contributions	66
<b>953</b>	<b>Sub Total (Capital)</b>	<b>63</b>
19,859	Housing and Council Tax Benefits	19,705
248	Department for Communities and Local Government	276
84	Other Government Departments and Agencies	272
8	Positive Futures	6
89	Office of the Police and Crime Commissioner	97
0	Planning Obligation Contributions	500
328	Contributions from other Local Authorities	358
1,409	Contributions From other Local Authorities-Shared Services	1,242
<b>22,025</b>	<b>Sub Total (Revenue)</b>	<b>22,456</b>
<b>22,978</b>	<b>Total</b>	<b>22,519</b>

<sup>4</sup> Additional new information has revealed that there are conditions attached to these contributions and so they are now shown as receipts in advance.

## NOTES TO THE ACCOUNTS

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

31 March 2015 £000			31 March 2016 £000
	<b>Capital Grants Receipts in Advance</b>		
136	Other Contributions	686	
	<b>Current Liabilities</b>		<b>686</b>
228	Other Contributions	440	
	<b>Long Term Liabilities</b>		<b>440</b>
<b>364</b>	<b>Total</b>		<b>1,125</b>

31 March 2015 £000			31 March 2016 £000
	<b>Revenue Grants Receipts in Advance</b>		
75	Natural England-Environmental Stewardship	8	
688	Heritage Lottery Fund	550	
81	Neighbourhood Planning	104	
30	Other Contributions	17	
	<b>Current Liabilities</b>		
<b>874</b>	<b>Total (shown within Current Liabilities)</b>		<b>679</b>

### 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 2015/16, works and services to the value of **£177,000** were commissioned from companies in which twenty eight members had an interest (**£93,000** in 2014/15). Contracts were entered into in full compliance with the Council's standing orders.

## NOTES TO THE ACCOUNTS

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In addition, the Council paid grants totalling **£108,000** to voluntary organisations (**£107,000** in 2014/15) in which one member had a position 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 **£421,000** from Bromford Housing Group in 2015/16 (**£426,000** in 2014/15) 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 from the Council to entities controlled or significantly influenced by the Council at the end of 2015/16 was **£2.729 million** (**£3.175 million** owed to the Council in 2014/15).

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 **£460,000** was made to the Lichfield Garrick Theatre Trust in 2015/16 (**£610,000** in 2014/15). Support services provided by the Council to the Garrick totalled **£70,520** (**£153,000** in 2014/15). 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.

2014/15 £000		2015/16 £000
3,036	<b>Opening Capital Financing Requirement</b>	2,690
	<i>Capital Investment</i>	
930	Property, Plant & Equipment	3,225
5	Investment Properties	0
78	Intangible Assets	1
581	Revenue Expenditure Funded from Capital under Statute	714
	<i>Sources of Finance</i>	
(721)	Capital receipts	(547)
(586)	Government grants and other contributions	(591)
	<i>Sums set aside from revenue:</i>	
(299)	Direct revenue contributions	(478)
(334)	Minimum revenue provision	(351)
2,690	<b>Closing Capital Financing Requirement</b>	4,663

(346)	<b>Explanation of movements in year</b>	
	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	1,974
0	Finance lease assets returned	
(346)	<b>Increase / (decrease) in Capital Financing Requirement</b>	1,974

### 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:

	31 March 2015	31 March 2016
	£000	£000
Vehicles, Plant, Furniture and Equipment	94	1,930
<b>Total</b>	<b>94</b>	<b>1,930</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 2015	31 March 2016
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	188	415
- non-current	60	1,908
Finance costs payable in future years	9	151
<b>Minimum lease payments</b>	<b>257</b>	<b>2,473</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£000	£000	£000	£000
Not later than one year	196	458	188	415
Later than one year and not later than five years	61	2,015	60	1,908
<b>Total</b>	<b>257</b>	<b>2,473</b>	<b>248</b>	<b>2,323</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 2015	31 March 2016
	£000	£000
Not later than one year	461	46
Later than one year and not later than five years	67	52
Later than five years	486	481
<b>Total</b>	<b>1,014</b>	<b>579</b>

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

	31 March 2015	31 March 2016
	£000	£000
Minimum Lease Payments	550	430
<b>Total</b>	<b>550</b>	<b>430</b>

## NOTES TO THE ACCOUNTS

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### **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:

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	445	328
Later than one year and not later than five years	1,238	939
Later than five years	3,290	3,119
<b>Total</b>	<b>4,973</b>	<b>4,386</b>

### **37. Impairment Losses**

The Council undertook an impairment review of its non-current assets at 31 March 2016 and no impairment was chargeable.

### **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:

2014/15 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2015/16 £000
	<i>Cost of Services:</i>	
1,838	- current service cost	2,328
41	- past service costs	-
	- settlements and curtailments	
	<i>Financing and Investment Income and Expenditure</i>	
1,466	- net interest expense	1,420
<b>3,345</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,748</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit comprising:	
(5,980)	- Return on plan assets (excluding the amount included in the net interest expense)	1,383
	- Actuarial gains and losses arising on changes in demographic assumptions	
(740)	- Actuarial gains and losses arising on other experience	(1,263)
15,072	- Actuarial gains and losses arising on changes in financial assumptions	(10,388)
<b>8,352</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(10,268)</b>
	<i>Movement in Reserves Statement</i>	
(10,052)	- 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>8,249</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
<b>1,645</b>	<b>- employers' contributions payable to scheme</b>	<b>1,729</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:

2014/15 £000	Local Government Pension Scheme	2015/16 £000
(108,083)	Present value of the defined benefit obligation	(100,029)
64,014	Net liability arising from defined benefit obligation	64,209
<b>(44,069)</b>	<b>Net liability arising from defined obligation</b>	<b>(35,820)</b>

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

2014/15 £000	Local Government Pension Scheme	2015/16 £000
56,238	Opening fair value of scheme assets	64,014
2,404	Interest income	2,041
5,980	Remeasurement gain(loss): - The return on plan assets, excluding the amount included in the net interest expense	(1,383)
1,528	Contributions from employer	1,611
498	Contributions from employees into the scheme	492
118	Contributions in respect of unfunded benefits	118
(2,634)	Benefits paid	(2,566)
(118)	Unfunded benefits paid	(118)
<b>64,014</b>	<b>Closing position as at 31 March</b>	<b>64,209</b>

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

2014/15 £000	Local Government Pension Scheme	2015/16 £000
88,303	Opening balance at 1 April	106,113
1,953	- Present value of funded liabilities	1,970
1,838	- Present value of unfunded liabilities	2,328
41	Current service cost	0
3,870	Past Service cost (including curtailments)	3,461
498	Interest costs	492
	Contribution from scheme participants	
	Remeasurement (gain)loss:	
	- Actuarial gains/losses arising from changes in demographic assumptions	
15,072	- Actuarial gains/losses from changes in financial assumptions	(10,388)
(740)	- Other experiences	(1,263)
(2,634)	Benefits paid	(2,566)
(118)	Unfunded benefits paid	(118)
<b>108,083</b>	<b>Closing position as at 31 March</b>	<b>100,029</b>

## NOTES TO THE ACCOUNTS

### Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2015				Period ended 31 March 2016			
	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	2,529.3		2,529.3	4%	3,506.7		3,506.7	5%
Equity Securities:								
- Consumer	5,489.7		5,489.7	9%	4,575.5		4,575.5	7%
- Manufacturing					3,743.3		3,743.3	6%
- Energy and Utilities	1,664.3		1,664.3	3%	1,464.3		1,464.3	2%
- Financial institutions	4,085.6		4,085.6	6%	4,140.7		4,140.7	6%
- Health and Care	2,686.6		2,686.6	4%	3,449.5		3,449.5	5%
- Information technology	2,483.1		2,483.1	4%	3,910.5		3,910.5	6%
- Other	4,921.1		4,921.1	8%	76.0		76.0	0%
Debt Securities								
- Corporate Bonds	4,859.3		4,859.3	8%	3,231.0		3,231.0	5%
Private equity:								
- All		2,033.7	2,033.7	3%		2,009.2	2,009.2	3%
Real Estate:								
- UK Property		5,210.0	5,210.0	8%		5,699.8	5,699.8	9%
Investment Funds and Unit Trusts:								
- Equities	21,213.7		21,213.7	33%	21,823.8		21,823.8	36%
- Bonds	3,422.1		3,422.1	5%	3,279.2		3,279.2	5%
- Hedge Funds		1,530.2	1,530.2	2%		1,502.8	1,502.8	2%
- Other		1,885.3	1,885.3	3%		1,796.7	1,796.7	3%
<b>Total Assets</b>	<b>53,355</b>	<b>10,659</b>	<b>64,014</b>	<b>100%</b>	<b>53,201</b>	<b>11,009</b>	<b>64,209</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2013/14 and the financial implications of this Revaluation are included in these 2015/16 accounts. 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 2016.

## NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

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 2016	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	11%	11,164
1 year increase in member life expectancy	3%	3,001
0.5% increase in the Salary Increase Rate	4%	3,807
0.5% increase in the Pension Increase Rate	7%	7,137

### Scheme History

Local Government Pension Scheme	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £'000	2015/16 £'000
Present value of the defined benefit obligation	(66,234)	(72,884)	(85,886)	(90,255)	(108,083)	(100,029)
Net Liability arising from defined benefit obligation	46,047	47,847	54,640	56,238	64,014	64,209
<b>Net Liability arising from defined obligation</b>	<b>(20,187)</b>	<b>(25,037)</b>	<b>(31,246)</b>	<b>(34,017)</b>	<b>(44,069)</b>	<b>(35,820)</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 **£35.820 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£21.051 million** (see page 43). 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 2017 is **£1.729 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 2016 is **£434,741**. No provision has been made for this amount as the outcomes of the claims are currently unknown.
- The Council is in the process of reviewing its Senior Management and Leadership structures. The final proposal will be presented to Cabinet and Employment Committee in May 2016 and Full Council in June 2016. The full cost of the restructure has yet to be determined and as a result the Council has put aside **£418,000** into an Earmarked Reserve to help mitigate this risk.
- In January 2016 the Council along with other Local Authorities received a claim for backdated mandatory Business Rate Relief under s. 43(5) and (6) of the Local Government Finance Act 1988 in relation to Burton Hospitals NHS Foundation Trust and South Staffordshire and Shropshire Healthcare NHS Foundation Trust backdated for six years. The Local Government Association (LGA) (the representative body for Local Authorities) has sought legal advice from Counsel, on our behalf, on the applications for mandatory relief from business rates, issued by GVA Grimley Ltd, on behalf of NHS trusts. Counsel advice is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

### 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.
- The critical judgment in relation to the finance lease for the Joint Waste Service vehicles mean the finance lease liability is shown in this Council's Financial Statements. In the event that the Joint Waste Service ceases to operate, the Council would seek to recover an element of the outstanding lease obligations from Tamworth Borough Council.

### 41. Financial Instruments - Risks

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

## NOTES TO THE ACCOUNTS

the Cabinet and Full Council in the annual Treasury Management Strategy Report. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

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

#### Credit Risk: Investments

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:

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

Financial Asset Category	Strategy Approved 3 February 2015		Strategy Approved 23 February 2016	
	Minimum Criteria	Limits	Criteria	Limits
UK Banks and Building Societies	<p><u>Minimum Long Term Rating</u></p> <p>Fitch = A- Moody's = A3 Standard and Poors = A-</p>	<p><b>£2 million</b> and subject to Arlingclose advice</p>	<p>AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- None</p>	<p><b>£1m, 5yrs</b> <b>£1m, 5yrs</b> <b>£1m, 4yrs</b> <b>£1m, 3yrs</b> <b>£1m, 2yrs</b> <b>£1m, 13mths</b> <b>£1m, 6mths</b> <b>£0.5m, 100days</b> <b>£0.5m, 1 Day</b> <b>£0.5m, 1 Day</b> <b>£0.5m, 6Mths</b></p>
Deposits with Money Market Funds	<p>Fitch = AAAmmf</p> <p>Moodys = Aaa/MR1+</p> <p>Standard and Poors = AAAM</p>	<p><b>£1.5 million</b></p>	<p>List provided by Financial Advisors</p>	<p><b>£1m</b></p>
UK Government	<p>Not applicable</p>	<p>No Limit</p>	<p>Not applicable</p>	<p><b>No Limit</b></p>
Local Authorities, Parish Councils etc	<p>Not applicable</p>	<p>No Limit</p>	<p>Not applicable</p>	<p><b>£2m</b></p>
Group Limit	<p><b>£3 million</b></p>		<p><b>£1 million</b></p>	
Money Market Funds Limit	<p><b>No Limit</b></p>		<p><b>£12 million in total</b></p>	
Sovereign Limits	<p>100% UK 25% Canada 25% Australia 25% Singapore</p>		<p><b>No Limit</b></p>	

<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

### Non Specified Investments

Financial Asset Category	Strategy Approved 3 February 2015		Strategy Approved 23 February 2016	
	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 (BBB+). 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.		Unsecured investment with banks rated BBB are restricted to overnight deposits.	
Deposits with a maturity of greater than one year	<u>Minimum Long Term Rating</u>  Fitch = A- Moody's = A3 Standard and Poors = A-	<b>£2.0 million</b>	<u>Minimum Long Term Rating</u>  <b>A</b>	<b>Banks /Building Societies / Corporates - £1m</b>  <b>Government - £2m</b>
Group Limit	<b>£3 million</b>		<b>£1 million</b>	
Sovereign Limits	100% UK 25% Canada 25% Australia 25% Singapore		<b>No Limit</b>	

The table below summarises the credit risk exposures of the Council's Investment Portfolio (Investments and Money Market Funds) by Credit Rating (there were no long term investments):

Credit Rating	Short Term	
	31/03/2015 £000s	31/03/2016 £000s
AAA	3,830	4,000
AA+	0	3,000
AA-	1,500	6,000
A+	1,000	1,000
A	6,000	4,000
A-	1,500	0
Unrated Building Societies	0	500
Unrated Local Authorities	2,000	1,000
<b>Total Investments</b>	<b>15,830</b>	<b>19,500</b>
Accrued Interest	38	27
Pre-Paid Interest	0	(4)
Cash in Hand and Bank Accounts	507	417
<b>Balance Sheet Total for Short Term investments and Cash and Cash Equivalents</b>	<b>16,375</b>	<b>19,940</b>

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of **£19.940m (£15.521m** of short term investments and **£4.419m** 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 31 March 2016 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

## NOTES TO THE ACCOUNTS

### Credit Risk: Receivables

Customers for goods and services are assessed for credit, taking into account their financial position, past experience and other factors. 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 2015 £000	31 March 2016 £000
Less than three months	2,513	2,917
Three to six months	117	84
Six months to one year	181	196
More than one year	324	386
<b>Total</b>	<b>3,135</b>	<b>3,583</b>
Average % default adjusted for current conditions	20%	21%
<b>Credit Risk exposure</b>	<b>634</b>	<b>763</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 including the new Public Works Loans Board long term loan received in April 2015 is as follows:

	31 March 2015 £000	31 March 2016 £000
Less than one year	(16)	(77)
Between one year and two years	(31)	(76)
Between two years and five years	(15)	(183)
Between five years and ten years	0	(304)
Between ten years and twenty years	0	(609)
Between twenty years and thirty years	0	(243)
<b>Total</b>	<b>(62)</b>	<b>(1,492)</b>

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

### **Market Risks: Interest Rate Risk**

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2016, 0% (2015: 0%) of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and 70% (2015: 70%) to variable rates.

## NOTES TO THE ACCOUNTS

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If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	87
<b>Impact on the surplus or Deficit on the Provision of Services</b>	<b>87</b>
Decrease in fair value of available for sale assets	(17)
<b>Impact on Comprehensive Income and Expenditure</b>	<b>(17)</b>
Decrease in fair value of loans and receivables*	(26)
Decrease in fair value of fixed rate borrowings / liabilities*	(136)

\*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.



## COLLECTION FUND

### 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.

Council Tax £000	Business Rates £000	2014/15 £000	Collection Fund	Council Tax £000	Business Rates £000	2015/16 £000
(53,088)		(53,088)	<b>Income</b>			
			Council Tax	(54,388)		(54,388)
43		43	Transfer from / (to) general fund - Council Tax Benefit	(30)		(30)
	(33,116)	(33,116)	Non-Domestic Rates		(34,460)	(34,460)
	(327)	(327)	Deferral Scheme			
	225	225	Transitional protection payments		215	215
(5)		(5)	Council Tax Family Annex's Discount Grant			
	(640)	(640)	Contribution towards previous year's Collection Fund deficit			
<b>(53,050)</b>	<b>(33,858)</b>	<b>(86,908)</b>	<b>Total income</b>	<b>(54,418)</b>	<b>(34,245)</b>	<b>(88,663)</b>
			<b>Expenditure</b>			
51,648		51,648	Precepts and demands from major preceptors and the authority	53,949		53,949
	15,645	15,645	Share of non-domestic rating income to major preceptors and the authority		16,279	16,279
	15,645	15,645	Payment with respect to central share (including allowable deductions) to central government		16,279	16,279
			Impairment of Debts / Appeals			
42	68	110	• write-offs on uncollectable amounts	56	110	166
209	235	444	• allowance for impairment	228	(42)	186
	2,570	2,570	• allowance for appeals		(54)	(54)
	125	125	Allowance for collection costs		124	124
488		488	Contribution towards previous year's Collection Fund surplus	1,006	344	1,350
<b>52,387</b>	<b>34,288</b>	<b>86,675</b>	<b>Total expenditure</b>	<b>55,239</b>	<b>33,040</b>	<b>88,279</b>
<b>(663)</b>	<b>430</b>	<b>(233)</b>	Movement on Fund (Surplus) / Deficit	<b>821</b>	<b>(1,205)</b>	<b>(384)</b>
<b>(477)</b>	<b>993</b>	<b>516</b>	Balance at the beginning of year	<b>(1,140)</b>	<b>1,423</b>	<b>283</b>
<b>(1,140)</b>	<b>1,423</b>	<b>283</b>	Balance at the end of year	<b>(319)</b>	<b>218</b>	<b>(101)</b>

Council Tax £000	Business Rates £000	2014/15 £000	Allocation of Collection Fund (Surplus) / Deficit	Council Tax £000	Business Rates £000	2015/16 £000
(149)	569	420	Lichfield District Council	(41)	87	46
(800)	128	(672)	Staffordshire County Council	(224)	20	(204)
(138)		(138)	Staffordshire OPCC	(39)		(39)
(53)	14	(39)	Staffordshire Fire Authority	(15)	2	(13)
	712	712	Central Government		109	109
<b>(1,140)</b>	<b>1,423</b>	<b>283</b>		<b>(319)</b>	<b>218</b>	<b>(101)</b>

## COLLECTION FUND

### 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 **1.0%** to cover appeals, changes in discounts and bad debts that arise) **36,264** for 2015/16. This basic amount of Council Tax for a Band D property (**£1,487.67** for 2015/16) 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 2015/16 is shown below:

2014/15 £000	Council Tax	2015/16 £000
<b>36,257</b>	<b>Staffordshire County Council</b>	<b>37,979</b>
<b>6,269</b>	<b>Staffordshire Office of Police &amp; Crime Commissioner (OPCC)</b>	<b>6,441</b>
<b>2,387</b>	<b>Staffordshire Fire Authority</b>	<b>2,501</b>
<b>5,364</b>	<b>Lichfield District Council</b>	<b>5,621</b>
	<b>Parish Precepts :</b>	
33	Alrewas	35
70	Armitage with Handsacre	67
219	Burntwood Town Council	224
14	Clifton Campville with Thorpe Constantine	15
13	Colton	13
2	Curborough & Elmhurst, Farewell & Chorley	3
20	Drayton Bassett	20
10	Edingale	10
11	Elford	11
53	Fazeley Town Council	53
57	Fradley and Streethay	58
19	Hammerwich	21
3	Hamstall Ridware	4
5	Harlaston	6
7	Hints and Canwell	7
12	Kings Bromley	12
596	Lichfield City Council	612
17	Longdon	17
14	Mavesyn Ridware	15
126	Shenstone	134
4	Swinfen and Packington	4
6	Wall	6
1	Weeford	1
42	Whittington and Fisherwick	42
17	Wigginton and Hopwas	18
<b>1,371</b>	<b>Total Parish Precepts</b>	<b>1,408</b>
<b>51,648</b>		<b>53,949</b>

## COLLECTION FUND

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

Band	Band Width	2014/15 Band D Equivalent (Tax Base)			2015/16 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	98.9%	Number of Dwellings	%	99.0%
	£						
A	0 to 40,000	2,229	6	2,206	2,367	6	2,343
B	40,001 to 52,000	5,835	16	5,776	6,006	16	5,946
C	52,001 to 68,000	7,428	21	7,354	7,692	21	7,615
D	68,001 to 88,000	5,693	16	5,636	5,813	16	5,755
E	88,001 to 120,000	5,205	15	5,153	5,302	15	5,249
F	120,001 to 160,000	4,635	13	4,589	4,697	13	4,650
G	160,001 to 320,000	3,804	11	3,766	3,893	11	3,854
H	320,001 upwards	707	2	700	732	2	725
Class O		115		115	127		127
<b>TOTAL</b>		<b>35,651</b>	<b>100</b>	<b>35,295</b>	<b>36,627</b>	<b>100</b>	<b>36,264</b>

### Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2015/16 amounting to **£227,788**. The total allowance for impairment of debt as at 31 March 2016 is **£968,515** and represents **60%** of the **£1,624,696** outstanding debt.

### Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **49.3p** (2014/15 **48.2p**) and the small business non-domestic rating multiplier **48.0p** (2014/15 **47.1p**) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the business ratepayers in its area.

2014/15 £000		2015/16 £000
83,140	Non-Domestic rateable value at year end	82,631
33,116	Net rates payable by Ratepayers	34,460

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.

2014/15 £000	Preceptors	Share %	2015/16 £000
15,645	<b>Central Share</b> Central Government	50	16,279
2,816	<b>Major Precepting Bodies</b> Staffordshire County Council	9	2,930
313	Staffordshire Fire Authority	1	326
12,516	Lichfield District Council	40	13,023
<b>15,645</b>	<b>Total Precepting Bodies</b>	<b>50</b>	<b>16,279</b>

### NDR Allowance for Impairment

A reduction in the allowance for impairment was made during 2015/16 amounting to **£42,160**. The total allowance for impairment of debt as at 31 March 2016 is **£491,336** and represents **39%** of the **£1,269,054** outstanding debt.

## **GLOSSARY OF TERMS**

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### **Accounting Policies**

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

### **Accrual**

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

### **Accumulated Absences Account**

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

### **Balance Sheet**

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

### **Capital Adjustment Account**

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

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

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

### **Capital Receipts**

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

### **Cash Equivalents**

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

### **Collection Fund**

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

### **Community Assets**

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

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

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

### **Consistency**

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

### **Creditors**

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

### **Revenue expenditure funded from capital under statute (REFCUS)**

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

## GLOSSARY OF TERMS

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expenditure funded from capital under statute would be an improvement grant made by the Council to another organisation.

### **Defined Benefit Scheme**

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

### **Depreciation**

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

### **Debtors**

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

### **Earmarked Reserve**

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

### **Finance Lease**

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

### **Financial Instruments**

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

### **General Fund**

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

### **Government Grants**

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

### **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.

## GLOSSARY OF TERMS

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### **Intangible Assets**

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

### **International Financial Reporting Standards (IFRS)**

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

### **Inventories**

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

### **Investment Properties**

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

- (a) construction work and development have been completed; and
- (b) they are held for investment potential, any rental income being negotiated at arms length

### **Liabilities**

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

### **Materiality**

An item is material if its omission, non-disclosure or 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.

## **GLOSSARY OF TERMS**

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### **Revenue Expenditure**

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

### **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**

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

This section will be included in the final version of the accounts



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

### Urdu

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

### Punjabi

ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ 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

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### 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.

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# The Audit Findings for Lichfield District Council

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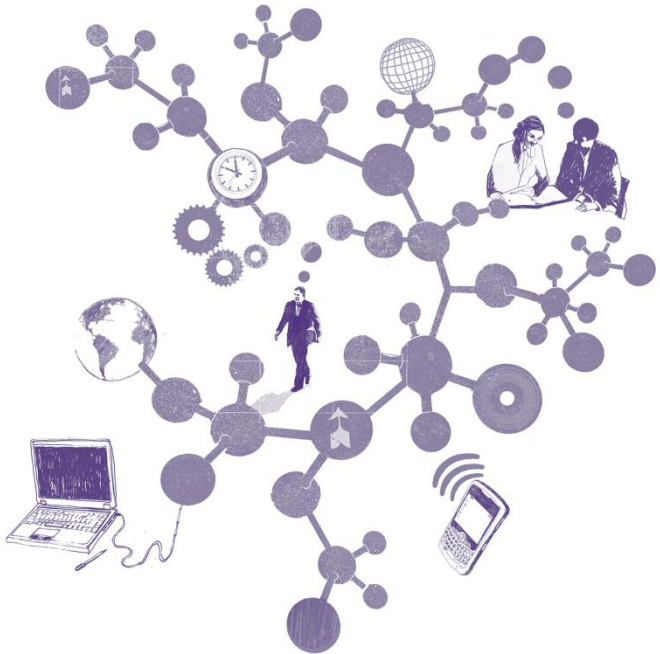
**Year ended 31 March 2016**

11 August 2016

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Dear Member

**Audit Findings for Lichfield District Council for the year ending 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Lichfield District Council, the Strategic (Overview and Scrutiny) Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

James Cook  
Director

**Chartered Accountants**

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## **Appendices**

- A Action plan
- B Audit opinion

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of Lichfield District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260 and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan on 26 January 2016 and our supplementary Audit Plan on 6 June 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). We have recommended some adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- Draft statement of accounts and working papers were of a good quality and finance staff were very responsive to subsequent audit requests
- The statement of accounts was produced earlier than in previous years and the audit was substantially complete on 5 August.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### **Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit. There are no such issues to report.

## **Controls**

### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### **Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

## **Value for Money**

The Council have made good progress in implementing its new management structure. The new structure realigns where responsibilities for Council services sit. It also streamlines the current management arrangements in order to tackle identified capacity issues. The restructure is expected to be cost neutral and the estimated cost of any associated redundancy costs could be up to £500k. An earmarked reserve of £418,225 has been set aside to provide for this.

Although the final assessment of the financial costs and benefits realised can not be completed until the final appointments to the new structure are made, the process appears to be on track to deliver. Officers are currently confident that the redundancy reserve will be sufficient. We will continue to review the Council's progress in our 2016/17 audit work.

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

## **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act

## **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report which is due in February 2017.

## **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with your officers.

## **Acknowledgement**

We would like to take this opportunity to record our appreciation for the excellent assistance provided by the Finance team and other staff during our audit.

**Grant Thornton UK LLP**  
August 2016



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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £871k (being 2% of gross revenue expenditure) We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be 5% of materiality This also remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	Triviality
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Triviality
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Agreed in total

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at this Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Lichfield District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work performed to address the risk:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> <li>• Review of accounting estimates, judgments and decisions made by management</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

## Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</li> <li>• Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>• Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>held discussions with appropriate personnel to obtain a detailed understanding of the accruals process.</li> <li>tested a sample of payments made after the year end to ensure that liabilities have been recorded in the correct period.</li> <li>a sample of goods received but not yet invoiced was tested to identify any items which have not been accrued properly.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performed a reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements</li> <li>tested a sample of employee remuneration payments to ensure these have been calculated and accounted for correctly</li> <li>performed a monthly trend analysis of payroll and employer contributions</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• reviewed the benefits system reconciliation to ensure that information from the benefits system can be agreed to the ledger and financial statements</li> <li>• conducted review of procedures in accordance with the methodology required to certify the housing benefit subsidy claim</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	The revenue recognition policy has been included in the accruals of income and expenditure section of the accounting policies. There are also separate policies for the recognition of Council Tax and NDR.	Our review of the revenue recognition policies has not highlighted any issues that we wish to bring to your attention. The policies are appropriate under the relevant accounting framework.	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include :                             <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> <li>– Bad debt provisions</li> </ul> </li> </ul>	<p>We have placed reliance on the work of the pension fund actuary for estimates relating to the pension fund valuations and settlements.</p> <p>We have reviewed the Council's approach and methodology for the business rate appeal provision and are satisfied the approach is reasonable and the provision is reasonably estimated and compliant with the accounting framework.</p> <p>The Council's judgement for the revaluation and impairment of the asset base is taken from its professional valuer. Officers provided additional evidence to us during the course of the audit to demonstrate that those assets not valued in the year were still fairly stated.</p> <p>We consider the disclosures around useful economic lives of assets, accruals and the bad debt policy to be appropriate..</p>	 <b>Green</b>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>

**Assessment**



# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Strategic (Overview and Scrutiny) Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council,</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send a confirmation request to your bank. This permission was granted and the request was sent and received.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas;</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Welfare Benefits and Operating Expenses.

The controls were found to be operating effectively and we have no matters to report.

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	For our testing we were able to agree the employee's salary banding back to line manager confirmation, however the Council should ensure that it retains copies of contracts for all employees in case of future disputes.	Improved processes have already been implemented by the Personnel Manager

**Assessment**

- ✓ Action completed
- X Not yet addressed

# Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Nil			
<b>Overall impact</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£Nil</b>

# Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1 Nil			
<b>Overall impact</b>	<b>£Nil</b>	<b>£Nil</b>	

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	872,000	Capital Commitments	A capital commitment of £872,000 needed to be added for refuse vehicles acquired via a finance lease
2 Disclosure	n/a	Annual Governance Statement	Some amendments were made to the draft Annual Governance Statement to ensure the statement is kept balanced and impartial. There were also some other minor changes necessary.
3 Disclosure	n/a	PPE notes	The useful economic life of property plant and equipment needed to be amended to allow consistency with previous years
4 Disclosure	n/a	PRP foot note on note 31	The footnote on performance related pay needed to be expanded to explain the timing of payment (i.e. that 2014-15 payments are made in 2015-16)
5 Disclosure	n/a	Throughout	There were also some typographical changes needed to the draft statements such as page references and casting errors.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in April 2016 and identified the following significant risks, which we communicated to you in our Supplementary Audit Plan dated June 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.



### **Significant qualitative aspects**

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was whether the Council is on track to realise the planned benefits of the restructuring.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Council Restructure</b></p> <p>A new structure was presented to the Council for approval which re-organises the current senior management structures. The review of the existing senior management structure was undertaken by West Midlands Employers following from the findings of the LGA Corporate Peer Challenge in September 2014 which observed that the Council lacked a 'One Council' ethos. The new structure realigns where responsibilities for Council services sit. It also streamlines the current management structure in order to tackle identified capacity issues. The restructure is expected to be cost neutral and the estimated cost of any associated redundancy costs could be up to £500k. An earmarked reserve of £418,225 has been set aside to provide for this.</p>	<p>We reviewed the finalised structure to ensure that it complies with the Council's statutory responsibilities.</p> <p>We reviewed the progress made by the Council towards the implementation of the new structure to assess whether the Council is on track to realise the planned benefits of the restructuring.</p>	<p>The Council carried out a detailed consultation exercise on its original restructuring plan using West Midlands Employers. This consultation resulted in changes to the previous draft structure and this was then formally approved in June by Cabinet and Council.</p> <p>The new structure provides for two director posts under the Chief Executive with eight heads of service and a fixed term contract Assistant Chief Executive role.</p> <p>The first part of the Council's implementation of its new structure is now in place as appointments have been made to the two director posts. Currently the assimilation process for the heads of service posts is in progress and many appointments to these posts should be made by mid September. It is expected that not all these posts will be filled at that point and some external appointment may be necessary</p> <p>It is clearer now how statutory roles of monitoring officer and Section 151 will be discharged in the new structure. The new Head of Finance and Procurement role will hold section 151 responsibilities and will sit on management team to ensure finance representation at that level.</p> <p>Although the final assessment of the financial costs and benefits realised can not be completed until the final appointments to the new structure are made, the process appears to be on track to deliver. Officers are currently confident that the redundancy reserve will be sufficient. We will continue to review the Council's progress in our 2016/17 audit work.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

**05. Fees, non audit services and independence**

06. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Proposed fee £	Final fee £
Council audit	45,950	45,950
Grant certification –housing benefits	5,148	5,148
<b>Total audit fees (excluding VAT)</b>	<b>51,098</b>	<b>51,098</b>

### Fees for other services

Service	Fees £
Audit related services	0
Non-audit services	0

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices



# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

We have audited the financial statements of Lichfield District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Head of Finance and Procurement and auditor

As explained more fully in the Statement of the Head of Finance and Procurement's Responsibilities, the Head of Finance and Procurement 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 2015/16, which 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 Head of Finance and Procurement; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

**Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

James Cook  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building, Colmore Circus, Birmingham B4 6AT  
September 2016



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Grant Thornton UK LLP  
 The Colmore Building  
 20 Colmore Circus  
 Birmingham, West Midlands  
 B4 6AT

9 August 2016

Dear Sirs

Lichfield District Council  
**Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the financial statements of **Lichfield District Council** for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

i We have fulfilled our responsibilities for the preparation of 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 2015/16 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.



vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent

b none of the assets of the Council has been assigned, pledged or mortgaged

c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosure changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

xv We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b additional information that you have requested from us for the purpose of your audit; and

c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.



xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

xxiv We have concluded that as a result of the Valuation work undertaken by our external Valuer the assets not revalued either as part of the five year rolling programme or where the Valuer has identified materially different asset valuations in his sampling during 2015/16 are not materially different to the values included at the 31 March 2016.

### **Annual Governance Statement**

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### **Narrative Statement/Annual Report**

xxvi The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.



## Approval

The approval of this letter of representation was minuted by the Strategic (Overview and Scrutiny) Committee at its meeting on **7 September 2016**.

Yours faithfully

Councillor Robert Strachan  
Chair of Strategic (Overview and Scrutiny) Committee  
Date

Diane Tilley  
Chief Executive  
Date

Anthony Thomas  
Acting Section 151 Officer  
Date



# Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy

## Cabinet Member for Finance and Democracy

Date:	7 September 2016
Agenda Item:	7
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	YES
Local Ward Members :	Full Council

## Strategic (Overview and Scrutiny) Committee

## 1. Executive Summary

- 1.1 The report covers the financial performance from April to June (Quarter one) for the financial year 2016/17.
- 1.2 The Revenue Budget (Net Operating Cost) is projected to be above budget by **£2,940** compared to the Approved Budget and this sum will be transferred from general reserves.
- 1.3 A significant element of **(£233,220)** of the Efficiency Plan target of **(£350,000)** has been identified and therefore there remains **(£116,780)** to be identified during 2016/17.
- 1.4 The budgeted transfer to general reserves was **£8,560** as approved by Council on 23 February 2016. The Council's performance in the year to date projects that **(£113,880)** will be transferred from general reserves. This means the Council's general reserves are projected to reduce by **£122,440** for the financial year 2016/17 in comparison with the Original Budget.
- 1.5 The Capital Programme is projected to be below budget by **(£1,342,000)**; this will result in updates being made to the profiling of project spend to later financial years.
- 1.6 The Council is projected to receive lower capital receipts of **£50,000** compared to the Approved Budget.
- 1.7 In terms of Council Tax and Business Rates:
  - The Council's collection performance on Council Tax based on debt covering all years is **29.21%** and this is consistent with previous years.
  - There is a projected surplus for Council Tax and the Council's share of **(£23,481)** will be included in the 2017/18 budget.
  - The Council is projected to be paying Business Rate levy of **£398,700** to the GBS pool and will receive **(£130,000)** of returned levy. This is **£4,400** more net levy than the Approved Budget after taking account of the budgeted volatility allowance.
  - Overall Retained Business Rate Income is projected to be in line with the Approved Budget.
  - The Council's collection performance on Business Rates based on debt covering all years is **28.56%** and this is consistent with previous years.
  - There is a projected surplus for Business Rates and the Council's share of **(£612,860)** will be included in the 2017/18 budget.
- 1.8 The Council's investments achieved a risk status that was more secure than the aim of **A-** and yield exceeded all four of the industry standard LIBID yield benchmarks.



## 2. Recommendations

- 2.1 To note the report and issues raised within.
- 2.2 To note that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy (Revenue and Capital) 2016-20 (MTFS (R&C) 2016-20).
- 2.3 To note the increase of **£154,000** in the Capital Programme Approved Budget for the Hawksyard Community Building from **£166,000** to **£320,000** with funding provided by Section 106 contributions.
- 2.4 To note the increase of **£205,000** in the Capital Programme Approved Budget for Synthetic Pitch replacement from **£165,000** to **£370,000** with funding provided by capital receipts of **£165,000** and an earmarked reserve of **£40,000**.
- 2.5 To note the establishment of an Earmarked Reserve to manage the potential underlying asset price risk related to the Property Fund investment. All income in excess of the approved income budget will be transferred to the Earmarked Reserve for the duration of the investment to mitigate the risk of a reduction in asset prices.

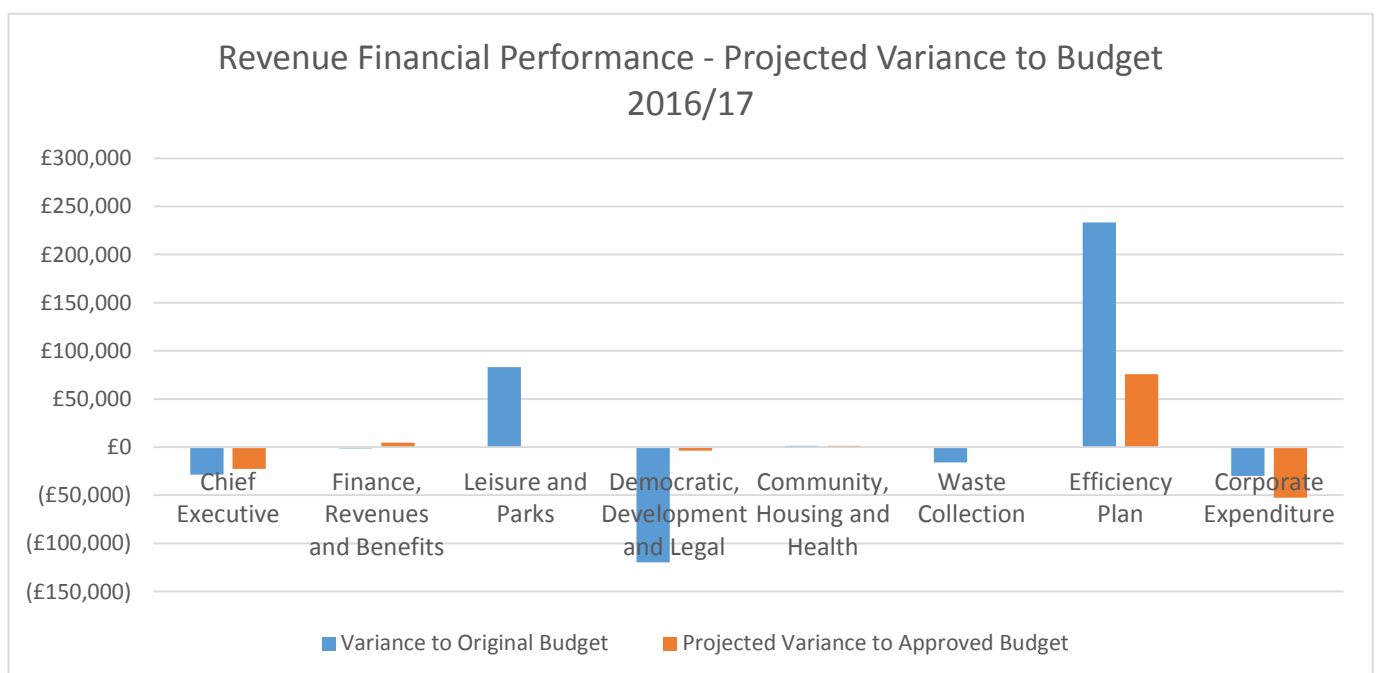
## 3. Background

### Budget Management

- 3.1. The MTFS (R&C) 2016-20 approved by Council on 23 February 2016 included the Original Budget for 2016/17 and set out the allocation of resources and the policies and parameters within which managers are required to operate.
- 3.2. Throughout the financial year, Money Matters reports will be provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at 3, 6 and 8 months intervals to monitor financial performance.
- 3.3. The Money Matters reports update the Approved Budget to reflect latest projections and the 8 month Money Matters report will form the basis of the Revised Approved Budget for 2016/17 and will be approved by Council on 21 February 2017.

### The Revenue Budget

- 3.4. A summary of the financial performance compared to both the Original Budget and the Approved Budget is shown in the graph below. The budget audit trail and the detail related to these figures is shown at **APPENDIX A** together with the gross expenditure and gross income for each Service area.



## Performance compared to the Original Budget

3.5 There are four areas where there is projected to be a significant variance to the Original Budget:

- The approval by Cabinet of **£100,000** for professional advisors for the Leisure Review have increased the Approved Budget in this area.
- The approval by Cabinet of a car parking strategy has increased income in this area by **(£114,870)**.
- The details of the savings made in relation to the efficiency plan are explained below.
- A property fund investment has been undertaken and this has generated additional income and is explained further below.

## Performance compared to the Approved Budget

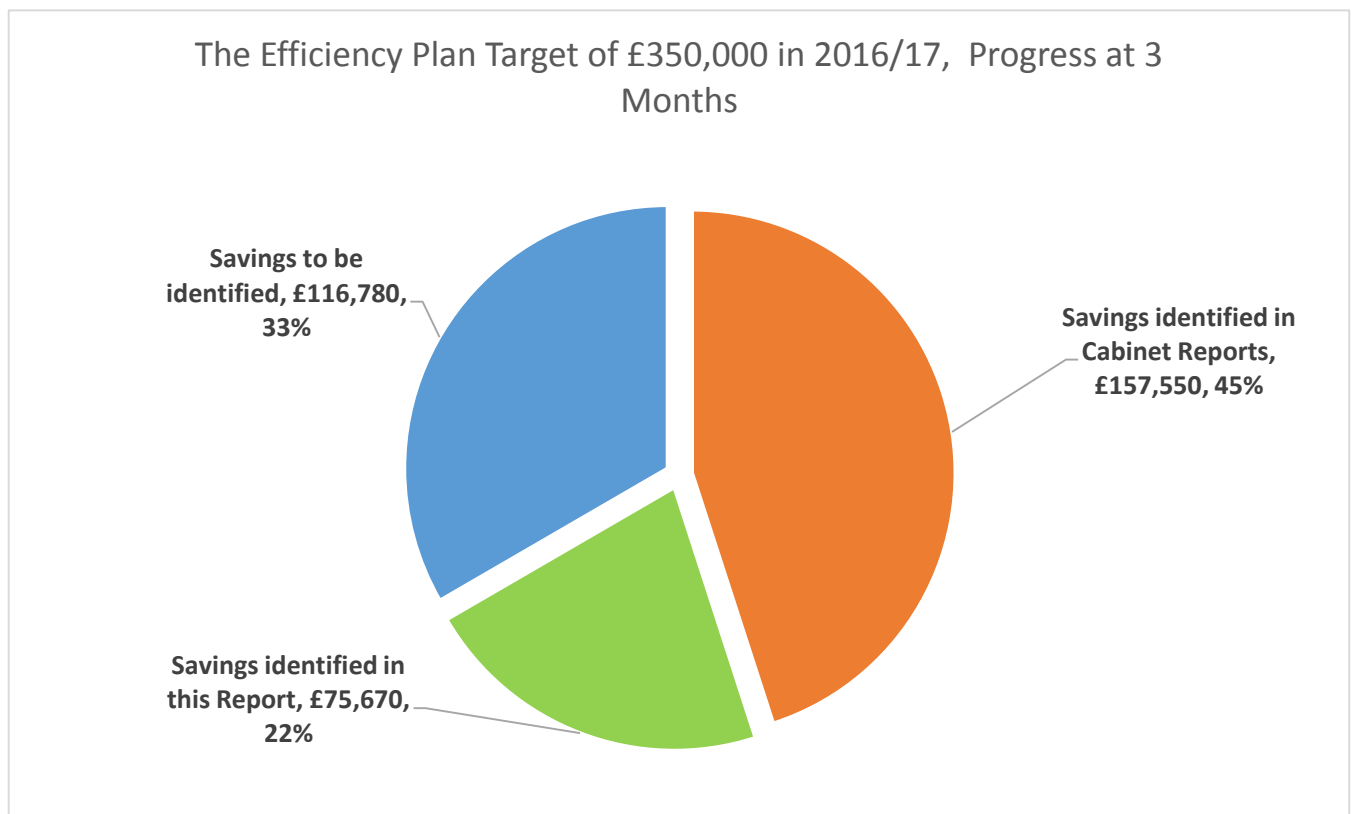
3.6 In terms of financial performance, compared to the Approved Budget, the key points to note are:

- Net Operating Cost is projected to be above budget by **£2,940**.
- The level of General reserves will reduce by **£2,940** compared to the Original Budget.

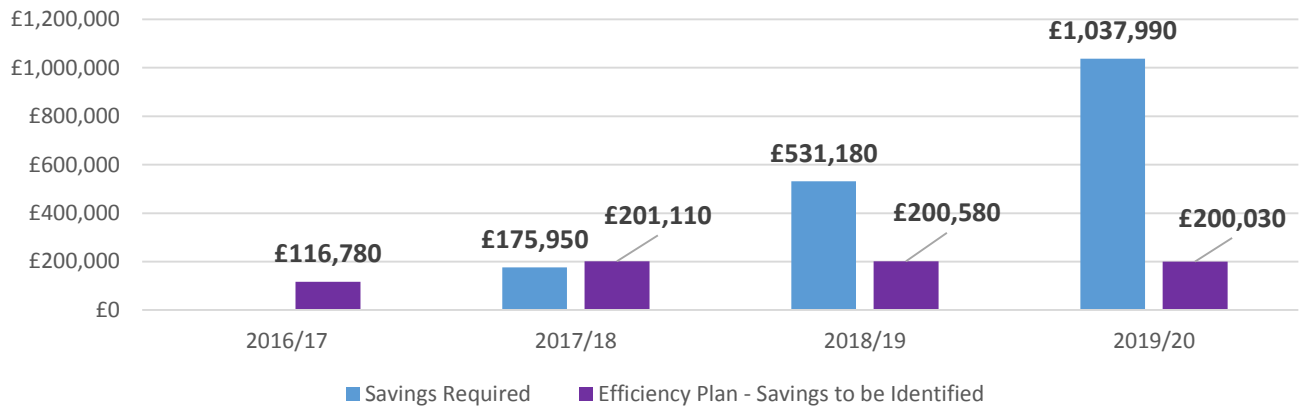
3.7 In order to understand the reasons for this above budget performance of **£2,940**, analysis work has been undertaken and the details are shown in **APPENDIX B**. In summary, the budget variance falls into two categories :

- One-off net savings (additional expenditure offset by additional income) of **£2,940**. The most significant items are the costs of a temporary support for Information Technology of **£21,340** less savings in Civic Expenses of **(£5,860)** and additional Housing Benefit Grant of **(£10,080)**.
- Ongoing savings/additional income of **(£75,670)**. The most significant items are savings in Civic Expenses **(£8,880)**, savings in communications **(£8,000)**, additional income from the Business Improvement District of **(£6,700)**, savings in Tourism of **(£22,000)** and Members Allowances increases of **£18,500**.

3.8 The ongoing savings/additional income have reduced the Efficiency Plan Approved Budget of **(£192,450)** and means there is **(£116,780)** of the Efficiency Plan target to identify during the remainder of 2016/17. The progress to date on the Efficiency Plan and the further savings to be identified over the period of the current Medium Term Financial Strategy is shown in the graphs below:

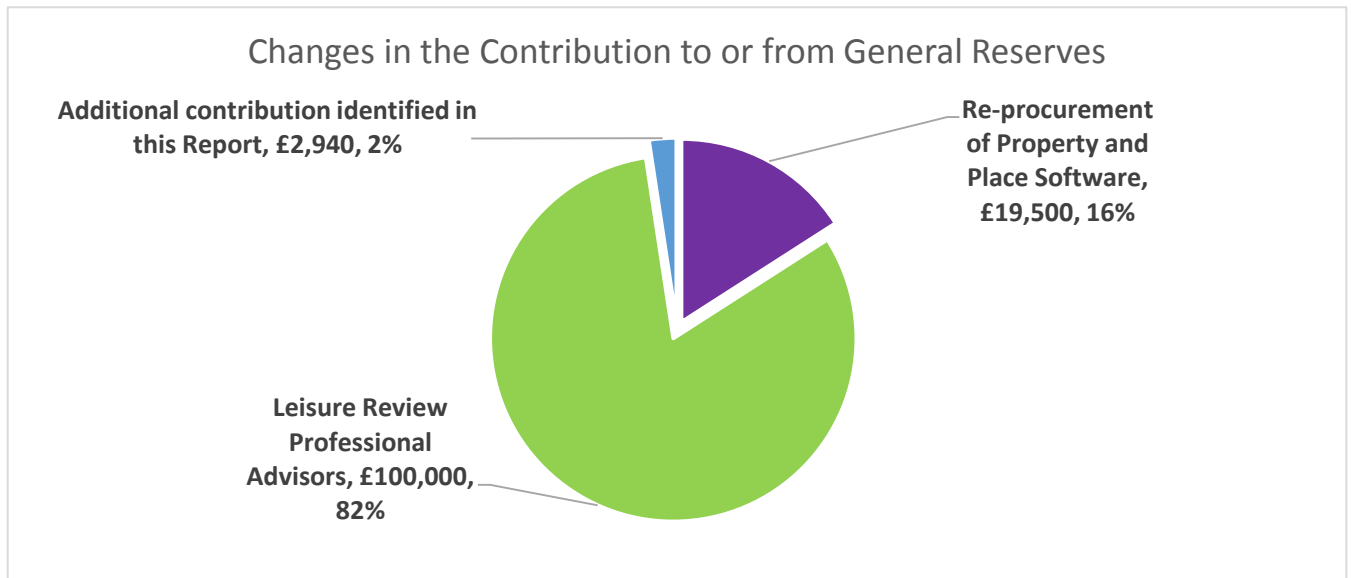


### Efficiency Plan and Further Savings to be Identified over the MTFS - Progress at 3 Months

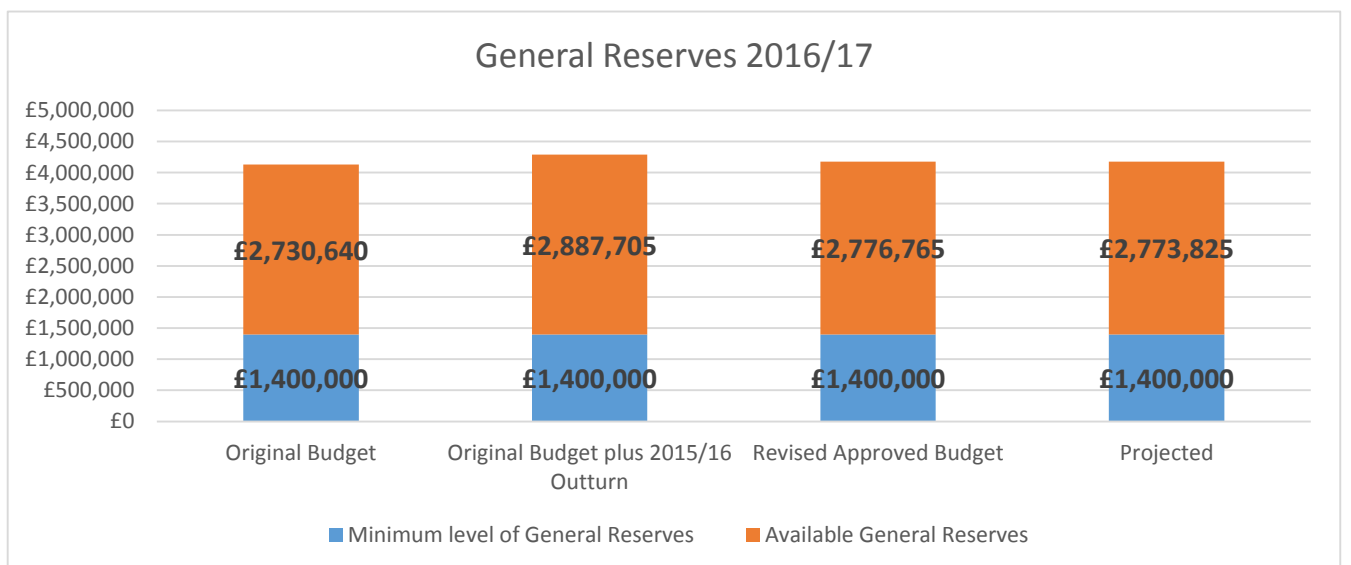


### Revenue General Reserves

3.9 The reasons for the change of (£122,440) from a contribution to general reserves of £8,560 to a contribution from general reserves of (£113,880) is shown in the graph below:



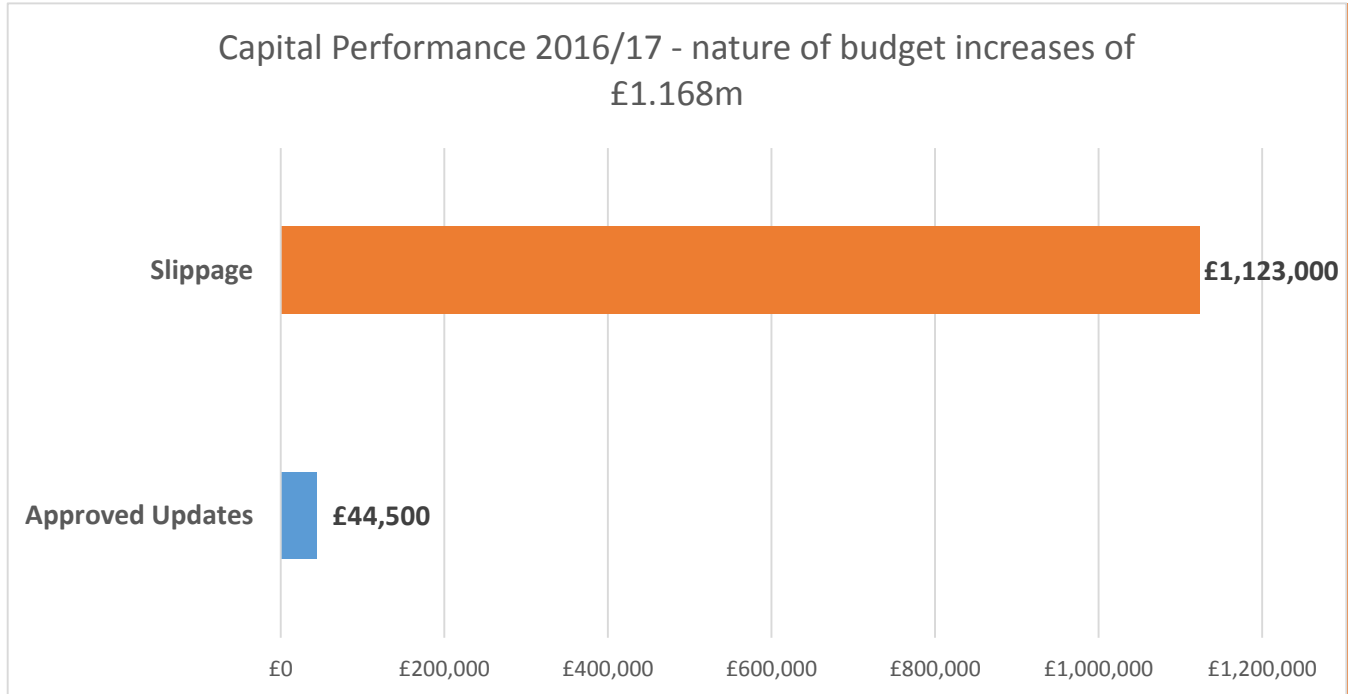
3.10 The following Revenue general reserves are available to assist the Council in meeting General Fund expenditure as part of the Medium Term Financial Strategy:



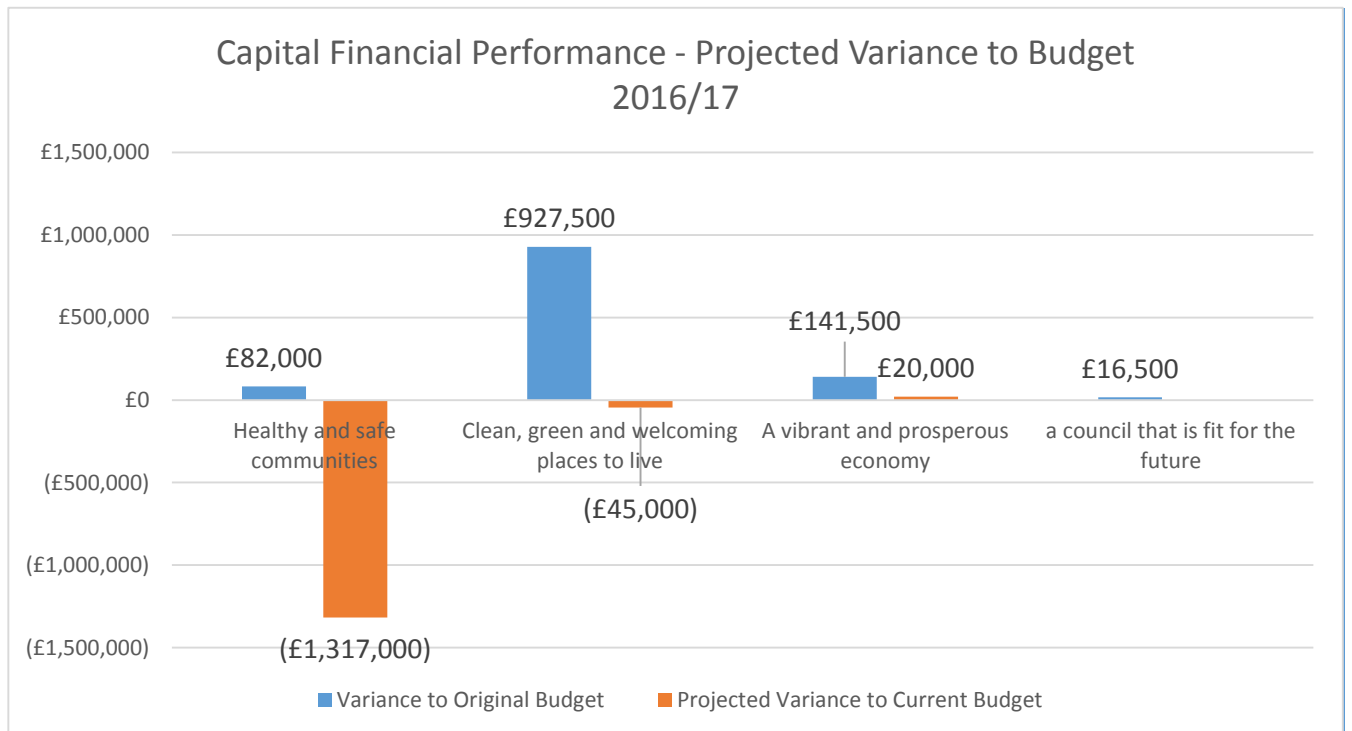
3.11 Earmarked reserves are classified into unrestricted reserves where there are no restrictions over their use and restricted reserves where their establishment or use is determined by a legal or partnership agreement such as the car park reserve. We are currently reviewing our earmarked reserves approach to ensure reserves are managed in the most effective way.

**The Capital Programme**

3.12 A summary of the budgetary changes from the Original Budget of **£7,505,000** to the Approved Budget of **£8,672,500** undertaken throughout the financial year totalling **£1,167,500** is shown in the graph below:



3.13 We are projecting that the Capital Programme performance will be below budget by **(£1,342,000)** or **15%** compared to the Approved Budget. This below budget performance compared to both the Original and the Approved Budgets is shown by the new Strategic Plan’s priorities in the graph below and in detail at **APPENDIX C**:



### Performance compared to the Original Budget

3.15. The increases in three strategic priorities reflect the inclusion of slippage in capital expenditure from 2015/16.

### Performance compared to the Approved Budget

3.16. The reason for the significant projected below budget variance to the Approved Budget on Healthy and Safe Communities is related to rephrasing of Affordable Housing projects of (£1,154,000) to 2017/18 to reflect latest project plans such as Friarsgate.

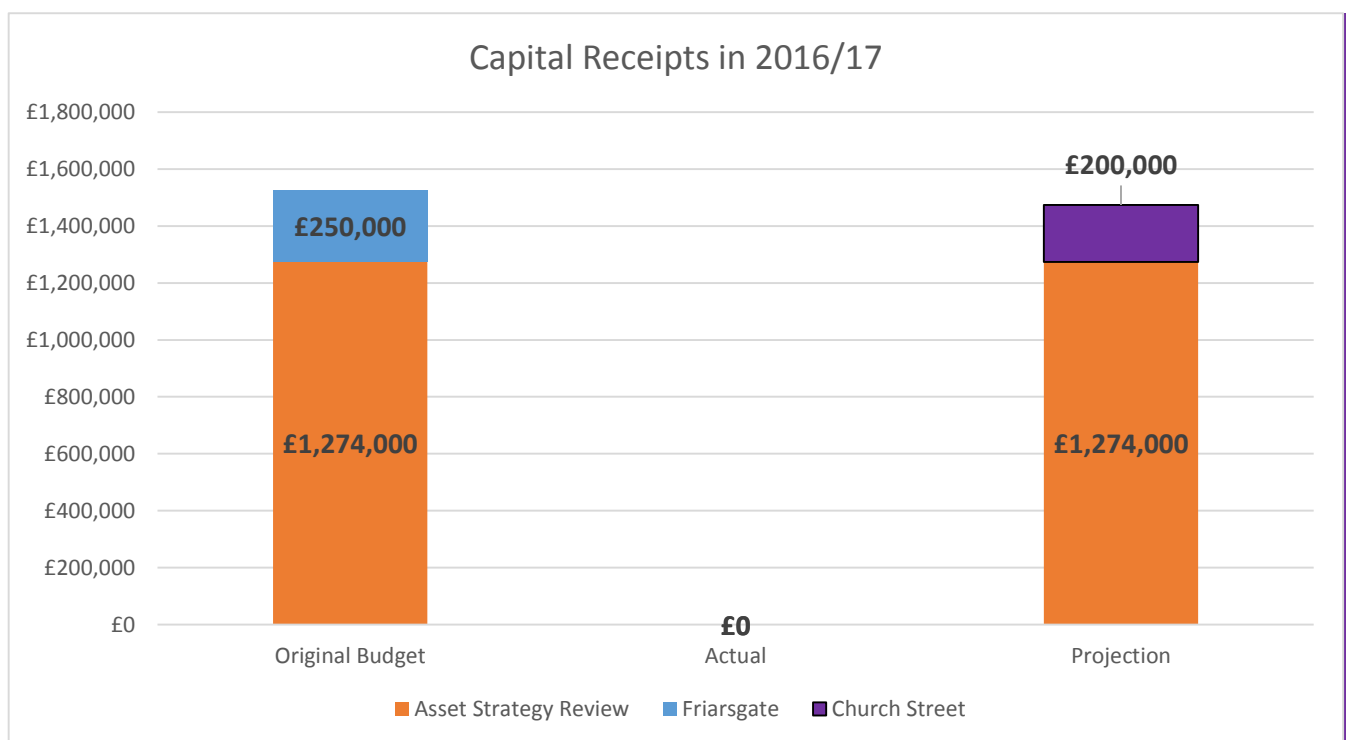
3.17. There are two projects in the Approved Capital Programme that require updates in excess of the key decision limit of £50,000, these projects are:

- The Community Building at Hawksyard has an Approved Budget of £166,000 funded by Section 106 contributions from the housing development on the site. A further £154,000 has been received in Section 106 contributions and therefore it is recommended that this budget is increased to £320,000.
- The Replacement of two synthetic pitches has an Approved Budget of £165,000 funded by capital receipts and an earmarked reserve. The replacement of these two pitches is estimated to cost £370,000 and will enable revenue savings to be generated from King Edwards Leisure Centre being transferred to the school and the Leisure Services review being undertaken. An additional earmarked reserve has been established for £40,000 and therefore the shortfall in funding is £165,000. It is recommended that this shortfall is funded from the additional capital receipts received in 2015/16.

3.18. There have been no actual capital receipts received during the first three months of 2016/17 compared to the Original and Approved Budgets of (£1,524,000).

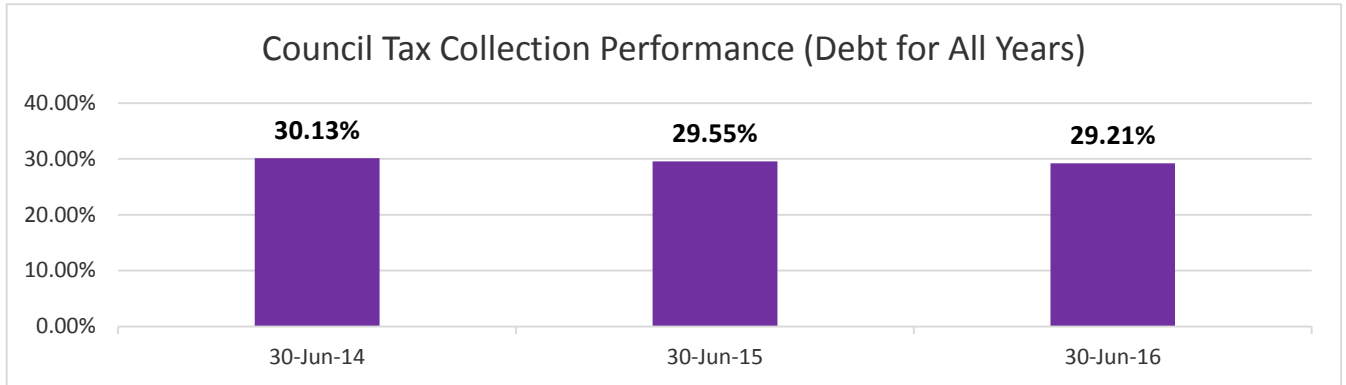
3.19. We are projecting capital receipts of (£1,474,000) because there is an interested party in the Bore Street Shops (Asset Strategy Review) who is currently undertaking due diligence and although the land receipt of (£250,000) from Friarsgate (this sum has not been assumed available to fund capital investment) is unlikely to be received in 2016/17 a land sale at Church Street for (£200,000) has taken place.

3.20. The Approved Budget, actual capital receipts received in the first three months and the projected capital receipts are shown in the graph below:

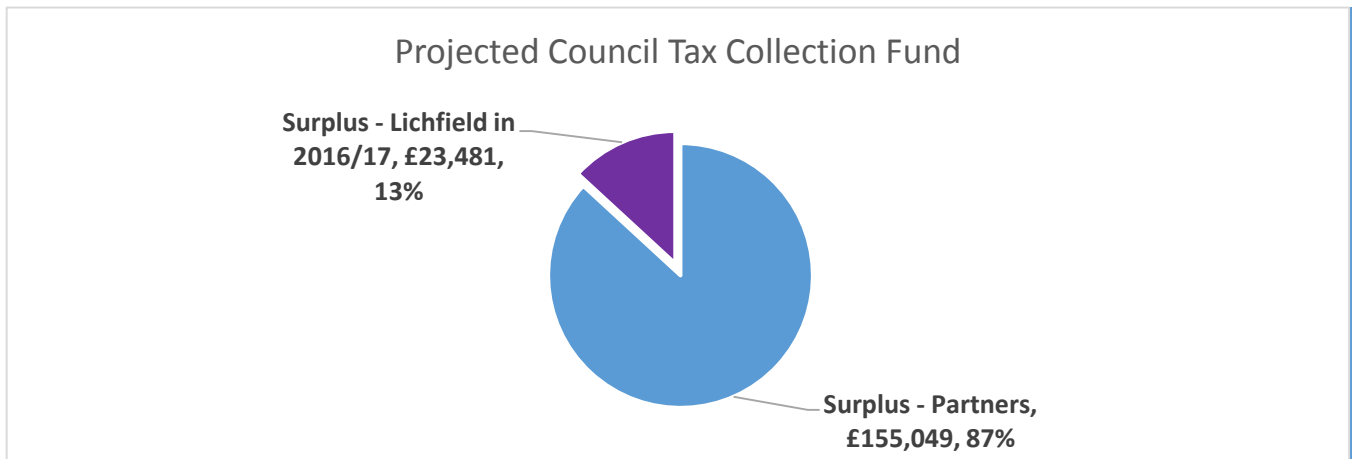


## Council Tax

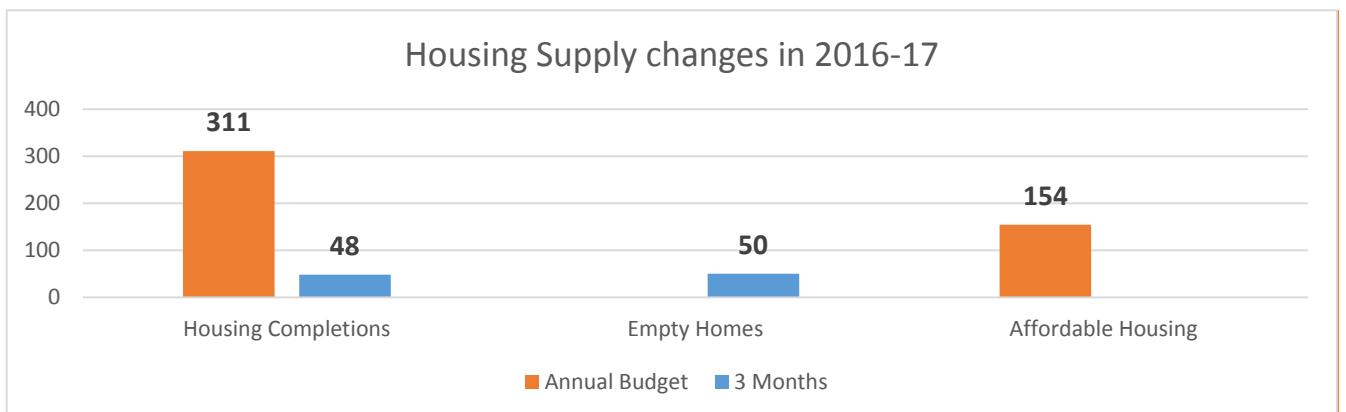
- 3.21. The Council is responsible for the collection of Council Tax for all precepting authorities in 2016/17 totalling **£56m**.
- 3.22. The collection performance for Council Tax for the first three months of the last three financial years is shown in the graph below:



- 3.23. The collection performance has remained consistent with the same period in previous financial years.
- 3.24. A summary of the Projected Council Tax Collection Fund performance (The Budget assumed a breakeven position) is shown in the graph below with detail shown at **APPENDIX D** and is based on Lichfield's (including Parishes) current share of Council Tax of **13%**:

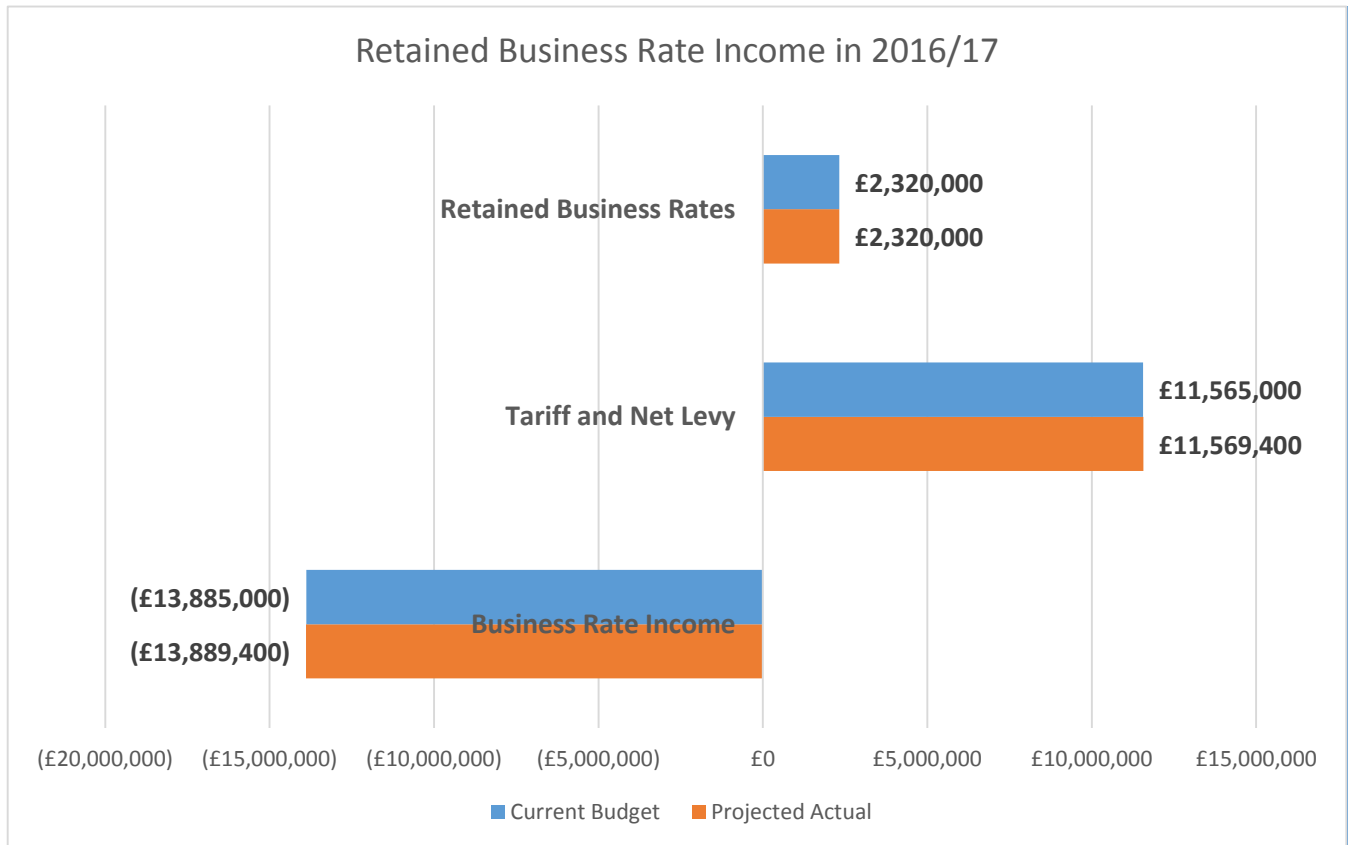


- 3.25. The projected surplus in 2016/17 includes the actual surplus in 2015/16 together with performance related to 2016/17. The Council's share of the projected surplus of **(£23,481)** will be included in the 2017/18 Budget.
- 3.26. Housing supply is one of the key assumptions in the Medium Term Financial Strategy because it impacts on the income we receive from Council Tax and New Homes Bonus. The progress to date using information on housing completions and empty homes from Council Tax is shown in the graph below:

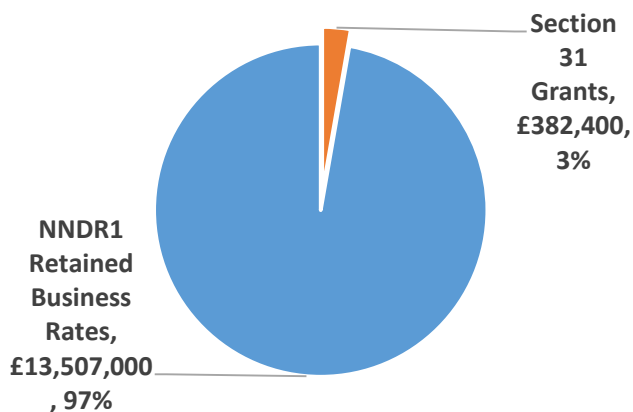


## Business Rates

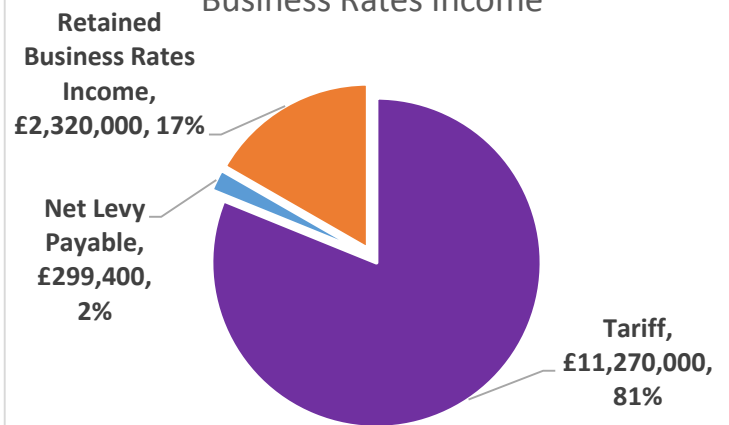
- 3.27. The Council will collect Business Rates for all partners in 2016/17 totalling **£35m**.
- 3.28. The Council receives a **40%** share of Business Rates income. The Council's share included in its budget is based on the NNDR 1 estimated level together with Section 31 grants for certain reliefs granted. The Council must then pay the Government set tariff and any net levy based on growth above the Government set baseline (or receive safety net in the event of business rates have reduced more than a set percentage below the baseline).
- 3.29. The Retained Business Rate income for 2016/17 is projected to be **(£2,320,000)** compared to the Approved Budget of **(£2,320,000)**. The detail of the Council's actual and budgeted share of Business Rates income, the tariff and net levy and retained Business Rates in 2016/17 is shown in detail at **APPENDIX D** and in the graphs below:



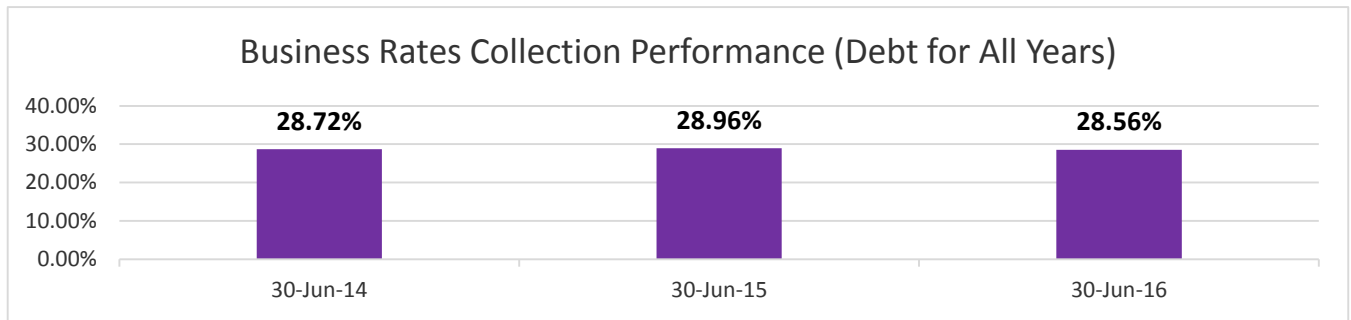
The makeup of the Council's share of Business Rate Income



The use of the Council's share of Business Rates Income

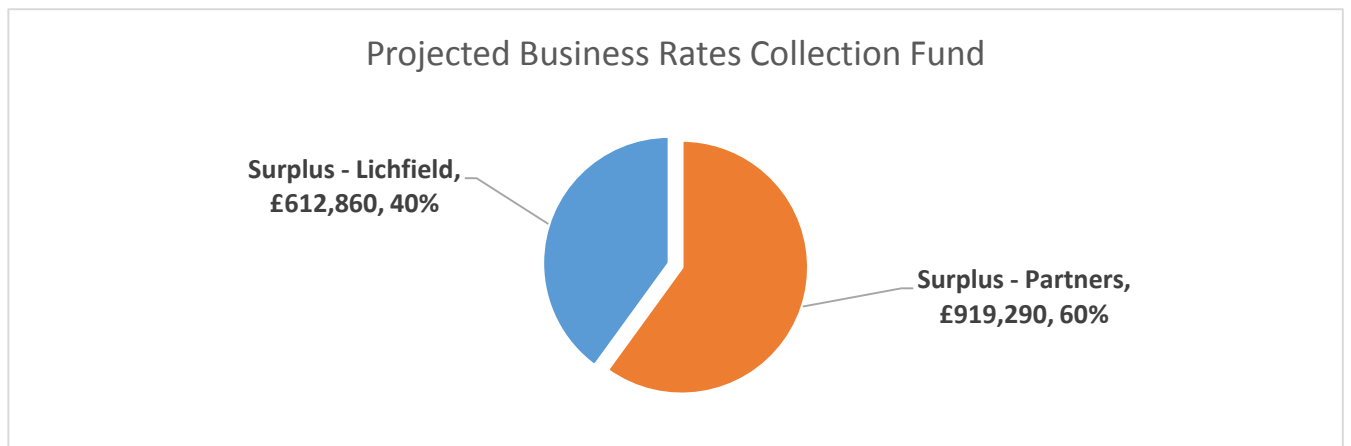


3.30 The collection performance for Business Rates for the first three months of the last three financial years is shown in the graph below:



3.31 The collection performance has remained consistent with the same period in previous financial years.

3.32 A summary of the projected Business Rates Collection Fund performance is shown in the graph below (the budget assumed a breakeven position) with detail shown at **APPENDIX D** and is based Lichfield's prescribed share of **40%**:

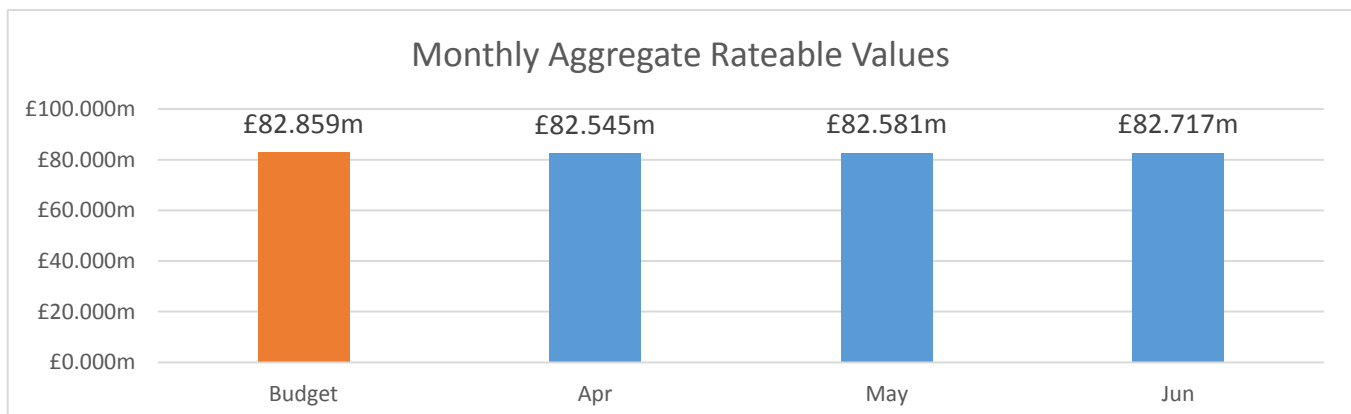


3.33 The main reasons for the surplus of **(£1,532,150)** are:

- There was a lower than projected deficit in 2015/16 of **(£1,245,000)**.
- The projected net yield from Business Rates in 2016/17 after taking account of reliefs is projected to be **(£287,150)** higher than estimated.

3.34 Therefore the Council's share of the projected surplus in 2016/17 is **(£612,860)** and this will be included in the 2017/18 Budget.

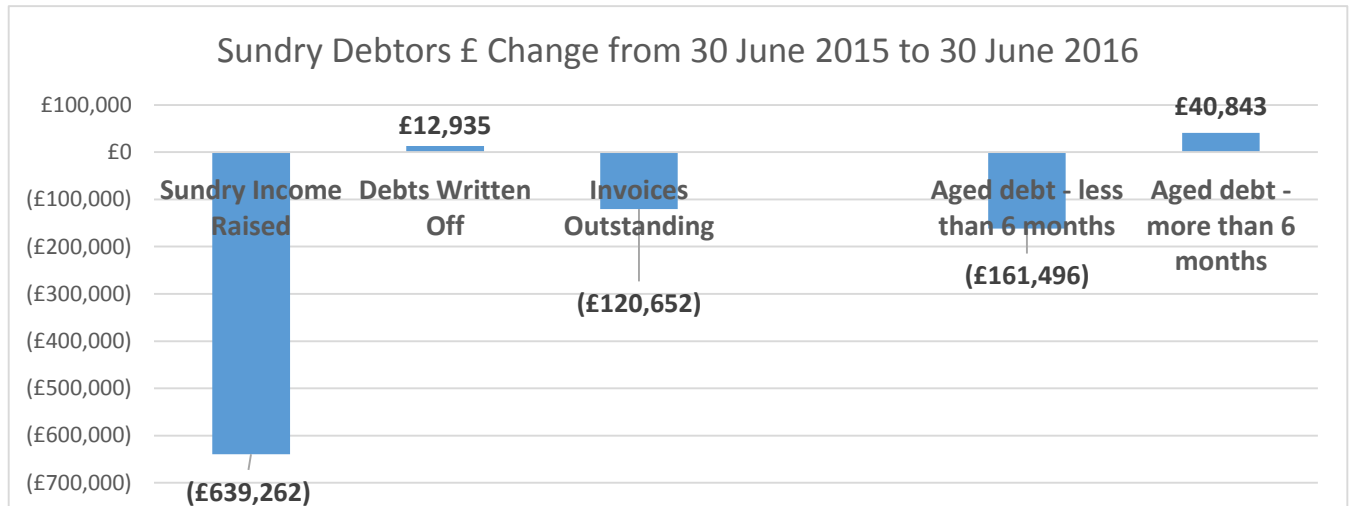
3.35 Another key assumption in the Medium Term Financial Strategy is the level of growth or decline in Business Rates. The Original Budget assumed the only reduction in Rateable Value during 2016/17 would be in relation to properties impacted by the Friarsgate development. The level of Rateable Value in the first three months compared to the Approved Budget is shown in the graph below:





## Sundry Debtors

3.36 A summary of key transactions levels and collection performance for Sundry Debtors in 2016/17 compared to 2015/16 is shown in the graph below:



3.37 The collection performance is shown in detail at **APPENDIX D** and is summarised below:

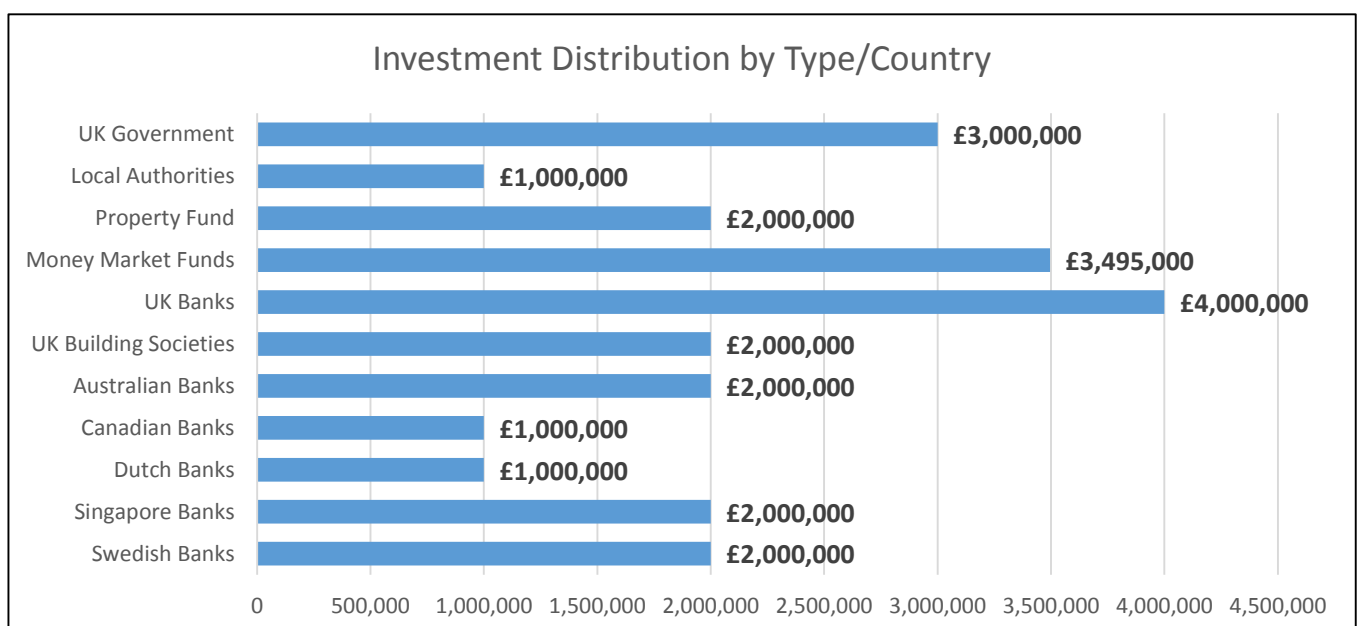
- The value of income raised has reduced by **(£639,262)** or 32% due in part to the sale of the industrial units.
- The value of write offs has increased by **£12,935** or 935% due to several write offs of Housing debts and Housing Benefit Overpayments.
- Overall invoices outstanding have reduced by **(£120,652)** or (6.78%) with a reduction in those outstanding for less than 6 months by **(£161,496)** or (12.67%) and an increase in those outstanding for more than six months by **£40,843** or 8.10%.

## Treasury Management

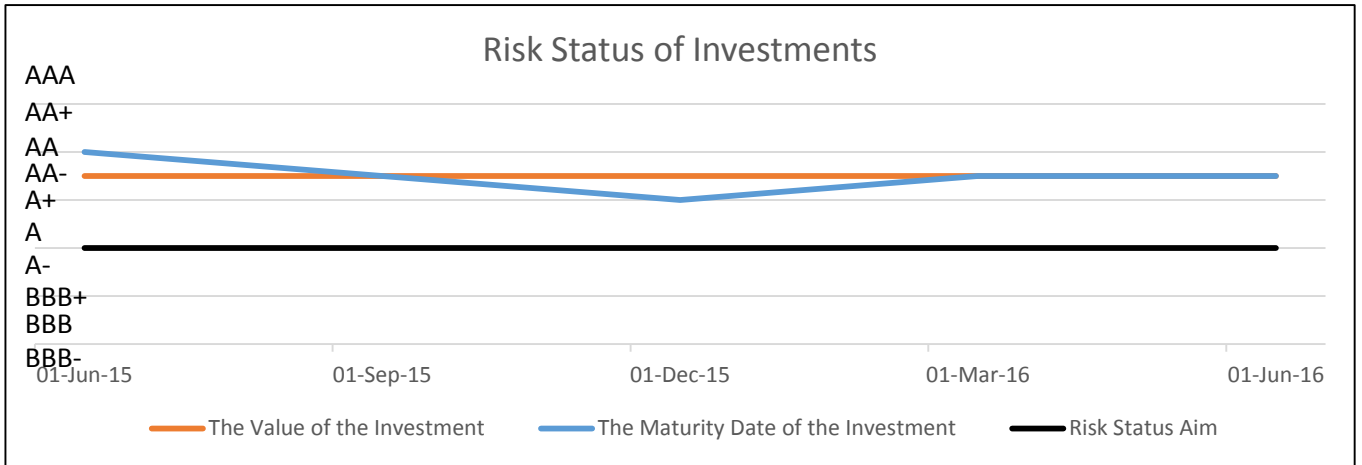
3.38. The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

### The Security of Our Investments

3.39. The investments the Council had at the 30 June 2016 of **£23,495,000** by type and Country are summarised in the graph below and in more detail at **APPENDIX E**:

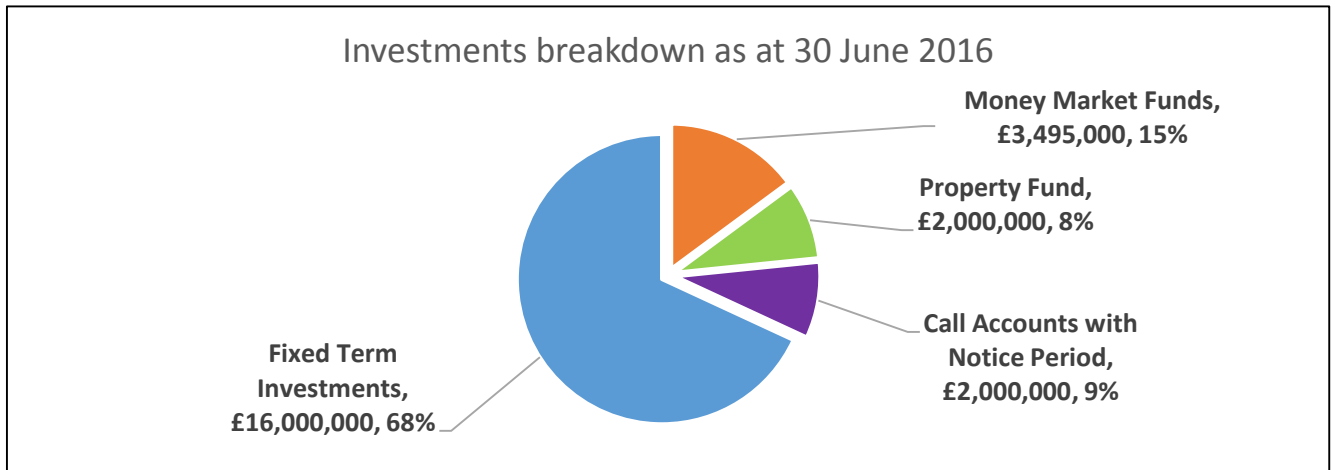


3.40. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a twelve month period is summarised in the graph below:



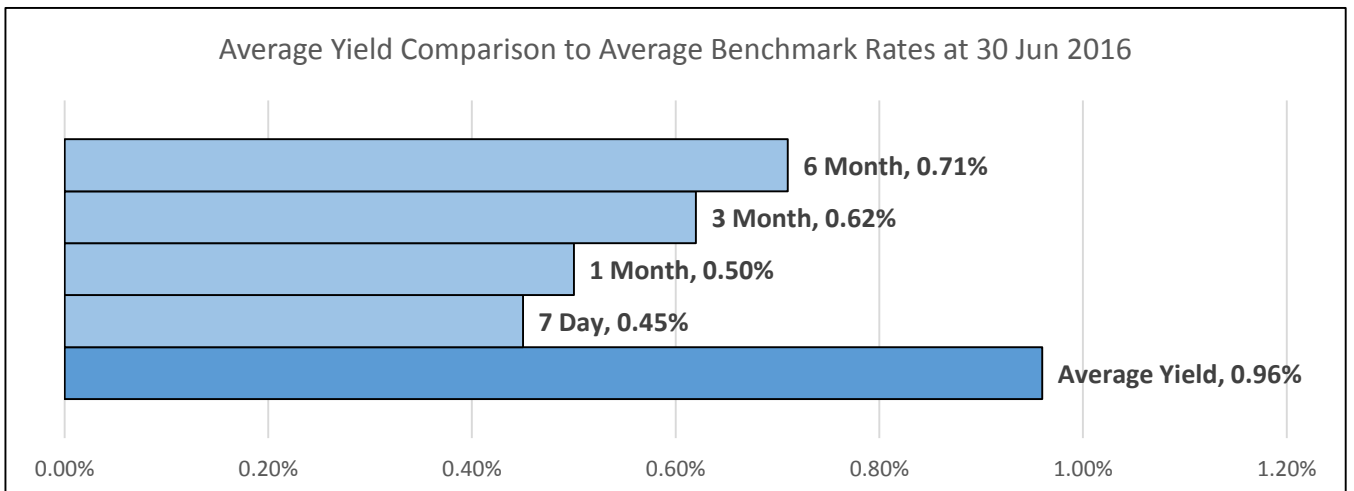
### The Liquidity of our Investments

3.41. The Council has not had to temporarily borrow during 2016/17 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The proportion of investments of this type is shown in the graph below:



### The Return or Yield of our Investments

3.42. The yield the Council achieved for the first three months (the recent 0.25% reduction in interest rates will reduce the annual projected return) compared to a number of industry standard benchmarks (including our preferred benchmark of the 7 day LIBID rate) is shown in the graph below:



- 3.43. The investment activity during the financial year is projected to generate **(£176,855)** of net investment income compared to a budget of **(£124,400)** and overall the Net Treasury position is projected to be below budget by **(£52,455)**.
- 3.44. The main reason for the projected additional net investment income is the approved investment of £2m in a property fund that is projected to generate **(£80,860)** in 2016/17.
- 3.45. This investment whilst generating additional yield has the risk that the investment value could fall in line with the underlying property assets in the fund. It is therefore recommended that a volatility reserve is established for the duration of the investment and that any investment income in excess of a threshold currently set at **(£50,000)** per annum is contributed to this reserve to mitigate this risk.
- 3.46. In 2016/17 the contribution to this volatility reserve is projected to be **(£30,860)**.

<b>Alternative Options</b>	There are no alternative options.
<b>Consultation</b>	Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.
<b>Financial Implications</b>	At this three months stage in the year, for the period up to June 2016, we forecast a contribution <u>from</u> general reserves of <b>(£113,880)</b> will be made, against a budgeted contribution of <b>£8,560</b> <u>to</u> general reserves.  Further detailed analysis on the Financial Performance up to June 2016 is shown in the attached Appendices.
<b>Contribution to the Delivery of the Strategic Plan</b>	The MTFs underpins the delivery of the Strategic Plan 2016-20.
<b>Equality, Diversity and Human Rights Implications</b>	There are no additional Equality, Diversity or Human Rights implications.
<b>Crime &amp; Safety Issues</b>	There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk (RYG)
<b>A</b>	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 including the impact of the EU Referendum	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
<b>B</b>	Counterparty default	A new Annual Investment Strategy was approved by Cabinet on 7 April 2015. This new Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material

<b>C</b>	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
<b>D</b>	Planned capital receipts are not received	The Council plans to dispose of a number of assets to fund capital investment including Industrial Units and Shops. Two of these sales have been completed and the remaining one is being monitored closely to ensure any subsequent financial implications are included in the MTFS.	Red - Severe
<b>E</b>	New Government policies including the level of cuts to Communities and Local Government	To ensure any new policies such as those related to Business Rates and New Homes Bonus are evaluated and the impact is incorporated into the MTFS.	Red - Severe

<b>Background Documents</b>	<ul style="list-style-type: none"> <li>• CIPFA Code of Practice for Treasury Management in the Public Services</li> <li>• The Prudential Code for Capital Finance in Local Authorities</li> <li>• Money Matters: Calculation Of Business Rates – National Non Domestic Rates 2016/17 and Council Tax Base 2016/17, together with Collection Fund Surplus / (Deficit) For 2015/16 – 12 January 2016.</li> <li>• Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-20 Cabinet - 9 February 2016.</li> <li>• Procurement of Contract Hire Vehicles – Cabinet 9 February 2016</li> <li>• Review of the Civic Function – Cabinet 5 April 2016</li> <li>• Re-procurement of property and place related software applications – Cabinet 5 April 2016</li> <li>• Re-procurement of Desktop Operating Software Contract – Cabinet 5 April 2016</li> <li>• Approval of Formal Car Parking Strategy – Cabinet 10 May 2016</li> <li>• Proposed Revised Charges for Street Naming and Numbering – Cabinet 5 July 2016</li> <li>• Broadband Connections – Cabinet 5 July 2016</li> <li>• Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2016</li> </ul>
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<b>Relevant web link</b>	<a href="#"><u>Cabinet - Lichfield District Council</u></a>
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## Transfers from General Reserves

Cabinet Date	Report Title	2016/17
05/04/2016	Re-procurement of property and place related software applications	19,500
05/07/2016	Fit for the Future Leisure Review Appointment of Professional Advisors	100,000
	<b>General Reserve</b>	<b>£119,500</b>

## Cabinet Reports

Cabinet Date	Report Title	2016/17	2017/18	2018/19	2019/20
09/02/2016	Procurement of Contract Hire Vehicles	(17,870)	(17,870)	(17,870)	(17,870)
05/04/2016	Review of the Civic Function	(5,810)	(7,380)	(7,380)	(7,380)
05/04/2016	Re-procurement of property and place related software applications	4,930	3,930	3,400	2,850
05/04/2016	Re-procurement of Desktop Operating Software Contract	2,800	2,800	2,800	2,800
10/05/2016	Approval of Formal Car Parking Strategy	(114,870)	(172,300)	(172,300)	(172,300)
05/07/2016	Proposed Revised Charges for Street Naming and Numbering	(4,530)	(10,200)	(10,200)	(10,200)
05/07/2016	Broadband connections	7,490	7,490	7,490	7,490
06/09/2016	Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy	(29,690)	(29,690)	(29,690)	(29,690)
	<b>Efficiency Plan</b>	<b>(£157,550)</b>	<b>(£223,220)</b>	<b>(£223,750)</b>	<b>(£224,300)</b>

## Audit Trail - The Approved Revenue Budget

	Original Budget	15/16 Recurring Outturn Adjustments	Revised Insurance Allocations	Cabinet Reports	Cabinet Leisure Fit for the Future	Approved Budget
Chief Executive	824,080		(6,740)	(5,810)		811,530
Finance, Revenues and Benefits	2,358,020	(5,450)	(18,790)	(320)		2,333,460
Leisure and Parks	2,889,240	(17,560)	176,210	630	100,000	3,148,520
Democratic, Development and Legal	998,640	(6,680)	(69,200)	(109,430)		813,330
Community, Health and Housing	2,221,330		(16,860)	0		2,204,470
Waste	1,338,750		(64,620)	(15,930)		1,258,200
Efficiency Plan	(350,000)	29,690	0	127,860		(192,450)
<b>Net Cost of Services</b>	<b>10,280,060</b>	<b>0</b>	<b>0</b>	<b>(3,000)</b>	<b>100,000</b>	<b>10,377,060</b>
Net Treasury Position	(25,000)			0		(25,000)
Revenue Contributions to the Capital Programme	154,000			22,500		176,500
<b>Net Operating Cost</b>	<b>10,409,060</b>	<b>0</b>	<b>0</b>	<b>19,500</b>	<b>100,000</b>	<b>10,528,560</b>
Less : Transfer (from) / to General Reserve	8,560			(19,500)	(100,000)	(110,940)
Less : Transfer to Earmarked Reserves	108,020			0		108,020
<b>Amount to be met from Government Grants and Local Taxpayers:</b>	<b>£10,525,640</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£10,525,640</b>
Revenue Support Grant	(773,000)					(773,000)
Business Rates	(2,320,000)					(2,320,000)
Transition Grant	(51,940)					(51,940)
Local Council Tax Support	107,000					107,000
New Homes Bonus	(1,882,700)					(1,882,700)
Council Tax Collection Fund	(58,000)					(58,000)
Business Rates Collection Fund	310,000					310,000
Council Tax	(5,857,000)					(5,857,000)

## Revenue Financial Performance – Projected Variance to Budget 2016/17

Area	2016/17						● = adverse ☑ = favourable	2016/17 Target Variance (+/-) £
	Original Budget £	Approved Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £			
Chief Executive	824,080	811,530	145,395	788,790	(22,740)	☑	7,000	
Finance, Revenues and Benefits	2,358,020	2,333,460	1,267,652	2,338,020	4,560	●	33,000	
Leisure and Parks	2,889,240	3,148,520	867,223	3,148,520	-		59,000	
Democratic, Development and Legal	998,640	813,330	(447,454)	809,830	(3,500)	☑	63,000	
Community, Housing and Health	2,221,330	2,204,470	350,340	2,205,880	1,410	●	20,000	
Waste Collection	1,338,750	1,258,200	1,251,303	1,258,200	-		68,000	
Efficiency Plan	(350,000)	(192,450)	-	(116,780)	75,670	☑	-	
<b>Net Cost of Services</b>	<b>10,280,060</b>	<b>10,377,060</b>	<b>3,434,459</b>	<b>10,432,460</b>	<b>55,400</b>		<b>250,000</b>	
Net Treasury Position	(25,000)	(25,000)	(3,031)	(77,460)	(52,460)	☑		
Revenue Contributions to the Capital Programme	154,000	176,500	-	176,500	-			
<b>Net Operating Cost</b>	<b>10,409,060</b>	<b>10,528,560</b>	<b>3,431,428</b>	<b>10,531,500</b>	<b>2,940</b>			
Less: Transfer (from) / to General Reserve	8,560	(110,940)	-	(113,880)	(2,940)	●		
Add: Transfer to Earmarked Reserves	108,020	108,020	-	108,020	-			
<b>Net Revenue Expenditure</b>	<b>£10,525,640</b>	<b>£10,525,640</b>	<b>£3,431,428</b>	<b>£10,525,640</b>	<b>0</b>			
<b>Financed by:</b>								
Retained Business Rates	(2,320,000)	(2,320,000)	(1,247,094)	(2,320,000)	-			
Business Rates Cap	-	-	(2,697)	-	-			
Revenue Support Grant	(773,000)	(773,000)	(139,220)	(773,000)	-			
Transition Grant	(51,940)	(51,940)	(12,984)	(51,940)	-			
Parish Local Council Tax Support	107,000	107,000	26,701	107,000	-			
New Homes Bonus	(1,882,700)	(1,882,700)	(474,915)	(1,882,700)	-			
Returned New Homes Bonus	-	-	(4,411)	-	-			
Business Rates Collection Fund Deficit	310,000	310,000	0	310,000	-			
Council Tax Collection Fund (Surplus)	(58,000)	(58,000)	(14,500)	(58,000)	-			
Council Tax	(5,857,000)	(5,857,000)	(219,389)	(5,857,000)	-			

## Analysis of gross expenditure, income and net expenditure for 2016/2017

Area	Approved Budget			Projected Outturn £
	Gross Expenditure £	Gross Income £	Net Expenditure £	
Chief Executive	815,210	(3,680)	811,530	788,790
Finance, Revenues and Benefits	23,242,050	(20,908,590)	2,333,460	2,338,020
Leisure and Parks	5,729,940	(2,581,420)	3,148,520	3,148,520
Democratic, Development and Legal	4,843,050	(4,029,720)	813,330	809,830
Community, Health and Housing	2,404,180	(199,710)	2,204,470	2,205,880
Waste	5,192,020	(3,933,820)	1,258,200	1,258,200
Efficiency Plan	(192,450)	-	(192,450)	(116,780)
<b>Net cost of services</b>	<b>42,034,000</b>	<b>(31,656,940)</b>	<b>10,377,060</b>	<b>10,432,460</b>
Net Treasury Position	104,900	(129,900)	(25,000)	(77,460)
Revenue Contributions to the Capital Programme	176,500	-	176,500	176,500
<b>Net Revenue Expenditure</b>	<b>£42,315,400</b>	<b>(£31,786,840)</b>	<b>£10,528,560</b>	<b>£10,531,500</b>

## Reasons for the 3 Months Budget Performance

Projected Variance £		Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(22,740)	Chief Executive	(5,860)	(15,560)	-	(1,320)
4,560	Finance, Revenues and Benefits	21,340	-	(10,080)	(6,700)
-	Leisure and Parks	-	-	-	-
(3,500)	Democratic, Development and Legal Services	-	(3,500)	-	-
1,410	Community, Housing and Health	-	(630)	-	2,040
-	Waste Collection Service	-	-	-	-
(52,460)	Net Treasury Position	-	-	(2,460)	(50,000)
<b>(£72,730)</b>	<b>Net Operating Cost</b>	<b>£15,480</b>	<b>(£19,690)</b>	<b>(£12,540)</b>	<b>(£55,980)</b>

## Chief Executive

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(8,000)	Communications - savings and additional income	-	(5,000)	-	(3,000)
(14,740)	Civic Expenses - savings from reduced activity and balance of previous Chair and Vice Chair Allowances	(5,860)	(10,560)	-	1,680
<b>(£22,740)</b>	<b>Total</b>	<b>(£5,860)</b>	<b>(£15,560)</b>	<b>-</b>	<b>(£1,320)</b>

## Finance, Revenues and Benefits

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(10,080)	Benefits - additional Housing Benefit Grant	-	-	(10,080)	-
(6,700)	Revenue Collection - BID administration income	-	-	-	(6,700)
21,340	ICT - temporary Administration Assistant	21,340	-	-	-
<b>£4,560</b>	<b>Total</b>	<b>£21,340</b>	<b>-</b>	<b>(£10,080)</b>	<b>(£6,700)</b>

## Democratic, Development and Legal

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(22,000)	Tourism - identified underspends	-	(22,000)	-	-
18,500	Members Allowances increases	-	18,500	-	-
<b>(£3,500)</b>	<b>Total</b>	<b>-</b>	<b>(£3,500)</b>	<b>-</b>	<b>-</b>

## Community, Housing and Health

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
2,040	Pressure on Environmental Protection Acts income following changes in regulations made by DEFRA	-	-	-	2,040
(630)	Community Safety budget no longer required	-	(630)	-	-
<b>£1,410</b>	<b>Total</b>	<b>-</b>	<b>(£630)</b>	<b>-</b>	<b>£2,040</b>

## Net Treasury Position

Projected Variance £	Directorate	Expenditure		Income	
		One Off £	Recurring £	One Off £	Recurring £
(80,860)	CCLA Property Fund investment	-	-	-	(80,860)
30,860	Transfer CCLA Income to a Volatility Reserve	-	-	-	30,860
(2,460)	Other Investment Income	-	-	(2,460)	-
<b>(£52,460)</b>	<b>Total</b>	<b>-</b>	<b>-</b>	<b>(£2,460)</b>	<b>(£50,000)</b>

### Capital Programme Performance in 2016/17

Priority	Original Budget £	Current Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £	
Healthy and safe communities	2,771,000	2,853,000	136,804	1,536,000	(1,317,000)	●
Clean, green and welcoming places to live	1,219,000	2,146,500	0	2,101,500	(45,000)	☑
A vibrant and prosperous economy	2,749,000	2,890,500	23,225	2,910,500	20,000	☑
A council that is fit for the future	766,000	782,500	9,640	782,500	0	☑
<b>Total Capital Expenditure</b>	<b>£7,505,000</b>	<b>£8,672,500</b>	<b>£169,669</b>	<b>£7,330,500</b>	<b>(£1,342,000)</b>	

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

### Vehicle, Equipment and Systems Renewal Schedule 2016/17

The vehicle, equipment and systems renewal schedule in 2016/17 included in the Capital Programme is shown in the table below:

Area	Vehicle Type	Estimated Replacement Cost	Capital Programme	Progress on procurement during 2016/17
Joint Waste Grounds Maintenance	New Arrangement Invest to Save	£1,314,000	£1,314,000	In progress.
Grounds Maintenance	Sinking Fund		£47,000	This budget is utilised to fund Invest to Save Business Cases.
Environmental Health Vehicle	Van		£24,000	
			£24,000	To be Purchased in Quarter 2

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

Under the terms of the funding agreement with the National Lottery in relation to Burntwood Leisure Centre (BLC), LDC is required to set aside resources to be used for the future repair and renewal of BLC in a 'Sinking Fund'. Monitoring information for all approved projects is shown in the table below:

Project Name	Annual Spend in 2016/17		
	Current Budget £	Projected Outturn £	Variance £
Planned maintenance	£258,000	£95,000	(£163,000)
<b>TOTAL</b>	<b>£258,000</b>	<b>£95,000</b>	<b>(£163,000)</b>



## Council Tax

## Collection Performance

	Council Tax			
	30th June 2015	30th June 2016	Change	
Amount Collected as a %	29.55%	29.21%	(0.34%)	●
In year arrears outstanding at 30 June	£789,366	£733,998		
Previous years arrears at 30 June	£1,132,931	£1,204,224		
Total arrears outstanding at 30 June	£1,922,297	£1,938,221	0.83%	●
Write offs as at 30 June	£8,932	£7,676	(14.00%)	☑

## Collection Fund

	Budget £m	30-Jun-16 £m	Projected Outturn £m	Projected Variance £m
<b>(Surplus) / Deficit Brought Forward</b>	<b>(£0.45)</b>	<b>(£0.32)</b>	<b>(£0.32)</b>	<b>£0.13</b>
Amount Due	(£56.34)	(£56.69)	(£56.73)	(£0.39)
Bad Debt Provision	£0.00	£0.01	£0.08	£0.08
Payments to Partners including LDC	£56.34	£56.34	£56.34	£0.00
Transfers estimated surplus to Partners	£0.45	£0.45	£0.45	£0.00
<b>(Surplus) / Deficit Carried Forward</b>	<b>(£0.00)</b>	<b>(£0.21)</b>	<b>(£0.18)</b>	<b>(£0.18)</b>
<b>Share of the (Surplus) or Deficit</b>				
Lichfield District Council	(0.00)	(0.03)	(0.02)	(0.02)
Office of the Police and Crime Commissioner Staffordshire	(0.00)	(0.02)	(0.02)	(0.02)
Staffordshire County Council	(0.00)	(0.15)	(0.13)	(0.13)
Staffordshire Fire and Rescue	(0.00)	(0.01)	(0.01)	(0.01)
	<b>(£0.00)</b>	<b>(£0.21)</b>	<b>(£0.18)</b>	<b>(£0.18)</b>

Lichfield District Council Projected (Surplus) / Deficit in 2016/17 to be included in 2017/18 Budget	<b>(£0.02)</b>
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## Business Rates

## The Council's Retained Business Rates Income

The Council's Budget in 2016/17				
	Budget £	30-Jun-16 £	Projected Outturn £	Projected Variance £
<b>NNDR 1 Based Retained Business Rates</b>				
Retained Business Rates	(£13,507,000)	(£13,507,000)	(£13,507,000)	£0
<u>Section 31 Grants (Lichfield's 40% Share)</u>				
Small Business Rates Relief	(£373,000)	(£376,000)	(£376,000)	(£3,000)
New Empty Properties	£0	£0	£0	£0
Long Term Empty Properties	£0	(£800)	(£800)	(£800)
Retail Relief	(£5,000)	£3,200	(£5,600)	(£600)
Less : Tariff Payable	£11,270,000	£11,270,000	£11,270,000	£0
<b>Pre Levy or Safety Net Income</b>	<b>(£2,615,000)</b>	<b>(£2,610,600)</b>	<b>(£2,619,400)</b>	<b>(£4,400)</b>
<b>NNDR 3 Based Levy Payments</b>				
Less : Levy Payable @ 50%	£338,000	£776,300	£398,700	£60,700
Volatility Allowance	£67,000	£67,000	£30,700	(£36,300)
Levy from the Business Rates Pool (32.5%)	(£110,000)	(£252,000)	(£130,000)	(£20,000)
<b>Post Levy or Safety Net Income</b>	<b>(£2,320,000)</b>	<b>(£2,019,300)</b>	<b>(£2,320,000)</b>	<b>£0</b>

## Collection Performance

	Non Domestic Rates			
	30th June 2015	30th June 2016	Change	
<b>Amount Collected as a %</b>	<b>28.96%</b>	<b>28.56%</b>	<b>(0.40%)</b>	●
In year arrears outstanding at 30 June	£329,673	£1,209,058		
Previous years arrears at 30 June	£423,578	£538,541		
Total arrears outstanding at 30 June	£753,251	£1,747,599	132.00%	●
Write offs as at 30 June	£23,856	£52,774	121.00%	●

## Collection Fund

	Budget £m	30-Jun-16 £m	Projected Outturn £m	Projected Variance £m
<b>(Surplus) / Deficit Brought Forward</b>	<b>£1.46</b>	<b>£0.22</b>	<b>£0.22</b>	<b>(£1.25)</b>
Amount Due	(£34.53)	(£36.28)	(£34.82)	(£0.29)
Bad Debt Provision	£0.32	£0.12	£0.32	£0.00
Appeals	£0.32	£0.08	£0.32	£0.00
Payments to Partners including LDC	£33.77	£33.77	£33.77	£0.00
Collection Allowance	£0.12	£0.12	£0.12	£0.00
Transitional Protection	£0.00	£0.00	£0.00	£0.00
Transfers estimated deficit from Partners	(£1.46)	(£1.46)	(£1.46)	£0.00
<b>(Surplus) / Deficit Carried Forward</b>	<b>£0.00</b>	<b>(£3.44)</b>	<b>(£1.53)</b>	<b>(£1.53)</b>
<b>Share of the (Surplus) or Deficit</b>				
Lichfield District Council (40%)	£0.00	(£1.38)	(£0.61)	(£0.61)
Central Government (50%)	£0.00	(£1.72)	(£0.77)	(£0.77)
Staffordshire County Council (9%)	£0.00	(£0.31)	(£0.14)	(£0.14)
Staffordshire Fire and Rescue (1%)	£0.00	(£0.03)	(£0.02)	(£0.02)
	<b>£0.00</b>	<b>(£3.44)</b>	<b>(£1.53)</b>	<b>(£1.53)</b>

Lichfield District Council Projected (Surplus) / Deficit in 2016/17 to be included in 2017/18 Budget	<b>(£0.61m)</b>
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Favourable ● Adverse

## Sundry Debtor Performance

Details	30th June 2015	30th June 2016	All Debts Change (%)	Variance
	All Debts £	All Debts £		
Value of sundry income raised in quarter	1,978,545	1,339,283	(32.30%)	●
Value of debts written off	1,383	14,317	935.00%	●
Value of all invoices outstanding	1,778,000	1,657,348	(6.78%)	☑
% of income raised	89.86%	123.75%	33.89%	

Aged Debtor Analysis				
<b>Less than 6 months</b>	<b>1,274,257</b>	<b>1,112,762</b>	<b>(12.67%)</b>	☑
<b>More than 6 months</b>	<b>503,743</b>	<b>544,586</b>	<b>8.10%</b>	●

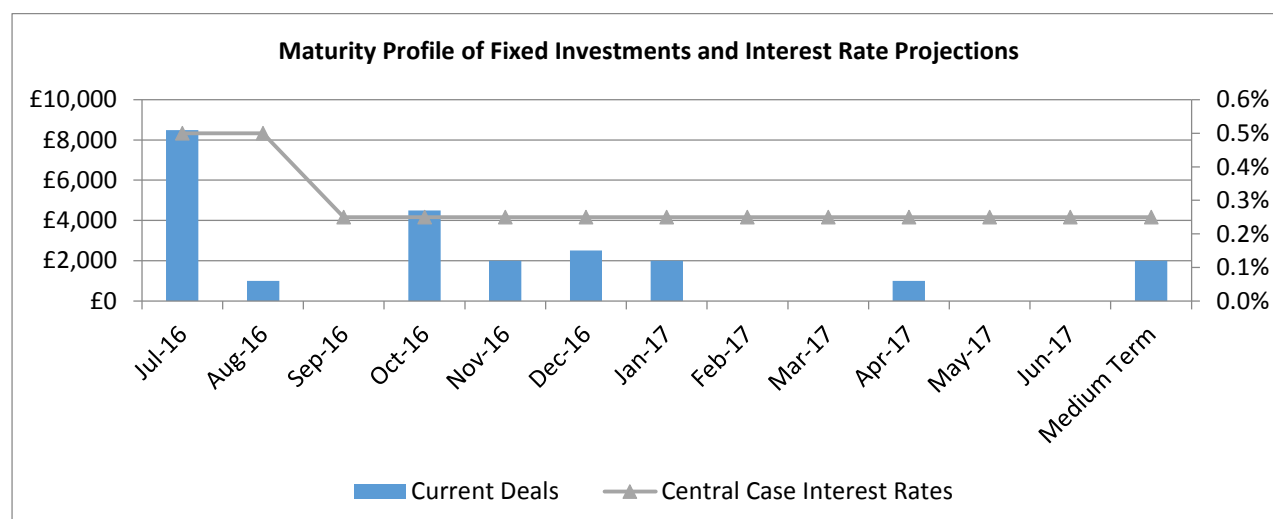
☑ Favourable ● Adverse

### Investments in the 2016/17 Financial Year

The table below shows a breakdown of our investments at the end of June 2016:

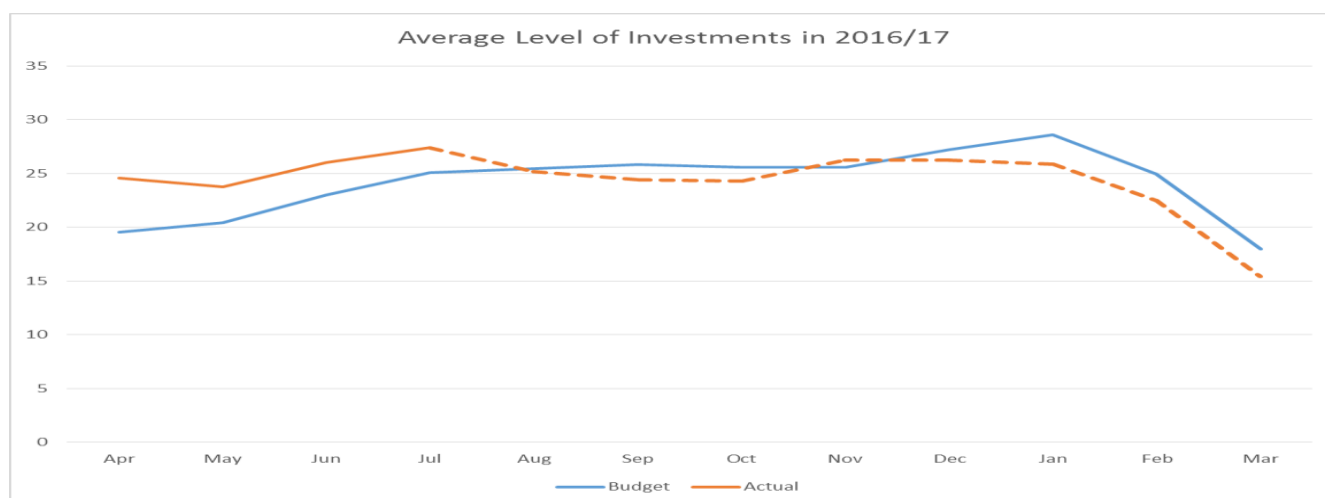
Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
<b>Money Market Funds</b>						
Invesco	£630,000	01-Jul-16	Instant Access		AA-	N/A
Legal & General	£1,000,000	01-Jul-16	Instant Access		AA-	N/A
Standard Life	£1,000,000	01-Jul-16	Instant Access		A+	N/A
Insight	£165,000	01-Jul-16	Instant Access		AA-	N/A
BNP Paribas	£700,000	01-Jul-16	Instant Access		A+	N/A
<b>Property Fund</b>						
LAMIT Property Fund	£2,000,000	30-Apr-21				
<b>Fixed Term Investments</b>						
Nationwide	£1,000,000	18-Oct-16	110	0.71%	A	No
Lloyds	£1,000,000	16-Nov-16	139	1.07%	A	No
Close Bros.	£1,000,000	31-Oct-16	123	0.65%	A	No
National Counties Building Society	£500,000	09-Dec-16	162	0.72%	Not Rated	No
Australia and New Zealand Banking Group	£1,000,000	12-Dec-16	165	0.53%	AA-	Yes
Commonwealth Bank of Australia	£1,000,000	03-Oct-16	95	0.63%	AA-	Yes
Coventry Building Society	£500,000	05-Oct-16	97	0.59%	A	No
DBS	£1,000,000	14-Jul-16	14	0.70%	AA-	Yes
HSBC	£1,000,000	14-Jul-16	14	0.45%	AA-	No
Salford City Council	£1,000,000	28-Oct-16	120	0.55%	AA	No
United Overseas Bank	£1,000,000	18-Nov-16	141	0.72%	AA-	Yes
<b>Call Accounts with Notice Period</b>						
Santander	£1,000,000	27-Dec-16	180	1.15%	A	Yes
Handelsbanken	£1,000,000	04-Aug-16	35	0.45%	AA-	Yes
<b>Treasury Bills</b>						
	£3,000,000	11-Jul-16	11	0.47%	AA	No
<b>Certificates of Deposit</b>						
Rabobank	£1,000,000	05-Jan-17	189	0.72%	A+	Yes
Nordea Bank AB	£1,000,000	13-Apr-17	287	0.75%	AA-	Yes
Toronto-Dominion	£1,000,000	27-Jan-17	211	0.92%	AA-	Yes
<b>Total Investments</b>	<b>£23,495,000</b>					

The maturity profile of these investments at 30 June 2016 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



## Cash Flow for 2016/17

The graph below compares the budget for average investment levels in 2016/17 with the actual levels.



### 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 30 June 2016 had a risk status of **AA-** based on the length of the investment and **AA-** 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.

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.

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 to provide for unforeseen cash flow requirements. The average length of investments we made in 2016/17 was **223 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 2016/17 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 2016/17 we did not need to temporarily borrow.

**Yield:**

In the three months of 2016/17 we have achieved an average interest rate of **0.96%** (we project this to reduce following the recent 0.25% reduction in interest rates) and this compares to our performance indicator of the average 7-day London Inter-bank Bid (LIBID) rate, which was **0.45%**, the 1 month rate was **0.50%**, the 3 month rate was **0.62%** and the 6 month rate was **0.71%**.

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>2016/17 Approved Budget</b>	<b>2016/17 Projected Outturn</b>
Average amount we had available to invest (£m)	£24.10m	£27.44m
Average Interest Rate (%)	0.51%	0.78%
Interest Receipts	(128,900)	(181,355)
Interest Paid and Other Costs	4,500	4,500
<b>Net Investment Income (£)</b>	<b>(£124,400)</b>	<b>(£176,855)</b>
Car Loan and Other Interest	(1,000)	(1,000)
External Borrowing Interest	37,400	37,400
Minimum Revenue Provision	63,000	63,000
<b>Net Treasury Position (£)</b>	<b>(£25,000)</b>	<b>(£77,455)</b>