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15 July 2019

Dear Sir/Madam

AUDIT AND MEMBER STANDARDS COMMITTEE

A meeting of the Audit and Member Standards Committee has been arranged to take place on **WEDNESDAY, 24TH JULY, 2019 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

A handwritten signature in black ink, appearing to read 'Neil Turner', written in a cursive style.

Neil Turner BSc (Hons) MSc
Director of Transformation & Resources

To: Members of Audit and Member Standards Committee

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson, Spruce and White



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AGENDA

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2. **Declarations of Interest**
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5. **Annual Treasury Management Report** 11 - 28
(Report of the Head of Finance & Procurement – Mr Anthony Thomas)
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(Report of the Head of Finance & Procurement – Mr Anthony Thomas)
7. **Audit Findings Report for Lichfield District Council 2018/19** 169 - 192
(Report of the External Auditors – Grant Thornton)
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(Report of the External Auditors – Grant Thornton)
9. **Annual Report for Internal Audit** 197 - 210
(Report of the Interim Audit Manager – Mrs Kerry Beavis)
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(Report of the Interim Audit Manager – Mrs Kerry Beavis)
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(Report of the Interim Monitoring Officer - Ms Christie Tims)
13. **Work Programme** 329 - 332



AUDIT AND MEMBER STANDARDS COMMITTEE

24 APRIL 2019

PRESENT:

Councillors Tittley (Chairman), Mrs Boyle, Marshall, Rayner, Strachan and Mrs Woodward

Observer: Councillor Spruce (Cabinet Member of Finance & Democratic Services)

Officers In Attendance: Miss J Irving, Miss W Johnson, Mr A Thomas, Ms C Tims and Mr N Turner

Also Present: Mr Phil W Jones (Grant Thornton UK LLP) (External Auditor)

49 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Houtt and Councillor Mrs Tranter.

50 DECLARATIONS OF INTEREST

There were no Declarations of Interests.

51 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 27 March 2019, as printed and previously circulated, were taken as read and approved as a correct record.

52 ANNUAL GOVERNANCE STATEMENT

Consideration was given to the Annual Governance Statement 2018/19. Mr Thomas (Head of Finance & Procurement) provided a Presentation on the key points and explained that any relevant authority must each financial year conduct a review of the effectiveness of the system of internal control and prepare and approve an Annual Governance Statement. He stated the current Committee were best placed to endorse the Statement as it related to 2018/19 and the Committee had received all relevant information on internal control and governance throughout the financial year.

Mr Thomas explained that the Annual Governance Statement enables the Council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manages risks of failure in delivering its outcomes.

He said current best practice requires a Local Code of Corporate Governance to be produced based on seven core principles. Mr Thomas summarised and discussed the seven principles and explained that the drafting of the Annual Governance Statement takes place over the whole financial year and involves his team gathering and assessing the implications of the views of Internal Audit, an annual review of the effectiveness of Internal Audit, the views of the External Auditors, the views of the Head of Paid Service (Chief Executive), Monitoring Officer and himself as Section 151 Officer.

He explained that a briefing note had gone to Leadership Team on the Delivery Plan on 11 April 2019 and that Heads of Service provided written assurance statements using an Internal Control Checklist.

Questions were asked as to the comments received from the questionnaire to leading Members (Chairmen, Vice-Chairmen and the Leader of the Minority Group). Miss Jane Irving (Senior Business Advisor) said she collated the replies and 17 responses had been received out of 22 from the Committee Chairmen and Vice-Chairmen and nothing really significant had been highlighted. There had been comments requesting further planning training but these sessions had already been planned for the next municipal year.

A Member asked if the seven principles of best practice applied to all Government bodies as it was a worry that HS2 did not comply with at least five of the seven principles. Mr Thomas said he believed the Police and probably the NHS did adhere to similar principles but as HS2 was a limited company it was not so prevalent, however, they are supposed to have the correct governance in place.

The Risk Management Process, particularly the Corporate Risk Register was discussed and the performance information which is reported to Cabinet, Council and Overview and Scrutiny Committee was included.

Mr Thomas said that this Committee is responsible for promoting and maintaining high standards of conduct by Members and ensuring they observe the Members Code of Conduct. (A member queried whether the guide mentioned in Appendix A on page 15 had been sent to all Councillors as there had been a lot of issues around the Register of Interests Forms recently and yet there was no reference to these at all). Mr Thomas responded and said he was aware that there would be a new Member Induction Pack available after the election which made specific reference to this.

Mr Thomas said the Council has a Code of Conduct supported by a range of HR policies for Officers and has a customer promise which reinforces the value 'putting customers first'.

The safeguarding issues had notably reduced from last year which was good, the Council's gender pay gap was better than the national average, although the pay gap had increased slightly this year as a consequence of the outsourcing of Leisure Centre management and operations.

Ensuring openness and comprehensive stakeholder engagement was discussed. The Council works collaboratively with a range of partners such as schools and colleges, Staffordshire County Council, voluntary, business and community sectors. The Local Plan Review and the 2019/20 Budget consultation. Mr Thomas said the Council's website, social media and LDC News publication provide a significant amount of information for customers and all Committee and Council meetings are open to the public with papers available on the internet. He said the Money Matters reports included more graphs and diagrams so were easier to understand.

The Council has a customer feedback scheme for the public to make complaints, comments and compliments.

The annual review letter from the Ombudsman for the period ending March 2018 reported 7 complaints with 1 upheld and there were no whistleblowing reports during 2018/19 or during 2017/18.

A Member said she knew of a Lichfield resident who had taken a complaint to the ICO relating to a Freedom of Information request regarding material re: Friarsgate and queried why the material had been released to the complainant but had not been published. The request for this material to be published had been refused by officers but Mr Turner agreed to review this. Mr Turner said the Council had reviewed the way we reply to all Freedom of Information Requests and there was now a portal on our website with useful/frequent replies for all to see.

Mr Turner said he would speak to the Interim Monitoring Officer and report back to the Member.

The defining outcomes in terms of sustainable economic, social and environmental benefits was explained as the Lichfield District Council's Strategic Plan covering the four year period 2016 to 2020 was approved by Council in February 2016 and sets the strategic direction of the Council. The Strategic Plan was discussed and Mr Thomas said the evidence base for the Strategic Plan was provided by the Staffordshire Intelligence Hub and highlighted three key things that enable people to live fulfilling and independent lives: being in employment, staying active and healthy and having somewhere safe and affordable to live. Engagement with Elected Members and residents showed broad agreement to these being the areas that the Council should focus on and the four strategic priorities reflect these priority areas.

Determining the interventions necessary to optimise the achievement of the intended outcomes was discussed as the Strategic Plan 2016-20 identifies the opportunities and challenges the Council faces, the needs of the Community, the Council's aspirations, focus and priorities. The Medium Term Financial Strategy, the Money Matters Reports and the Fit for the Future programme were quoted and that the Fit for the Future programme has been refreshed and repositioned to focus on delivering the ambitions and outcomes of the Strategic Plan.

The Council's Constitution can be found on our website. Mr Thomas said this sets out how the Council legally operates, how formal decisions are made and ensures the procedures which are followed are efficient, transparent and accountable to local people. The roles and responsibilities of the Council, Cabinet, O&S and other Committees are defined in the Constitution as are the roles and responsibilities of Members and Officers. The Chief Executive and Directors are set annual performance targets based on the outcomes achieved from the Delivery Plan and Performance Development Reviews are undertaken annually for employees. Discussions took place around the completion rate of PDR's which had improved to 89% for 2018/19.

Managing risks and performance through robust Internal Control and Strong Public Finance Management was explained by Mr Thomas. The Council has a risk management strategy and managers are trained in the assessment, management and monitoring of risks. Mr Thomas said the Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver the Strategic Plan. He said the corporate risks are regularly reported to Cabinet and this Audit & Member Standards Committee is independent of the Cabinet and accountable to Council.

Mr Thomas confirmed that the Financial Procedure Rules and Contract Procedure Rules form part of the Constitution and regulate its internal procedures for the conduct of its business, how it spends its money and records transactions. He said the Council complies with the CIPFA Statement in relation to the role of the Chief Financial Officer in Local Government and regular budget and performance monitoring takes place throughout the financial year with reports to Cabinet and briefing notes to the O&S Committees and budget holders.

The reference to triangulation meetings with Cabinet members was questioned as there had not been any triangulation meetings for some time due to the O&S Co-ordinating Group having been established. The Group comprises the Chairmen and Vice-Chairmen of all the O&S Committees and the Leader and Deputy Leader. Mr Turner explained that this group was responsible for the process of establishing and managing the O&S work programmes. Although the group includes the Leader and Deputy Leader it was queried why Cabinet members were not present at these O&S Co-ordinating group meetings as it was felt it could be beneficial to look at the forward plan together.

Discussions took place as to why all Chairmen and Vice-Chairmen from other regulatory committees were not included on this O&S Co-ordinating group as they could as statutory committees add value.

It was argued that the O&S Co-ordinating Group was already heavy in attendance with all Chairmen and Vice-Chairmen being invited and the statutory committees had their own work programmes to follow and were answerable to Council. The O&S Co-ordinating Group was there to discuss their own O&S work programmes and ensure they were of value, avoid duplication and highlight where they could support and challenge Cabinet.

Mr Thomas said we have a legal responsibility to conduct an annual review of the effectiveness of our Governance Framework, including the system of internal control and the outcomes are considered by this Audit & Member Standards Committee which is charged with final approval of this Annual Governance Statement. Discussions took place around the departure of the Internal Audit Manager as her input had been invaluable and it was hoped the succession plans would be of the same high standard. Mr Thomas explained that the current Internal Audit Manager was a Tamworth Borough Council employee whom we buy in for 1.5 days per week and so it was up to Tamworth Borough Council to replace her on the same arrangement.

In conclusion Mr Thomas said that the Annual Governance Statement was reviewed by Leadership Team on 10 April 2019 with no significant weaknesses identified in governance or internal control for 2018/19.

It was noted that the number of complaints had reduced drastically for 2018/19 and it was queried why they were so much lower than the previous year. Miss Irving advised this was mainly because of the Council's Leisure Centres being outsourced and improvements in the Joint Waste Service. There were further discussions around the seven core principles and it was noted that we are meant to be ensuring openness but actually sanctioning non-disclosure agreements which seemed inconsistent.

Mr Thomas explained that sometimes pragmatism has to be used on a case by case basis to protect the interests of specific individuals, who had a right to privacy, as well as businesses who might wish to share confidential information with us, or because of legal privilege.

The comprehensive stakeholder engagement principle also was discussed as it is mentioned about cooperating with the Police and other stakeholders but it was asked if they actually cooperate with us. A constituent complaint had recently been received by a Member as to the lack of attendance of the Police in Lichfield and this had been noted. However, it was agreed that the member should write to the Police & Crime Commissioner on behalf of the constituent.

RESOLVED:- (1) The Committee approved the Annual Governance Statement that will form part of the 2018/19 Statement of Accounts taking into account the comments made; and

(2) The Committee approved the Local Code of Corporate Governance for 2019/20.

53 WORK PROGRAMME

Members noted the Work Programme but as this was the last meeting of the municipal year it was agreed that the new Audit & Member Standards Committee would review and update.

The Committee thanked the Chairman on behalf of all Members of Lichfield District Council for his excellent leadership during his time as Chairman of Audit & Member Standards Committee. The Chairman thanked all Officers and said he had enjoyed his term as Chairman.

54 EXCLUSION OF PUBLIC AND PRESS

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

IN PRIVATE

55 CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING

The Confidential Minutes of the Meeting held on 27 March 2019, as printed and previously circulated, were taken as read and approved as a correct record.

(The Meeting closed at 6.50 pm)

CHAIRMAN

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ASSESSMENT SUB-COMMITTEE

1 JULY 2019

PRESENT:

Councillors Greatorex, Ho, Norman, Spruce and White

Also present

Councillor Leytham
Ray Betteridge – Independent Person
Christie Tims – Monitoring Officer
Lorraine Fowkes – Investigating Officer

1 APPOINTMENT OF CHAIRMAN

Councillor Greatorex was appointed as Chairman.

2 EXCLUSION OF PRESS AND PUBLIC

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

3 DECLARATIONS OF INTEREST

Councillors White, Greatorex, Spruce and Norman declared personal interests as they knew Councillor Leytham from their work on the Council. Councillors White, Greatorex, Spruce and Ho also declared interests as Members of the Conservative Association.

4 HEARING

The Assessment Sub-Committee considered a complaint dated 3 February 2019 that Councillor Leytham had not updated his register of interest form to show correct and accurate information regarding the business interests of his wife, who was carrying out work for Lichfield City Council as the ‘Pretty Little Parlour’.

The Committee reviewed the initial assessment undertaken on 7 March by Lorraine Fowkes, Deputy Monitoring Officer and Solicitor for South Staffordshire District Council in conjunction with the Independent Person that determined the complaint met the relevant tests and should be investigated for consideration by an Assessment Sub Committee of the Audit and Member Standards Committee.

The Committee then considered the investigation report dated 26 March detailing the operation of the Pretty Little Parlour and the services it provided to Lichfield City Council as well as the Register of Interests Forms submitted by Councillor Leytham.

The report concluded that Councillor Leytham had breached the Code of Conduct. It found in mitigation that Councillor Leytham held a genuine belief that there was no element of profit or gain from the relationship and thus the need to declare did not arise.

Councillor Leytham was invited to speak and advised that his wife had originally started a business using vintage china for hire but had to stop soon after it was created due to illness.

As regards supplying the City Council with flowers, he said that in 2015 she found a not very good floral display and offered to supply silk flowers at cost to tidy up the parlour and also made a wreath for the market square. She only charged cost for this to the City Council as no profit was to be made. Councillor Leytham said it hadn't occurred to him that this was a business transaction. He accepted that his 2018 declaration should probably have included his wife's details but it was a closed business as far as he was concerned.

Councillor Leytham asked the committee note the paragraph in the investigating officer's report accepting as mitigation that he did not see the relationship as a business one with any element of profit or gain. He accepted he should have declared an interest but that was his genuine belief at the time.

The Sub-Committee noted that the complainant had been invited to attend and give representations but had declined to do so.

Sub-Committee members then asked questions in connection with the complaint.

The Independent person was invited to give his opinion and the investigating officer was given the opportunity to respond to any issues raised during the meeting.

DECISION

The Sub-Committee having examined all the available evidence and having given Councillor Leytham the opportunity to speak found that Councillor Leytham had not understood the letter and spirit of the Code of Conduct and resolved to censure Councillor Leytham and requested that he undertake Code of Conduct training.

(The Meeting closed at 3.15 p.m.)

CHAIRMAN

Annual Treasury Management Report

Cabinet Member for Finance and Procurement

Date: 24 July 2019
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

Agenda Item 5



AUDIT (AND MEMBER STANDARDS) COMMITTEE

1. Executive Summary

- 1.1 The report covers the Treasury Management performance for the financial year 2018/19.
- 1.2 Capital expenditure was **£4,910,442** and this is **(£444,058)** less than the Approved Revised Budget of **£5,354,500** with the most significant variance in relation to the financial performance of Disabled Facilities Grants.
- 1.3 There have been **(£760,254)** of actual capital receipts received in 2018/19 compared to the Approved Budget of **(£356,000)** with a significant element being in relation to additional receipts from the Council's share of Right to Buy sales.
- 1.4 The funding of the Capital Programme in 2018/19 reflects the actual expenditure of **£4,910,442** and therefore **(£60,909)** less capital receipts have been utilised.
- 1.5 The borrowing need of **£4,986,706** and its financing is in line with the Approved Revised Budget of **£4,883,000**.
- 1.6 The Balance Sheet at **APPENDIX B** shows a variance between actual and budget of **(£4,886,000)** on Assets less Liabilities and **£4,886,000** on Total Equity. These variances are explained at 3.20 but are in the main related to an increase in the Long Term Pension Liability assessed by the Pension Fund Actuary that is statutorily offset by an increase in the Unusable Pension Reserve.
- 1.7 The level of cash available was **£27,548,920** compared to the budget of **£25,147,000**. This was utilised for internal borrowing of **£672,319** and investments of **£26,876,601**.
- 1.8 The Council's investments achieved a risk status of **AA-** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.9 The Treasury Management function was reviewed by Internal Audit and received '**Substantial Assurance**'.
- 1.10 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2018/19.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the actual 2018/19 Prudential Indicators contained within the report.

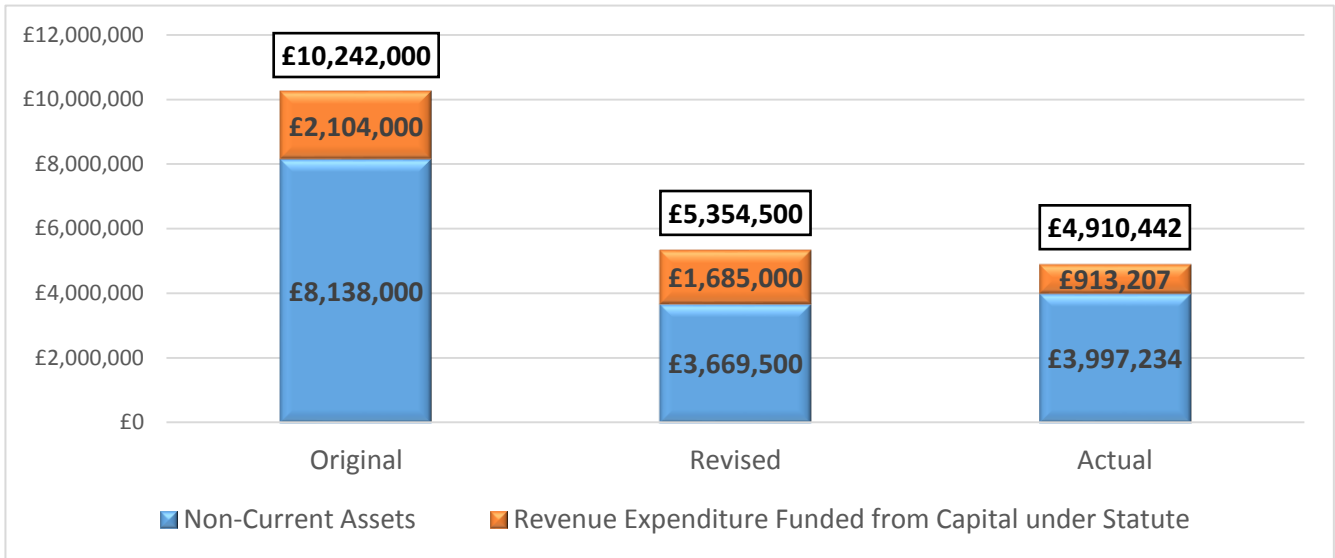
3. Background

The Capital Programme and Treasury Management

- 3.1 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2018/19 and the actual Prudential Indicators for 2018/19.
- 3.2 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."*
- 3.3 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.
- 3.4 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 regularly to the Cabinet and Audit and Member Standards Committee on Treasury policy; strategy and activity.
- 3.5 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 2018/19;
 - confirms compliance with Treasury limits and Prudential Indicators
- 3.6 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) contained in Statutory Guidance.
- 3.7 In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

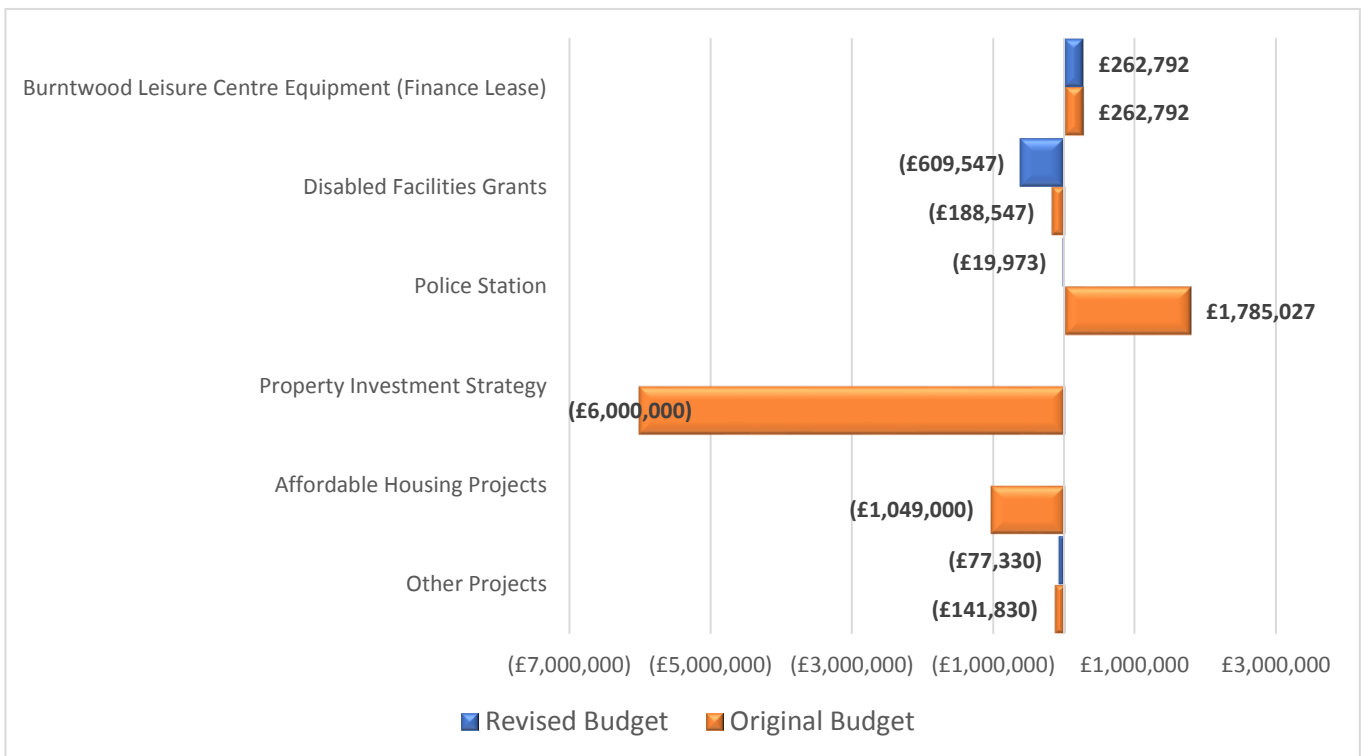
The Capital Programme

3.8 A summary of the Capital Programme performance from the Original Budget to the Actual for 2018/19 is shown in detail at **APPENDIX A** and in the chart below:



3.9 Capital expenditure was **£4,910,442** and this is **(£444,058)** less than the Approved Revised Budget of **£5,354,500**.

3.10 The main reasons for the variance to both Original and Revised Budgets are shown below:

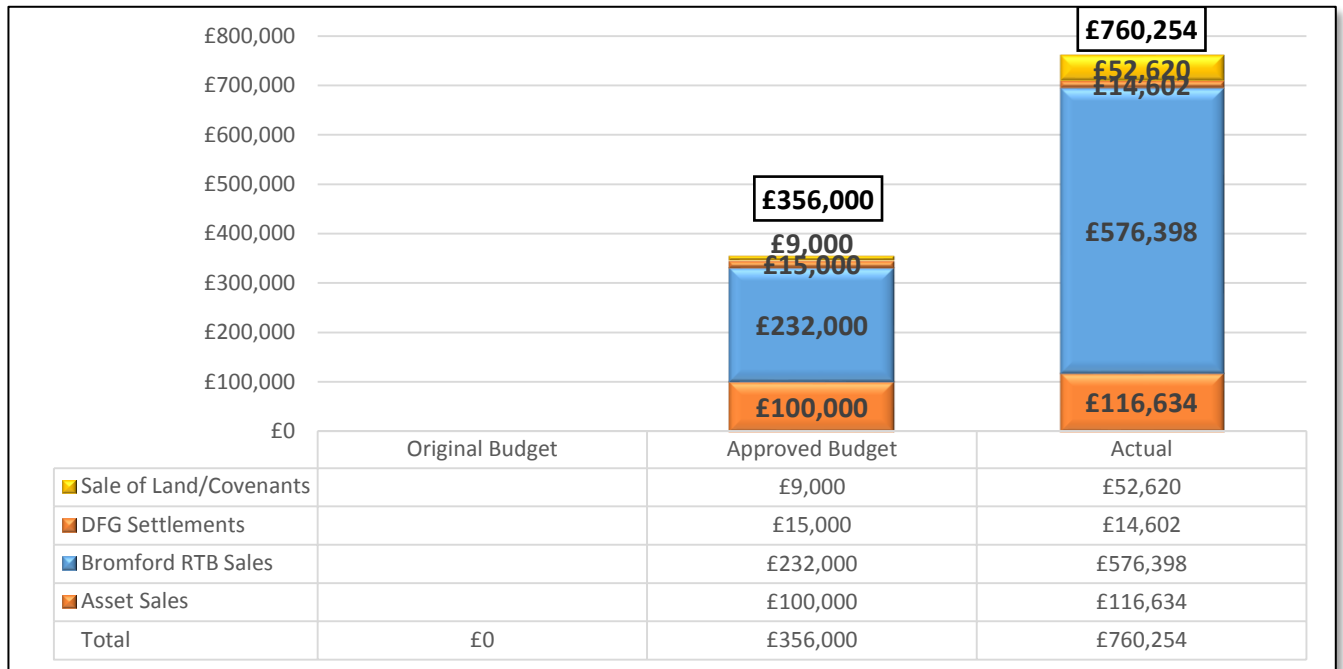


3.11 The most significant variance compared to the Approved Budget is related to Disabled Facilities Grants of **(£609,547)**.

3.12 The budget is underspent on completed adaptations as it was the first year of a contract with a new home improvement agency called Millbrook Healthcare Ltd; they have experienced performance issues while the service embeds itself and staff TUPE'd from the previous provider are trained to new systems. Millbrook were issued with an improvement notice on 28th March 2019 and performance continues to be closely monitored by the Partnership Steering group. From a budget perspective, there is £325,000 of spend on site or approved and £503,000 in the pipeline.

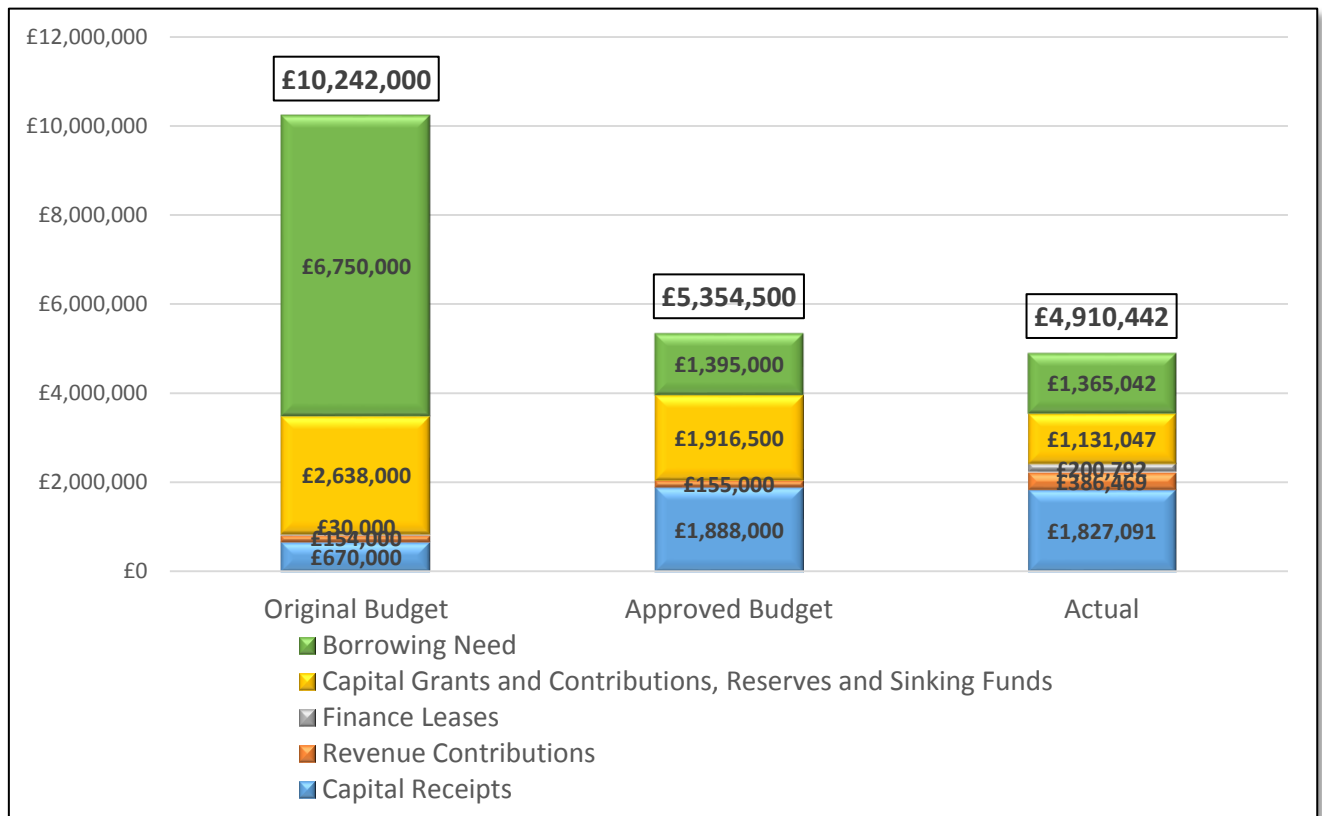
Capital Receipts

- 3.13 There have been (£760,254) of actual capital receipts received in 2018/19 compared to the Approved Budget of (£356,000).
- 3.14 The additional capital receipts received of (£404,254) is related to the Council's share of Right to Buy sales and sale of land/covenants.
- 3.15 The Original and Approved Budgets together with the actual capital receipts received are shown below:



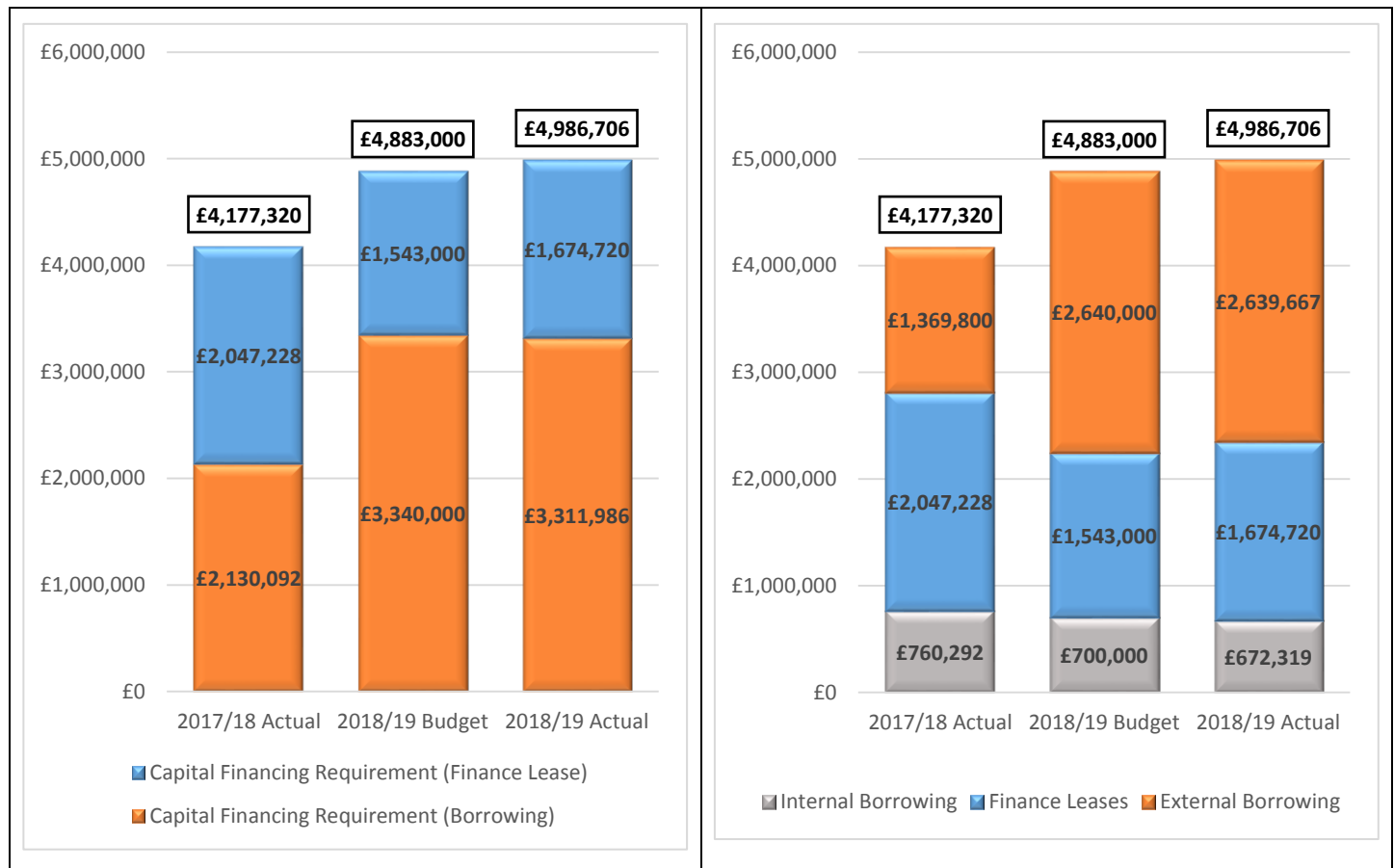
The Funding of the Capital Programme

- 3.16 The budgeted and actual sources of funding for the Capital Programme are shown below:



The Capital Financing Requirement (Borrowing Need) and its Financing

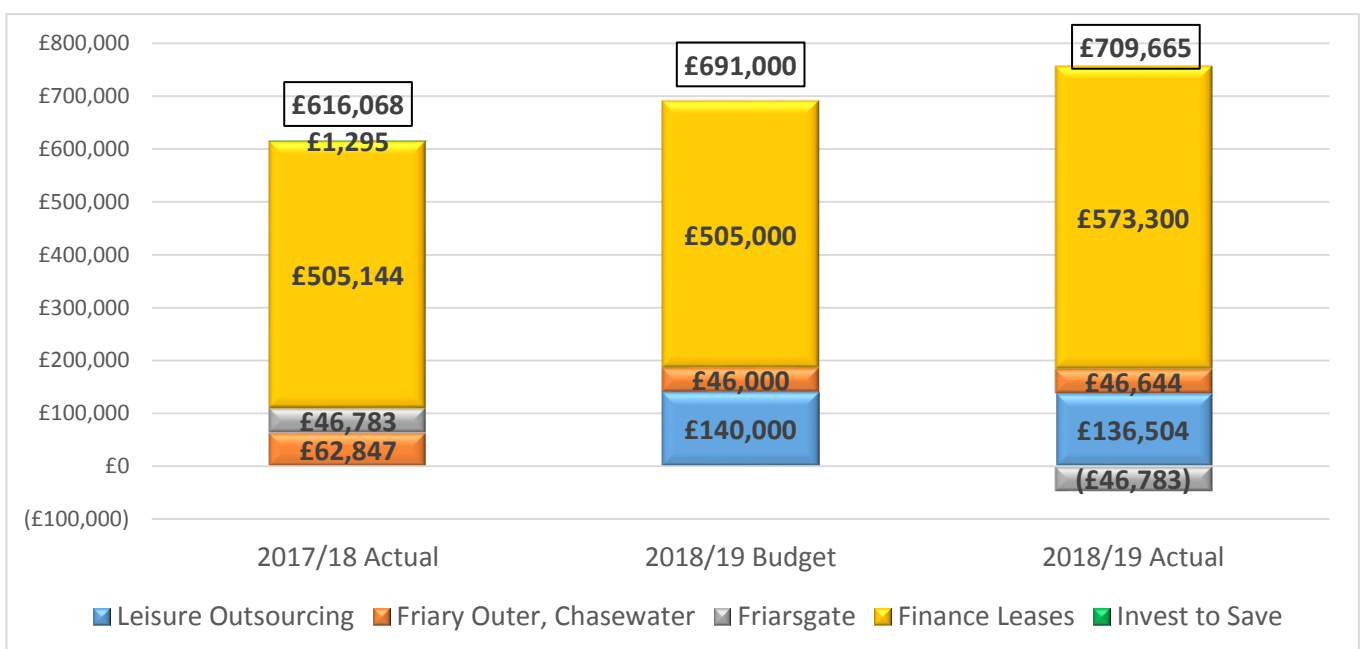
3.17 The actual and Budgeted Borrowing Need and its financing for 2017/18 and 2018/19 is shown below:



3.18 The Liability Benchmark (the lowest risk level of borrowing) has also been calculated at **APPENDIX B**. This is currently indicating that the Council does not need to externally borrow to fund its Capital Financing Requirement.

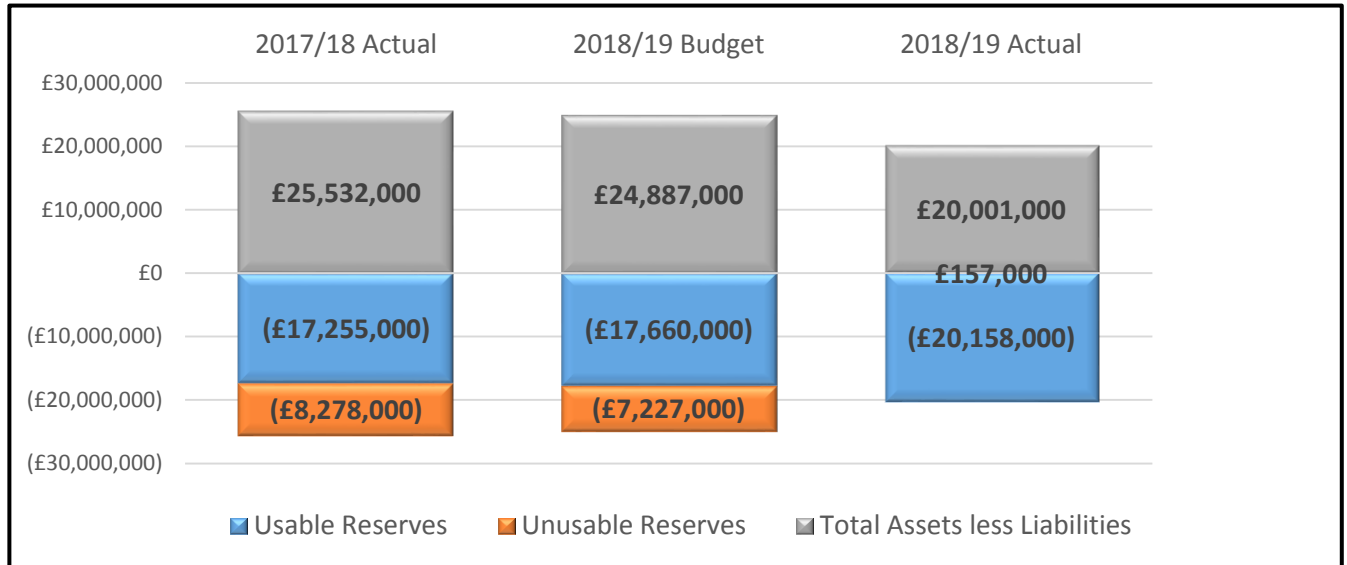
Minimum Revenue Provision in 2018/19

3.19 The Minimum Revenue Provision charged to revenue in 2017/18, budgeted in 2018/19 and the actual in 2018/19 is shown below:



The Balance Sheet

3.20 The actual Balance Sheet for 2017/18 together with the budgeted and actual Balance Sheet for 2018/19 are shown in detail at **APPENDIX B** and are summarised below:



3.21 The main reasons for the variance between the budgeted and actual Balance Sheet for 2018/19 are:

Total Assets Less Liabilities – lower than the budget by (£4,886,000) (20%)

- The Actuary has increased the Long Term Liability for Pensions by **(£7,593,000)**.
- An increase in investments of **£1,760,000** partly due to higher usable reserves.

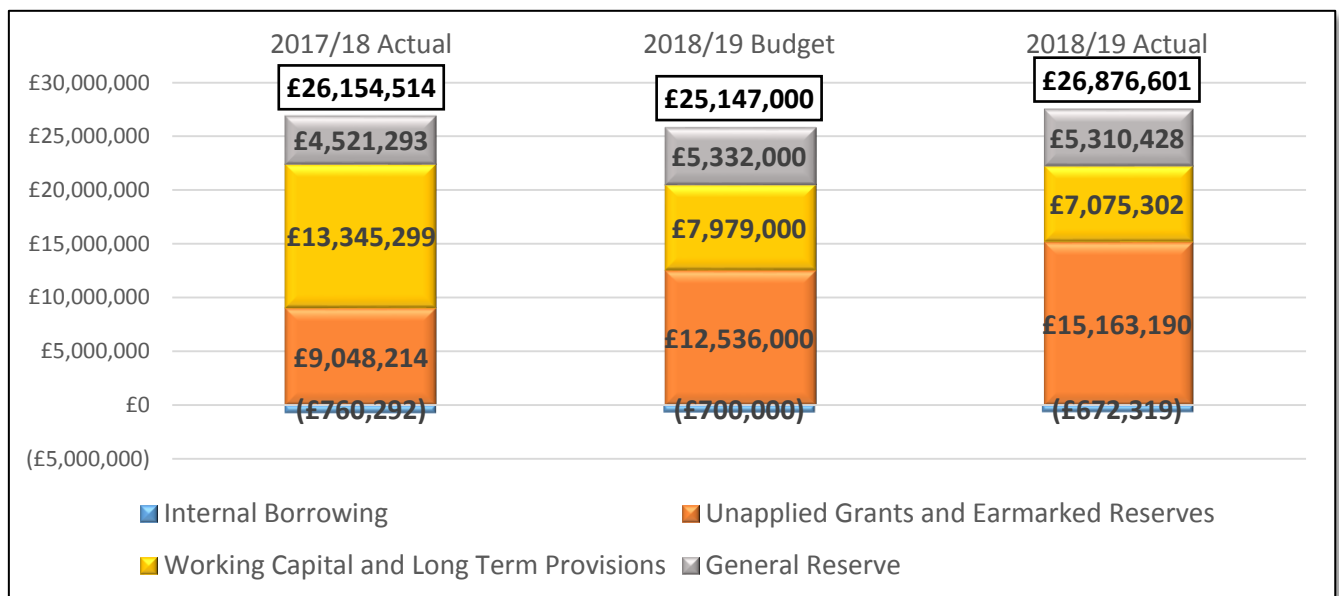
Usable Reserves – higher than budget by (£2,498,000) (14%)

- An increase in the level of earmarked reserves of **(£1,279,000)** due mainly to the VAT reclaim.
- A higher level of capital receipts of **(£465,000)** due mainly to higher Right to Buy sales.
- A higher level of unapplied and capital grants of **(£774,000)** due mainly to higher Community Infrastructure Levy.

Unusable Reserves – lower than budget by £7,384,000 (102%)

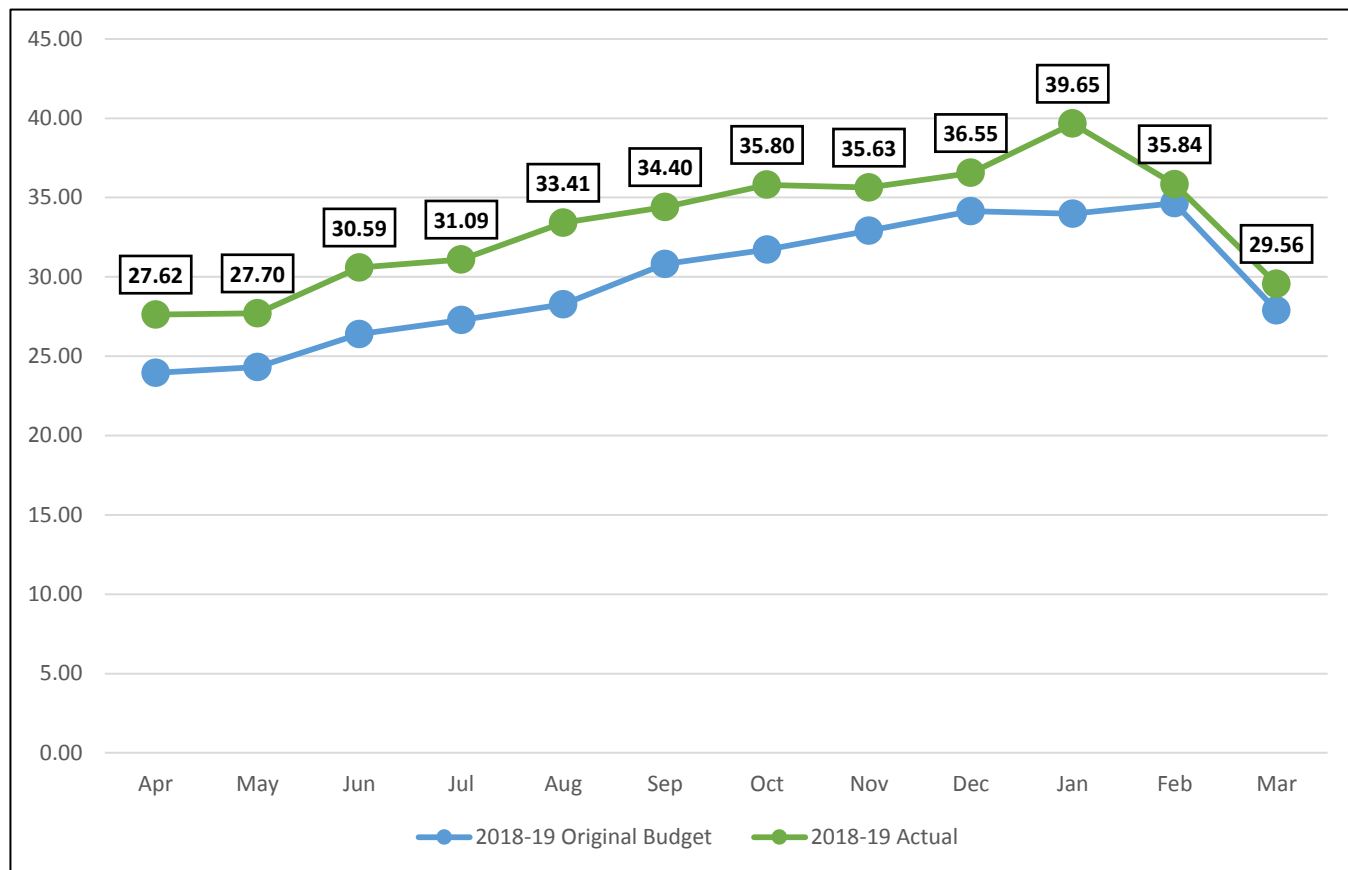
- An increase in the Pension Reserve of **£7,593,000** to offset the increase in the long term liability.

3.21 The level of investments and the sources of cash are shown in the chart below:



Cash Flow Forecasts

3.22 The graph below shows the average investment levels throughout the 2018/19 financial year compared to the budget:



3.23 The Treasury Management Performance for 2018/19 for both investment income and borrowing are shown below:

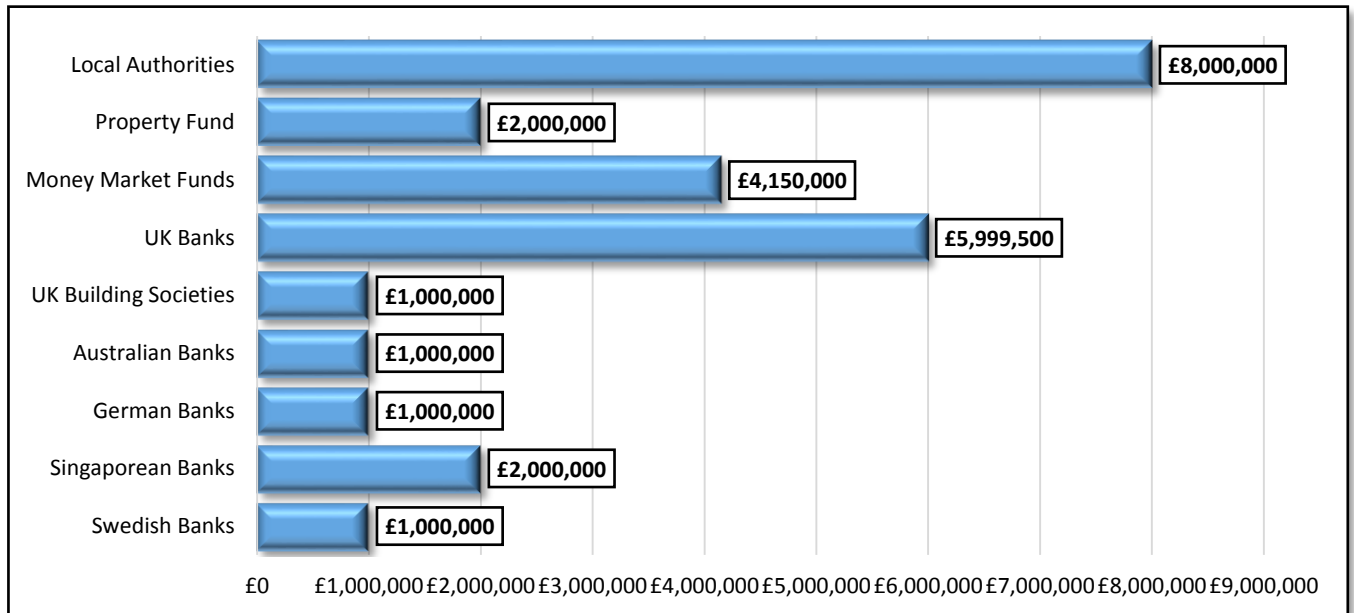
Treasury Management	2018/19			
	Approved Budget		Actual	
	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£30.70m	£2.70m	£33.14m	£2.47m
Average Rate	0.81%	2.15%	0.90%	2.18%

Gross Investment Income	(£284,000)		(£298,369)	
Less Transfer to Earmarked Reserves	67,350		67,350	
CCLA Transfer to Reserves	£31,000		£33,582	
External Interest		£47,500		£53,777
Internal Interest		£3,000		£5,869
Minimum Revenue Provision (less Finance Leases)		£186,860		£183,148
Net Treasury Position	(£185,650)	£237,360	(£197,437)	£242,794
	£51,710		£45,358	

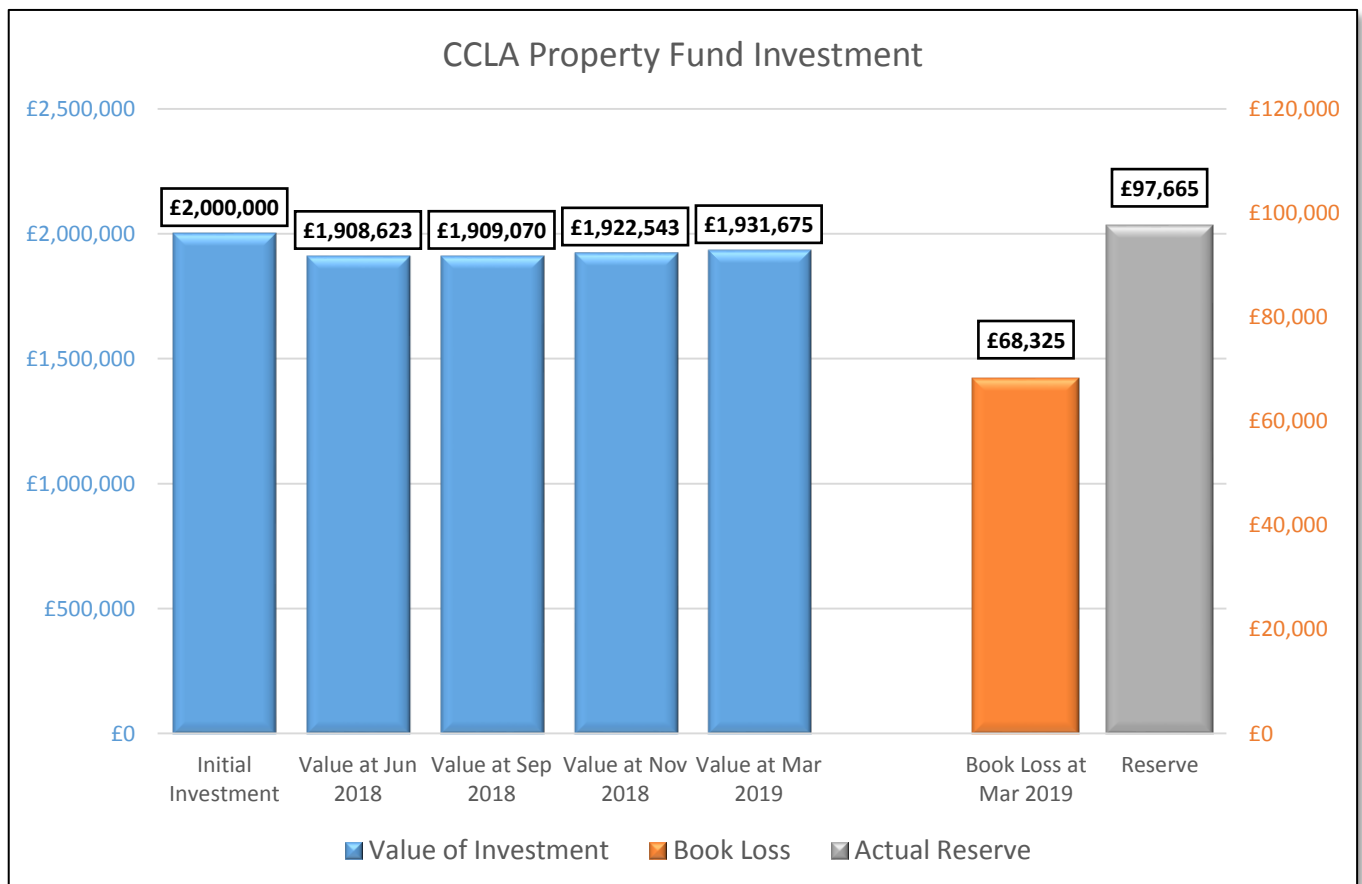
Investments

The Security of Our Investments

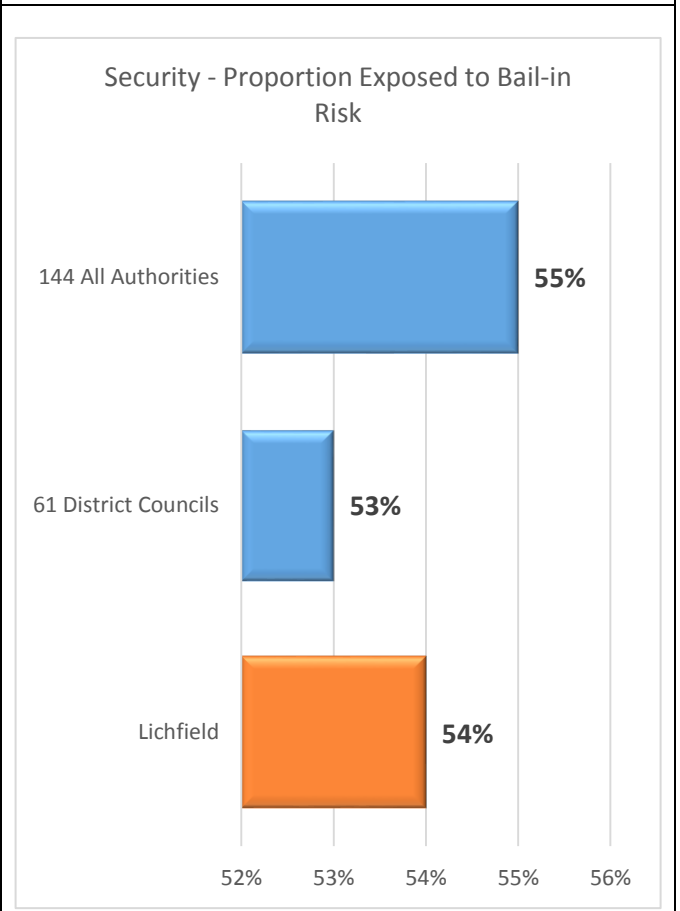
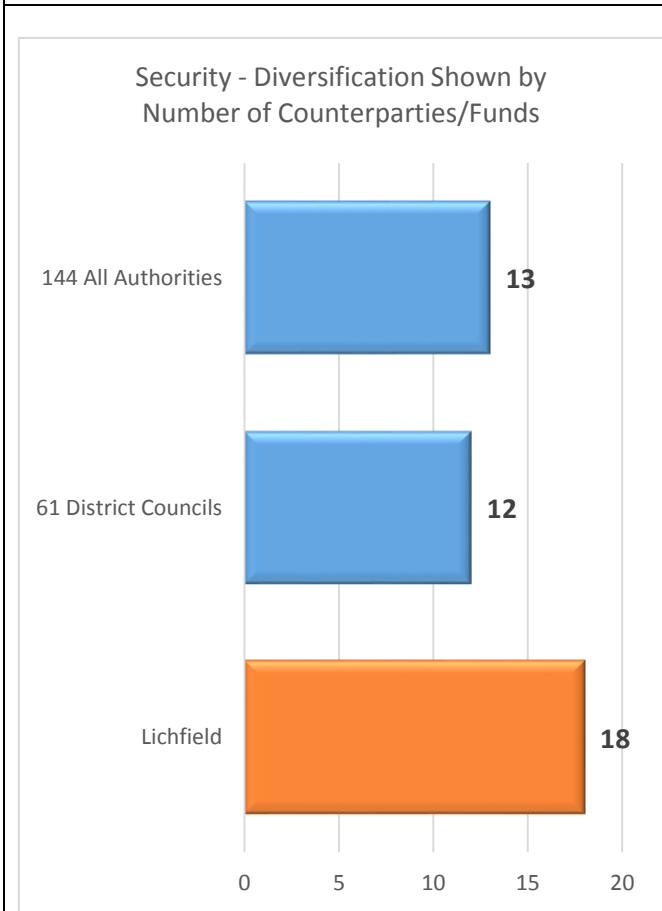
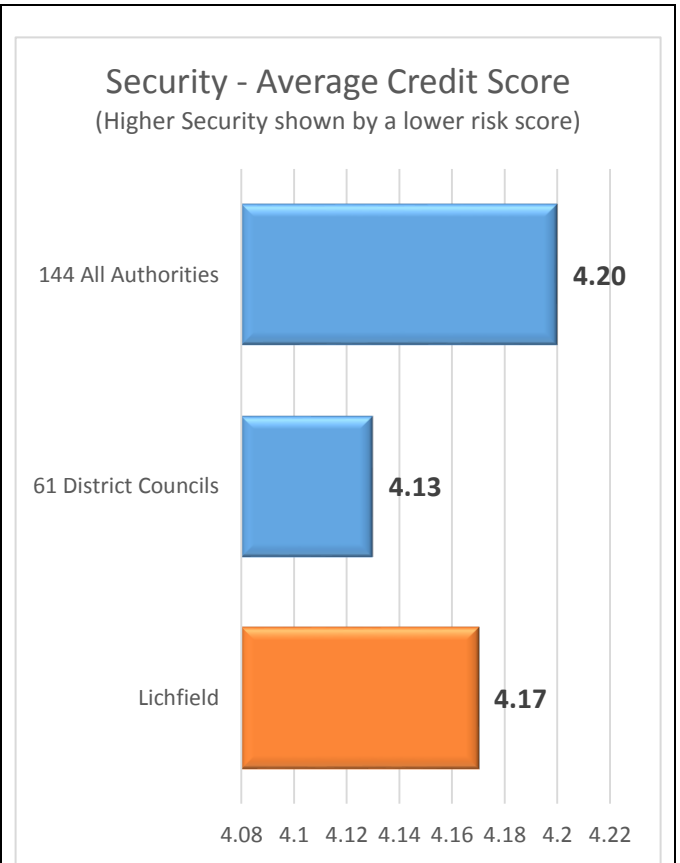
3.24 The investments the Council had at the 31 March 2019 of **£26.15m** (with the property fund valued at original investment of **£2m**) by type and Country are summarised below and in detail at **APPENDIX C**



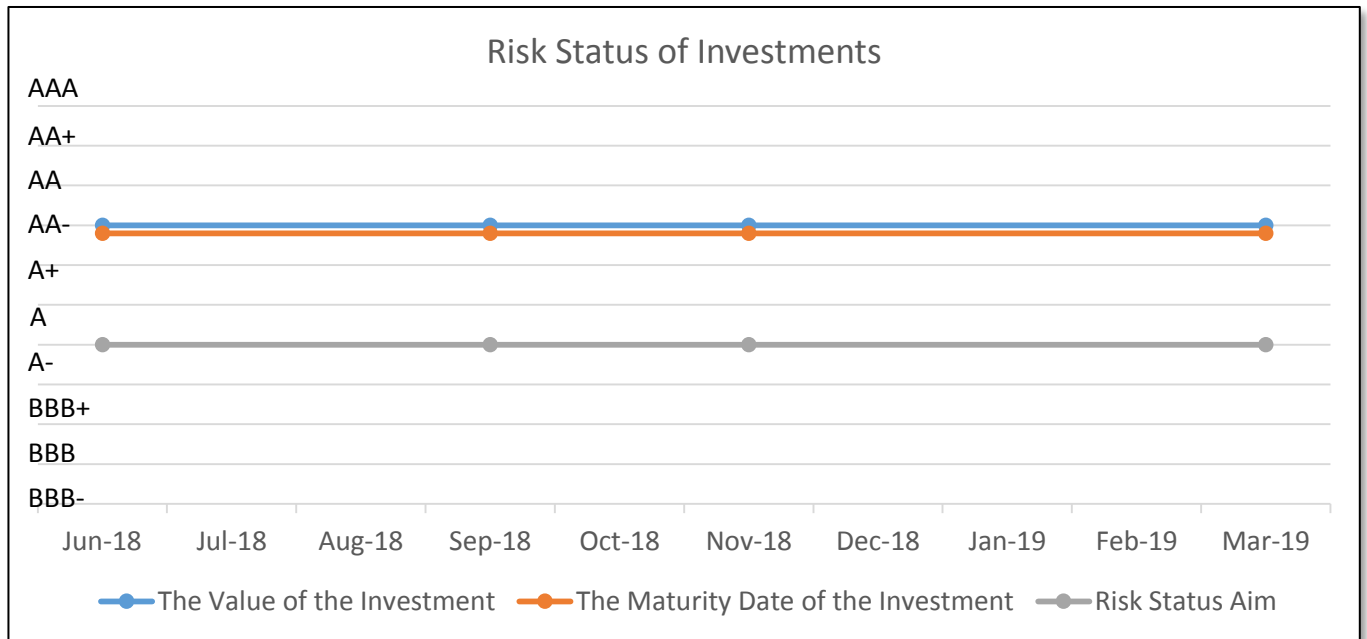
3.25 The current value of the Property Fund investment together with the value of the earmarked reserve at the end of 2018/19 intended to offset reductions in value is shown in the graph below:



3.26 A comparison of the Council's portfolio size (with the property fund valued at its current value of **£1.9m**), average credit score, level of diversification and level of exposure to 'Bail in' risk compared to all Arlingclose Clients is shown in the charts below:

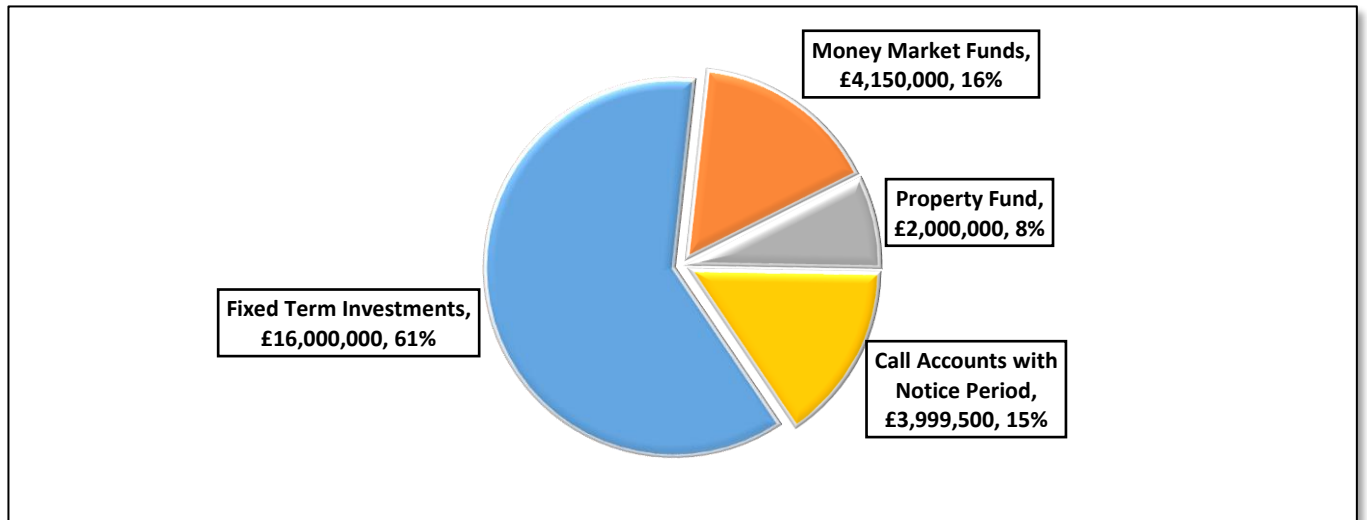


3.27 Our aim for the risk status of our investments was **A- or higher**. The risk status based on the length of the investment and the value for a 12 month period is summarised in the graph below:

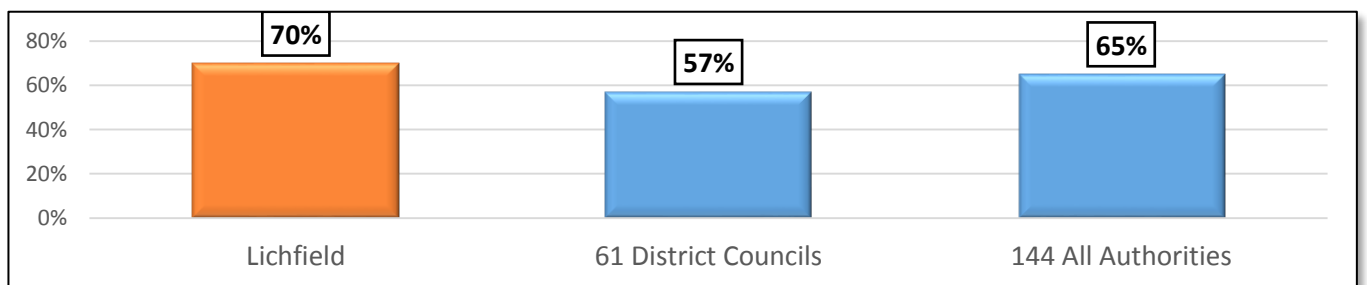


The Liquidity of our Investments

3.28 The Council has not had to temporarily borrow during 2018/19 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 investments by type are shown in the graph below:

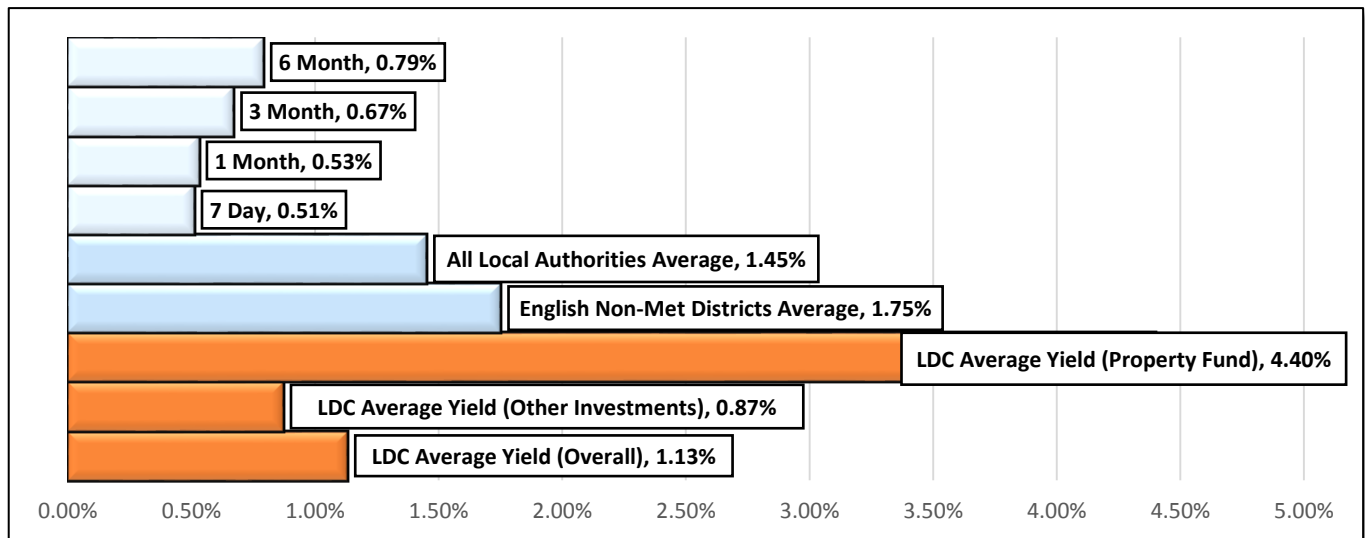


3.29 The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is below:



The Return or Yield of our Investments

3.30 The yield the Council was achieving as at 31 March 2019 compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



3.31 Investment activity generated (**£298,369**) of gross investment income.

Treasury Management Updates

Independent Review of Treasury Management by Internal Audit

3.32 In 2018/2019 as part of the Internal Audit Plan, Treasury Management was assessed by Internal Audit and the level of assurance placed on the system of internal control was the highest level available of 'Substantial Assurance'.

Temporary Increase to the Operational Bank Account Limit during 2018/19

3.33 The Treasury Management Strategy includes an approved Investment Counterparty and limit for unsecured banks with a credit rating of **A-** including the National Westminster Bank used by the Council for operational banking of **£1 million** and **6 months**.

3.34 On 5 November 2018 the Deputy Section 151 Officer temporarily increased the limit by **£65,288**. It was necessary to temporarily increase the limit for one day due to the very low level of risk involved. This was due to the requirement to manage investments within the constraints of the approved credit criteria as a result of limited available options.

Recommended increase to a Treasury Management Limit

3.35 The Annual Investment Strategy was approved by Council on 19 February 2019 and included the investment limit 'Any group of pooled funds under the same management' of **£4m per manager**.

3.36 We currently have the following actual or planned investments with Churches, Charities and Local Authorities (CCLA):

Investment	Approved Limit	Actual Investment at 13 May 2019
The Property Pooled Fund	£2 million	£2 million
UK Domiciled Money Market Fund	£5 million	£2 million
Diversified Income Fund (Approved by Cabinet 4 September 2018)	£2 million	£0
Fund Manager Total	£9 million	£4 million

3.37 Therefore to facilitate the investment in the Diversified Income Fund (a multi-asset fund investing in bonds, equities, infrastructure and operating assets) of £2m and thereby reduce risk through additional diversification and maximise investment income, the plan is to increase the limit from **£4m** to **£9m**.

Alternative Options

There are no alternative options.

Consultation

Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.

Financial Implications**Prudential indicators (PI) 2018/19:**

- We can confirm that the Council has complied with its Prudential and Local Indicators for 2018/19; these were originally approved by Council at its meeting on 20 February 2018 and were fully revised and approved by Council on 19 February 2019.
- 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 2018/19.
- None of the other Prudential and Local Indicators have been breached. The Prudential and Local Indicators are summarised in the table below :

Capital Strategy Indicators**Prudential Indicators**

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
Capital Investment					
Capital Expenditure (£m)	£2.608	£10.242	£5.355	£4.910	✓
Capital Financing Requirement (£m)	£4.177	£10.552	£4.881	£4.987	✓
Gross Debt and the Capital Financing Requirement					
Gross Debt	(£3.418)	(£10.142)	(£4.183)	(£4.315)	✓
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓
Total Debt					
Authorised Limit (£m)	£3.991	£21.377	£15.082	£4.751 ¹	✓
Operational Boundary (£m)	£3.991	£13.122	£7.197	£4.751	✓
Proportion of Financing Costs to Net Revenue Stream (%)	5%	7%	5%	5%	✓

Local Indicators

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.616)	(£0.699)	(£0.691)	(£0.710)	✓
Capital Receipts (£m)	(£0.426)	£0.000	(£0.356)	(£0.760)	✓
Liability Benchmark (£m) ²	£13.242	£2.345	£12.572	£14.209	✓
Treasury Management Investments (£m)	£24.519	£20.911	£25.147	£26.150	✓

Treasury Management Indicators**Prudential Indicators**

	Lower Limit	Upper Limit	2018/19 Actual	Compliant
Refinancing Rate Risk Indicator				
Under 12 months	0%	100%	7%	
12 months and within 24 months	0%	100%	7%	
24 months and within 5 years	0%	100%	22%	
5 years and within 10 years	0%	100%	36%	✓
10 years and within 20 years	0%	100%	23%	
20 years and within 30 years	0%	100%	3%	
30 years and within 40 years	0%	100%	0%	
40 years and within 50 years	0%	100%	0%	
50 years and above	0%	100%	0%	

¹ This is the highest level of debt outstanding during the financial year and is compared to the Authorised Limit and Operational Boundary to assess compliance.

² The liability benchmark (which is a CIPFA concept) measures an Authority's projected net borrowing requirement plus a short-term liquidity allowance for future periods. The purpose of a liability benchmark is to establish the level of risk which the Authority regards as its balanced or normal position so that it can take measured decisions about whether to be 'overweight' or 'underweight' in relation to that risk.

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
Principal Sums invested for periods longer than a year (£m)	£2.000	£6.000	£6.000	£2.000	✓
Local Indicators					
Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
	£m	£m	£m	£m	
<u>Balance Sheet Summary and Forecast</u>					
Borrowing Capital Financing Requirement	£2.129	£8.975	£3.338	£3.312	✓
Internal or (over) Borrowing	£0.759	£0.410	£0.698	£0.672	✓
(Investments) or New Borrowing	(£24.519)	(£20.910)	(£25.147)	(£26.150)	✓
Liability Benchmark	(£13.242)	(£2.345)	(£12.572)	(£14.209)	✓
	Target	2018/19 Actual	Compliant		
<u>Security</u>					
Portfolio average credit rating	A-	AA-	✓		
<u>Liquidity</u>					
Temporary Borrowing undertaken	£0.000	£0.000	✓		
Total Cash Available within 100 days (maximum)	90%	70%	✓		

Contribution to the Delivery of the Strategic Plan	The MTFs underpins the delivery of the Strategic Plan 2016-20.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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	Risk Description	How We Manage It	Severity of Risk
A	Planned Capital Receipts are not received.	The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures.	Green - Tolerable
B	Achievement of The Council's key Council priorities.	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
C	The affordability and risk associated with the Capital Strategy.	Recruit an estates management team to provide professional expertise and advice in relation to the Property Investment Strategy and to continue to take a prudent approach to budgeting.	Yellow - Material

Background Documents	<ul style="list-style-type: none"> • CIPFA Code of Practice for Treasury Management in the Public Services • The Prudential Code for Capital Finance in Local Authorities • The Treasury Management Strategy Statement (TMSS) 2018/19 – Audit and Member Standards Committee 22 January 2018. • Mid-Year Treasury Management Report – Audit and Member Standards Committee 14 November 2018. • The Treasury Management Strategy Statement (TMSS) 2019/20 – Audit and Member Standards Committee 6 February 2019.
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Relevant web link	
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Capital Programme Performance in 2018/19

Project	Original Budget	Approved Budget	Actual	Variance to Approved Budget	Variance to Original Budget
BLC Enhancement Work	£42,000	£0	£0	£0	(£42,000)
Play Area at Hawksyard	£1,000	£0	£0	£0	(£1,000)
Friary Grange Capital Works	£0	£50,000	£28,203	(£21,797)	£28,203
Leisure Review: Capital Investment	£750,000	£1,395,000	£1,365,042	(£29,958)	£615,042
Replacement of Play Equipment at Hill Ridware Village Hall	£0	£0	£41,054	£41,054	£41,054
Fradley Village Heating & CCTV	£0	£15,000	£10,000	(£5,000)	£10,000
Fradley Youth & Community Centre Cladding & Porch	£0	£15,000	£0	(£15,000)	£0
Children's play equipment at Upper Lodge Play Area	£0	£21,000	£21,000	£0	£21,000
Armitage with Handsacre Village Hall heating upgrade	£0	£20,000	£15,000	(£5,000)	£15,000
Armitage with Handsacre Village Hall storage container	£0	£16,000	£10,000	(£6,000)	£10,000
Armitage War Memorial and surrounding area	£0	£80,000	£0	(£80,000)	£0
Canopy and installation of artificial grass at Armitage	£0	£13,000	£0	(£13,000)	£0
Burntwood Leisure Centre Equipment (Lease)	£0	£0	£262,792	£262,792	£262,792
Accessible Homes (Disabled Facilities Grants)	£772,000	£1,193,000	£583,453	(£609,547)	(£188,547)
Home Repair Assistance Grants	£15,000	£15,000	£1,756	(£13,244)	(£13,244)
Decent Homes Standard	£437,000	£0	£0	£0	(£437,000)
Energy Insulation Programme	£20,000	£41,000	£12,926	(£28,074)	(£27,074)
DCLG Monies	£212,000	£0	£0	£0	(£212,000)
Unallocated S106 Affordable Housing Monies	£400,000	£0	£0	£0	(£400,000)
Housing Redevelopment Scheme - Packington	£0	£40,000	£40,000	£0	£40,000
Healthy and Safe Communities	£2,649,000	£2,914,000	£2,391,227	(£522,773)	(£257,773)
Darnford Park	£13,000	£0	£0	£0	(£13,000)
Vehicle Replacement Programme	£30,000	£0	£14,750	£14,750	(£15,250)
Bin Purchase	£0	£0	£177,009	£177,009	£177,009
Vehicle Replacement Programme	£138,000	£15,000	£0	(£15,000)	(£138,000)
Shortbutts Park, Lichfield	£23,000	£0	£0	£0	(£23,000)
Env. Improvements - Upper St John St & Birmingham Road	£7,000	£0	£0	£0	(£7,000)
Stowe Pool Improvements	£100,000	£0	£0	£0	(£100,000)
The Leomansley Area Improvement Project	£3,000	£3,000	£0	(£3,000)	(£3,000)
Canal Culvert at Huddlesford	£90,000	£0	£0	£0	(£90,000)
Cannock Chase SAC	£43,000	£62,000	£64,736	£2,736	£21,736
Clean, Green and Welcoming Places to Live	£447,000	£80,000	£256,495	£176,495	(£190,505)
Data Management System	£6,000	£11,000	£0	(£11,000)	(£6,000)
Birmingham Road Site Support	£313,000	£143,000	£136,468	(£6,532)	(£176,532)
Birmingham Road Site - Castle Dyke/Frog Lane	£100,000	£0	£0	£0	(£100,000)
Birmingham Road Site - Railway Station Forecourt	£5,000	£0	£0	£0	(£5,000)
Birmingham Road Site - Coach Park	£450,000	£5,000	£6,613	£1,613	(£443,388)
Birmingham Road Site - Police Station Acquisition	£0	£1,805,000	£1,785,027	(£19,973)	£1,785,027
Sankey's Corner Environmental Improvements - Phase 4	£0	£3,000	£3,000	£0	£3,000
City Centre Strategy and Interpretation	£0	£23,500	£18,322	(£5,178)	£18,322
Car Parks Variable Message Signing	£32,000	£0	£0	£0	(£32,000)
Old Mining College - Refurbish access and signs	£0	£14,000	£1,298	(£12,702)	£1,298
Lichfield Festival Parade and Website	£0	£14,000	£13,752	(£248)	£13,752
St Mary's Cultural Hub	£0	£45,000	£44,979	(£21)	£44,979
Erasmus Darwin Lunar Legacy	£0	£25,000	£22,050	(£2,950)	£22,050
A Vibrant and Prosperous Economy	£906,000	£2,088,500	£2,031,508	(£56,992)	£1,125,508
Property Investment Strategy	£6,000,000	£0	£0	£0	(£6,000,000)
IT and Channel Shift Programme	£152,000	£187,000	£153,953	(£33,047)	£1,953
Asset Management - Works resulting from Condition Survey	£88,000	£85,000	£77,259	(£7,741)	(£10,741)
A Council that is Fit for the Future	£6,240,000	£272,000	£231,212	(£40,788)	(£6,008,788)
Capital Programme Total	£10,242,000	£5,354,500	£4,910,442	(£444,058)	(£5,331,558)
Non-Current Assets	£8,138,000	£3,669,500	£3,997,234	£327,734	(£4,140,766)
Revenue Expenditure Funded from Capital under Statute	£2,104,000	£1,685,000	£913,207	(£771,793)	(£1,190,793)

Funding Source	Original Budget	Approved Budget	Actual	Variance to Approved Budget	Variance to Original Budget
Capital Receipts	£670,000	£1,888,000	£1,827,091	(£60,909)	£1,157,091
Revenue Contributions	£154,000	£155,000	£386,469	£231,469	£232,469
Council Funding	£824,000	£2,043,000	£2,213,560	£170,560	£1,389,560
Borrowing Need	£6,780,000	£1,395,000	£1,565,834	£170,834	(£5,214,166)
Capital Grants and Contributions	£2,452,000	£1,544,500	£881,835	(£662,665)	(£1,570,165)
Reserves and Sinking Funds	£186,000	£372,000	£249,212	(£122,788)	£63,212
Capital Programme Total	£10,242,000	£5,354,500	£4,910,442	(£444,058)	(£5,331,558)

The Council's Balance Sheet

	Type	2017/18 Actual £000s	2018/19 Actual £000s	2018/19 Budget £000s	Variance to Budget £000s
Property, Plant and Equipment	ASSET	41,968	42,786	42,325	461
Heritage Assets	ASSET	515	450	515	(65)
Investment Property	ASSET	5,200	4,867	5,200	(333)
Intangible Assets	ASSET	76	73	76	(3)
Assets Held for Sale	ASSET	300	200	0	200
Long Term Debtors	DEBT	93	288	93	195
Investments	INV	24,418	26,808	25,046	1,762
Borrowing	BOLE	(1,370)	(2,640)	(2,640)	0
Finance Leases	BOLE	(2,048)	(1,675)	(1,543)	(132)
Working Capital	CRED	(9,227)	(8,410)	(9,030)	620
Pensions	PEN	(34,393)	(42,747)	(35,154)	(7,593)
TOTAL ASSETS LESS LIABILITIES		25,532	20,001	24,887	(4,886)
<u>Unusable Reserves</u>					
Revaluation Reserve	REV	(9,016)	(9,419)	(9,016)	(403)
Capital Adjustment Account	CAP	(34,865)	(33,970)	(34,217)	247
Deferred Credits	CRED	(47)	(47)	(47)	0
Pension Scheme	PEN	36,028	43,621	36,028	7,593
Benefits Payable During Employment Adjustment Account	CRED	132	219	132	87
Collection Fund	UGER	(611)	(315)	(208)	(107)
Available for Sale Reserve	INV	101	0	101	(101)
Financial Instrument Revaluation Reserve	INV	0	68	0	68
<u>Usable Reserves</u>					
Unapplied Grants and Contributions - General	UGER	(705)	(650)	(509)	(141)
Unapplied Grants and Contributions - Cannock Chase	UGER	(22)	(4)	(0)	(4)
Unapplied Grants and Contributions - Section 106	UGER	(588)	(577)	(584)	7
Unapplied Grants and Contributions - CIL	UGER	(327)	(963)	(327)	(636)
Usable Capital Receipts	UGER	(2,936)	(1,950)	(1,488)	(462)
Usable Capital Receipts - Arts Statue	UGER	(134)	(53)	(50)	(3)
Burntwood Leisure Centre Sinking Fund	UGER	(236)	(236)	(236)	0
City Centre Redevelopment Sinking Fund	UGER	(25)	(25)	(18)	(7)
Elections	UGER	(194)	(222)	(194)	(28)
Public Open Spaces	UGER	(439)	(439)	(439)	0
Three Spires Multi Storey	UGER	(2,057)	(2,227)	(2,207)	(20)
Building Regulations	UGER	(148)	(135)	(147)	12
Other Earmarked Reserves	UGER	(4,904)	(7,342)	(6,111)	(1,231)
Grant Aid - Development	UGER	(20)	(25)	(20)	(5)
General Fund Balance	GEN	(4,521)	(5,310)	(5,332)	22
TOTAL EQUITY		(25,532)	(20,001)	(24,887)	4,886
	Type	2017/18 Actual £000s	2018/19 Actual £000s	2018/19 Budget £000s	Variance to Budget £000s
Summary					
Capital Funding	CAP	(34,865)	(33,970)	(34,217)	247
Revaluation Reserve	REV	(9,016)	(9,419)	(9,016)	(403)
Borrowing and Leasing	BOLE	(3,418)	(4,314)	(4,183)	(131)
Non-Current Assets	ASSET	48,059	48,376	48,116	260
Investments	INV	24,519	26,877	25,147	1,730
Unapplied Grants & Earmarked Reserves	UGER	(13,344)	(15,163)	(12,536)	(2,627)
General Reserve	GEN	(4,521)	(5,310)	(5,332)	22
Long Term Debtors	DEBT	93	288	93	195
Working Capital & Pensions	CRED	(7,507)	(7,364)	(8,071)	707
Internal Borrowing		760	673	700	(27)
Liability Benchmark					
Capital Financing Requirement (Borrowing)		2,130	3,312	3,339	(27)
Working Capital & Pensions		(7,507)	(7,364)	(8,071)	707
Usable Reserves		(17,255)	(20,158)	(17,660)	(2,498)
Collection Fund Account		(611)	(315)	(208)	(107)
Minimum Level of Investments		10,000	10,000	10,028	(28)
Total		(13,242)	(14,525)	(12,572)	(1,953)

Investments in the 2018/19 Financial Year

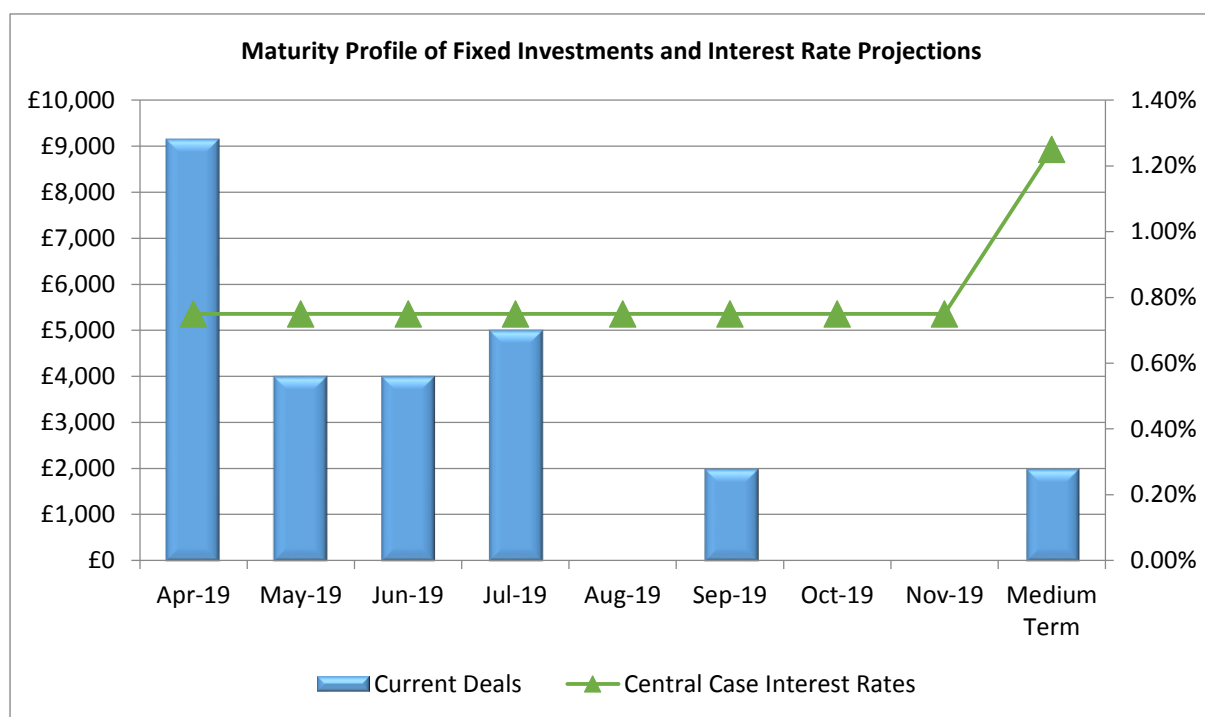
The table below shows a breakdown of our investments at the end of March 2019:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
CCLA MMF	£4,150,000	01-Apr-19	Instant Access	0.74%	AAAMMF	N/A
Property Fund						
CCLA Property Fund	£2,000,000	N/A	N/A	4.15%	N/A	No
Fixed Term Investments						
United Overseas Bank	£1,000,000	17-May-19	47	0.84%	AA-	Yes
Blaenau Gwent County Borough	£2,000,000	03-Apr-19	3	0.90%	LOCAL	No
Coventry Building Society	£1,000,000	05-Apr-19	5	0.82%	A	No
Landesbank Hessen-Thüringen (Helaba)	£1,000,000	09-Apr-19	9	0.88%	A	Yes
Lloyds	£1,000,000	15-May-19	45	1.00%	A+	No
Surrey Heath Borough Council	£2,000,000	13-Jun-19	74	0.95%	LOCAL	No
Australia and New Zealand Banking Group	£1,000,000	12-Jun-19	73	0.98%	AA-	Yes
Close Bros	£1,000,000	18-Jun-19	79	1.00%	A	No
Highland Council	£2,000,000	29-Jul-19	120	0.93%	LOCAL	No
Merthyr Tydfil Council	£2,000,000	22-Jul-19	113	0.95%	LOCAL	No
DBS Bank	£1,000,000	19-Sep-19	172	0.99%	AA-	Yes
Call Accounts with Notice Period						
Santander UK plc	£1,000,000	27-Sep-19	180	0.95%	A	No
Goldman Sachs International Bank	£1,000,000	04-Jul-19	95	0.89%	A	No
Handelsbanken	£1,000,000	05-May-19	35	0.65%	AA-	No
HSBC	£999,500	01-May-19	31	0.85%	AA-	No
Certificates of Deposit						
Standard Chartered	£1,000,000	05-Apr-19	5	0.88%	A	No
Total Investments	£26,149,500					

External Borrowing

Source	Loan Amount	Maturity Date	Interest Rate	Outstanding Balance as at 31 March 2019
Public Works Loan Board	£1,522,000	08-Apr-40	2.59%	£1,308,920
Public Works Loan Board	£1,395,000	31-May-28	1.71%	£1,330,747

The maturity profile of these investments at 31 March 2019 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



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).

	Target	Actual
Security		
Risk Status (length of Investment)	A- minimum	AA-
Risk Status (Value of the investment)		AA-
Liquidity		
Length of Investments (days)	N/A	88 days
Temporary Borrowing	£0	£0
Yield		
Average amount we had available to invest (£m)	£30.70m	£33.14m
Average Interest Rate (%)	0.93%	0.90%
7-day London Inter-bank Bid (LIBID) rate	0.51%	
1 month London Inter-bank Bid (LIBID) rate	0.53%	
3 month London Inter-bank Bid (LIBID) rate	0.67%	
6 month London Inter-bank Bid (LIBID) rate	0.79%	
Gross Investment Income (£)	(£284,000)	(£298,369)
Net Treasury Position including Borrowing (£)	£51,710	£45,358

- The average interest rate of 0.93% is different to the LDC Average Yield (Overall) of 1.13% at para 3.30, due to one calculation is based on a whole year's worth of investments and one on the investments as at 31 March 2019.

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Statement of Accounts 2018/19

Cabinet Member for Finance and Procurement

Date:	24 July 2019
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



AUDIT (AND MEMBER STANDARDS) 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 2018/19. The Accounts and Audit (England) Regulations now require a Local Authority to certify its set of Accounts by 31 May and publish an Audited set of its accounts by 31 July each year.
- 1.2 The Statement of Accounts was signed by the Head of Finance and Procurement (Section 151) on 30 May 2019.
- 1.3 A copy of the Unaudited Statement of Accounts was placed on the Council's website on 30 May 2019. The period of inspection and elector's right to question the External Auditor also commenced on 31 May 2019 for 30 working days until 12 July 2019.
- 1.4 There were no requests from electors to inspect the accounts and no questions were raised of the External Auditor during this period.
- 1.5 The Constitution assigns the responsibility for considering and approving the Annual Statement of Accounts to this Committee to enable sign off by the Chair.

2. Recommendations

- 2.1 The Committee:
 - Notes the External Auditor's Audit Findings Report (**Agenda Item 7**).
 - Approves the Letter of Representation at **APPENDIX A**.
 - Approves the Councils Statement of Accounts for 2018/19 (attached at **APPENDIX B**).

3. Background

- 3.1. The External Auditor's Audit Findings report will be discussed at Agenda Item 7. This details the findings from the final accounts audit as well as providing a Value for Money conclusion.
- 3.2. The only issue to bring to the Committee's attention relates to changes that have been made to the valuation of the net pension fund liability.
- 3.3. During the preparation of the draft Statement of Accounts a sector wide issue was present because there were two legal cases in progress in relation to the Government's implementation of pension changes in 2015 (McCloud and Sargent):
 - The McCloud and Sargent cases concern the transitional protections given to members of the Fire Fighters and Judges Pension schemes, who in 2012 were within 10 years of their normal retirement age, as part of public service pension's reform. These protections were challenged at an employment tribunal where they were deemed to be unlawful on grounds of age discrimination. The Government chose to appeal this decision and on 20 December 2018 the Court of Appeal also found that these protections were unlawful on the grounds of age discrimination and could not be

justified. The Government then applied to the Supreme Court for a further appeal and on 27 June 2019 it was confirmed that the Supreme Court has denied the Government's request for a further appeal.

- The conclusion of these legal cases has provided more certainty in terms of the legal position and therefore the potential impact on the Local Government Pension Scheme can be modelled.
- In addition, the Actuary prepared the original pension fund valuation based on an estimated asset return provided by the Pension Authority. This estimate was different to the actual return due to asset price volatility mainly in the equities sector.
- The Actuary provided a revised pension fund valuation and the aggregate total of the change was in excess of the External Auditor's materiality level. Therefore adjustments have been made to the relevant areas of the Statement of Accounts.

3.4. 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 A**.

3.5. The Council is annually required to produce and certify a Statement of Accounts in line with the Code of Practice on Local Authority Accounting.

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

Section	Description	Page
Statement of Responsibilities	The Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts.	3
Narrative Report	An analysis of Lichfield District Council through the eyes of its management.	4
Annual Governance Statement	This sets out the governance structures of the Council and its key internal controls (approved by Audit and Member Standards Committee on 24 April 2019).	29
Expenditure and Funding Analysis	This statement reconciles the Narrative Report & Money Matters financial performance to the Comprehensive Income and Expenditure Statement.	49
Comprehensive Income and Expenditure Statement	This records all of the Council's income and expenditure for the year based on accounting requirements.	50
Movement in Reserves Statement	This is a summary of the changes to the Council's reserves over the course of the year.	51
Balance Sheet	This Statement is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves.	52
Cash Flow Statement	This shows the reason for changes in the Council's cash balances during the year.	53
Notes to the Accounts	More detail about the Council's accounting policies (approved by Audit and Member Standards Committee 27 March 2019) and individual transactions.	54
Collection Fund and Notes	This summarises the year end position for Council Tax and Business Rates.	119
Glossary of Terms	This provides an explanation of the terms used in the Statement of Accounts.	122
Independent Auditor's Report	The External Auditor's opinion.	126

3.7. There were two material items identified in the Statement of Accounts in 2018/19:

- **The termination of the Development Agreement for Friarsgate of £1,550,000**

This development, in a number of guises, had been in planning stages for over 10 years. However, the changes in the retail market, the impact of Brexit and the decline in property investment for retail-led schemes meant that the final scheme proposed could not be funded.

Whilst the Council itself considered if it should as a last resort fund, this was not deemed to be a sound investment and hence the development agreement was terminated. The net development costs that were previously retained on the Balance Sheet under “Assets under Construction” were therefore charged to revenue.

- **The Reclaim from HMRC of VAT from leisure services of (£882,000) plus interest of (£14,940)**

The Council submitted a claim for the repayment of VAT on sporting services supplied for the benefit of those taking part in sport as part of a case submitted by Ealing Council and led by PWC on a ‘no win no fee’ basis to the European Court of Justice (ECJ).

This case focussed on the principle of inconsistency in UK law compared to EU law regarding exemption and supplies of sporting services compared to other bodies such as Trusts etc. In July 2017 Ealing won the case in the ECJ and HMRC accepted the decision and also confirmed they will not be seeking to invoke unjust enrichment provisions and therefore reduce the value of the claim.

3.8. The following paragraphs will provide a little more detail in relation to the core statements.

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 known as the funding or General Fund basis. The information included in the Narrative Report (and Money Matters Reports) 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 Expenditure and Funding Analysis on page 49 and supplementary information on pages 74 and 75, reconcile the General Fund surplus and transfer to General Reserves (shown in the Narrative Report on page 16 and in Money Matters Reports) to the Comprehensive Income and Expenditure Statement (shown on page 50).

3.13. The table below summarises the Expenditure and Funding Analysis (EFA) and shows the main reasons why the General Fund **surplus** of (£789,000) becomes a **deficit** on Provision of Services in the Comprehensive Income and Expenditure Statement of £925,000.

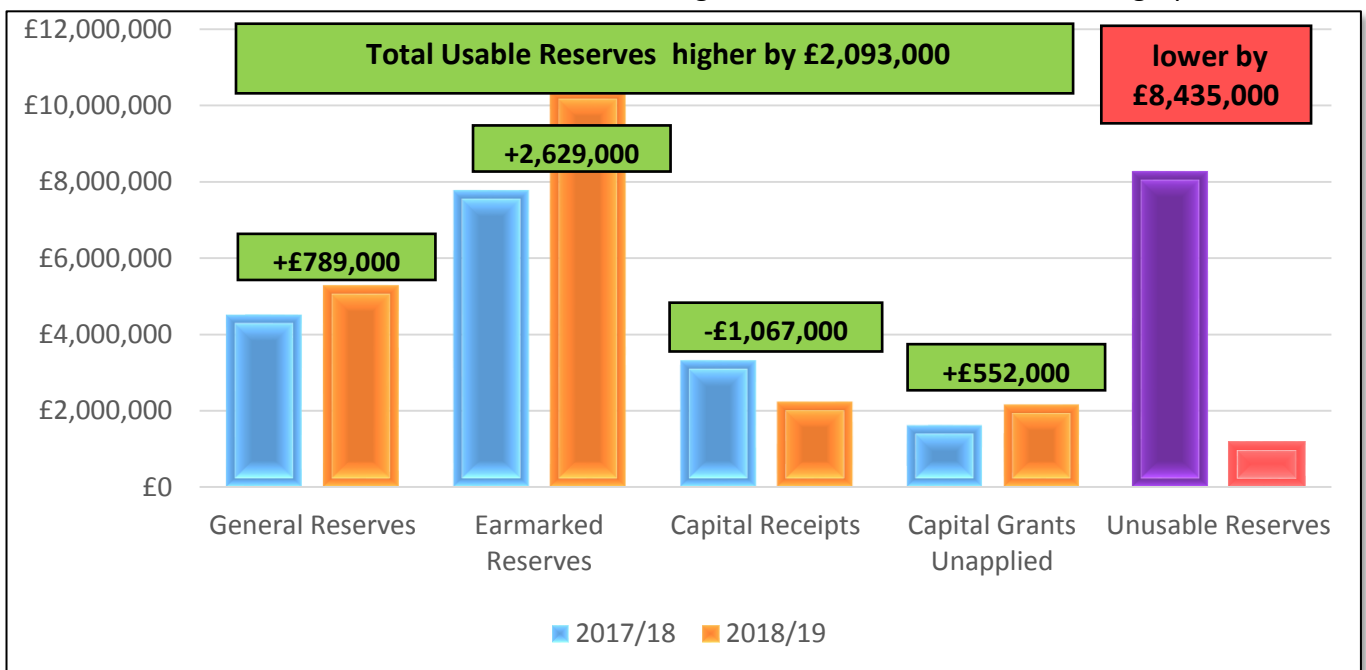
Where expenditure exceeds income this is shown in red	2017/18 £000	2018/19 £000
Financial Performance - Statutory requirements (pages 14 to 17)	450	(789)
Transfers to Earmarked Reserves – consolidated into General Fund Reserve	(1,519)	(2,629)
<u>Removal of Statutory Entries and replace with Accounting Entries (page 75):</u>		
Debt repayment & revenue funding of capital spend	(1,581)	(158)
Depreciation	1,741	1,716
Valuation changes and capital grants	2,079	274
Full cost of employer pensions in excess of the statutory amount paid	1,506	2,215
Additional Council Tax and Business Rates compared to statutory estimate	505	296
Financial Performance - Generally Accepted Accounting Practices (page 50)	3,181	925

3.14. The reasons for the **deficit** of **£925,000** are:

- The removal of transfers to Earmarked Reserves because under accounting requirements these are considered to form part of the General Fund Reserve – **this increases the surplus by (£2,629,000)**.
- The removal of entries related to debt repayment and capital financing (these are replaced by depreciation etc.) – **this increases the surplus by (£158,000)**.
- The inclusion of capital accounting entries for depreciation, valuation changes and capital grants and contributions to be compliant with accounting requirements – **this reduces the surplus by £1,990,000**.
- The inclusion of a sum in addition to pension payments in the year to reflect the full accounting based cost of employer pensions – **this reduces the surplus by £2,215,000**.
- The removal of the Council’s share of the actual additional income for Council Tax and Business Rates compared to the NNDR 1 estimate – **this reduces the surplus by £296,000**.

The Movement in Reserves Statement

3.15. The movement in usable and unusable reserves during 2018/19 are summarised in the graph below:



3.16. The movement in reserves during 2018/19 is explained below:

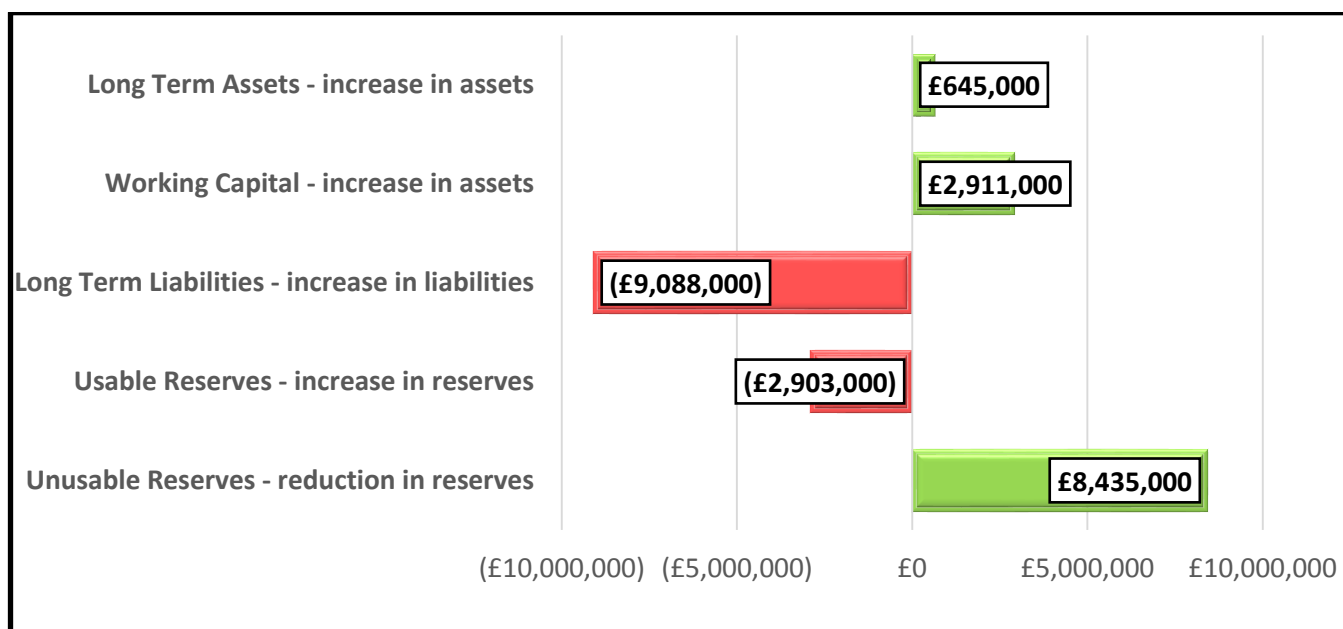
- **General Reserves** - there was a General Fund **surplus** of revenue income over expenditure and therefore **£789,000** was transferred to General Reserves (Movement in Reserves on page 51).
- **Earmarked Reserves** - **additional** contributions of **£2,629,000** were made to reflect resources being set aside for specific projects. These include the Leisure VAT claim, pension’s repayment, Business Rates volatility and funding for the loan to the Property Company (note 8 on page 78).
- **Capital receipts** – these have **reduced** by **£1,067,000**. There were receipts generated of **(£760,254)** mainly from the Council’s share of Bromford Right to Buy receipts of (£576,398). Capital receipts of **£1,827,091** were used to fund capital investment during the year including the acquisition of the former Police Station site (Movement in Reserves on page 51).
- **Capital grants unapplied** – these 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 **increased** by **£552,000** during 2018/19 due primarily to receipts from Community Infrastructure Levy of £636,111 that have not yet been utilised (Movement in Reserves on page 51).

- **Unusable reserves** – these have **reduced** by **£8,435,000** and are accounting reserves that are not available to fund capital investment or revenue expenditure. These principally relate to the revaluation reserve, the capital adjustment account, the pension reserve and Collection Fund. The most significant changes relate to (Movement in Reserves on page 51):

1. An **increase** in the negative pension reserve of **£8,354,000** following reassessment by the Actuary.
2. An **increase** in the revaluation reserve of **(£403,000)** where asset values have increased following revaluations.
3. A **decrease** in the Collection Fund Adjustment Account of **£296,000**. This is where the Council's share of any difference between the NNDR1 estimate and actual Business Rates and Council Tax income is retained until distribution takes place in later years.
4. A **decrease** in the Capital Adjustment account of **£895,000**. This reserve 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 Balance Sheet

3.17. The changes in the Balance Sheet during 2018/19 are shown below:



3.18. The **reduction** in the 'bottom half' of the Balance Sheet represented by usable and unusable reserves is **£5,532,000**. There is also a corresponding **reduction** in net assets in the 'top half' of the Balance Sheet of **£5,532,000**.

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

- **Long Term Assets** – Property, Plant and Equipment has **increased** by **£645,000** mainly due to capital investment and increases in the value of assets assessed by the External Valuer. The Council's Valuation approach is based on a rolling programme of valuations and professional judgement in line with Valuation guidance.
- **Working Capital** – this includes both Current Assets such as debtors (amounts owed to the Council) and Current Liabilities such as creditors (amounts owed by the Council). During 2018/19 there has been an **increase** of **£2,911,000** related mainly to an increase in short term investments.
- **Long Term Liabilities** – the Pension liability has **increased** by **£8,354,000** due to reassessment by the scheme Actuary.
- **Usable Reserves** - These changes are explained in paragraphs 3.15 to 3.16.
- **Unusable Reserves** – These changes are explained in paragraphs 3.15 to 3.16.

The Cash Flow Statement

3.20. The Cash Flow Statement shows why the level of cash and cash equivalents has increased during the financial year. The sources and use of **cash** that have resulted in an **increase** of **£333,000** in cash and cash equivalents are shown below:

	Receipts £000	Payments £000	Balance £000
Opening Balance			4,473
Sale of assets	604		5,077
Net Council Tax and Business Rates cash	734		5,811
Capital grants and contributions	1,768		7,579
Net additional investments		(2,000)	5,579
Capital expenditure related to assets		(2,067)	3,512
New long term loan from the Public Works Loans Board	1,395		4,907
Debt repayments for borrowing and finance leases		(699)	4,208
Operating activities cash income more than cash expenditure	598		4,806
Closing Balance			4,806

3.21. The Cash Flow Statement shows that the Council has received **cash** income from:

- The sale of assets including receipt of the Council's share of Right to Buy receipts from Bromford from the previous financial year.
- Council Tax and Business Rate cash flows.
- Capital grants and contributions received such as Community Infrastructure Levy and Disabled Facilities Grant.
- A new long term loan from the Public Works Loans Board.
- Day to day revenue operating activities.

3.22. This **cash** income has been used for:

- An increase in investments.
- Capital investment in non-current assets such as the project at Burntwood Leisure Centre.
- The repayment of external borrowing and finance leases.

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 Report and the Annual Governance Statement. The Audit and Member Standards Committee was consulted and approved the Accounting Policies to be applied at its meeting on 27 March 2019 and approved the content of the Annual Governance Statement at its meeting on 24 April 2019 .
Financial Implications	The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility for the production and certification of the Statement of Accounts.
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 130 in eight different languages. There are no Human Rights issues.
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Crime & Safety Issues	There are no Crime and Community Safety Issues.
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GDPR/Privacy Impact Assessment	There are no specific implications.
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	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 unaudited Statement of Accounts are certified and available for inspection by 31 May. The draft 2018/19 Statement of Accounts was completed and signed by the Head of Finance and Procurement on 30 May 2019.	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, Part 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)

Background documents Statement of Accounts working papers 2018/19 The Accounts and Audit (England) Regulations CIPFA Code of Practice on Local Authority Accounting in the United Kingdom

Relevant web links https://www.lichfielddc.gov.uk/performance-efficiency/statements-summaries-accounts-external-audit-letters-1/1
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Ask for Anthony Thomas
 Email Anthony.thomas@lichfielddc.gov.uk



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 WS13 6YX

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 20 Colmore Circus
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Direct Line 01543 308012
 Customer Services 01543 308000

24 July 2019

Dear Sirs

Lichfield District Council - Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Lichfield District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented 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 any 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. 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.
- vi. 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.
- vii. 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.
 - viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
 - ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
 - x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes.
 - xi. The financial statements are free of material misstatements, including omissions.
 - xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
 - 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 Council 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 information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - 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 information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, 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 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.

Annual Governance Statement

- xxiv. 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 Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Member Standards Committee at its meeting on 24 July 2019.

Yours faithfully

Councillor Colin Greatorex
Chair of Audit (and Member Standards) Committee
Date 24 July 2019

Diane Tilley
Chief Executive
Date 24 July 2019

Anthony Thomas
Section 151 Officer
Date 24 July 2019



Statement of Accounts 2018/19

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If you have any comments on this **Statement of Accounts 2018/19** or would like any further information please contact:

Finance and Procurement
Lichfield District Council
Council House
Frog Lane
Lichfield
Staffordshire
WS13 6YY

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

Further information is also available on the Council’s website: www.lichfielddc.gov.uk

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the Chief Finance Officer (CFO) is the Head of Finance and Procurement with the responsibility:

- 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 2019.

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 2019 and its income and expenditure for the year.

This is an electronic copy without an electronic signature. The original was signed on 24 July 2019 and a copy can be obtained from the address on page 2.

Anthony Thomas, CPFA, MAAT
Head of Finance and Procurement (Section 151)

The Statement of Accounts for 2018/19 has been approved by Audit (and Member Standards) Committee on 24 July 2019. The Audit Findings Report was reported to Audit (and Member Standards) Committee on 24 July 2019.

Chair of Audit (and Member Standards) Committee Date: 24 July 2019

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2019, 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 2018/19. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that for the 2018/19 financial year, members of the public, including electors and residents of Lichfield District, Council Members, partners, stakeholders and other interested parties can:

- 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 2018/19;
- A Summary of the Financial Performance of Lichfield District Council in 2018/19;
- A Summary of the Principal Risks and Uncertainties Facing Lichfield District Council;
- Explanation of the Financial Statements.

NARRATIVE REPORT

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 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), the West Coast Mainline 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 Country 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 achieving above the national average. 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.

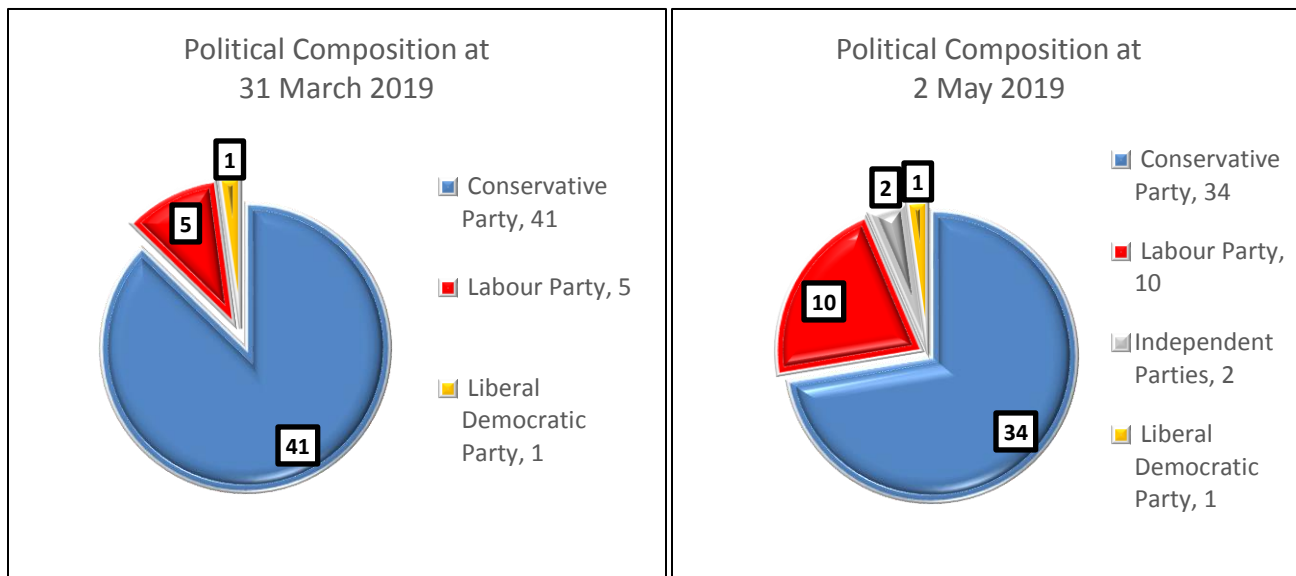
It is an attractive location for people to live and as such has been a significant destination for migrants from the West Midlands conurbation and other nearby towns. The availability of jobs, the history of inward migration to the District, and good road connections have increased accessibility and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

The Halifax Quality of Life Survey voted Lichfield District as one of the UK's best places to live in the country. Lichfield was number 30 in a list of the top 50 areas based on residents' health and life expectancy, employment and earnings, and personal well-being.

NARRATIVE REPORT

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. At 31 March the political composition of seats was as shown in the first graph below. Following the election on 2 May 2019, the political composition changed as shown in the second graph below:



The policies of the Council are directed by Cabinet and Council and implemented by the Leadership Team (comprising a Chief Executive, two Directors, an Assistant Chief Executive and eight Heads of Service), supported by officers. The Council currently employs approximately **310** people of which **75%** are permanent and the remainder temporary employees.

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.

Lichfield District Council provides services to a population of about **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*
- *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*

NARRATIVE REPORT

- *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.

During 2017/18, the Council outsourced the operational delivery of its leisure centres in Burntwood and Lichfield to Freedom Leisure. The aim of the outsourcing was to maximise the opportunity for people to lead healthy lives and to have access to opportunities to exercise, as well as being financially sustainable, with targets set for increased participation across our whole demography.

The contract with Freedom is monitored both operationally and financially by the Leisure Implementation Panel.

The Council's Performance

For 2018/19, the Council had a **Strategic Plan** that covers the period 2016-20 and which was approved by Full Council on 23 February 2016. This Plan sets the Council's vision for the District and the priorities it will focus on between 2016 and 2020. The plan was developed with the input of councillors, residents, partners and staff. It summarises what we will do, sets out where we will seek to influence other organisations, and suggests how communities can help to make sure our District has:

- **A vibrant and prosperous economy**
 - We will work to support and strengthen our local economy, with high employment, good local jobs, growing visitor numbers and thriving local businesses
 - We want people to be able to live and work locally and have the choice of great jobs and training opportunities, from apprenticeships through to high-skilled senior roles, so that they can fulfil their potential
 - We want our town and city centres and rural areas to be thriving and sustainable, and we want new businesses to start up, innovate and succeed.
- **Healthy and safe communities**
 - We want local people to have access to opportunities to be active and live healthy, fulfilled lives
 - We want to prevent social isolation and loneliness, particularly in older members of our community
 - We want our communities to be even safer and for people to be less worried about crime and anti-social behaviour
 - We want to encourage and support people to volunteer and help shape their communities, and be an active part of local life.
- **Clean, green and welcoming places to live**
 - We want to create great communities where people want to and can afford to live
 - We want a good balance of homes, including enough affordable homes, and we want the right mix and quantity of office, retail and manufacturing spaces
 - We want to protect our stunning heritage and make sure our green spaces, streets and public areas are looked after and well managed.

The most significant issue for the Council in respect of the delivery of the Strategic plan during 2018/19, was the termination of the development agreement with U&I to deliver the proposed Friarsgate retail and leisure scheme in Lichfield City.

This development, in a number of guises, had been in planning stages for over 10 years. However, the changes in the retail market, the impact of Brexit and the decline in property investment for retail-led schemes meant that the final scheme proposed could not be funded.

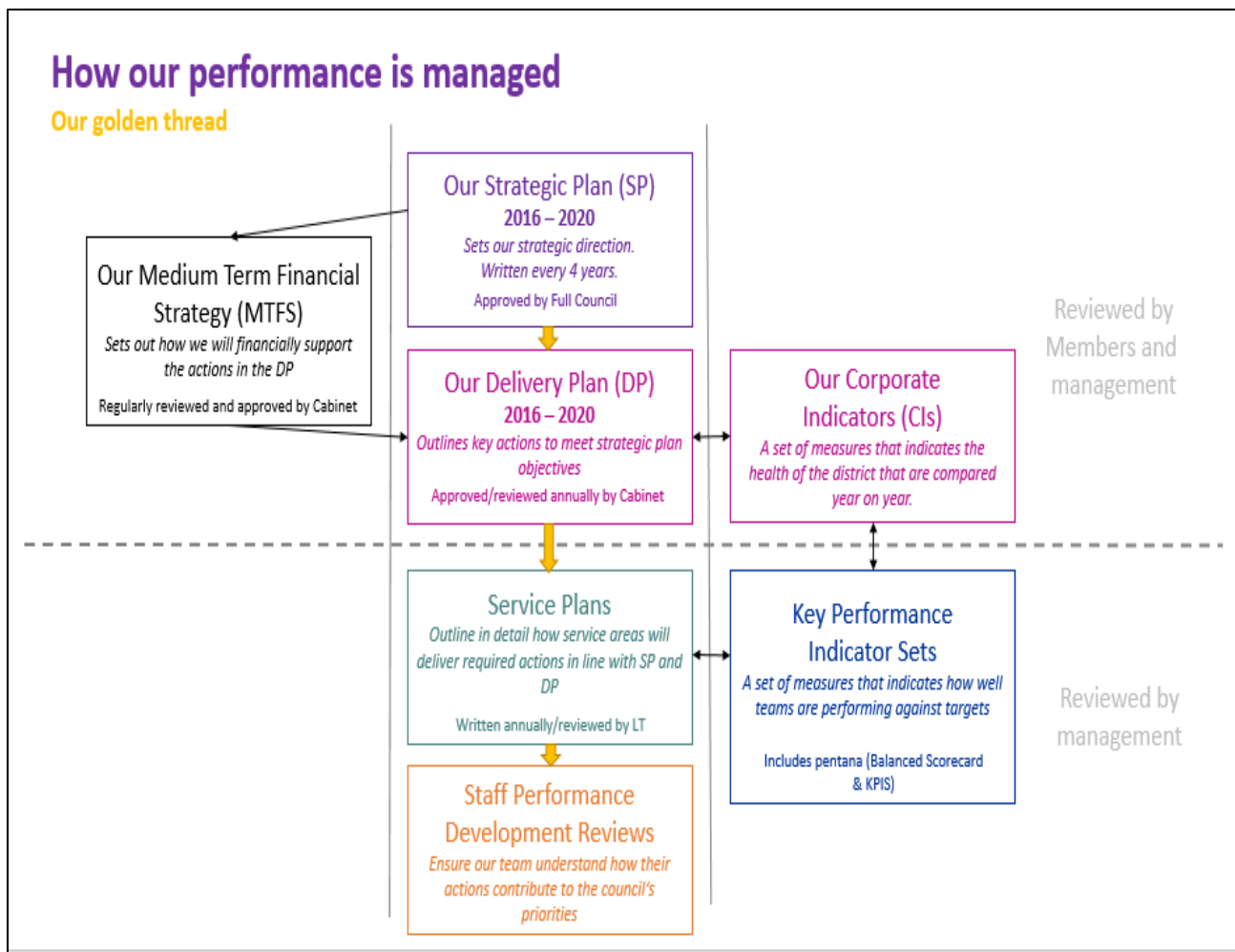
Whilst the Council considered funding the project itself, as a last resort, this was not deemed to be a sound investment and hence the development agreement was terminated. The Council retains ownership of the site and new plans are progressing.

NARRATIVE REPORT

The Strategic Plan for 2016-20, not only sets out the long term strategic direction of travel for the Council over the next four years, but also provides the context for the plans and targets for each financial year so that the budget can be aligned accordingly.

The Strategic Plan not only sets out our strategic direction but also provides the context for our performance monitoring. Up to and including the 2017/18 financial year, this monitoring was carried out using an Annual Action Plan which was approved by Council for the following year in February. This identified and focused on 10 key activities/projects (known as the Corporate Top 10), in order to achieve progress against the aspirations in the Strategic Plan.

A mid-plan review of the way the Council managed its performance was carried out during the early part of 2018, and a revised performance framework developed and approved by Cabinet in September 2018. It is based on the diagram below.



A key outcome of the review was the development of the Council’s new Delivery Plan 2018-20 which replaced the Annual Action Plan. The Delivery Plan provides a direct link to the Council’s Strategic Plan. It contains only those actions that are strategic in nature or are of cross-departmental importance. By bringing together actions in this way, the Delivery Plan also helps to highlight any resource implications and ensures corporate prioritisation takes place in a more coordinated way.

The Delivery Plan also captures the performance the Council has delivered so far against the aspirations set out in the Strategic Plan, then maps out the activity that will take place between 2018-20, thus making it a longer-lasting, more forward focussed and a more resilient performance tool.

NARRATIVE REPORT

Actions are mapped directly back to commitments and aspirations in each of the Council’s priorities in the Strategic Plan. They are also linked to each Head of Service and team service plans in addition to individual staff members’ PDR targets. The Delivery Plan also seeks to highlight how actions relate to the Council’s F4F programme and commercialisation themes. Overall there are 36 commitments and 82 actions within the Plan.

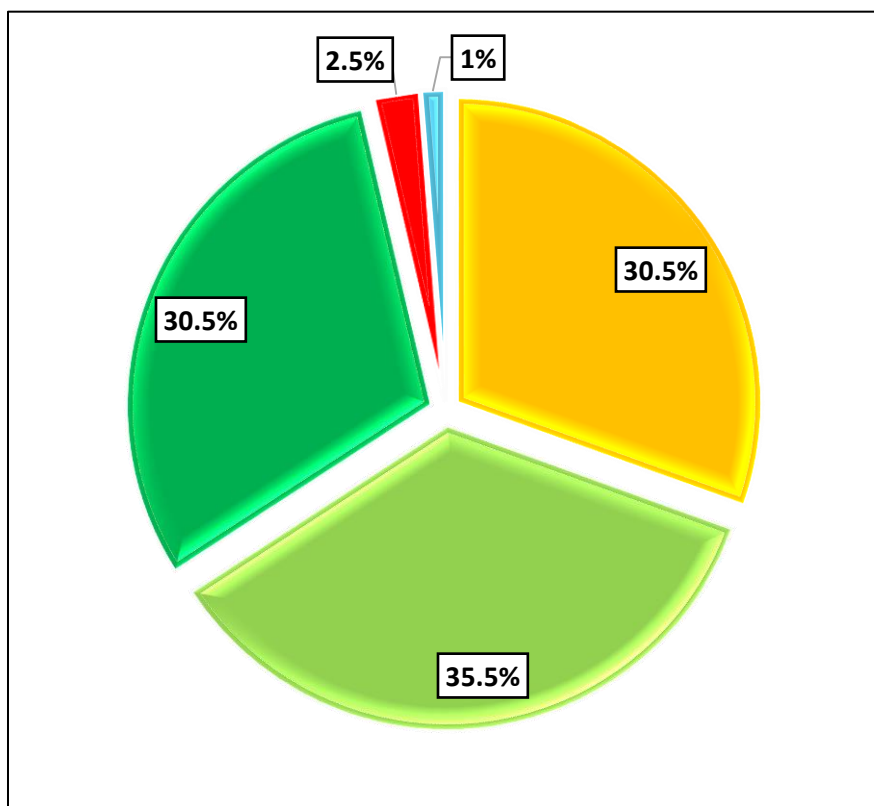
During 2018/19, a new approach to monitoring the Delivery Plan (and Service Plans) was developed using the Council’s performance management system, Pentana. Officers responsible for the Delivery Plan and Service Plan actions now update Pentana to ensure that the latest performance on each individual action is registered in a central location, ensuring that the Council’s officers and Members can access real-time progress and performance monitoring.

The Delivery Plan is reviewed on an ongoing basis by Leadership Team and progress reported on a six-monthly basis to Cabinet. A full year Delivery Plan Performance update report is taken to Cabinet in the July following the financial year end. It is also shared with the Chairs of the Council’s four Overview and Scrutiny Committees through the Overview and Scrutiny Co-ordinating Group.

From April 2019, performance reporting will take place in line with reporting on the Council’s Medium Term Financial Strategy to allow informed discussions around the impact of budgetary pressures on performance to take place.

The full year outcomes for the **2018/19 Delivery Plan** are highlighted below:

Firstly in summary:



Progress towards our delivery plan targets

- Completed
- On target
- Revised due date agreed
- Behind target
- Not started

	Completed	On target	Revised target	Behind target	Not started
Delivery Plan actions – total 82	25	29	25	2	1

NARRATIVE REPORT

The following shows our performance in more detail:

Fifty four of the actions in the Delivery Plan are complete or on target. The table below shows those actions that were completed during this reporting cycle (October – March 2019).

Ambition	Progress
Vibrant & prosperous economy	
Roll out new street trading policy and support safe delivery of events through our Safety Advisory Group.	Policy rolled out.
Healthy & safe communities	
Revise partnership and funding agreement with Garrick Theatre confirmed.	New arrangements in place.
Clean, green & welcoming places to live	
Review the buildings at risk register.	Register reviewed.
Implement the environmental crime strategy.	Strategy implemented.
Implement action plan for improving collection productivity for Joint Waste.	New way of working being trialled.
A council that is fit for the future	
Approve the people strategy.	Strategy approved.
Deliver line of business system for grounds maintenance and operational services.	Service has adopted Jadu CXM as back office system and opted not to pursue a standalone system at this time.
Deliver staff survey.	Delivered and follow up workshops completed.
Roll out new approach to commercialisation.	Team established and training in place.
Ensure the Council is prepared to meet its responsibilities as a category 1 responder in line with our Emergency Planning Annual Action Plan.	All plans reviewed in advance of BREXIT.

NARRATIVE REPORT

Twenty five actions have been given a **revised due date**, due in the main to external factors, and are on target to meet the new due dates.

Ambition	New due date
Vibrant & prosperous economy	
Design and embed new approach to trade waste booking and processing to make it easier for potential customers to deal with the Council.	31 December 2019
Roll out Jadu business account.	31 July 2020
Review and adopt revised discretionary rates relief policy.	30 September 2019
Improve gateway to city centre for coach and bus passengers.	Timeline will emerge with the Birmingham Road Scheme (BRS)
Consider car parking issues as part of Lichfield City master plan, including the future of the Multi-Storey car park.	
Develop plans for the Birmingham Road site.	
Refresh development brief for Bird Street car park.	
Healthy & safe communities	
Work with Sport England to undertake a review of the Council's Physical Activity and Sports Strategy (PASS) which will in turn inform the Leisure and Operational Services' new Health and Wellbeing Development Plan 2018 - 2023.	31 March 2020
Produce a 10 year Local Facility Football Pitch Plan and use this document to review the Council's current Playing Pitch Strategy.	30 November 2019
Adopt and implement a revised Discretionary Housing Payment Policy.	31 July 2019
Clean, green & welcoming places to live	
Adopt Local Plan land allocations.	31 July 2019
Adopt local list of historic buildings for Burntwood & Hammerwich.	31 December 2019
Implement air quality action plan.	30 June 2019
Transfer Beacon Park tennis courts.	31 October 2019
Implement public open space transfer/adoptions plan and review existing policy.	31 March 2020
Work with housing associations to invest available capital and Section 106 funds to help deliver affordable homes.	5 August 2020
A council that is fit for the future	
Review the customer promise and develop customer engagement plan.	31 October 2019
Launch Modern Gov - democratic system - to members and officers.	30 June 2019
Deliver line of business system and integrations for regulatory services.	30 June 2019
Continue digitisation programme for waste processes.	31 October 2019
Implement property investment strategy.	31 July 2019
Bring forward and adopt business case for development of Bore Street shops.	31 December 2019
Consider future office requirements for the Council and deliver business case.	31 December 2019
Replace sundry debtors system.	31 December 2019
Deliver the revenues and benefits service review.	31 July 2019

NARRATIVE REPORT

Two additional actions had their due dates extended, despite having delivered to target, in order to enable performance for the full plan period (2016 – 2020) to be recorded. These are:

- Deliver major event programme in the parks, including Proms in Beacon Park and Drive in Movies
- Encourage completion of housing that has been granted permission. Work with developers and other partners to overcome any barriers to delivery.

Three actions are either **behind target** or **not yet started**. The new target dates are listed below.

Ambition	Current position	New due date
Healthy & safe communities		
Deliver Disabled Facilities Grants (DFGs) capital programme.	In 2018/19, 73 grants were fully completed at a total cost of £548,302 (46% of available budget). This is not unexpected in the first year of the contract, and it is important to look at other work in progress - another 23 adaptations at a value of £324,632 have been approved (either on site or committed jobs) and another 47 cases are in the pipeline. These 143 cases represent 143% commitment of the budget. The due date has been extended to the end of plan period to allow full investment to take place.	31 March 2020
Clean, green & welcoming places to live		
Restore the historic features of Stowe Pool and Fields.	The project is on hold and will be considered as part of the next plan period.	On hold.
A council that is fit for the future		
Deliver elections review.	Scope has been agreed and is being supported by Fit for the Future project team. 'As Is' and 'To Be' processes have been mapped. Benchmarking data has been obtained.	31 September 2019

NARRATIVE REPORT

Financial Performance

The Medium Term Financial Strategy and Monitoring Financial Performance

The ability to deliver the outcomes set out in the Strategic Plan 2016-20 is dependent on the resources available over the life of the plan. Therefore, the Council prepares a **Medium Term Financial Strategy (MTFS)**. 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. The MTFS covers revenue and capital expenditure for the current financial year and the next four years.

The MTFS 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 Approved Budget). It is the latter against which the year-end outturn position is monitored both in terms of revenue and capital.

Revenue Financial Performance in 2018/19

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.

Net Cost of Services

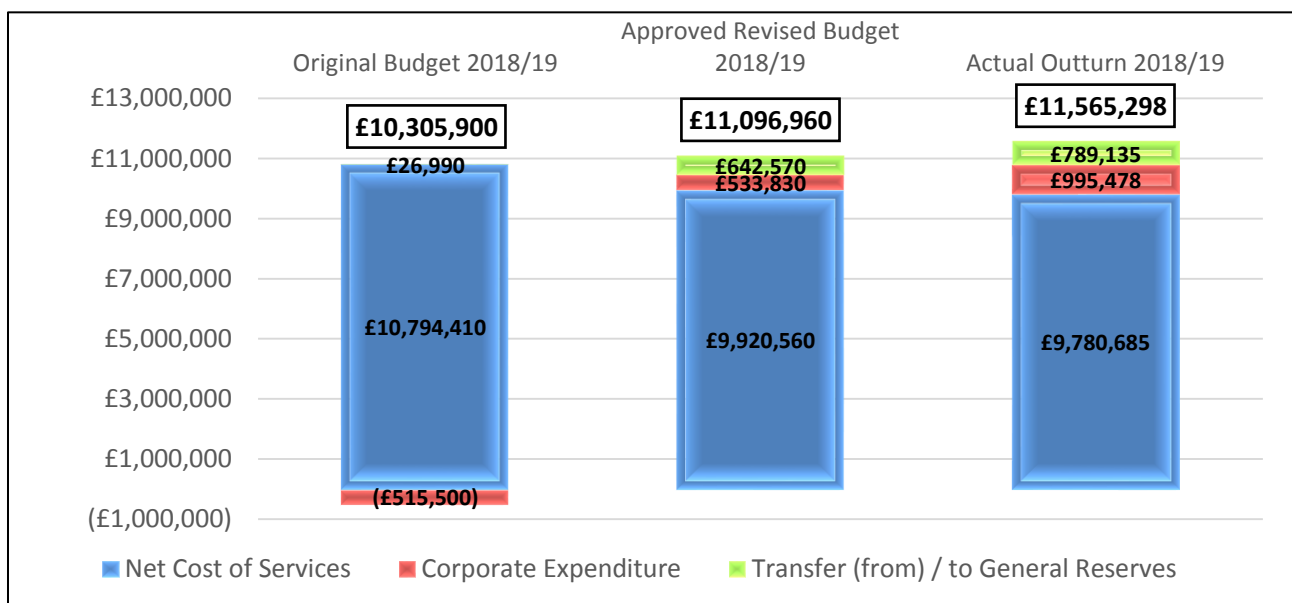
The target set by the Council is for the net expenditure incurred in delivering services (Net Cost of Services) to be within +/- **£250,000** of the Approved Budget. The actual performance was **(£139,875)** below the Approved Budget and therefore within the target range.

Corporate Expenditure (including Earmarked Reserve transfers) and Funding

Retained Business Rates and Grants were **(£468,338)** higher than the Approved Budget, **£461,648** of this additional funding was transferred to earmarked reserves with **(£6,690)** remaining.

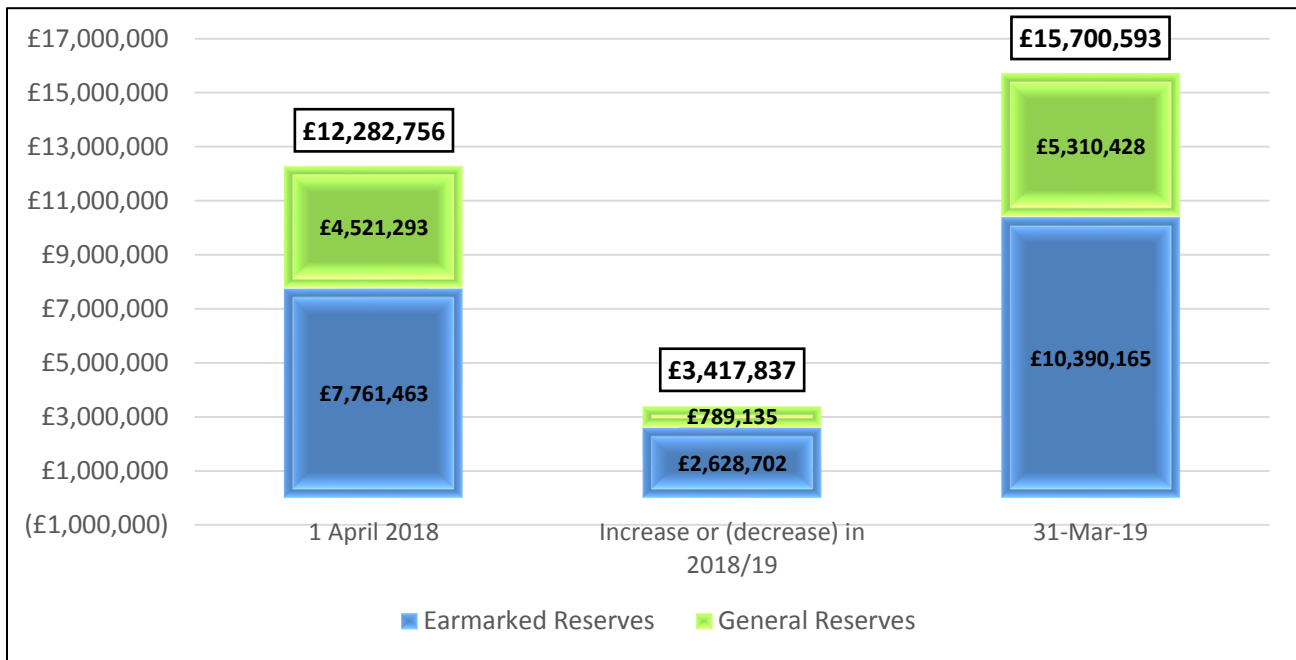
General Reserves

This meant that **£789,135** was transferred to General Reserves compared to an Approved Budget of **£642,570**, this is an increase of **£146,565**.



NARRATIVE REPORT

The chart below shows the total 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 Council's Minimum Level at **£1,600,000**. This means that there is available reserves of **£3,710,428** over and above the Minimum Level.

NARRATIVE REPORT

The details of net expenditure for activities included under the Net Cost of Services and Corporate Expenditure categories in the chart on page 17, together with the sources of funding in the format of the information contained in our Council Tax Leaflet, are shown below:

2017/18		2018/19				
Actual Outturn £000		Original Budget £000	Approved Budget £000	Actual Outturn £000	Amount per Person £	Amount per Band D Property £
5,868	A council that is fit for the future	6,210	6,169	6,157	£59.71	£164.79
(1,046)	A vibrant and prosperous economy	(652)	(1,067)	(1,209)	(£11.73)	(£32.37)
3,355	Clean, green and welcoming places to live	3,427	2,917	2,847	£27.62	£76.22
1,984	Healthy and safe communities	1,809	1,902	1,986	£19.26	£53.15
10,161	Net Cost of Services	10,794	9,921	9,781	£94.87	£261.79
1,362	Capital & earmarked reserves	(620)	482	950	£9.22	£25.43
(14)	Interest receipts/payments	105	52	45	£0.44	£1.21
(450)	Transfer (from) or to General Reserves	27	642	789	£7.65	£21.12
11,059	Net Expenditure	10,306	11,097	11,565	£112.18	£309.56
(2,463)	Business Rates	(2,480)	(3,082)	(3,514)	(£34.08)	(£94.06)
(236)	Revenue Support Grant	0	0	0	£0.00	£0.00
(1,421)	New Homes Bonus	(800)	(941)	(941)	(£9.13)	(£25.19)
(16)	Other Grants	(42)	(90)	(126)	(£1.22)	(£3.37)
(829)	(Surplus) or Deficit on the collection of Council Tax and Business Rates from the previous year	(633)	(633)	(633)	(£6.14)	(£16.95)
(6,094)	Amount to be raised from Council Tax	(6,351)	(6,351)	(6,351)	£61.60	£169.99

The information in the table above is based on the statutory funding basis and shows income exceeding expenditure by **£789,000** and therefore a transfer to General Reserves.

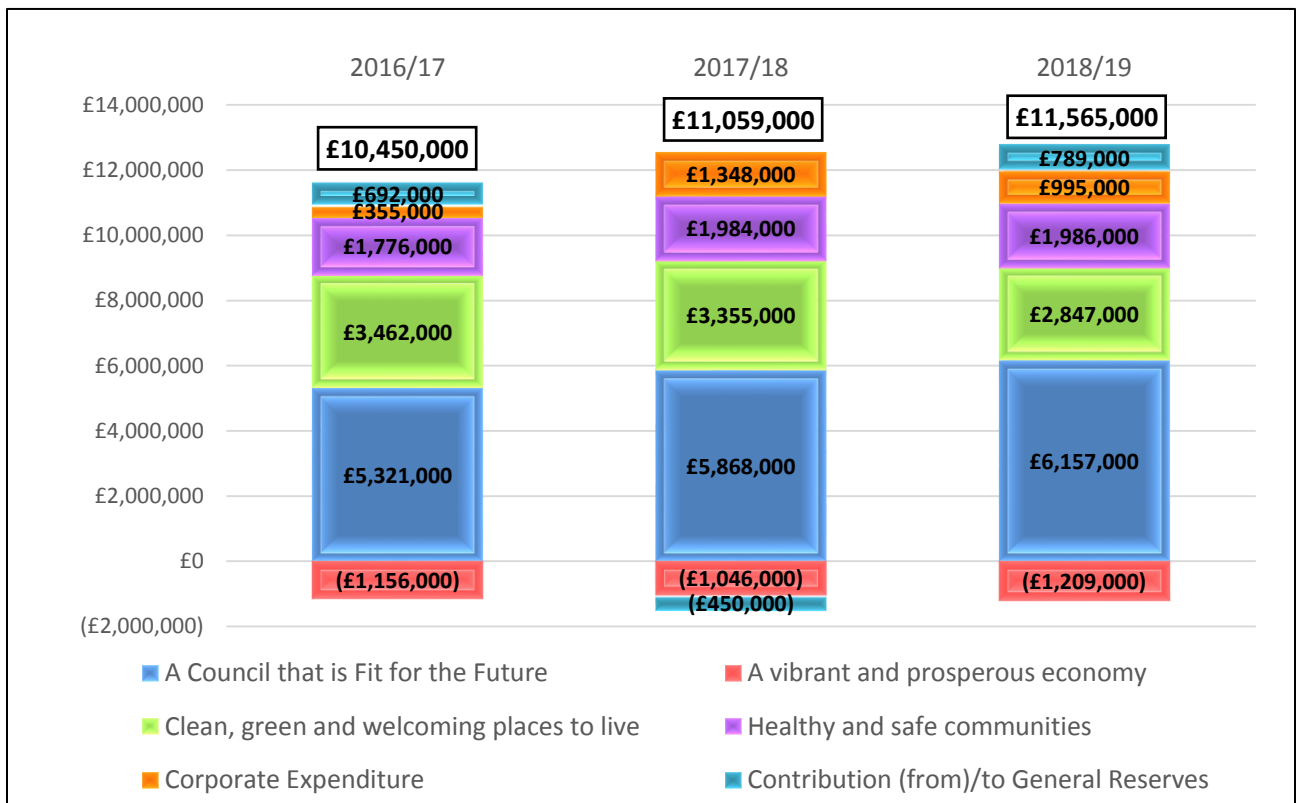
The Comprehensive Income and Expenditure Statement shows financial performance based on generally accepted accounting practices with a deficit of income over expenditure of **£925,000**.

The **Expenditure and Funding Analysis (EFA)**, reconciles financial performance under the statutory funding basis to the accounting basis. The table below provides a summary:

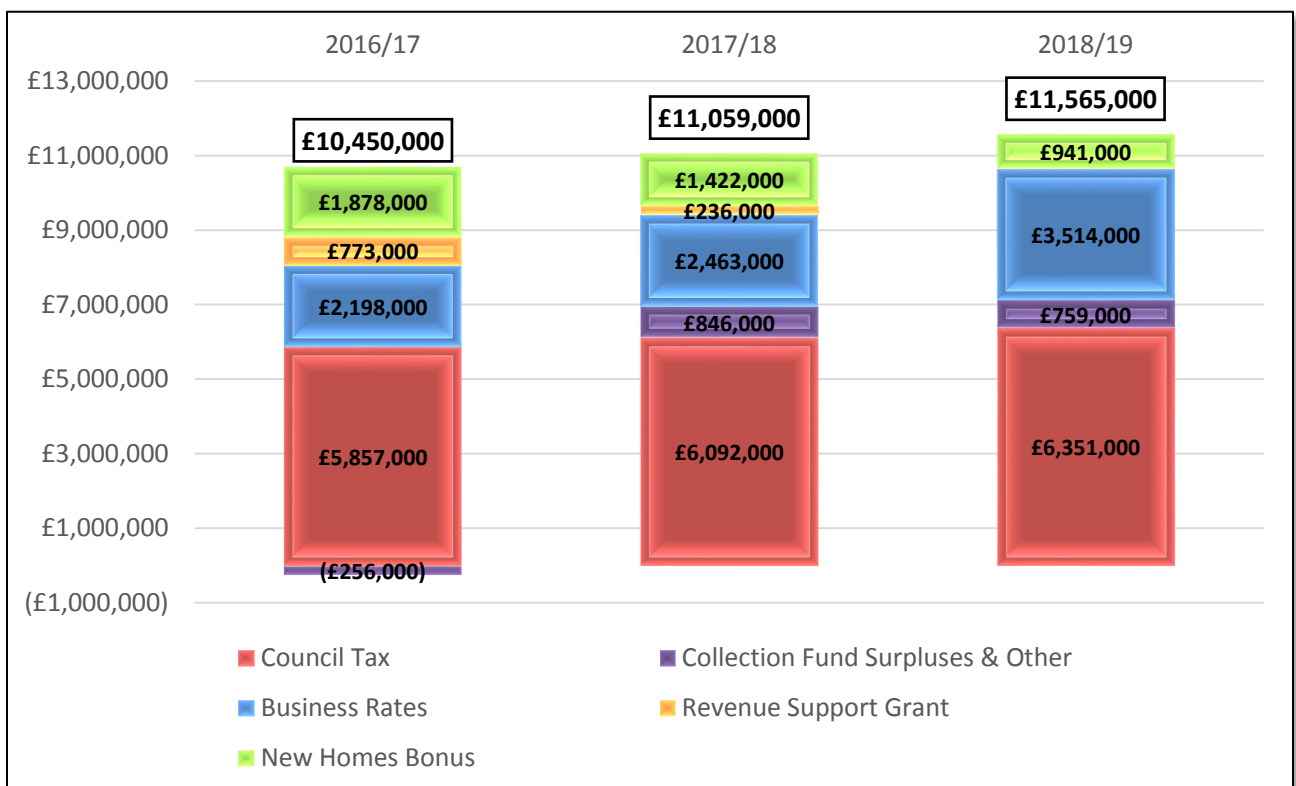
		2017/18 £000	2018/19 £000
Money Matters Financial Performance	Page 20	450	(789)
Earmarked Reserves (including those in the Net Cost of Services)	Page 69	(1,519)	(2,629)
Financial Performance on a Funding Basis shown in the Expenditure and Funding Analysis	Page 67	(1,069)	(3,418)
Adjustments between Funding and Accounting Basis	Page 66	4,250	4,343
Financial Performance on an Accounting Basis shown in the Comprehensive Income and Expenditure Statement	Page 44	3,181	925

NARRATIVE REPORT

The chart below shows the make-up of our Net Expenditure for 2016/17, 2017/18 and 2018/19:



The chart below shows how our Net Expenditure for 2016/17, 2017/18 and 2018/19 was funded:

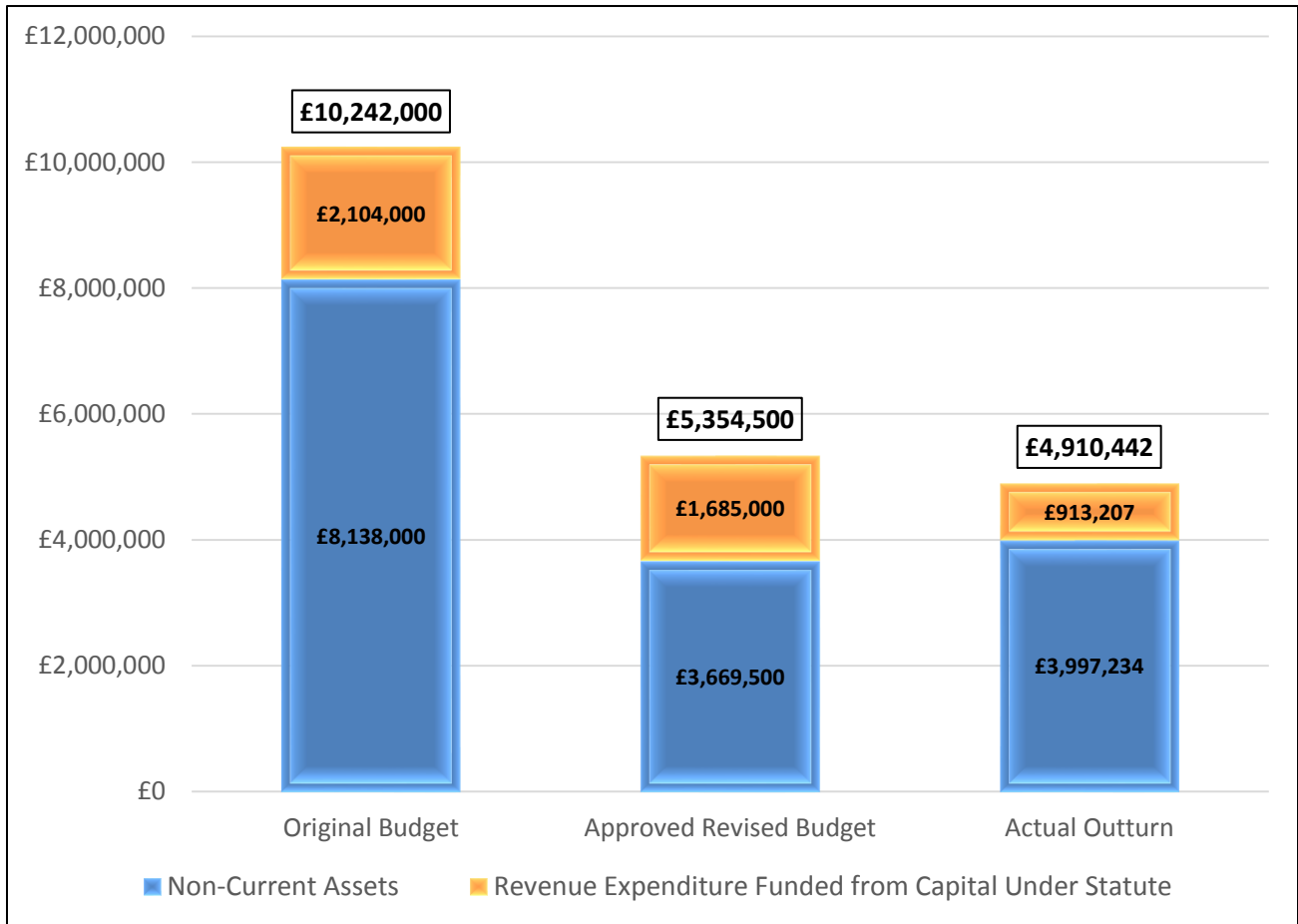


NARRATIVE REPORT

Capital Financial Performance in 2018/19

Capital spending represents spend on assets (non-current assets) or is defined as capital under law (Revenue Expenditure funded from Capital under Statute or REFCUS related to items such as Disabled Facilities Grants) that will provide benefit to the District over a number of years.

The chart below shows the final Capital financial performance for 2018/19 compared to the Original Budget (including the Property Investment Strategy budget of £6m) and the Approved Revised Budget (the Property Investment Strategy Budget had been rephased to commence in 2019/20).

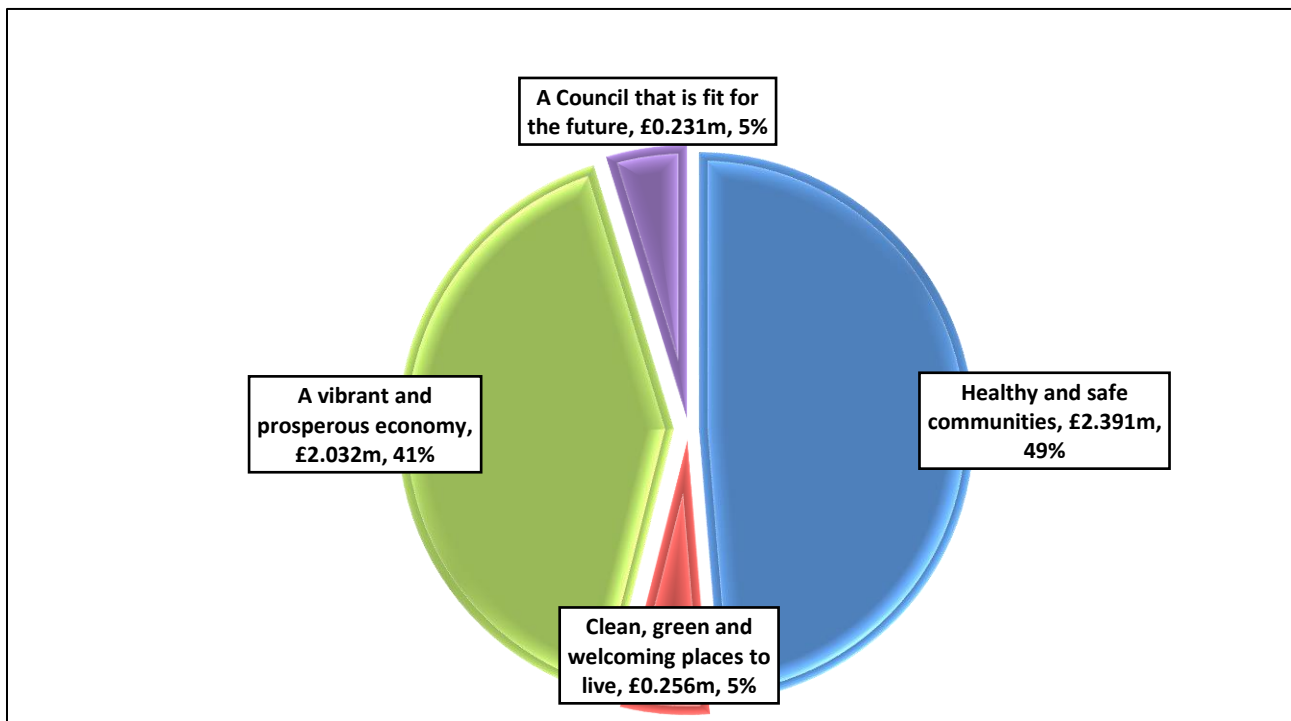


The below budget performance compared to the Approved Budget is the result of:

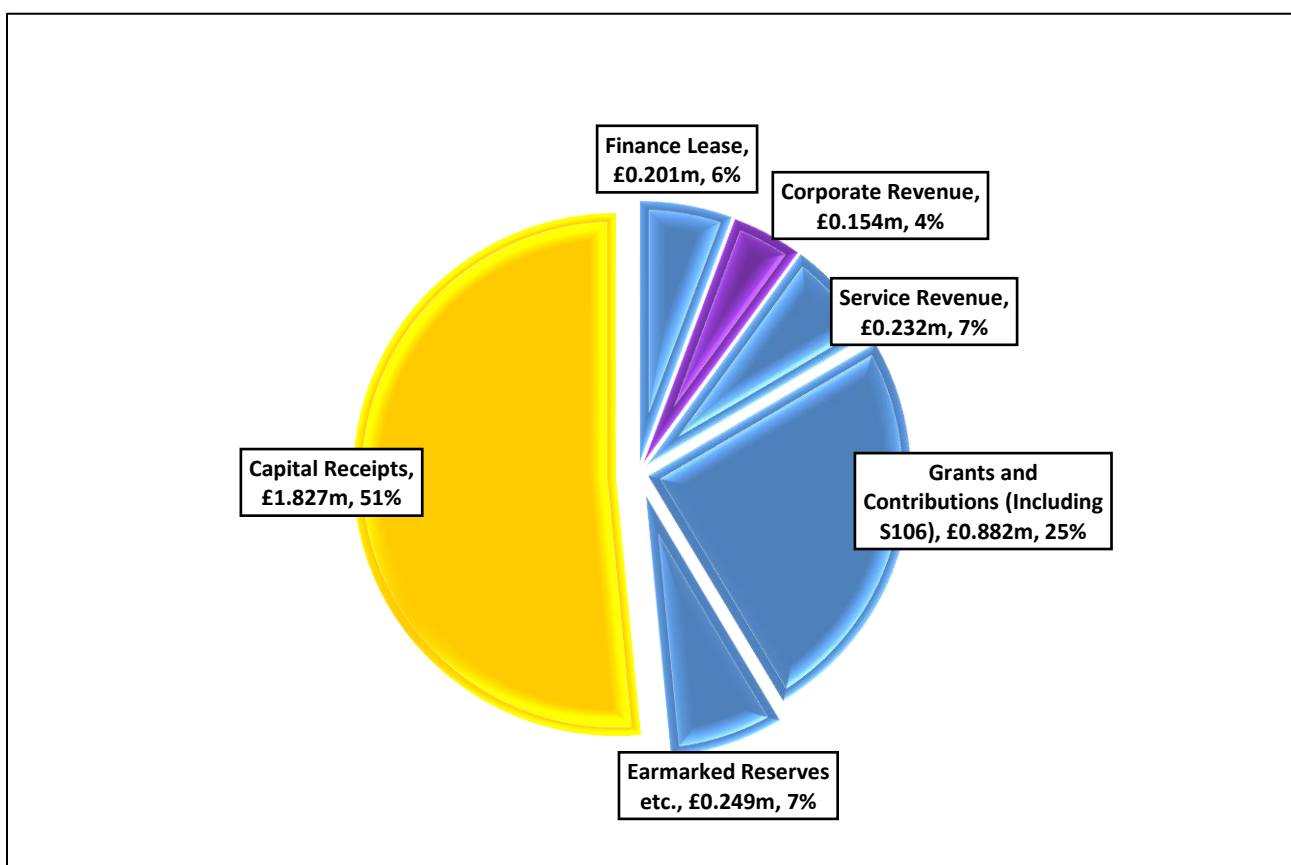
- **Joint Waste £177,009** – additional bin purchases funded by the Joint Waste Service. However due to the scale of purchase under accounting requirements these must be included as assets on the Council' Balance Sheet.
- **Regulatory Services, Housing and Wellbeing** – under performance on Disabled Facilities Grant expenditure of **(£609,547)**.
- **Leisure and Operational Services £262,792** – Burntwood Leisure Centre equipment procured by Freedom and paid for by the Council in the contract payments over the 10 year term.

NARRATIVE REPORT

The capital expenditure for 2018/19 of **£4.910 million** shown by the Council's top priorities is shown below:



This capital expenditure of **£4.910 million** is funded through the sources below:



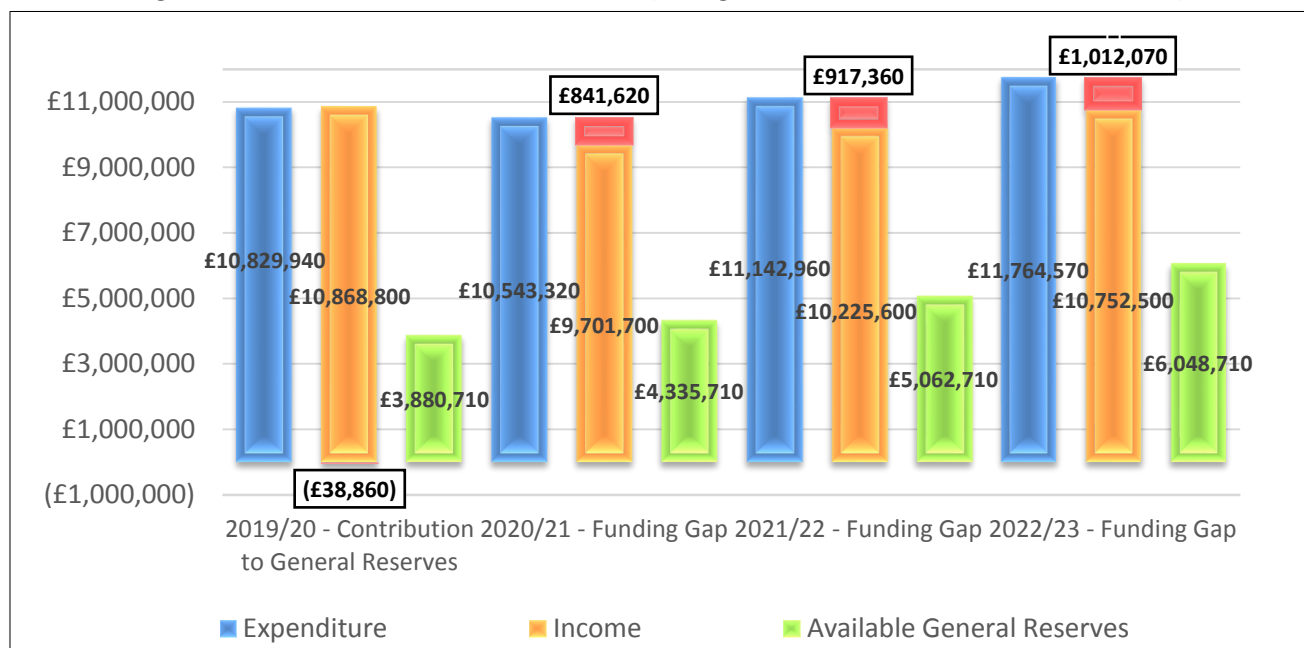
NARRATIVE REPORT

Looking Forward to the Next Four Years

The Medium Term Financial Strategy (MTFS) provides budgets for the four financial years **2019/20, 2020/21, 2021/22 and 2022/23** and was approved by Council on 19 February 2019.

The Future Revenue Budget

The Revenue Budget with a **transfer to general reserves in 2019/20** and **Funding Gaps** in later years together with the budgeted level of available General Reserves (taking account of the **£1.6m** minimum level) is below:



The itemised changes from the Approved to the Revised Budget contained in the MTFS are:

	2019/20	2020/21	2021/22	2022/23
Level of Risk / Uncertainty	Low	High	High	High
Approved Net Budget Requirement	£10,641,070	£10,750,040	£11,004,280	£11,286,850
Provision for inflation	£9,920	£84,290	£178,680	£279,920
Budget variations	(£19,110)	(£92,850)	(£32,880)	£27,300
Transfers to corporate reserves	£1,359,000	£455,000	£727,000	£986,000
Capital Programme revenue implications	(£271,000)	(£272,000)	(£468,000)	(£615,000)
Funding gap proposals - Green	(£22,580)	(£22,850)	£48,860	£62,770
Funding gap proposals - Amber	(£364,760)	(£323,710)	(£280,380)	(£228,670)
Revised Net Budget Requirement	£11,332,540	£10,577,920	£11,177,560	£11,799,170
Funding	(£11,371,400)	(£9,736,300)	(£10,260,200)	(£10,787,100)
Funding Gap/(Transfer to General Reserves)	(£38,860)	£841,620	£917,360	£1,012,070

The transfers to corporate earmarked reserves are related to:

	2019/20	2020/21	2021/22	2022/23
New Homes Bonus in excess of "cap"	£110,000	£455,000	£727,000	£986,000
New Homes Bonus (Property Com. Loan)	£468,000	£0	£0	£0
Business Rates Pilot	£568,000	£0	£0	£0
Business Rates Collection Fund Surplus	£213,000	£0	£0	£0
Total transfer to Reserves	£1,359,000	£455,000	£727,000	£986,000

The Council will still need to identify initiatives to close the projected funding gap from 2020/21 onwards.

NARRATIVE REPORT

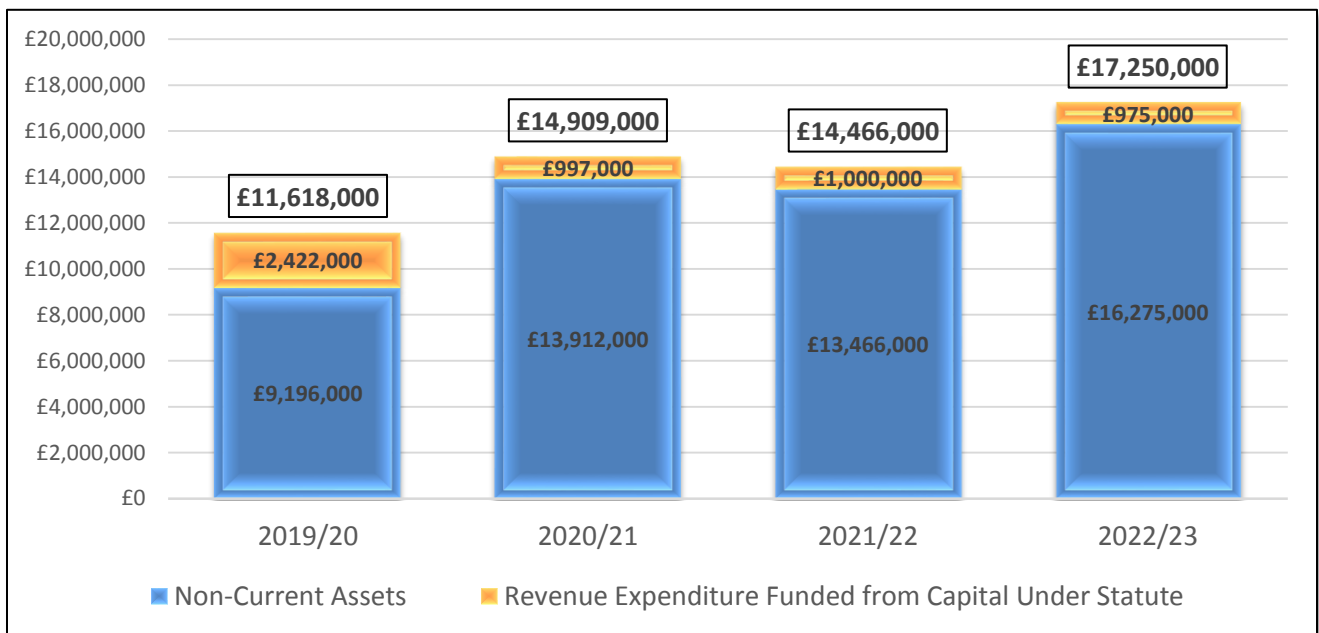
A summary of the **Revenue Budget for 2019/20 by Strategic Priority** in the format included in the Council Tax Leaflet is shown in the table:

	2018-19 (last Year)	2019-20 (this year)		
	Our net spend was planned to be £	Our net spend is set to be £	Amount per Person £	Amount per Band D Property £
A Council that is fit for the future - Local Tax Collection, Elections, Corporate Costs	6,281,000	6,182,000	£59.73	£162.64
A vibrant and prosperous economy - Land Charges, Tourism, Garrick Theatre, Car Parks, Trade Waste Collection, Development & Building Control, Economic Development	(652,000)	(1,206,000)	(£11.65)	(£31.73)
Clean, green and welcoming places to live - Waste Collection, Recycling, Pools, Open Spaces, Street Cleansing, Planning Policy, Housing Benefits, Housing Strategy & Advice	3,427,000	3,463,000	£33.46	£91.11
Healthy and safe communities - Leisure Centres, Community Grants, Environmental Health, Homelessness	1,809,000	1,603,000	£15.49	£42.17
Efficiency Plan and Funding Gap Proposals	(71,000)	(470,000)	(£4.54)	(£12.36)
Net Cost of Services	10,794,000	9,572,000	£92.48	£251.82
Capital & earmarked reserves	(620,000)	1,335,000	£12.90	£35.12
Interest receipts/payments	105,000	316,000	£3.05	£8.31
Transfer to General Reserves including the New Homes Bonus in excess of the 'cap'	27,000	149,000	£1.44	£3.92
Net Expenditure	10,306,000	11,372,000	£109.87	£299.18
Business Rates	(2,480,000)	(2,526,000)	(£24.41)	(£66.45)
Revenue Support Grant	0	0	£0.00	£0.00
New Homes Bonus	(800,000)	(1,278,000)	(£12.35)	(£33.62)
Other Grants and 'one off' sources of income	(42,000)	(636,000)	(£6.14)	(£16.73)
(Surplus) or Deficit on the collection of Council Tax and Business Rates from the previous year	(633,000)	(277,000)	(£2.68)	(£7.29)
Amount to be raised from Council Tax	£6,351,000	£6,655,000	£64.30	£175.07

NARRATIVE REPORT

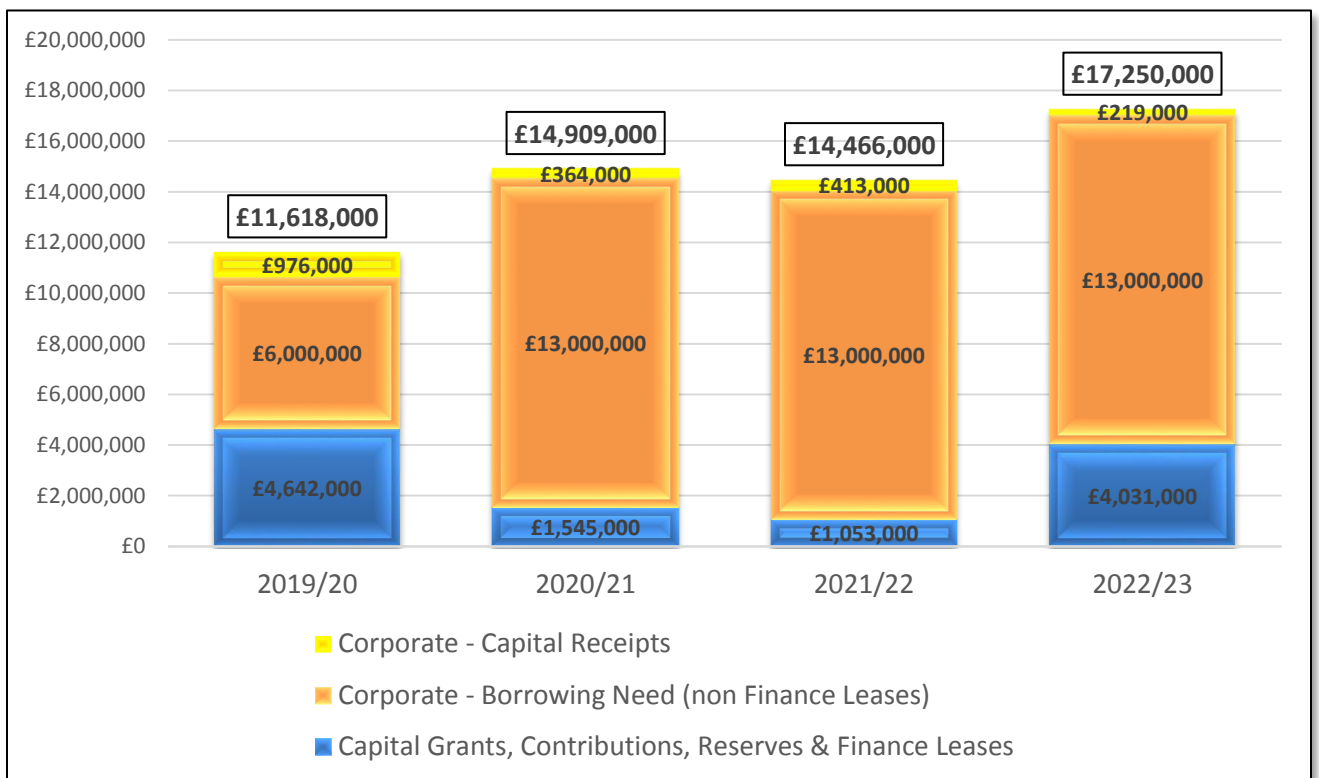
The Future Capital Programme

The Capital Programme (Revenue Expenditure funded from Capital under Statute or REFCUS including Disabled Facilities Grants) going forward is shown in summary by year below:



The Future Funding of the Capital Programme

The funding of the Capital Programme including the element funded by the corporate sources of funding of borrowing and capital receipts is shown below:



NARRATIVE REPORT

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. The Corporate Risks are monitored by Members and Senior Officers and are reported to Audit and Member Standards Committee.

There are currently **eight risks** that have been identified as having a potential impact on the ability to deliver the Strategic Plan:

- A failure to respond to changing demographics
- Economic growth/performance of the local economy/integrity of the Local Plan
- Financial sustainability of the Council
- Capacity to deliver
- Governance and statutory obligations
- Information technology
- Impact of stakeholder strategies on our Strategic Plan
- Failure to manage a major incident.

It has also been noted that some projects carry significant risk as they could have a major impact if they are not delivered. There is currently **one** item that has been identified as a **significant risk** – Friary Grange Leisure Centre

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

A Failure to Respond to Changing Demographics

Risk to the Council

The population of Lichfield District is aging more quickly than other areas for a number of reasons. The young families that moved into the District during the periods of high growth in the 1970s and 1980s are now older. The District tends to see its young people leave for higher education, to begin their careers and to start families, whilst the District is popular with those retiring and those developing professional careers during their middle age.

Consequently, we need to be mindful of the demographics of the District as it will place different demands on the services required from the Council and, conversely, will also provide opportunities. This risk analysis attempts to capture what emerging pressures may look like (Council Tax support, housing benefit, disabled facilities grants, pressures on health and social care) and also the potential opportunities that may materialise (wealthier older population spending more on leisure centres, parks and car parks; IT literate willing to embrace channel shift).

Management of Risk

The Council will consider these issues when preparing equality impact assessments, plans and policies.

NARRATIVE REPORT

Economic Growth/Performance of the Local Economy/Integrity of the Local Plan

Risk to the Council

The state of the local economy is a key factor for the Council, its residents and businesses within the District. A poorly performing economy is not only contrary to expectations of the Council's Strategic Plan to 2020, but can cause a variety of problems, for instance, increased unemployment; businesses closing or reducing the scale of their operations; pressure on the Council and other agencies to provide support and address financial and welfare issues; decline in business rate receipts; lower footfall and hence lack of investment in the area.

Management of Risk

Having a vibrant and prosperous local economy by 2020 is a key strategic ambition in the Council's Strategic Plan. The Plan is supported by the Delivery Plan that sets out specific actions and performance measures for relevant services. There is also an Economic Development Strategy and associated Action Plan setting out in more detail how the stated strategic ambitions are to be realised.

The Council's approved Local Plan sets out a spatial strategy for delivering employment, land and jobs and this is under constant review.

At the strategic level the Council is involved with both the Greater Birmingham and Solihull Local Economic Partnership (LEP) and the Staffordshire LEP, both identifying high level priorities and setting out clear long term ambitions and detailed work programmes.

The Business Growth Programme and Rural Enterprise Programme support local businesses by providing information and technical advice, access to funding and networking opportunities to share experiences and inform policy and plans.

Financial Sustainability of the Council

Risk to the Council

The financial risks facing the Council include:

- Planned capital receipts are not received impacting on the Capital Programme
- Planned income from the Property Investment Strategy is not delivered due to a lack of investment opportunities or stifled yields
- The Council is unable to achieve its key priorities
- The implementation of more frequent Business Rate revaluations
- The financial impact of the changes to the New Homes Bonus regime in 2020/21
- The move to 75% retention of Business Rates and the Fair Funding Review in 2020/21
- Any potential impact of BREXIT on the local economy.

The potential effect should these risks occur is that financial resources are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve targets.

Management of Risk

The financial risks are managed via an efficiency plan with four strands:

- In year efficiency savings/income generation
- F4F efficiency savings/income generation
- F4F transformational change
- Growing the Business Rates and Council Tax base.

The Council closely monitors the in-year position and this is reported on a regular basis to Cabinet in the Money Matters reports and Strategic (Overview and Scrutiny) Committee.

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Capacity to Deliver

Risk to the Council

The Council is facing significant pressure to deliver its ambitious strategic outcomes in tight financial constraints. Ensuring the workforce of the Council has the correct skills to deliver and that all of the expected outcomes from the Strategic Plan being effectively progressed is a significant challenge.

If we are not able to recruit and retain critical skills sets and sustain sufficient resources to deliver our plans effectively, nor able to inspire a more commercial culture and clear business focus, then we will not be able to build a sustainable council. The results are:

- Impact on service delivery
- Failure to deliver key objectives and performance metrics
- Workforce disturbances including industrial action, vacancy rates, inability to recruit
- Reputational damage
- Loss of Morale

Management of Risk

The risks will be addressed as part of the F4F Programme to establish a clear vision, empower and incentivise staff to new ways of working and increase flexibility. This will be supported by a People Strategy and underpinning Workforce Development Plan.

Leadership development has been undertaken further supported by the commercial training programme that started in 2018.

Service Plans and strategic plans are being aligned with the budget setting process and a new Delivery Plan for the Strategic Plan has been developed.

PDR process is monitored and reported. Absence management processes are in place and these are monitored. The relationships with the Trade Unions are good. Business continuity plans build in resilience for teams. In addition, training and development is available for all levels of staff, and updates on emerging areas are identified via continuous professional development.

Governance and Statutory Obligations

Risk to the Council

The key areas of governance that the Council considers to be the greatest risk are:

- Financial probity to ensure that we can protect the public purse from fraud or loss
- Ensuring compliance with the General Data Protection Regulations (GDPR)
- Meeting health and safety obligations to manage the risk that people are injured or killed because of a failure to comply with regulations such that information is lost, inaccurate or inaccessible.

Management of Risk

The following actions ensure risks are mitigated:

- Financial probity – the Council retains a team of Internal Auditors and is required to maintain the appointment of External Auditors. The S151 Officer is expected to ensure that the Council remains compliant with all fiscal obligations, for example, ensuring the Council maintains a balanced budget, a MTFS, and an Annual Governance Statement
- GDPR – new rules on data protection came into force in May 2018. A project is being implemented to ensure that we can evidence compliance by the time they come into force. Actions include training of staff, the appointment of a Data Protection Officer and a Senior Information Risk Owner, an audit of

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data and of information systems, and the design and implementation of procedures to ensure compliance.

- Health and safety – the Council employs a Health and Safety Manager. It also has a Health and Safety Policy which is reviewed and revised annually. Health and safety performance is reported to ELG, Leadership Team and Employment Committee. The Joint Waste Service supports a service specific Health and Safety Committee in recognition of the greater risks associated with the collection of household and trade waste. Managers are supported in developing risk assessments and training is provided where risks are greatest.

Information Technology

Risk to the Council

In an increasingly digital world and the Council is heavily dependent on information technology (IT) to deliver all its key services. The ability to be able to respond to new digital threats, adapt our IT infrastructure and develop all the technologies we use is key to the delivery of our Strategic Plan.

Management of Risk

The risk is being addressed in the development of the Digital Strategy supported by business continuity plans, strong information governance, anticipating and identifying business needs and developing technology.

The in-sourcing of IT has been successfully undertaken.

Impact of Stakeholder Strategies on our Strategic Plan

Risk to the Council

Whilst focussed on delivering the Strategic Plan at a local level, the work of the Council is inevitably affected by partner organisations locally and Government policy decisions taken nationally. The risks are wide and varied, examples currently include:

- Changes to housing associations' voids policy requiring additional temporary accommodation for homelessness
- Requirement for increased resource commitment to Prevent and community cohesions agenda
- Changes to health provision resulting in increased DFG claims and increased demands for supported living accommodation
- Changes to the national economic position resulting in reduced Business Rates receipts.

Management of Risk

Each different event which comes under this collective heading will have a range of treatment and mitigation measures. Corporately there are a number of mitigating actions which need to be taken:

- New Burdens Funding - ensure costs of new Government initiatives are covered by New Burdens Funding
- Monitor and assess emerging pressures through organisations such as the Local Government Association, and liaison with neighbouring councils and other partnerships
- Use of the District Board to encourage local partners to share knowledge and information of emerging strategies to future proof decision making
- Working as One Council will reduce risk of cross directorate impacts and increase knowledge and information available on stakeholder activities
- Analysing and responding to policy consultations to influence the direction of policy in the Council's favour.

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Failure to Manage a Major Incident

Risk to the Council

This is the risk of a lack of integrated emergency arrangements making it difficult to react quickly to a disaster and provide the required support and essential service in line with the requirements of the Civil Contingencies Act, for example, failure to test plans and failure to undertake training. The potential effects are that services are not delivered, damage to reputation, damage to the environment, adverse effects on vulnerable groups, destruction of property, and so on.

Management of Risk

The following actions will help to mitigate the risk:

- Emergency plan in place and tested on a regular basis
- Emergency planning training
- Business continuity plans at service level
- Insurance cover
- Communications plan
- Prevent training
- Fire prevention controls in place and tested on a regular basis.

Project Risk - Friary Grange Leisure Centre

Risk to the Council

This risk relates to the planned or unplanned closure of Friary Grange Leisure Centre due to lack of investment in the asset and/or associated contractual/legal issues relating to ownership and responsibility. The building is in a poor state of repair and recent closures have taken place as a result of water ingress and corrosion to major pipework. The potential consequences are:

- Reputational damage to the Authority
- Cessation of the outsourced leisure contract and associated compensatory payments relating to the contract and staff redundancy
- Significant shortfall in leisure provision.

Management of Risk

Discussions have been taking place with the County Council and Friary school along with the outsourcing partner Freedom Leisure. The key focus currently is on maintaining the serviceability of the building along with the potential to replace the facility which will be considered during 2019. A detailed condition survey has been commissioned to ascertain the level of investment required to keep the facility operating.

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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 2019. 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 2018/19, 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 with an analysis by the Council's strategic priority based on Generally Accepted Accounting Practices.

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

Head of Finance and Procurement (Section 151)

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Section 1	Scope of Responsibility
Section 2	Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Annual Review of the Effectiveness of the Governance Framework
Section 5	Update on Significant Governance Issues 2017/18

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 (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) Framework ‘Delivering Good Governance in Local Government’ (2016).

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 2019 and up to the date of approval of the Statement of Accounts.

Section 3: The Governance Framework

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

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A Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

'Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and Government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.'

Outcomes

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, and that are respectful of laws and regulations.

Our policies seek to ensure Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated which assists in protecting the reputation of the organisation.

We underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation, and are respectful of the rule of law.

We have an Audit and Member Standards Committee which has responsibility for promoting and maintaining high standards of conduct by Councillors and Members, ensuring that they observe the Members' Code of Conduct. The Code of Conduct is supported by training and development programmes for Members.

There is a process in place by 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 2018/19, 3 Members' Code of Conduct complaints were received. This compares to 2 in 2017/18. Of the three, one is still outstanding, one was not accepted and the other, following investigation, no action was taken other than to recommend training.

These complaints related to issues surrounding the incompleteness of the entries in the Register of Interests. This has now been resolved and training sessions will be offered to Members during 2019/20 following the elections in order to ensure all interests are considered, declared and regularly updated.

Communication on standards of behaviour 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.

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 the Chief Executive, Assistant Chief Executive, Directors and Heads of Service), discussion and training, and a supportive management environment which makes clear to customers that unacceptable behaviour towards employees will not be tolerated.

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The Council has a Code of Conduct for employees which was approved by Employment Committee on 9 February 2017 and Full Council on 21 February 2017. A copy can be found on the Authority's 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 our three core organisational values that all our staff and Members work towards. These are:

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

They have been embedded into the new Strategic Plan that took effect from 1 April 2016 (see Core Principle C).

In order to reinforce the 'put customers first' value, the Council has a 'Customer Promise' which sets out the corporate standards that customers can expect in our dealings with them and, equally, how customers should treat our staff.

The Code of Conduct is also supported by a range of Human Resources policies and procedures, including:

- Disciplinary Policy and Procedure
- Grievance Policy and Procedure (incorporating bullying and harassment)
- Attendance Management and Sickness Policy and Procedure (managing sickness and other absences)
- Performance Management Policy and Procedure (replacing the Capability Policy and Procedure)
- Managing Relationships at Work Policy.

During 2018/19, the Council began developing a new People Strategy, the aim of which is to set out how we plan to attract, nurture, empower, retain and incentivise our staff as part of a positive workforce that has the tools and motivation to deliver our ambitions. A series of workshops have taken place and the findings of the recent employee survey (see Core Principle E) have been fed into this emerging work. The Strategy focusses on four key areas how we:

- Engage and look after people
- Motivate and reward people
- Attract and develop talent
- Organise and empower people.

The People Strategy underpins the Council's strategic vision that Lichfield is a strong, flexible Council that delivers good value, quality services and helps to support a vibrant and prosperous economy, healthy and safe communities and clean, green and welcoming places to live. The Strategy will cover the short and medium term. It will be formally reviewed on an annual basis to ensure that it remains 'fit for purpose', and that the

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priorities it sets out are the right ones for the Council, its employees and most importantly the people of Lichfield District.

As part of the People Strategy, the Council is developing a Workforce Development Plan. Workforce Planning is about:

- The link between the Council's strategies and its people plans
- Identifying the future skills and competencies needed to deliver new and improved services
- A knowledge of the current workforce
- A comparison between present and future skills and competencies and identifying any gaps between the two
- Developing strategies and plans to eliminate those gaps.

The Workforce Development Plan will be reviewed on an annual basis in with the annual update of Service Delivery Plans (Core Principle C).

Within the People Strategy the Council is also:

- Developing an Employee Wellbeing Policy, which demonstrates our commitment to supporting staff and the types of health and support that will be available
- Producing a Mental Health Action Plan, in line with the recommendations of the Stevenson/Farmer review, to ensure our employees' ability to 'thrive at work'(we are seeking to achieve the 'silver' standard which is for larger companies and the public sector)
- Pledging to the 'Mind Time for Change' initiative
- Raising awareness of mental health issues for all employees and providing training and resources for managers to undertake 'wellness action plan' discussions with all staff, building resilience and providing mental health first aid
- Ensuring that all our policies around managing attendance, behaviour and respect support our aims to promote a positive culture for wellbeing.

The Council's Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair. The role of the Section 151 Officer also ensures legality as well as financial prudence and transparency in transactions. The S151 Officer role is discussed in more detail under Core Principle F.

Under the 2015 Care Act, the Council has a legal responsibility to safeguard, promote well-being and protect children and vulnerable adults. The Authority has a Safeguarding Policy which sets out specific responsibilities and how to spot potential abuse and report concerns. In addition, each Service Area has its safeguarding lead, and training and awareness sessions are carried out for those staff members who come into contact with children and vulnerable adults as part of their role.

Since the outsourcing of the Council's Leisure Centres in February 2018, there has been a reduction in the number of concerns raised as this was the area of the Council where there was the most ongoing contact with children and young people: from April 2018 to March 2019, **13** concerns were raised, **6** related to children and **7** to adults. Of these **5** were taken forward as formal referrals, the remainder were passed on to other services or fell below the threshold for safeguarding concerns. This compares with 2017/18 as follows: **19** concerns were raised, **10** relating to children and **9** to adults. Of these **7** were taken forward as formal referrals, the remainder were passed on to other services or fell below the threshold for safeguarding concerns.

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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 on 31 January 2019 and can be found on the Council's website.

During 2017/18, the Council's Equality and Diversity Policy was updated and a draft was discussed at Leadership Team in February 2018. It then went through the process of consultation via the Employee Liaison Group (ELG), approval by Employment Committee in July 2018 before being approved by Full Council. During 2018/19 the Council created a 'handy' guide to help both Members and officers to understand equality, diversity and inclusion and how these apply in the workplace. The guide contains a number of useful real life examples and can be found on the Council's intranet.

The Council publishes a gender pay gap report in line with a new legal requirement for all public sector bodies. This report shows the difference between the average earnings of men and women expressed as a percentage of men's earnings. Used to its full potential, gender pay gap reporting may identify the levels of equality in the workplace, female and male participation, and how effectively talent is being maximised.

The figure reported is a year in arrears. So for this 2018/19 report, the figure relates to the position as at 31 March 2018 which will be officially published July 2019. The 'Mean' gap at 31 March 2018, was **7.30%** which is significantly lower than the national average of **17.40%**, which is good, but shows we still have some work to do to lower our mean gap to 0%.

We have identified the reasons for the gender pay gap: a significant number of our female staff are working part time, resulting in lower pay overall. In addition, the waste service traditionally attracts a larger percentage of male employees, hence we employ a higher number of men in the middle quartile displacing more women in the lower and lower middle quartiles which otherwise would have been balanced.

Our 'Median' gap is **0%** against **18.50%** nationally. For 2017/18, the percentages were as follows: the mean **4.72%** compared with **14.32%** nationally and the median **0%** compared with **25.90%** nationally. The shift in the 'Mean' from last year is largely due to the outsourcing of our Leisure Centres which significantly changed our workforce profile.

B Ensuring Openness and Comprehensive Stakeholder Engagement

'Local government is run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.'

Outcomes

We make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. If a decision is to be kept confidential we provide justification for this decision.

We ensure that communication methods are effective and that members and officers are clear about their roles with regards to community engagement.

We engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.

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The Council is part of a number of external partnerships which provide support to its strategic agenda. These include the Stoke and Staffordshire and the Greater Birmingham and Solihull Local Enterprise Partnerships (LEP), county and regional waste partnerships, and housing and community safety partnerships. There is currently a national review of LEPs. Until the Government make a decision (which is not due to be implemented until 2020 at the earliest) we have opted to stay in both. This we feel is most beneficial to securing economic growth in our District.

For 2018/19, we were also part of the Greater Birmingham and Solihull Business Rates Pool. However, this was dissolved on 31 March 2019, because the Council will form part of the Staffordshire and Stoke on Trent Business Rate Pilot Pool in 2019/20.

We are also committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for our District. The Lichfield District Board brings together key strategic decision makers from each of the partner organisations to support this. We also work closely and support the voluntary, business and community sectors, to maximise the huge contribution they make to the quality of life of local communities and residents.

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.

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

In April 2018, there was a 'Local Plan Review: Scope, Issues and Options Consultation'. This was followed later in the financial year by a consultation on the 'Local Plan Review: Preferred Options and Policy Directions'. This consultation took place between 28 January and 18 March 2019, and included two drop in sessions one in Burntwood and one in Lichfield during February 2019.

The Council also undertook a Budget Consultation exercise via the 'Your View' questionnaire. We have a duty under S65 of the Local Government Finance Act 1992, to consult ratepayers (or bodies appearing to represent ratepayers) about proposed expenditure prior to calculating the Council Tax requirement. Best Practice is therefore to undertake an annual budget consultation exercise to ensure that the views of the ratepayers are considered as part of the budget setting process.

The Council's approved 'Consultation Approach and Plan 2018-20' sets out an ambition to create a residents' panel and host regular focus group meetings, in order to ensure that our future plans acknowledge, embrace and reflect local views and needs. Within the Plan, two focus groups took place in October 2018, allowing residents to give views on priorities for the Council's next Strategic Plan (2020-2024). This was facilitated by asking residents to give their views on the current Delivery Plan. Both focus groups felt that the four key areas of the Strategic Plan (see Core Principle C) were the right ones given the services we provide. There were no major gaps identified in the current plans. Further focus groups will be held over the next year.

In March 2019, the Council invited local residents, with an interest in the future development of the Birmingham Road site, to a public event in order to share progress on the project so far and to hear about the short-term plans for the site. It included presentations from officers and gave the opportunity to talk to key Council Members and officers. Around **300** people attended all and were given the opportunity to give their views on the potential development mix. The public event followed a round table event (February 2019)

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involving the Council's cross-party Member task group and key organisations, such as Lichfield City Council and Lichfield BID.

The Council endeavours to be open and transparent about its decisions. This was reaffirmed following a review of the confidential reporting process, whereby to ensure maximum transparency, it was agreed that where appropriate reports containing confidential information will be split into confidential and non-confidential sections. Furthermore, when reports have to be considered in private an explanation will be provided on the agenda.

The Council maintains a website for customers and also manages a number of social media streams including Facebook and Twitter. In addition, we maintain a suite of supporting websites that help underpin the Council's strategic ambitions, including tourism destination website Visit Lichfield and service specific websites including Southern Staffs Building Control and Rate My Place. During 2018/19, the Council launched a new website to keep residents and stakeholders up to date on plans for the development of the Birmingham Road Site.

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.

In June 2018, we found out that our website was rated **4** out of **4** stars in the national review of local government websites, which put us in the top **9%** of local government websites and **4%** of districts and boroughs. Only **39** out of **414** council websites were awarded a four star rating and of these only **7** were districts/boroughs.

In 2018, we were awarded the maximum of 4 stars from the Society for IT Practitioners in the Public Sector, SOCITM's, Better Connected review of our on-line waste processes. This means we are in the top **13%** of councils for this task, and we only introduced it in December 2017.

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

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 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 so far released **143** data sets on the Government's Data website which are maintained and updated on a daily, weekly or monthly basis depending on the dataset.

We have also used feedback and requests made under the Freedom of Information Act 2000 to identify additional datasets for publication. Examples include council tax bandings by property; commercial empty properties; hackney carriages private hire vehicles; planning S106 agreements; solar panel locations; car parks; public conveniences. 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. At least 30% of requests we receive are repeat requests. We have therefore developed a new online web section on our website – www.lichfield.gov.uk/foi. This section contains information that we regularly receive requests for.

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During 2018/19, the Council signed up to the local digital declaration, which provides us with access to national projects and support and will ensure that we:

- Design services that best meet the needs of citizens
- Challenge the technology market to offer the flexible tools and services we need
- Protect citizens' privacy and security
- Deliver better value for money.

Data protection laws were strengthened in May 2018 with the introduction of the General Data Protection Regulations (GDPR) which replaced and built on the principles contained in the 1998 Data Protection Act. GDPR requires all organisations to have tighter control of the way they manage their personal data. Fines for breaches will be up to 20 million Euro, and fines for failing to keep records will be up to 10 million Euro.

In order to ensure that the Council complies with GDPR various work streams were completed including: reviewing and auditing current practice; checking consents and privacy notices; reviewing contractual terms with suppliers; meeting with all officers who process personal data; creating a policy for GDPR; updating subject access requests procedures; training staff.

One of the requirements of GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and to advise in relation to the law. A briefing paper was presented to and agreed at Leadership Team in April 2018 that recommended the Council appoints the solicitor at South Staffordshire District Council as this Council's DPO, and this was approved at Cabinet in May 2018.

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. For 2018/19 **119** complaints were received compared with **362** in 2017/18. We received **107** compliments in 2018/19 which compares with **187** in 2017/18.

In July 2018, the Council received the Annual Review Letter from the Ombudsman for the period ending 31 March 2018. It reported that **7** complaints and enquiries (the same number as in 2017/18) were received from Lichfield District Residents, which came from planning and development, benefits and tax, environmental services and public protection and regulation. Of the **7** complaints and enquiries, **1** was upheld.

The reporting of complaints and compliments continued to improve during 2018/19, with regular 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 are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee. Some examples of areas that have improved in response to customer complaints are:

- Planning where more robust methods of checking amendments to plans have been introduced, and where a change to policy was recommended that includes notification of interested parties
- Procurement where procedures have been tightened and additional advice given to staff to be particularly attentive when dealing with micro-enterprises and sole traders
- Democratic Services where the declarations of interest functionality of Modgov has been introduced to aid transparency.

There were no whistleblowing reports during 2018/19 (nor during 2017/18).

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C Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

'The long-term nature and impact of many of local government's responsibilities meant that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.'

Outcomes

We consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.

We ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options, thus ensuring that best value is achieved however services are provided.

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.

Lichfield District Council has a clear vision in the form of the Strategic Plan 2016-20, which was approved by Full Council in February 2016, and can be found on our website. This is a formal statement of the Authority's purpose and intended outcomes, and it provides the basis for the Council's overall strategy, planning and other decisions.

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. The Strategic 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.

Council consultation on these themes demonstrated 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.

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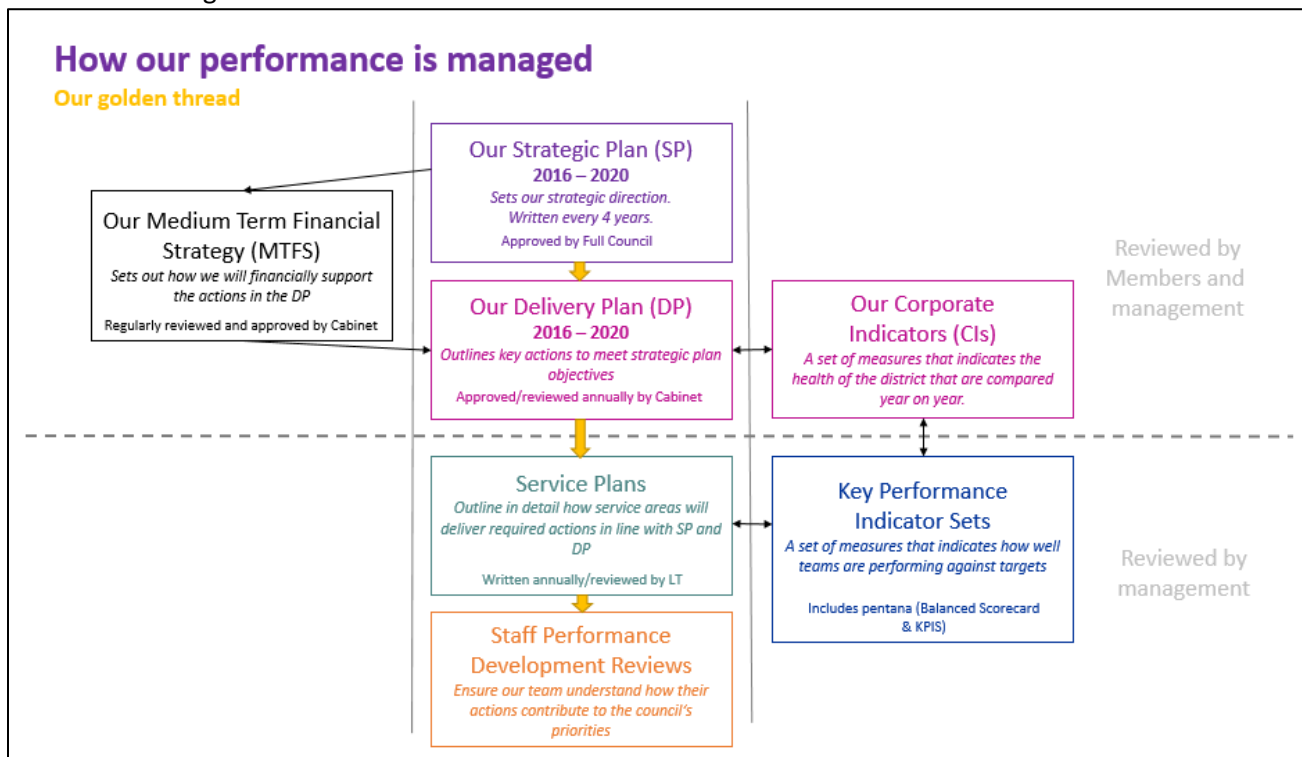
The Plan shows clearly the contribution the Council will make to the achievement of each priority outcome through its own direct delivery of services and activity. It also states where we will seek to influence and encourage partners and stakeholders to act, and how communities can help to achieve the 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 Strategic Plan not only sets out our strategic direction but also provides the context for our performance monitoring. Up to and including the 2017/18 financial year, this monitoring was carried out using an Annual Action Plan which was approved by Council for the following year in February. This identified and focused on 10 key activities/projects (known as the Corporate Top 10), in order to achieve progress against the aspirations in the Strategic Plan.

A mid-plan review of the way the Council managed its performance was carried out during the early part of 2018, and a revised performance framework developed and approved by Cabinet in September 2018. It is based on the diagram below.



A key outcome of the review was the development of the Council's new Delivery Plan 2018-20, which replaced the Annual Action Plan. The Delivery Plan provides a direct link to the Council's Strategic Plan. It contains only those actions that are strategic in nature or are of cross-departmental importance. By bringing together actions in this way, the Delivery Plan also helps to highlight any resource implications and ensures corporate prioritisation takes place in a more coordinated way.

The Delivery Plan also captures the performance the Council has delivered so far against the aspirations set out in the Strategic Plan, then maps out the activity that will take place between 2018-20, thus making it a longer-lasting, more forward focussed and a more resilient performance tool.

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Actions are mapped directly back to commitments and aspirations in each of the Council's priorities in the Strategic Plan. They are also linked to each Head of Service and team service plans in addition to individual staff members' PDR targets. The Delivery Plan also seeks to highlight how actions relate to the Council's F4F programme and commercialisation themes. Overall there are 36 commitments and 82 actions within the Plan.

During 2018/19, a new approach to monitoring the Delivery Plan (and Service Plans) was developed using the Council's performance management system, Pentana. Officers responsible for the Delivery Plan and Service Plan actions now update Pentana to ensure that the latest performance on each individual action is registered in a central location, ensuring that the Council's officers and Members can access real-time progress and performance monitoring.

The Delivery Plan is reviewed on an ongoing basis by Leadership Team and progress reported on a six-monthly basis to Cabinet. A full year Delivery Plan Performance update report is taken to Cabinet in the July following the year end to which it relates. It is also shared with the Chairs of the Council's four Overview and Scrutiny Committees via the Overview and Scrutiny Co-ordinating Group, as part of the role of the Committees in monitoring performance.

From April 2019, performance reporting will take place in line with reporting on the Council's Medium Term Financial Strategy to allow informed discussions around the impact of budgetary pressures on performance to take place.

The Council has a Local Plan that covers the period 2008-29, that 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 Overview and Scrutiny Committee in addition to Cabinet. A report on the future review of the Local Plan went to Cabinet in March 2018.

The Planning and Compulsory Purchase Act 2004 introduced the requirement for local planning authorities to prepare and maintain a Local Development Scheme (LDS). The LDS is a project plan that sets out a timetable for the production of a new or revised Development Plan Documents (such as the Local Plan) by the publishing council. The Council's revised LDS was approved by Cabinet in December 2017.

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 adopted on 13 June 2016.

CIL Regulation 123 is the requirement for a published list of infrastructure projects or types of infrastructure that the Charging Authority (the District Council) intends will be, wholly or partly, funded by CIL. The Council adopted a Regulation 123 list at the same time as adopting the CIL charging schedule. In March 2019, Cabinet approved the Council's first allocation of CIL funding (**£300,000** in total) to **5** projects.

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The Council is promoting Neighbourhood Plans the adoption of which will, in addition to guiding future development, enable parish areas to receive a share of the financial benefits of development that comes from the CIL, and also allow them to set their own priorities for its investment. In 2018/19, five Neighbourhood Plans were taken to referendum and approved by the community. The referendums, Alrewas, Longdon and Armitage with Handsacre took place in September 2018, Elford in November 2018, and Fradley in January 2019. All five gained the necessary levels of support from those voting.

The review process for our Local Plan has commenced. The principle of progressing a review was agreed by members, and following the approval by Cabinet consultation took place with local residents, communities, businesses and other key stakeholders on the scope of the review and the issues that will need to be addressed (see comments in Core Principle B).

During 2017/18, following a lengthy procurement process, it was decided to outsource the operational delivery of our leisure centres both in Burntwood and Lichfield to Freedom Leisure.

The Council works with Freedom to ensure that all incoming benefits are utilised effectively to ensure a geographical spread of opportunity throughout the District and ultimately to improve health and wellbeing.

The aim of the outsourcing was to maximise the opportunity for people to lead healthy lives and to have access to opportunities to exercise, as well as being financially sustainable, with targets set for increased participation across our whole demography.

The contract with Freedom is monitored both operationally and financially by the Leisure Implementation Panel that was originally formed to oversee the transition from Council managed to operational handover to Freedom which took place on 1 February 2018.

D Determining the Interventions Necessary to Optimise the Achievements of the Intended Outcomes

'Local Government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.'

Outcomes

We inform medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.

We ensure that the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved whilst optimising resource usage.

We ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.

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The Strategic Plan 2016-20, discussed above, sets out the opportunities and challenges we face, the needs of the community, the Council's aspirations, our focus, and our priorities covering the life of this Council.

To fund the Strategic Plan, 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 Strategic Plan must drive the Financial Strategy. The MTFS relevant for 2018/19 is the MTFS 2017-22. This was approved by Cabinet and Full Council in February 2018.

The Revised Budget for 2018/19 was approved by Full Council in February 2019 as part of the MTFS for 2018/19.

In February 2019, Full Council also approved the new Capital Strategy (a requirement of the updated Prudential Code). The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services together with an overview of how associated risk is managed and the implications for future financial sustainability. It forms part of the Council's integrated revenue, capital and balance sheet planning. It provides a framework for managing the Council's capital programme.

Lichfield District Council has a statutory duty to set a balanced budget in the first year of the five year MTFS, and to set out proposals to balance the further financial years 2019-22. 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 to audit scrutiny. The Council is also required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

Money Matters Reports are presented at three, six and eight month intervals to Cabinet and Briefing Notes to Overview and Scrutiny Committee, and financial projections are updated in these reports.

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 of the Council's funding being dependent on the level of Business Rates growth or decline. These risks will continue as the majority of the Council's key income streams (Business Rates, New Homes Bonus and fair funding) will be reviewed from 2020/21. In addition, there is a new pension fund valuation applicable from 2020/21.

As a result of these ongoing changes, the Council implemented plans and strategies to manage these financial risks, for example the Fit for the Future Programme introduced in May 2013.

Fit for the Future 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.

The Fit for the Future programme has helped to identify a range of service improvements and deliver significant savings. Its current form aims to be a comprehensive, corporate, cross-departmental transformation programme with the following objectives:

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- To embed a culture of change and continuous improvement within the organisation so that it is better placed to play its future role
- To support the delivery of the outcomes described within the Strategic Plan 2016-20 and prepare for the 2020-24 Strategic Plan
- To improve the customer experience of dealing with the Council whether that be digitally or through more traditional contact routes
- To move the Council towards becoming a more self-sufficient and sustainable organisation
- To nurture and support the Council's ambition to be more commercial in everything that it does.

Key areas of activity in 2018/19 included the insourcing of ICT support and development, improved procurement practices and the establishment of a new estates team to support the implementation of the Property Investment Strategy. Other activities include the replacement of the corporate CRM system, a digitisation programme for Regulatory Services, the provision of digital access to customers' own council tax, business rates and benefits accounts, and the introduction of a committee services system.

E Developing the Entity's Capacity, Including the Capacity of its Leadership and the Individuals Within it

'Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.'

Outcomes

We ensure that the Leader and Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.

We develop the capabilities of the Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental risks by ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirement is available and encouraged.

We hold staff to account through regular performance reviews which take account of training or development needs.

The Council has a Constitution which can be found on our website. 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. The Constitution went through a thorough review during 2017/18 as it was felt that it needed updating in order to reflect recent changes in legislation and also to make it easier to navigate. As a result an updated Constitution was approved by Full Council in May 2018.

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The Constitution consists of seven parts: Summary and Explanation, Articles, Responsibility for Functions, Rules of Procedure, Codes and Protocols, Councillors' Remuneration Scheme and Governance Structure.

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. Reference is made to the scrutiny role of the Opposition, whereby the latter is responsible for challenging and holding the Controlling Group to account. 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 Democratic Services submitting recommendations to Full Council.

The Council has a training plan for Members which is developed and monitored by the Employment Committee. There were **6** training events during 2018/19 (compared with **13** in 2017/18). The areas covered included safeguarding, planning, GDPR for Members, dementia friendly awareness, commercialisation and local authority trading companies. A few events have been postponed owing to the proximity of the elections in May.

The Chief Executive and Directors are set their performance targets annually. These are based on the delivery of the Delivery 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. The rate of completed PDRs for 2018/19 improved marginally on the previous year. At the end of September 2018, **66.5%** (2017/18 **59.56%**) had been completed. By 31 March 2019, this rate had risen to **88.97%** compared with **88.08%** at 31 March 2018.

A structured e-learning programme is available which greatly enhances the learning and development 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's Briefings. There are also individual team meetings and the staff newsletter Team LDC.

During 2018/19 an Employee Survey was carried out in order to allow staff to give their views about working at Lichfield District Council. **207 (53%)** of employees responded. A few headline observations:

- **82%** stated that they felt the way they work demonstrated the Council's values, with **81%** knowing what the Council's values are
- **82%** said that they enjoy their jobs, with **89%** feeling supported by the team they work with and **72%** felt valued by their line manager
- **77%** thought their team was positive towards change, with **72%** knowing what being a commercial council meant

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The results will help to inform the work on the emerging People Strategy.

F Managing Risks and Performance through Robust Internal Control and Strong Public Finance Management

'Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.'

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.'

Outcomes

We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.

We ensure that well-developed financial management is integrated at all levels of planning and control.

We ensure that there is an effective scrutiny function in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made.

The Council has a Risk Management Strategy, and managers are trained in the assessment, management and monitoring of risks. The Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Plan. 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. These are monitored by Members and Senior Officers and reported on three times a year to Audit and Member Standards Committee.

There are currently **8** risks that have been identified as having a potential impact on the ability to deliver the Strategic Plan. It has also been noted that some projects carry significant risk as they could have a major impact if they are not delivered. There is currently **1** item that has been identified as a significant risk.

All reports requiring a decision include a risk assessment section.

The Council continues to manage and monitor the effectiveness of its health, safety and insurance management system. In May 2019, the annual Health and Safety Performance Report was presented to Leadership Team and Employment Committee. This report is a statistical snapshot of accidents and insurance claims, in addition to providing a review of the corporate health and safety training programme, detailing changes to operating procedures and emerging challenges. A Health, Safety and Insurance Service Plan is produced and this identifies areas which could be developed to ensure that the Council remains legal and

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compliant with good practice. Monitoring of the Service Plan objectives is undertaken by the Head of Corporate Services.

An updated 'Acceptable Use Policy' for IT was adopted during 2018/19. The purpose of the Policy is to ensure that all computer systems and networks owned or managed by the Council are updated in an effective, safe, ethical and lawful manner, and it is the responsibility of every computer user to know these requirements and to comply with them. The Policy applies to every person authorised to access the Council's IT equipment, systems or networks, including: employees, agency staff, consultants, contractors, partners, external secondees and volunteers.

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. Any amendments to them are subject to approval by Full Council.

Financial Procedure Rules were last updated in 2015 in line with CIPFA's publication 'Financial Regulations, A Good Practice Guide for an English Modern Council'. Contract Procedure Rules were updated in 2016 following a number of changes to procurement guidelines, processes and best practice (for example, the Public Contracts Regulations 2015). These were approved by Audit and Member Standards Committee in January 2017. The Contract Procure Rules were approved by Audit and Member Standards Committee in March 2017, and a copy can be found within the Constitution.

The Head of Finance and Procurement/Section 151 is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In April 2016, CIPFA/SOLACE issued an updated 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 2018/19, the Chief Finance Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

Maintenance of an effective system of both internal and more detailed financial control is the agreed responsibility of Directors, Heads of Service and Service Managers, who are responsible for managing their services within available resources, in accordance with agreed policies and procedures, and to support the sustainable delivery of strategic priorities in the Strategic Plan and maintain statutory functions. Elements include:

- Monthly review of budgetary control information by budget holders and Heads of Service to compare expected to actual performance and to forecast going forward

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- Formal budgetary monitoring reports are reviewed with budget holders and Heads of Service at three, six and eight months. These look at actual performance and provide forecasts going forward
- Money Matters reports are produced at three, six and eight months and are reviewed by Leadership Team and reported to Overview and Scrutiny, Cabinet and Full Council.

The financial information produced is both reliable and timely and is available in an understandable and useful format to actively support informed decision making and performance management arrangements and thus the delivery of strategic priorities.

We have an Audit and Member Standards Committee that is independent of the Executive and accountable to the governing body. This provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment. We ensure that its recommendations are listened to and acted upon.

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 2018/19 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.

Over the last couple of years changes have been made to the way our Overview and Scrutiny function operates. Examples of these changes include the greater use of briefing papers and lighter agendas. Various Task and Finish Groups with commencement dates throughout the year have also been established. A Coordinating Group has been set up that agreed that all work should be to aid Cabinet Members and Heads of Service meet their targets. This Group therefore set out a process for establishing and managing the Task and Finish Groups.

G Implementing Good Practices in Transparency, Reporting and Audit to Deliver Effective Accountability

'Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both External and Internal Audit contribute to effective accountability.'

Outcomes

We ensure that recommendations for corrective action made by Internal and External Audit are acted upon.

We write and communicate reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensure that they are easy to access and interrogate.

We welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations.

We have an effective in-house Internal Audit function with direct access to Members and which reports to the Chief Finance Officer. This service provides assurance with regard to governance arrangements and its recommendations are acted upon. For 2018/19, Internal Audit continued to operate in accordance with the Public Sector Internal Audit Standards.

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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, Heads of Service, the Section 151 Officer, Managers and External Audit. A Quality Assurance Improvement Programme was approved by Audit and Members Standards Committee in March 2019.

The review of Internal Audit for 2018/19 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.

Our External Auditors carry out reviews of our internal control arrangements when working with us throughout the year. They have not reported any weaknesses in their updates to Audit and Member Standards Committee during 2018/19.

The current phase of the F4F Programme is focussed on transforming the way the Council operates, including how it interacts with its customers and making sure the way the organisation is structured and organised is effective, productive and better aligned with the priority outcomes that are set out in the Strategic Plan. Looking at how demand for services can be reduced or managed and how service users can access services and information in ways that costs the Council less (channel shift) are important elements of this. Decisions about where to spend will need to become more evidenced based, so that reduced resources can be targeted on those areas and communities who need them most.

Section 4: 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 (and Member Standards) Committee (which is charged with final approval of this statement).

The review is informed by:

- The views of Internal Audit, reported to Audit and Member Standards Committee through regular progress reports, and the Annual Internal Audit Opinion
- An annual review, carried out by the Audit Manager, 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 and Member Standards Committee through regular progress reports, the Annual Audit Letter, the Informing the Audit Risk Assessment document, the Audit Findings Report and the Audit Plan
- The views of the Head of Paid Service (Chief Executive), Monitoring Officer, Section 151 Officer
- The activities and operations of Council Service Areas whose Heads provide written assurance statements using an Internal Control Checklist
- The views of Members (Chairmen and Vice Chairmen and Leader of the Minority Group) using a Members' Questionnaire
- The Risk Management Process, particularly the Corporate Risk Register
- Performance information reported to Cabinet, Council and Overview and Scrutiny Committees.

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Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2018/19 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 2018/19 no significant weaknesses in Governance or Internal Control were highlighted.

Section 5: Update on Significant Governance Issues 2017/18

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 2017/18.

Diane Tilley

Councillor Doug Pullen

Chief Executive

Leader of the Council

EXPENDITURE AND FUNDING ANALYSIS – NOTE TO THE ACCOUNTS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's strategic priorities. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES). The Expenditure and Funding Analysis is **not** a Core Statement but has been included here as it brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund.

2017/18					2018/19					
Narrative Report £000	Presentation and Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Narrative Report £000	Presentation and Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
5,868	(101)	5,767	(333)	5,434	A council that is fit for the future	6,157	(193)	5,964	626	6,590
(1,046)	(88)	(1,134)	629	(505)	A vibrant and prosperous economy	(1,209)	(84)	(1,293)	1,110	(183)
0	0	0	0	0	A vibrant and prosperous economy (Material Item) ¹	0	0	0	1,550	1,550
3,355	4	3,359	728	4,087	Clean, green and welcoming places to live	2,847	(288)	2,559	(19)	2,540
1,984	3	1,987	659	2,646	Healthy and safe communities	1,986	(150)	1,836	768	2,604
0	0	0	0	0	Healthy and safe communities (Material Item) ²	0	(882)	(882)	0	(882)
10,161	(182)	9,979	1,683	11,662	Cost of Services	9,781	(1,597)	8,184	4,035	12,219
(10,161)	(887)	(11,048)	2,567	(8,481)	Other Income and Expenditure	(9,781)	(1,821)	(11,602)	308	(11,294)
0	(1,069)	(1,069)	4,250	3,181	(Surplus) or deficit on Provision of Services (cash flow)	0	(3,418)	(3,418)	4,343	925
		(11,213)			Opening General Fund			(12,282)		
		(1,069)			(Surplus) on General Fund Balance in Year			(3,418)		
		(12,282)			Closing General Fund			(15,700)		

31 March 2018 £000		31 March 2019 £000
4,521	General Fund Balance	5,310
7,761	Earmarked Reserves Balance	10,390
12,282	Total	15,700

¹ Development costs charged to revenue following the decision to terminate the Friarsgate development, this has no impact on reserves because this was initially funded from revenue sources.

² Reclaim from HMRC of VAT from leisure services.

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.

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
6,180	(746)	5,434	A council that is fit for the future	7,066	(476)	6,590
4,351	(4,856)	(505)	A vibrant and prosperous economy	4,826	(5,009)	(183)
0	0	0	A vibrant and prosperous economy (Material Item) ³	1,613	(63)	1,550
28,757	(24,670)	4,087	Clean, green and welcoming places to live	25,499	(22,959)	2,540
4,825	(2,179)	2,646	Healthy and safe communities	3,615	(1,011)	2,604
0	0	0	Healthy and safe communities (Material Item) ⁴	221	(1,103)	(882)
44,113	(32,451)	11,662	Cost of Services	42,840	(30,621)	12,219
4,168	(522)	3,646	Other Operating Expenditure (Note 9)	1,940	(764)	1,176
1,429	(636)	793	Financing and Investment Income and Expenditure (Note 10)	1,562	(836)	726
11,785	(24,705)	(12,920)	Taxation and Non-Specific Grant Income (Note 11)	12,527	(25,730)	(13,203)
61,495	(58,314)	3,181	(Surplus) or deficit on Provision of Services (cash flow)	58,876	(57,951)	925
		(2,112)	(Surplus) or deficit on revaluation of non-current assets			(738)
		(86)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income			(33)
		(2,040)	Re-measurement of the net defined benefit liability			5,378
		(4,238)	Other Comprehensive Income and Expenditure			4,607
		(1,057)	Total Comprehensive Income and Expenditure			5,532

³ Development costs charged to revenue following the decision to terminate the Friarsgate development, this has no impact on reserves because this was initially funded from revenue sources.

⁴ Reclaim from HMRC of VAT from leisure services.

MOVEMENT IN RESERVES

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	11,213	3,190	1,460	15,863	8,613	24,476
Total Comprehensive Income and Expenditure	(3,181)	0	0	(3,181)	4,238	1,057
Adjustments between accounting basis and funding basis (See Note 6)	4,250	141	182	4,573	(4,573)	0
Increase/(Decrease) in Year	1,069	141	182	1,392	(335)	1,057
Balance at 31 March 2018	12,282	3,331	1,642	17,255	8,278	25,533

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018	12,282	3,331	1,642	17,255	8,278	25,533
Total Comprehensive Income and Expenditure	(925)	0	0	(410)	(4,607)	(5,532)
Adjustments between accounting basis and funding basis (See Note 6)	4,343	(1,067)	552	3,313	(3,828)	0
Increase/(Decrease) in Year	3,418	(1,067)	552	2,903	(8,435)	(5,532)
Balance at 31 March 2019	15,700	2,264	2,194	20,158	(157)	20,001

31 March 2018 £000		31 March 2019 £000
4,521	General Fund Balance	5,310
7,761	Earmarked Reserves Balance	10,390
12,282	Total	15,700

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, i.e. 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'.

2017/18 £000		Notes	2018/19 £000
41,968	Property, Plant & Equipment	12	42,786
515	Heritage Assets	13	450
5,200	Investment Property	14	4,867
76	Intangible Assets		73
1,899	Long Term Investments	15	1,932
93	Long Term Debtors	15	288
49,751	Long Term Assets		50,396
300	Assets Held for Sale	18	200
45	Inventories		48
4,504	Short Term Debtors	16	5,026
18,046	Short Term Investments	15	20,070
4,473	Cash and Cash Equivalents	17	4,806
27,368	Current Assets		30,150
(61)	Short Term Borrowing	15	(191)
(11,535)	Short Term Creditors	19	(10,869)
(392)	Short Term Provisions	20	(181)
(544)	Capital Grants Receipts in Advance	34	(1,162)
(12,532)	Current Liabilities		(12,403)
(1,309)	Long Term Borrowing	15	(2,449)
0	Long Term Creditors	15	(38)
(1,180)	Long Term Provisions	20	(1,084)
(1,543)	Long Term Liabilities: Finance Leases	37	(1,106)
(34,393)	Long Term Liabilities: Defined Benefit Pension	39	(42,747)
(629)	Capital Grants Receipts in Advance (LT)	34	(718)
(39,054)	Long Term Liabilities		(48,142)
25,533	Net Assets		20,001
17,255	Usable Reserves	21	20,158
8,278	Unusable Reserves	22	(157)
25,533	Total Reserves		20,001

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.

2017/18 £000		2018/19 £000
(3,181)	Net surplus or (deficit) on the provision of services	(925)
4,252	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements (Note 23)	4,044
(2,707)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities (Note 24)	(2,679)
(1,636)	Net cash flows from Operating Activities	440
2,313	Investing Activities (Note 25)	(1,695)
187	Financing Activities (Note 26)	1,588
864	Net increase or (decrease) in cash and cash equivalents	333
3,609	Cash and cash equivalents at the beginning of the reporting period	4,473
4,473	Cash and cash equivalents at the end of the reporting period (Note 17)	4,806

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1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 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.

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.

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:

NOTES TO THE ACCOUNTS

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

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

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund by way of an adjusting transaction between the General Fund and the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

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.

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.

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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 2018/19 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 2019. The estimate for the 2005 and 2010 valuation lists have been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date. The appeals for the 2017 valuation list under the new Check, Challenge and Appeal process are based on the Government's allowance for appeals included in the multiplier of 2.1p.

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

- 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

NOTES TO THE ACCOUNTS

amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Authority measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE ACCOUNTS

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

When a quoted price for the transfer of an identical or a similar liability is not available and the identical item is held by another party as an asset, for example, the Authority's loans borrowed, the Authority measures the fair value of the liability from that party's perspective.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost, using the effective interest rate method. The effective interest rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. 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

Financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Council has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

The Code allows for three classes of financial assets:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI).

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in the Code, and is determined at the time of initial recognition. In addition, the Council has elected to classify as FVOCI certain equity investments held for strategic purposes.

NOTES TO THE ACCOUNTS

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments (bank deposits and Certificates of Deposit).

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less an impairment loss allowance. Annual credits to the Financing Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

The Council has made loans, as part of its policy of homelessness prevention, at less than market rates (soft loans). When such loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets measured at FVOCI are those held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Annual credits to the Financing Income and Expenditure line in the CIES for interest receivable are the same as if the asset was classified at amortised cost, but the asset is held on the balance sheet at fair value; the resulting difference is taken to the Financial Instruments Revaluation Reserve.

In addition, The Council has elected to classify its investment in the CCLA Local Authorities' Property Fund under this category. Dividends are accrued to the Financing Income and Expenditure line in the CIES when the Council's right to receive payment has been established. The asset is held on the balance sheet at fair value with the difference between cost and fair value taken to the Financial Instruments Revaluation Reserve.

Financial Assets at Fair Value through Profit and Loss

All other financial assets are measured at FVPL. They are held on the balance sheet and their fair value and all gains and losses, whether realised or unrealised are taken to the Financing Income and Expenditure line in the CIES.

Impairment

For all financial assets measured at amortised cost or at FVOCI, other than those elected as FVOCI, the Council recognises a loss allowance representing expected credit losses on the financial instrument. The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the other party is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to

NOTES TO THE ACCOUNTS

lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12 month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

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.

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

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 Valuer's 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 108 (Impairment) and pages 81 to 84 (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 81 to 84 (Property, Plant and Equipment) in this Summary of Accounting Policies).

Inventories

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

Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than **£10,000**) the Capital Receipts Reserve.

NOTES TO THE ACCOUNTS

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operations. In relation to its interest in a joint operation the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

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).

NOTES TO THE ACCOUNTS

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 (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

NOTES TO THE ACCOUNTS

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (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.

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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 de-recognition 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 grouped 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

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

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.

NOTES TO THE ACCOUNTS

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

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

Provisions and Contingent Liabilities

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 (REFCuS)

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

NOTES TO THE ACCOUNTS

the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Lichfield District Council is in a VAT receivable position at year end; the balance outstanding is included in **Note 16** Short Term Debtors.

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 2019/20 Code:

- Amendment to IAS 40 Investment Property: Transfers of Investment Property
- Annual improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
- IFRS 16 Leases: recognition of leases held by lessees on balance sheets as right-of-use assets with corresponding lease liabilities.

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**. A further **£680,000** of assets was added to this during 2016/17. At 31 March 2019 the Net Book Value of the assets was **£1,077,000** and the value of the finance lease obligation was **£1,494,000**. 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 **57.84%** Lichfield and **42.16%** Tamworth.

NOTES TO THE ACCOUNTS

3. The Council outsourced the management of its leisure centres to Freedom Leisure on 1 February 2018. As part of the contractual arrangements, all leisure centre staff were transferred to Freedom Leisure via TUPE arrangements. Freedom Leisure has been admitted to the Staffordshire County Council pension fund and pension arrangements between Lichfield District Council, Staffordshire County Council and Freedom Leisure are managed using a pass through agreement. This agreement assigns the majority of pension risk to Lichfield District Council. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the Council acts as guarantor for the pension commitments of these former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2018/19, the risk has been assessed at low, no greater than **1%** or **£85,750**.
4. The assumptions around the outcome of appeals against NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from past experience of both the 2005 and 2010 Lists as well as appeals determinations so far as made against the 2017 List. A 1% variance in the determined appeals provision would alter the net locally retained income to the Council by **£250,000**. Due to the technical adjustment relating to the Collection Fund Adjustment Account, this would not result in any change to the level of General Reserves.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £35,000 and for vehicles, plant and equipment would increase by £278,000 for every year that useful lives had to be reduced.
Business Rate Appeals	<p>Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2018/19 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 2019. 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 2019.</p> <p><u>2005 and 2010 Lists</u> Total Rateable Value of Appeals Outstanding at 31 March 2019 (2005 and 2010 lists) = £45.26m</p> <p>Total provision = £2.90m (£1.526m for 2005 and 2010 lists and £1.374m for 2017 list.)</p> <p>Provision as a % of Appeals Outstanding (2005 and 2010 lists) = 3.37%</p> <p><u>2017 List</u> The new Check, Challenge and Appeal process has resulted in much lower appeals being submitted related to the 2017 list. Therefore a hybrid approach has been adopted for this list. This calculation uses historical appeals information. The 2005 and 2010 lists showed that by the end of the first year 74% of the opening Rateable Value had received an appeal. At 31/03/2019 this would be £65.434m (74% of £88.816m). This value is multiplied by the allowance in the Business Rates Multiplier of 2.1p to calculate the appeals provision of £1.374m.</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 45.21% Average reduction in RV 10.37% Combined 4.70%</p> <p><u>2010 List</u> Average success rate 29.41% Average reduction in RV 10.41% Combined 3.06%</p> <p><u>Overall (2005 and 2010 lists)</u> Average success rate 37.29% Average reduction in RV 10.40% Combined 3.88%</p> <p>Each 1% increase in the overall Combined figure would increase the provision by £626,000. The Council's share of this increase at 40% would be £250,000.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £13,068,000 ; a 0.5% increase in the salary rate would amount to £2,004,000 ; and a 0.5% increase in the pension rate would amount to £10,834,000 .
Sundry Income and Housing Benefit Overpayment Debtors	At 31 March 2019, the Council had a balance of sundry income debtors of £1,520,000 . A review of arrears suggested that an impairment of doubtful debts of 53% (£813,000) 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 £707,000 (47%) . Each 1% increase in the percentages used to calculate the Bad Debt provision would increase the provision by £15,000 .

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

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 24 July 2019.

There are no events after the Balance Sheet date.

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

	2017/18				2018/19			
	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	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):								
Charges for depreciation and impairment of non-current assets	1,741			(1,741)	1,716			(1,716)
Revaluation (gains) / losses on Property, Plant and Equipment	(165)			165	401			(401)
Movements in the market value of investment properties	373			(373)	333			(333)
Amortisation of intangible assets	7			(7)	7			(7)
Capital grants and contributions applied	(1,242)			1,242	(701)			701
Revenue expenditure funded from capital under statute	1,567			(1,567)	1,074			(1,074)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,357			(2,357)	187			(187)
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(616)			616	(710)			710
Capital Expenditure charged to the General Fund	(965)			965	868			(868)
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES	(299)		299		(670)	670		
Application of grants to capital financing transferred to the Capital Adjustment Account			(117)	117		(118)		118
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	8	(8)			(117)	117		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(433)	433			(643)	643		
Use of the Capital Receipts Reserve to finance new capital expenditure		(285)		285		(1,827)		1,827
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,632			(3,632)	4,413			(4,413)
Employers pension contributions and direct payments to pensioners payable in the year	(2,126)			2,126	(2,198)			2,198
Adjustments primarily involving the Collection Fund adjustment account								
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	505			(505)	296			(296)
Adjustments primarily involving the Accumulated Absences Account								
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	(93)			93	87			(87)
Total Adjustments	4,251	140	182	(4,573)	4,343	(1,067)	552	(3,828)

NOTES TO THE ACCOUNTS

7. Expenditure and Funding Analysis Notes

2017/18

Presentation and Earmarked Reserves

This table shows the detail of presentational changes related to earmarked reserves, investment properties and the transfer to General Reserves (other).

	Actual Outturn £000	Earmarked Reserves £000	Investment Properties £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A council that is fit for the future	5,868	(101)	0	0	(101)	5,767
A vibrant and prosperous economy	(1,046)	(311)	223	0	(88)	(1,134)
Clean, green and welcoming places to live	3,355	4	0	0	4	3,359
Healthy and safe communities	1,984	3	0	0	3	1,987
Net Cost of Services	10,161	(405)	223	0	(182)	9,979
Other Income and Expenditure	(10,161)	(1,114)	(223)	450	(887)	(11,048)
(Surplus) or deficit on Provision of Services (cash flow)	0	(1,519)	0	450	(1,069)	(1,069)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 75 under the column General Fund Balance.

	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
A council that is fit for the future	292	15	(640)	(333)
A vibrant and prosperous economy	252	228	149	629
Clean, green and welcoming places to live	654	722	(648)	728
Healthy and safe communities	407	243	9	659
Cost of Services	1,605	1,208	(1,130)	1,683
Other Income and Expenditure	2,308	941	(682)	2,567
(Surplus) or deficit on Provision of Services (cash flow)	3,913	2,149	(1,812)	4,250

NOTES TO THE ACCOUNTS

2018/19

Presentation and Earmarked Reserves

This table shows the detail of presentational changes related to earmarked reserves, investment properties and the transfer to General Reserves (other).⁵

	Actual Outturn £000	Earmarked Reserves £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A council that is fit for the future	6,157	(193)	0	(193)	5,964
A vibrant and prosperous economy	(1,209)	(84)	0	(84)	(1,293)
A vibrant and prosperous economy (Material Item)	0	0	0	0	0
Clean, green and welcoming places to live	2,847	(288)	0	(288)	2,559
Healthy and safe communities	1,986	(150)	0	(150)	1,836
Healthy and safe communities (Material Item)	0	(882)	0	(882)	(882)
Net Cost of Services	9,781	(1,597)	0	(1,597)	8,184
Other Income and Expenditure	(9,781)	(1,032)	(789)	(1,821)	(11,602)
(Surplus) or deficit on Provision of Services (cash flow)	0	(2,629)	(789)	(3,418)	(3,418)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 75 under the column General Fund Balance.

	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
A council that is fit for the future	419	997	(790)	626
A vibrant and prosperous economy	767	217	126	1,110
A vibrant and prosperous economy (Material Item)	0	0	1,550	1,550
Clean, green and welcoming places to live	(45)	649	(623)	(19)
Healthy and safe communities	700	158	(90)	768
Cost of Services	1,841	2,021	173	4,035
Other Income and Expenditure	(254)	955	(393)	308
(Surplus) or deficit on Provision of Services (cash flow)	1,587	2,976	(220)	4,343

⁵ The transfer for 'Investment Properties' in the table Presentation and Earmarked Reserves in 2018/19 is £15k. This transfer is relatively small and therefore we have included the transfer in the table Adjustments between the Funding and Accounting Basis under 'Other Differences'.

NOTES TO THE ACCOUNTS

The table below shows the information in the Comprehensive Income and Expenditure Statement showing the different types of income and expenditure.

2017/18 £000		2018/19 £000
(13,243)	Fees, charges and other service income	(13,289)
(202)	Interest and investment income	(314)
(7,770)	Income from council tax	(8,175)
(24,474)	Government Grants	(23,516)
(45,689)	Total Income	(45,294)
13,681	Employee Expenses	13,429
27,315	Other Service Expenses	26,384
2,282	Depreciation, amortisation and impairment	2,830
84	Interest Payments	107
941	Pension interest and expected return on Assets	955
2,635	Precepts and Levies	3,088
2,366	Gain or Loss on Disposal of Fixed Assets	70
(434)	Capital Grants & Contributions	(644)
48,870	Total Expenditure	46,219
3,181	(Surplus)/Deficit on the provision of services	925

8. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
Earmarked General Reserves	(2,674)	538	(1,878)	(4,014)	387	(2,718)	(6,345)
Earmarked Reserve-Restricted	(111)	18	(145)	(238)	26	(141)	(353)
Election Reserve	(226)	60	(28)	(194)	0	(28)	(222)
Public Open Space Reserve-Restricted	(476)	37	0	(439)	0	0	(439)
Joint Waste Shared Service Reserve-Restricted	(641)	0	(11)	(652)	49	(41)	(644)
Building Regulations Reserve-Restricted	(209)	62	0	(147)	12	0	(135)
Development Grant Aid Reserve	(26)	10	(4)	(20)	0	(5)	(25)
Birmingham Road Car Park Capital Reserve-Restricted	(1,879)	0	(178)	(2,057)	0	(170)	(2,227)
TOTAL	(6,242)	725	(2,244)	(7,761)	474	(3,103)	(10,390)

The **Earmarked General Reserve** has been provided to fund expenditure items in 2018/19 and beyond including income from Government Grants received which have no conditions attached but which have been set aside for use in providing specific services.

NOTES TO THE ACCOUNTS

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, the next election being 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 our obligations under the Joint Waste Shared Service agreement.

The **Building Regulations Reserve (Restricted)** has been set up to meet our 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.

9. Other Operating Expenditure

2017/18 £000		2018/19 £000
1,714	Parish Council Precepts	1,750
2,366	(Gains)/Losses on the disposal of non-current assets	70
(434)	Unattached Capital Receipts	(644)
3,646	TOTAL	1,176

10. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
84	Interest payable and similar charges	107
941	Pensions interest cost and expected return on pensions assets	955
(202)	Interest receivable and similar income	(314)
(30)	Income and expenditure in relation to investment properties and changes in their fair value	(15)
793	TOTAL	733

NOTES TO THE ACCOUNTS

11. Taxation and Non-Specific Grant Income

2017/18 £000		2018/19 £000
(7,770)	Council Tax Income	(8,175)
	<u>Business Rates</u>	
(13,651)	Council Share of Retained Business Rates	(14,805)
10,860	Less: Business Rates Tariff	11,189
921	Less: Business Rates Levy	1,337
(299)	Add: Business Rates Levy Repayable	(432)
(2,985)	Non-ring fenced government grants	(2,304)
4	Capital grants and contributions	(13)
(12,920)	TOTAL	(13,203)

Non-ring fenced Government Grants are comprised of:

2017/18 £000		2018/19 £000
(1,421)	New Homes Bonus	(941)
(5)	Returned New Homes Bonus	0
(236)	Revenue Support Grant	0
(185)	New Burdens Grants	(67)
(916)	Small Business Rates Relief	(1,108)
(52)	Transitional Funding Grant	0
4	Retail Relief Grant	1
(1)	Rural Rate Relief	(1)
(13)	Supporting Small Business Relief	(10)
(102)	Discretionary Rate Relief	(50)
(19)	Pub Relief	(13)
(39)	Business Rate Inflation Cap	(83)
0	Levy Account Surplus	(32)
(2,985)	TOTAL	(2,304)

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment

Movements in 2018/19:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets ⁶	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2018	33,322	10,199	346	4,052	80	1,544	49,543
Additions	1,442	462			1,785	143	3,832
Friarsgate Reversal						(1,613) ⁷	(1,613)
Revaluation increases/(decreases) recognised in the revaluation reserve	(527)				482		(45)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	30				(649)		(619)
De-recognition – disposals		(309)					(309)
Other movements in cost or valuation	(834)			26	817	(10)	(1)
At 31 March 2019	33,433	10,352	346	4,078	2,515	64	50,788
Accumulated Depreciation and Impairment							
At 1 April 2018	(481)	(6,836)	(49)	0	(57)	(151)	(7,574)
Depreciation charge	(794)	(1,070)	(3)				(1,867)
Depreciation written out to the revaluation reserve	755				28		783
Depreciation written out to the surplus/deficit on the provision of services	182				36		218
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						151	151
De-recognition – disposals		287					287
Other movements in cost or valuation	14			(7)	(7)		0
At 31 March 2019	(324)	(7,619)	(52)	(7)	0	0	(8,002)
Net Book Value							
At 31 March 2019	33,109	2,733	294	4,071	2,515	64	42,786
At 31 March 2018	32,841	3,363	297	4,052	23	1,393	41,969

⁶ Surplus assets relates to the former Garage, former Police Station, the former retail units and the site of the two houses within the Birmingham Road Site valued at highest and best use that are not currently being used to provide services.

⁷ The material item of £1,550,000 shown in the Comprehensive Income and Expenditure Statement is the £1,613,000 in this note less (£63,000) of external contributions identified in note 36.

NOTES TO THE ACCOUNTS

Comparative Movements in 2017/18:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2017	34,205	9,877	346	4,110	0	1,137	49,675
Additions	213	367		10		407	997
Revaluation increases/(decreases) recognised in the revaluation reserve	1,425						1,425
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	120			(68)			52
De-recognition – disposals	(2,391)	(75)					(2,466)
Assets reclassified (to)/from held for sale	(141)						(141)
Other movements in cost or valuation	(109)	29			80		0
At 31 March 2018	33,322	10,198	346	4,052	80	1,544	49,542

Accumulated Depreciation and Impairment							
At 1 April 2017	(517)	(5,880)	(47)	0	0	(151)	(6,595)
Depreciation charge	(722)	(1,017)	(2)				(1,741)
Depreciation written out to the revaluation reserve	553						553
Depreciation written out to the surplus/deficit on the provision of services	81						81
De-recognition – disposals	45	75					120
Assets reclassified (to)/from held for sale	8						8
Other movements in cost or valuation	70	(13)			(57)		0
At 31 March 2018	(482)	(6,835)	(49)	0	(57)	(151)	(7,574)

Net Book Value							
At 31 March 2018	32,840	3,363	297	4,052	23	1,393	41,968
At 31 March 2017	33,688	3,997	299	4,110	0	986	43,080

NOTES TO THE ACCOUNTS

Other Land & Buildings Breakdown

2017/18		2018/19
£000		£000
8,245	Arts Facility	7,640
325	Bus Station	325
1,000	Depot	975
11,309	Leisure Centre	12,293
2,389	Multi Storey Car Park	2,453
2,025	Offices	2,105
841	Other land & Buildings	530
519	Parks and Sports Grounds	470
779	Pavilions	1,046
234	Public Conveniences	259
3,578	Retail	3,295
1,597	Surface Car Park	1,718
32,841	Total	33,109

Depreciation

The following useful lives (established by the District Valuer at the last revaluation) and depreciation rates have been used in the calculation of depreciation:

- Buildings – 2 to 87 years
- Vehicles, Plant, Furniture & Equipment – 1 to 20 years
- Infrastructure – 50 years

Capital Commitments

At 31 March 2019, the Council had no significant capital commitments.

Effects of Changes in Estimates

In 2018/19, 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 & Buildings	Vehicles, Plant, Furniture & Equipment	Total
	£000	£000	£000
Carried at historical cost	0	2,733	2,733
Valued at fair value as at:			
- 31 March 2019	28,833		28,833
- 31 March 2018	2,624		2,624
- 31 March 2017	1,184		1,184
- 31 March 2016	73		73
- 31 March 2015	395		395
Total Cost or Valuation	33,109	2,733	35,842

13. 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.

	Statues	Art Collection	Other Items	Total Assets
	£000	£000	£000	£000
<u>Cost or Valuation</u>				
At 1 April 2018	305	80	130	515
Disposals	0	0	(65)	(65)
At 31 March 2019	305	80	65	450
<u>Cost or Valuation</u>				
At 1 April 2017	305	80	130	515
At 31 March 2018	305	80	130	515

NOTES TO THE ACCOUNTS

Statues

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

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

Art Collection

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

Other Items

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

Preservation and Management

The statues located in parks are managed by the Historic Parks Manager, the civic regalia and trophies are managed by the Democratic and Legal Services Administration Officer, the grand piano is managed by the Garrick Trust and all other items are managed by the Tourism Manager.

The 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 Martyr's 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.

14. 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:

2017/18 £000		2018/19 £000
417	Rental income from investment properties	512
(15)	Direct operating expenses	(164)
402	Net income from Investment Properties	348
(372)	Revaluation gains / (losses)	(333)
30	Net gain / (loss)	15

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:

2017/18 £000		2018/19 £000
5,572	Balance at Start of Year	5,200
(372)	Net Gains/(losses) from fair value adjustments	(333)
5,200	Balance at end of year	4,867

	2017/18			2018/19		
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Fair Value as at 31 March 2018	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Fair Value as at 31 March 2019
	£000	£000	£000	£000	£000	£000
Residential Properties	0	55	55	0	67	67
Office Units	0	780	780	0	810	810
Commercial Units	0	4,365	4,365	0	3,990	3,990
Total	0	5,200	5,200	0	4,867	4,867

15. 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
- Finance leases detailed at note 37
- Trade payables for goods and services received

NOTES TO THE ACCOUNTS

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.

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with Natwest bank,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- certificates of deposit,
- treasury bills issued by the UK Government,
- trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- property funds managed by CCLA held as strategic investments

Fair value through profit and loss (all other financial assets) comprising:

- money market funds

NOTES TO THE ACCOUNTS

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

Financial Assets ⁸	Long Term		Short Term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
<u>At amortised cost:</u>				
- Principal			18,000	19,999
- Accrued interest			26	50
<u>At fair value through other comprehensive income:</u>				
- Equity investments elected FVOCI	1,899	1,932		
- Accrued interest			20	21
Total Investments	1,899	1,932	18,046	20,070
<u>At amortised cost:</u>				
- Cash (including bank accounts)			472	653
<u>At fair value through profit & loss:</u>				
- Cash equivalents at fair value			4,000	4,150
- Accrued interest			1	3
Total Cash and Cash Equivalents			4,473	4,806
<u>Debtors</u>				
Trade receivables	93	288	2,763	3,222
Total included in Debtors	93	288	2,763	3,222
Total Financial Assets	1,992	2,220	25,282	28,098

Financial Liabilities	Long Term		Short Term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000	£000	£000	£000
<u>Loans at amortised cost:</u>				
Principal sum borrowed	(1,309)	(2,449)	(61)	(191)
Total Borrowing	(1,309)	(2,449)	(61)	(191)
<u>Liabilities at amortised cost:</u>				
Finance leases	(1,543)	(1,106)		
Total other Long Term Liabilities	(1,543)	(1,106)		
<u>Liabilities at amortised cost:</u>				
Trade payables		(38)	(5,393)	(5,708)
Finance leases			(505)	(569)
Total included in Creditors		(38)	(5,898)	(6,277)
Total Financial Liabilities	(2,852)	(3,593)	(5,959)	(6,468)

⁸ Categories have been updated and prior year restated in line with current accounting requirements.

NOTES TO THE ACCOUNTS

Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividends	
	31 March 2019	31 March 2018	2018/19	2017/18
	£000	£000	£000	£000
CCLA Pooled Fund	1,932	1,899	(84)	(87)

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset against each other where the Council has a legally enforceable right to offset and it either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31 March 2019			31 March 2018		
	Gross assets (liabilities)	(Liabilities) assets offset	Net position on balance sheet	Gross assets (liabilities)	(Liabilities) assets offset	Net position on balance sheet
	£000	£000	£000	£000	£000	£000
Bank accounts in credit	375	0	375	474	(134)	340
Total offset financial assets	375	0	375	474	(134)	340
Bank overdrafts	0	0	0	(134)	134	0
Total offset financial liabilities	0	0	0	(134)	134	0

Reconciliation to Cash and Cash Equivalents

31 March 2018 £000		31 March 2019 £000
340	Main Bank Accounts Total	375
129	Total Reconciling Differences (Unpresented Cheques and Cash in Transit)	275
469	Cash & Cash Equivalents - Bank Accounts	650

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:

2017/18		Financial Liabilities	Financial Assets			2018/19
		Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	Total
£000		£000	£000	£000	£000	£000
84	Interest Expense	107				107
84	Interest payable and similar charges	107				107
(97)	Interest Income		(184)			(184)
(105)	Dividend Income			(84)	(46)	(130)
(202)	Interest and Investment Income		(184)	(84)	(46)	(314)
(118)	Net Gain / (Loss) for the Year	107	(184)	(84)	(46)	(207)

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost 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.

Financial instruments classified at amortised cost 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 31st March 2019, 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 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 2018		31 March 2019	
		Balance	Fair	Balance	Fair
		Sheet	Value	Sheet	Value
		£000	£000	£000	£000
<i>Financial assets held at fair value:</i>					
Money market funds	1	4,001		4,153	
Financial assets for which fair value is not disclosed:		23,273		26,166	
Total Financial Assets		27,274		30,319	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Investments		18,046		20,070	
Long Term Investments		1,899		1,932	
Cash & Cash Equivalents		4,473		4,806	
Short Term Debtors		2,763		3,222	
Long Term Debtors		93		288	
Total Financial Assets		27,274		30,318	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying value.

	Fair Value Level	31 March 2018		31 March 2019	
		Balance	Fair	Balance	Fair
		Sheet	Value	Sheet	Value
		£000	£000	£000	£000
<i>Financial liabilities held at amortised cost:</i>					
Long Term loans from PWLB	2	(1,370)	(1,469)	(2,640)	(2,794)
Finance Lease liabilities	2	(2,048)	(2,070)	(1,675)	(1,722)
Total		(3,418)	(3,539)	(4,315)	(4,516)
Liabilities for which fair value is not disclosed		(5,393)		(5,746)	
Total Financial Liabilities		(8,811)		(10,061)	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Creditors		(5,393)		(5,708)	
Long Term Creditors		0		(38)	
Finance Lease Liabilities		(2,048)		(1,675)	
Short Term Borrowing		(61)		(191)	
Long Term Borrowing		(1,309)		(2,449)	
Total Financial Liabilities		(8,811)		(10,061)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying value.

NOTES TO THE ACCOUNTS

16. Short Term Debtors

31 March 2018		31 March 2019
2,763	Trade receivables	3,222
275	Prepayments	813
2,479	Other receivable amounts	2,126
(1,013)	Bad Debt Provision	(1,135)
4,504	Total Debtors	5,026

17. Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
3	Cash held by the authority	3
469	Bank Accounts	650
4,001	Money Market Funds	4,153
4,473	Total	4,806

18. Assets Held for Sale

31 March 2018 £000		31 March 2019 £000
0	Balance outstanding at start of year	300
	Assets newly classified as held for sale:	
133	• property, plant and equipment	0
167	Revaluation gains	0
0	Assets sold	(100)
300	Balance outstanding at year-end	200

19. Short Term Creditors

31 March 2018		31 March 2019
(5,393)	Trade payables	(5,708)
(6,142)	Other payables	(5,161)
(11,535)	Total Creditors	(10,869)

NOTES TO THE ACCOUNTS

20. Provisions

The Council has two provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £000	Total £000
Balance at 1 April 2018	(92)	(1,480)	(1,572)
Additional provisions made this year	(13)	210	197
Amounts used this year	0	110	110
Balance at 31 March 2019	(105)	(1,160)	(1,265)
Element categorised as current	(105)	(76)	(181)

Outstanding Legal Cases

The Authority has one legal case in progress that has been provided for:

- **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 **£94,457**. On 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. This provision is based on those claims that the Authority is currently aware of.

Business Rates Appeals

The amount of **£1,160,000** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2019.

21. Usable Reserves

2017/18 £000		2018/19 £000
4,521	General Fund	5,310
1,642	Capital Grants Unapplied	2,194
3,331	Capital Receipts Reserve	2,264
7,761	Earmarked Reserves	10,390
17,255	Total	20,158

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

NOTES TO THE ACCOUNTS

22. Unusable Reserves

2017/18 £000		2018/19 £000
9,016	Revaluation Reserve	9,419
34,865	Capital Adjustment Account	33,970
47	Deferred Capital Receipts	47
(36,028)	Pensions Reserve	(43,621)
611	Collection Fund Adjustments	315
(101)	Available for Sale Reserve	0
0	Financial Instrument Revaluation Reserve	(68)
(132)	Accumulated Absence Account	(219)
8,278	Total	(157)

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.

2017/18 £000			2018/19 £000
7,800	Balance at 1 April		9,016
2,811	Upward revaluation of assets	1,822	
(699)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,084)	
2,112	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		738
(181)	Difference between fair value depreciation and historical cost depreciation	(232)	
(715)	Accumulated gains on assets sold or scrapped	(103)	
(896)	Amount written off to the Capital Adjustment Account		(335)
9,016	Balance at 31 March		9,419

NOTES TO THE ACCOUNTS

Capital Adjustment Account

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

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

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

2017/18 £000			2018/19 £000
36,624	Balance at 1 April		34,865
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,741)	· Charges for depreciation and impairment of non-current assets	(1,716)	
165	· Revaluation gains/losses on Property, Plant and Equipment	(401)	
(7)	· Amortisation of intangible assets	(7)	
(1,567)	· Revenue expenditure funded from capital under statute	(1,074)	
(1,642)	· 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	(84)	
(4,792)			(3,282)
181	Adjusting amounts written out of the Revaluation Reserve		232
32,013	Net written out amount of the cost of non-current assets consumed in the year		31,815
	Capital financing applied in the year:		
285	· Use of the Capital Receipts Reserve to finance new capital expenditure	1,827	
1,238	· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	731	
121	· Application of grants to capital financing from the Capital Grants Unapplied Account	88	
616	· Statutory provision for the financing of capital investment charged against the General Fund	710	
965	· Capital expenditure charged against the General Fund	(868)	
3,225			2,488
(373)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(333)
34,865	Balance at 31 March		33,970

NOTES TO THE ACCOUNTS

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £000		2018/19 £000
(36,562)	Balance at 1 April	(36,028)
2,200	Actuarial gains or losses on pensions assets and liabilities	(9,475)
(160)	Return on Plan Assets	4,097
(3,632)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,413)
2,126	Employer's pensions contributions and direct payments to pensioners payable in the year	2,198
(36,028)	Balance at 31 March	(43,621)

Deferred Capital Receipts Reserve

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

2017/18 £000		2018/19 £000
47	Balance at 1 April	47
47	Balance at 31 March	47

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.

2017/18				2018/19		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
35	1,081	1,116	Balance at 1 April	44	567	611
9	(514)	(505)	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	31	(327)	(296)
44	567	611	Balance at 31 March	75	240	315

NOTES TO THE ACCOUNTS

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2017/18 £000		2018/19 £000
(187)	Balance at 1 April	(101)
86	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
0	Transfer to Financial Instrument Revaluation Reserve as per IFRS 9	101
(101)	Balance at 31 March	0

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2017/18 £000		2018/19 £000
0	Balance at 1 April	0
0	Upward Revaluation of Investments	33
0	Transfer from Available for Sale Reserve as per IFRS 9	(101)
0	Balance at 31 March	(68)

Accumulated Absence Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000
(225)	Balance at 1 April	(132)
93	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	(87)
(132)	Balance at 31 March	(219)

NOTES TO THE ACCOUNTS

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

2017/18 £000		2018/19 £000
1,748	Depreciation, amortisation and impairment	1,723
560	Downward revaluations	1,652
(353)	Upward revaluations charged to services	(918)
2,357	Carrying Amount of non-current assets disposed in the year	187
(134)	Increase / (Decrease) in Provisions	(307)
11	(Increase) / Decrease in Stock	(3)
184	(Increase) / Decrease in Debtors	(619)
8	Increase / (Decrease) in Creditors	(585)
(129)	Movement in pension liability	2,976
0	Other non-cash adjustments	(62)
4,252	Adjust net surplus or deficit on the provision of services for non-cash movements	4,044

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

2017/18 £000		2018/19 £000
(426)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(760)
(1,520)	Capital Grants & Contributions	(1,027)
(761)	Any other items for which the cash effects are investing or financing activities	(892)
(2,707)	Adjust net surplus or deficit on the provision of services for investing and financing activities	(2,679)

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 25** and **Note 26** after adjusting for cash flows in respect of outstanding balances at the end of the current and prior financial year.

25. Cash Flow Statement - Investing Activities

2017/18 £000		2018/19 £000
(1,209)	Purchase of property, plant and equipment, investment property and intangible assets	(2,067)
(51,900)	Purchase of short-term and long-term investments	(62,500)
298	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	604
53,400	Proceeds from short-term and long-term investments	60,500
1,724	Other (receipts)/payments from investing activities (including capital grants and contributions)	1,768
2,313	Net cash flows from Investing activities	(1,695)

NOTES TO THE ACCOUNTS

26. Cash Flow Statement - Financing Activities

2017/18 £000		2018/19 £000
(505)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(574)
0	Cash receipts of short and long term borrowing	1,395
(69)	Repayments of short and long term borrowing	(125)
761	Council Tax and Business Rates Net Cash Inflows	892
187	Net cash flows from Financing activities	1,588

27. Cash Flow Statement - Operating Activities

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

2017/18 £000		2018/19 £000
214	Interest received	287
(48)	Interest paid	(54)
166	Net cash flows from operating activities	233

28. Reconciliation of Liabilities Arising from Financing Activities

	Borrowings		Lease Liabilities	TOTAL
	Long Term	Short Term		
1 April 2018	1,309	61	2,047	3,417
Cash-flows:				
- Repayments		(125)	(373)	(498)
- Proceeds from new Loans	1,395			1,395
Non-cash:				
- Reclassification	(255)	255		0
31 March 2019	2,449	191	1,674	4,314

NOTES TO THE ACCOUNTS

29. Principal and Agency Services

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

Lichfield District Council is the principal (host) authority and is responsible for discharging and accounting for all functions relating to the shared service of Building Control.

2017/18 £000		2018/19 £000
725	Expenditure Incurred	739
(558)	Income received	(621)
(35)	Fee payable by South Staffordshire District Council	(35)
(35)	Fee payable by Tamworth Borough Council	(35)
(35)	Contribution from Lichfield District Council	(35)
62	(Surplus)/Deficit Transferred (To)/From Earmarked Reserves	13

30. Jointly Controlled Operations

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 **57.84%** from Lichfield District Council and **42.16%** from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

NOTES TO THE ACCOUNTS

The revenue account for the operation covers all operating costs and income for both authorities. It includes the (surplus)/deficit for Lichfield only. The operation went live in July 2010 and details for this financial year are as follows:

2017/18 £000		2018/19 £000
	Funding provided to the operation	
(1,750)	Contribution from Lichfield	(1,187)
(1,275)	Contribution from Tamworth	(863)
(3,025)	Total funding provided to the operation	(2,050)
	Expenditure met by the operation	
2,577	Pay and allowances	2,618
4	Premises costs	2
1,229	Transport costs	1,243
1,339	Supplies and Services	1,396
6	Third Party Payments	14
369	Support Costs	369
(2,605)	Revenue income	(3,594)
2,919	Total expenditure	2,048
(106)	Net (surplus)/deficit arising on the pooled budget during the year	(2)
(61)	Lichfield District Council's share of 57.84% of the net (surplus)/deficit arising on the operation	(1)

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.

2017/18 £000		2018/19 £000
(106)	Net (surplus) arising on the pooled budget during the year	(2)
1,750	Add: Lichfield's Contribution shown as expenditure in the CIES	1,187
325	Amounts not reported in the Joint Waste Service	382
1,969	Net Cost of Services in the Comprehensive Income and Expenditure Statement	1,567

31. Members' Allowances

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

2017/18 £000		2018/19 £000
267	Allowances	276
3	Expenses	3
270	Total	279

NOTES TO THE ACCOUNTS

32. Officers' Remuneration

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

Post (Commencement date included for part year appointments)		Salary, Fees and Allowances	Performance Pay	Expenses Allowances	Pension Contribution	Total
		£	£	£	£	£
Chief Executive	2018/19	103,811	10,083	-	18,295	132,189
	2017/18	101,794	9,983	-	17,952	129,729
Director of Place & Community	2018/19	85,955	-	-	13,769	99,724
	2017/18	84,288	-	-	13,499	97,787
Director of Transformation & Resources	2018/19	84,737	-	96	13,553	98,386
	2017/18	80,610	-	97	12,918	93,625
Assistant Chief Executive	2018/19	62,775	-	-	10,014	72,789
	2017/18	57,630	-	-	9,190	66,820
Head of Corporate Services	2018/19	58,847	-	-	9,377	68,224
	2017/18	53,687	-	-	8,549	62,237
Head of Development Services (Leaving date of 11/01/2019)	2018/19	46,286	-	-	7,377	53,663
	2017/18	57,144	-	-	9,101	66,246
Head of Economic Growth	2018/19	59,556	-	-	9,492	69,048
	2017/18	57,144	-	-	9,101	66,246
Head of Finance & Procurement	2018/19	60,787	-	-	9,848	70,635
	2017/18	58,333	-	-	9,450	67,783
Head of Legal, Property & Democratic Services	2018/19	59,621	-	-	9,492	69,113
	2017/18	57,144	-	-	9,101	66,246
Head of Leisure and Operational Services (Leaving date of 16/11/2018)	2018/19	57,190	-	-	-	57,190
	2017/18	60,406	-	-	-	60,406
Head of Regulatory Services, Housing & Wellbeing	2018/19	59,448	-	124	9,475	69,047
	2017/18	57,039	-	124	9,084	66,248
Head of Revenues, Benefits & Customer Services	2018/19	59,556	-	-	9,492	69,048
	2017/18	57,144	-	-	9,101	66,246

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

2017/18 Number of employees	Remuneration band	2018/19 Number of employees
5	£50,000-£54,999	3
1	£55,000-£59,999	-
1	£60,000-£64,999	-

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	0	1	2	2	2	3	£12,914	£20,743
£20,001 - £40,000	1	0	4	0	5	0	£170,509	£0
£40,001 - £60,000	1	0	2	0	3	0	£143,424	£0
Total	2	1	8	2	10	3	£326,847	£20,743

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

Exit Package Cost Band	2017/18			2018/19		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£12,663	£251	£12,914	£20,743	£0	£20,743
£20,001 - £40,000	£150,240	£20,268	£170,509	£0	£0	£0
£40,001 - £60,000	£83,430	£59,994	£143,424	£0	£0	£0
Total	£246,334	£80,513	£326,847	£20,743	£0	£20,743

33. External Audit Costs

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

2017/18 £000		2018/19 £000
46	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	35
8	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year	14
54	TOTAL	49

34. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2018/19:

2017/18 £000		2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
(4)	Other Contributions	13
(4)	Sub Total (Capital)	13
7,770	Council Tax Income	8,175
2,169	Non-Domestic rates	2,711
2,985	Non Ring Fenced Government Grants	2,304
12,924	Sub Total (Revenue)	13,190
12,920	Total	13,203

NOTES TO THE ACCOUNTS

2017/18 £000		2018/19 £000
	Credited to Cost of Services	
757	Disabled Facilities Grant	583
320	Section 106 - Hawksyard	0
141	CIL - Various Sites	645
328	Other Contributions	129
1,546	Sub Total (Capital)	1,357
17,925	Housing and Council Tax Benefits	15,983
387	Ministry of Housing, Communities and Local Government	542
88	Other Government Departments and Agencies	106
18	Positive Futures	28
86	Office of the Police and Crime Commissioner	92
195	Contributions from other Local Authorities	224
1,404	Contributions from other Local Authorities - Shared Services	993
20,103	Sub Total (Revenue)	17,968
21,649	Total	19,325

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:

2017/18 £000		2018/19 £000
	Capital Grants Receipts in Advance	
544	Other Contributions	1,162
544	Current Liabilities	1,162
629	Other Contributions	718
629	Long Term Liabilities	718
1,173	Total	1,880

2017/18 £000		2018/19 £000
	Revenue Grants Receipts in Advance	
5	Natural England-Environmental Stewardship	0
385	Heritage Lottery Fund	283
423	Ecological Mitigation	485
15	Neighbourhood Planning	0
7	Other Contributions	0
835	Total (shown within Current Liabilities)	768

NOTES TO THE ACCOUNTS

35. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in **Note 7**. Grants received during the year are shown in **Note 34**.

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 31**. During 2018/19, works and services to the value of **£283,000** were commissioned from companies in which thirty two members had an interest (**£203,000** in 2017/18). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£70,000** to voluntary organisations (**£75,000** in 2017/18) 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 **£571,000** from Bromford Housing Group in 2018/19 (**£416,000** in 2017/18) 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 2018/19 was **£3.057 million** (**£4.085 million** owed from the Council in 2017/18).

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 **£250,000** was made to the Lichfield Garrick Theatre Trust in 2018/19 (**£310,000** in 2017/18). Support services provided by the Council to the Garrick totalled **£9,800** (**£25,300** in 2017/18). Two District Councillors are members of the Board of Trustees.

The Council outsourced its Leisure Centres in February 2018 to Freedom Leisure; the management fee for 2018/19 totalled **£364,000** (**£140,000** in 2017/18). The Leisure Implementation Panel monitors performance, the panel consists of both Freedom Leisure and District Council officers.

NOTES TO THE ACCOUNTS

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2017/18 £000		2018/19		
		Pre Material Item £000	Material Item ⁹ £000	Post Material Item £000
4,793	Opening Capital Financing Requirement	4,177		4,177
	<i>Capital Investment</i>			
997	Property, Plant & Equipment	3,832	(1,613)	2,219
44	Intangible Assets	4		4
1,567	Revenue Expenditure Funded from Capital under Statute	1,074		1,074
	<i>Sources of Finance</i>			
(285)	Capital receipts	(1,827)		(1,827)
(1,358)	Government grants and other contributions	(882)	63	(819)
	<i>Sums set aside from revenue:</i>			
(965)	Direct revenue contributions	(635)	1,503	868
(616)	Minimum revenue provision	(757)	47	(710)
4,177	Closing Capital Financing Requirement	4,986	0	4,986

	Explanation of movements in year	
(111)	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	1,182
(505)	Net movement on Finance Leases	(373)
(616)	Increase / (decrease) in Capital Financing Requirement	809

⁹ Development costs charged to revenue following the decision to terminate the Friarsgate development, this has no impact on reserves because this was initially funded from revenue sources.

NOTES TO THE ACCOUNTS

37. Leases

Council as Lessee

Finance Leases

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

31 March 2018 £000		31 March 2019 £000
1,631	Vehicles, Plant, Furniture and Equipment	1,237
1,631	TOTAL	1,237

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 2018 £000		31 March 2019 £000
505	Finance lease liabilities (net present value of minimum lease payments) - current	569
1,543	- non-current	1,106
96	Finance costs payable in future years	151
2,144	Minimum Lease Payments	1,826

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
Not later than one year	544	610	505	569
Later than one year and not later than five years	1,600	1,123	1,543	1,077
Later than five years	0	93	0	29
Total	2,144	1,826	2,048	1,675

Operating Leases

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

NOTES TO THE ACCOUNTS

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

31 March 2018 £000		31 March 2019 £000
20	Not later than one year	9
71	Later than one year and not later than five years	24
536	Later than five years	527
627	TOTAL	560

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

31 March 2017 £000		31 March 2018 £000
27	Minimum Lease Payments	13
27	TOTAL	13

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 2018 £000		31 March 2019 £000
388	Not later than one year	258
732	Later than one year and not later than five years	577
2,922	Later than five years	2,815
4,042	TOTAL	3,650

38. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2019 and no impairment was chargeable.

NOTES TO THE ACCOUNTS

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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:

2017/18 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2018/19 £000
3,120	Cost of Services:	
107	- Current service cost	2,878
(536)	- past service costs	580
	- settlements and curtailments	0
	Financing and Investment Income and Expenditure	
941	- net interest expense	955
3,632	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,413
	<i>Other Post Employment Benefit Charged to the CIES</i>	
	Re-measurement of the net defined benefit comprising:	
160	- Return on plan assets (excluding the amount included in the net interest expense)	(4,097)
(44)	- Actuarial gains and losses arising on other experience	58
(2,156)	- Actuarial gains and losses arising on changes in financial assumptions	9,417
(2,040)	Total Post Employment Benefit Charged to the CIES	5,378
	<i>Movement in Reserves Statement</i>	
534	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(7,593)
	Actual amount charged against the General Fund Balance for pensions in the year	
2,126	- employers' contributions payable to scheme	2,198

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:

2017/18 £000	Local Government Pension Scheme	2018/19 £000
(111,170)	Present value of the defined benefit obligation	(124,754)
75,142	Net Asset arising from defined benefit obligation	81,133
1,635	Prepayment of future years pension contributions	874
(34,393)	Net liability arising from defined obligation	(42,747)

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

2017/18 £000	Local Government Pension Scheme	2018/19 £000
75,227	Opening fair value of scheme assets	75,142
(1,721)	Effect of Settlements	0
1,966	Interest income	2,059
	Remeasurement gain / (loss):	
(160)	- The return on plan assets, excluding the amount included in the net interest expense	4,097
2,019	Contributions from employer	2,088
508	Contributions from employees into the scheme	492
107	Contributions in respect of unfunded benefits	110
(2,697)	Benefits paid	(2,745)
(107)	Unfunded benefits paid	(110)
75,142	Closing position as at 31 March	81,133

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

2017/18 £000	Local Government Pension Scheme	2018/19 £000
	Opening balance at 1 April	
109,940	- Present value of funded liabilities	109,433
1,849	- Present value of unfunded liabilities	1,737
3,120	Current service cost	2,878
107	Past Service cost (including curtailments)	580
(2,257)	Effect of Settlements	0
2,907	Interest costs	3,014
508	Contribution from scheme participants	492
	Remeasurement (gain) / loss:	
(2,156)	- Actuarial gains/losses from changes in financial assumptions	9,417
(44)	- Other experiences	58
(2,697)	Benefits paid	(2,745)
(107)	Unfunded benefits paid	(110)
111,170	Closing position as at 31 March	124,754

NOTES TO THE ACCOUNTS

Information about the Defined Benefit Obligation

	Liability Split £000 as at	Liability Split % as at	Weighted Average Duration
	31 March 2019	31 March 2019	
Active Members	58,352	47.40%	24.1
Deferred Members	24,649	20.00%	25.3
Pensioner Members	39,994	32.50%	11.5
Total	122,995	100%	18.6

Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2018				Period ended 31 March 2019			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£0000	£000		£000	£000	£000	
Cash and cash equivalents	3,518.9		3,518.9	4%	2,244.9		2,244.9	3%
Equity Securities:								
- Consumer	3,327.4		3,327.4	4%	3,660.9		3,660.9	3%
- Manufacturing	3,206.4		3,206.4	4%	3,136.9		3,136.9	4%
- Energy and Utilities	940.1		940.1	1%	1,314.0		1,314.0	2%
- Financial Institutions	3,116.1		3,116.1	4%	3,033.4		3,033.4	4%
- Health and Care	2,272.8		2,272.8	3%	2,353.5		2,353.5	3%
- Information Technology	2,175.1		2,175.1	3%	2,337.8		2,337.8	3%
- Other	83.3		83.3	0%	77.6		77.6	0%
Debt Securities:								
- Corporate Bonds	5,825.5		5,825.5	8%	6,088.0		6,088.0	7%
Private equity:								
- All		2,241.7	2,241.7	3%		2,935.7	2,935.7	3%
Real Estate:								
- UK Property		5,939.5	5,939.5	8%		6,971.3	6,971.3	9%
Investment Funds and Unit Trusts:								
- Equities	36,283.5		36,283.5	47%	36,913.8		36,913.8	45%
- Bonds	4,517.8		4,517.8	6%	6,205.1		6,205.1	8%
- Hedge Funds		1,348.0	1,348.0	2%		1,432.6	1,432.6	2%
- Other		1,980.9	1,980.9	3%		3,301.5	3,301.5	4%
Total Assets	65,267	11,510	76,777	100%	67,366	14,641	82,007	100%
Adjust for Prepayment			(1,635)				(874)	
Total Assets Restated			75,142				81,133	

NOTES TO THE ACCOUNTS

Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2016/17 and the financial implications of this Revaluation are included in these 2018/19 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 2019.

The principal assumptions used by the actuary have been:

	31 March 2018 % Per Annum	31 March 2019 % Per Annum
Financial Assumptions		
Pension Increase Rate	2.4%	2.5%
Salary Increase Rate	2.8%	2.9%
Discount Rate	2.7%	2.4%
	Males	Females
Mortality Rate		
Current Pensioners	22.1 years	24.4 years
Future Pensioners	24.1 years	26.4 years

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 2019	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	13,068
0.5% increase in the Salary Increase Rate	2%	2,004
0.5% increase in the Pension Increase Rate (CPI)	9%	10,834

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Scheme History

Local Government Pension Scheme	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	(85,886)	(90,255)	(108,083)	(100,029)	(111,789)	(111,170)	(124,754)
Net Liability arising from defined benefit obligation	54,640	56,238	64,014	64,209	75,227	75,142	81,133
Adjustment for prepayment of future years pension contributions						1,635	874
Net Liability arising from defined obligation	(31,246)	(34,017)	(44,069)	(35,820)	(36,562)	(34,393)	(42,747)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£42.747 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£20.001 million** (see page 52). 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 2020 is **£1.211 million**.

40. Contingent Liabilities

- Under the Deed of Transfer of the Council's Housing Stock to Bromford Housing Association (HomeZone) on 24 March 1997, the Council entered into certain limited warranties and covenants, which will terminate on the fortieth anniversary. The amount of any potential liability cannot be estimated.
- 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 nine former Lichfield District Council officers. Prior to 1 February 2013, the Lichfield Garrick Theatre traded as Lichfield District Council. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2018/19, the risk has been assessed at low, no greater than **1%** or **£4,251**.
- On 1 February 2018, Freedom Leisure took over the management of the Council's Leisure Centres. 96 staff were transferred by TUPE via a pass through agreement. The Council is guarantor of pension commitments for these former employees. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2018/19, the risk has been assessed at low, no greater than **1%** or **£85,750**.
- 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 2019 is **£261,187**. No provision has been made for this amount as the outcomes of the claims are currently unknown.
- 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)

NOTES TO THE ACCOUNTS

(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.

- On 19 April 2019, the Authority was served notice (dated 12 April 2019) from Staffordshire County Council that we will no longer be able to occupy Friary Grange Leisure Centre after a period of 12 months from the date of the notice. As the Leisure Centre is operated by Freedom Leisure, the Council on 26 April 2019 served notice to the former that they would be expected to vacate the property in line with the County Council's timescale above. This was acknowledged by Freedom Leisure on 29 April 2019. The financial impact of this is as yet unknown. Discussions are taking place with the County Council regarding a new repairing lease which would involve costs being incurred by the Council. Should this new lease not be agreed, then we would incur costs from the TUPE and subsequent redundancy of the employees currently employed by Freedom Leisure and working at the Leisure Centre.

41. 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.

42. 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 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:

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- 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 below:

Specified Investments¹⁰

Financial Asset Category	Strategy Approved 21 February 2018		Strategy Approved 19 February 2019	
	Criteria	Limits	Criteria	Limits
UK Banks and Building Societies	AAA	£1m, 5yrs	AAA	£1m, 5yrs
	AA+	£1m, 5yrs	AA+	£1m, 5yrs
	AA	£1m, 4yrs	AA	£1m, 4yrs
	AA-	£1m, 3yrs	AA-	£1m, 3yrs
	A+	£1m, 2yrs	A+	£1m, 2yrs
	A	£1m, 13mths	A	£1m, 13mths
	A-	£1m, 6mths	A-	£1m, 6mths
	None	£0.5m, 6mths	None	£0.5m, 6mths
Deposits with Money Market Funds	List provided by Financial Advisors	£1m	UK Domiciled Other	£5m £1m
UK Government	Not applicable	No Limit	Not applicable	No Limit
Local Authorities, Parish Councils etc	Not applicable	£2m	Not applicable	£2m
Group Limit	£1 million		£1 million	
Money Market Funds Limit	£12 million in total		£12 million in total	
Sovereign Limits	No Limit		No Limit	

Non Specified Investments

Financial Asset Category	Strategy Approved 21 February 2018		Strategy Approved 19 February 2019	
	Minimum Criteria	Limits	Minimum Criteria	Limits
The Council's own bank (where credit ratings are not sufficient)	Unsecured investment with banks rated BBB are restricted to overnight deposits.		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> A	Banks /Building Societies / Corporates - £1m Government - £2m	<u>Minimum Long Term Rating</u> A	Banks /Building Societies / Corporates - £1m Government - £2m
Group Limit	£1 million		£1 million	
Sovereign Limits	No Limit		No Limit	

¹⁰ 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".

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The table below summarises the credit risk exposures of the Council's Investment Portfolio (Investments and Money Market Funds) by Credit Rating:

Credit Rating	Long Term		Short Term		Historic Rate of Default
	31/03/2019	31/03/2018	31/03/2019	31/03/2018	
	£000	£000	£000	£000	
AAA	0	0	4,150	4,000	0.04%
AA-	0	0	5,000	5,000	0.06%
A+	0	0	1,000	0	0.04%
A	0	0	5,000	6,000	0.06%
A-	0	0	1,000	1,000	0.06%
Unrated Local Authorities	0	0	8,000	6,000	N/A
Total	0	0	24,150	22,000	
Credit risk not applicable*	1,932	1,899	0	0	
Total Investments	1,932	1,899	24,150	22,000	
Accrued Interest	0	0	74	47	
Cash in Hand and Bank Accounts	0	0	653	472	
Balance Sheet Total for Short Term Investments, Long Term Investments and Cash and Cash Equivalents	1,932	1,899	24,877	22,519	

*Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. Although at 31st March 2019 the level is not material and therefore no loss allowance has been set aside for treasury investments.

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. Receivables can be analysed by age as follows:

31 March 2018		31 March 2019
£000		£000
1,335	Neither past due nor impaired	1,171
608	Less than three months	917
136	Three to six months	183
151	Six months to one year	221
533	More than one year	594
0	Individually Impaired	136
2,763	Total	3,222

NOTES TO THE ACCOUNTS

Receivables are collectively assessed for credit risk in the following groupings:

	Average range of allowances set aside	31 March 2019			31 March 2018		
		Gross receivable	Loss allowance	Total	Gross receivable	Loss allowance	Total
Public sector	0%	1,416	0	1,416	1,776	0	1,776
Trade Receivables - not yet due	0%	1,171	0	1,171	1,335	0	1,335
Council Tax Payers	30% - 100%	383	(160)	223	399	(129)	270
Business Rates Payers	12% - 100%	327	(152)	175	304	(101)	203
Trade Receivables	10% - 100%	1,352	(134)	1,218	638	(13)	625
Prepayments	0%	813	0	813	276	0	276
Housing Related	60% - 100%	699	(689)	10	789	(770)	19
		6,161	(1,135)	5,026	5,517	(1,013)	4,504

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 Public Works Loans Board long term loans received in April 2015 and May 2018 is as follows:

31 March 2018 £000		31 March 2019 £000
(61)	Less than one year	(191)
(61)	Between one year and two years	(193)
(183)	Between two years and five years	(594)
(304)	Between five years and ten years	(962)
(609)	Between ten years and twenty years	(609)
(152)	Between twenty years and thirty years	(91)
(1,370)	Total	(2,640)

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 will fall
- Investments at variable rates – the interest income will rise
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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

NOTES TO THE ACCOUNTS

measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

2017/18 £000		2018/19 £000
(91)	Increase in interest receivable on variable rate investments	(108)
0	Decrease in fair value of investments held at FVPL	6
(91)	Impact on the Surplus or Deficit on the Provision of Services	(102)
0	Decrease in fair value of investments held at FVOCI	0
0	Impact on Comprehensive Income and Expenditure	0
25	Decrease in fair value of loans and investments at amortised cost*	28
(127)	Decrease in fair value of fixed rate borrowing*	(181)

*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.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £2m. A 5% fall in commercial property prices would result in a £96,405 charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

43. Joint Arrangements

In 2016/17, the Council entered into a partnership arrangement with Public Sector Partnerships (PSP). The creation of the Limited Liability Partnership (LLP) with PSP will mean that group accounts will need to be prepared to consolidate the LLP's financial accounts into our accounts reflecting our position as joint owners when projects are approved. No projects or schemes were approved during 2018/19 and no financial transactions were made. No new accounting policies are required for the preparation of the 2018/19 Statement of Accounts.

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	Total 2017/18 £000		Council Tax £000	Business Rates £000	Total 2018/19 £000
(59,696)		(59,696)	Income			
(14)		(14)	Council Tax	(64,128)		(64,128)
	(33,948)	(33,948)	Transfer from / (to) general fund - Council Tax Benefit	(4)		(4)
	(103)	(103)	Non-Domestic Rates		(36,299)	(36,299)
			Transitional protection payments		(249)	(249)
(59,710)	(34,051)	(93,761)	Total income	(64,132)	(36,548)	(100,680)
			Expenditure			
59,256		59,256	Precepts and demands from major preceptors and the authority	63,267		63,267
	16,721	16,721	Share of non-domestic rating income to major preceptors and the authority		18,177	18,177
	16,721	16,721	Payment with respect to central share (including allowable deductions) to central government		18,177	18,177
			Impairment of Debts / Appeals			
82	98	180	· write-offs on uncollectable amounts	37	83	120
6	(97)	(91)	· allowance for impairment	249	128	377
	(200)	(200)	· allowance for appeals		(800)	(800)
	121	121	Allowance for collection costs		123	123
303	1,971	2,274	Contribution towards previous year's Collection Fund surplus	325	1,478	1,803
59,647	35,335	94,982	Total expenditure	63,878	37,366	101,244
(63)	1,284	1,221	Movement on Fund (Surplus) / Deficit	(254)	818	564
(274)	(2,701)	(2,975)	Balance at the beginning of year	(337)	(1,417)	(1,754)
(337)	(1,417)	(1,754)	Balance at the end of year	(591)	(599)	(1,190)

Council Tax £000	Business Rates £000	Total 2017/18 £000	Allocation of Collection Fund (Surplus) / Deficit	Council Tax £000	Business Rates £000	Total 2018/19 £000
(44)	(567)	(611)	Lichfield District Council	(76)	(240)	(316)
(240)	(128)	(368)	Staffordshire County Council	(422)	(54)	(476)
(38)		(38)	Staffordshire OPCC	(67)		(67)
(15)	(14)	(29)	Staffordshire Fire Authority	(26)	(6)	(32)
	(708)	(708)	Central Government		(299)	(299)
(337)	(1,417)	(1,754)		(591)	(599)	(1,190)

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) **37,360** for 2018/19. This basic amount of Council Tax for a Band D property (**£1,693.45** for 2018/19) 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 2018/19 is shown below:

2017/18 £000	Council Tax	2018/19 £000
42,200	Staffordshire County Council	45,224
6,691	Staffordshire Office of Police & Crime Commissioner (OPCC)	7,194
2,643	Staffordshire Fire Authority	2,747
6,094	Lichfield District Council	6,351
	Parish Precepts :	
37	Alrewas	39
81	Armitage with Handsacre	96
309	Burntwood Town Council	313
16	Clifton Campville with Thorpe Constantine	16
14	Colton	15
3	Curborough & Elmhurst, Farewell & Chorley	5
21	Drayton Bassett	22
12	Edingale	13
12	Elford	13
54	Fazeley Town Council	58
62	Fradley and Streethay	75
26	Hammerwich	26
4	Hamstall Ridware	5
8	Harlaston	9
7	Hints and Canwell	8
12	Kings Bromley	15
673	Lichfield City Council	718
24	Longdon	25
17	Mavesyn Ridware	19
157	Shenstone	175
5	Swinfen and Packington	5
10	Wall	11
1	Weeford	2
45	Whittington and Fisherwick	48
18	Wigginton and Hopwas	19
1,628	Total Parish Precepts	1,750
59,256		63,267

COLLECTION FUND

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

Band	Band Width	2017/18 Band D Equivalent (Tax Base)			2018/19 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	99.0%	Number of Dwellings	%	99.0%
	£						
A	0 to 40,000	2,426	7	2,402	2,467	7	2,442
B	40,001 to 52,000	6,099	16	6,038	6,174	16	6,112
C	52,001 to 68,000	7,917	21	7,837	8,010	21	7,930
D	68,001 to 88,000	5,935	16	5,876	6,010	16	5,950
E	88,001 to 120,000	5,337	14	5,284	5,391	14	5,337
F	120,001 to 160,000	4,789	13	4,741	4,810	13	4,762
G	160,001 to 320,000	3,929	11	3,889	3,970	11	3,930
H	320,001 upwards	748	2	740	759	2	752
Class O		128		128	145		145
TOTAL		37,308	100	36,935	37,736	100	37,360

Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2018/19 amounting to **£249,419**. The total allowance for impairment of debt as at 31 March 2019 is **£1,258,921** and represents **60%** of the **£2,111,855** outstanding debt.

Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **49.3p** (2017/18 **47.9p**) and the small business non-domestic rating multiplier **48.0p** (2017/18 **46.6p**) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the business ratepayers in its area.

2017/18 £000		2018/19 £000
90,105	Non-Domestic rateable value at year end	90,524
33,948	Net rates payable by Ratepayers	36,299

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.

2017/18 £000	Preceptors	Share %	2018/19 £000
16,721	Central Share Central Government	50	18,177
3,010	Major Precepting Bodies Staffordshire County Council	9	3,272
334	Staffordshire Fire Authority	1	364
13,377	Lichfield District Council	40	14,541
16,721	Total Precepting Bodies	50	18,177

NDR Allowance for Impairment

An increase in the allowance for impairment was made during 2018/19 amounting to **£128,180**. The total allowance for impairment of debt as at 31 March 2019 is **£379,867** and represents **47%** of the **£812,171** outstanding debt.

GLOSSARY OF TERMS

Accounting Policies

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

Accrual

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

Accumulated Absences Account

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Grants Receipts in Advance

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

Capital Receipts

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

Cash Equivalents

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

Collection Fund

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

Community Assets

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

Community Infrastructure Levy

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 adopted on 13 June 2016.

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.

GLOSSARY OF TERMS

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 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 (e.g. 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.

Expenditure and Funding Analysis Statement

This brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund.

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

GLOSSARY OF TERMS

are such that an Impairment is indicated and some or all asset values have revised. Asset values are revised where values have changed materially.

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment Properties

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

- (a) Construction work and development have been completed; and
- (b) They are held for investment potential, any rental income being negotiated at arm's length

Liabilities

Amounts due to individuals or organisations which will have to be paid at some point 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.

GLOSSARY OF TERMS

Property, Plant & Equipment

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

Provision

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

Revaluation Reserve

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

Revenue Expenditure

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

Non-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 AUDITOR'S REPORT

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

Urdu

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

Punjabi

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

Arabic

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

Cantonese

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

Bengali

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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

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July 2019



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Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lichfield District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and 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:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June. Our findings are summarised on pages 4 to 13. We have identified adjustments to the financial statements which are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (included as Appendix D), subject to the outstanding matters detailed on the next page.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unqualified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Lichfield District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 14 to 16.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work required under the Code, and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan:

	Amount (£)
Materiality for the financial statements	880,000
Performance materiality	660,000
Trivial matters	44,000
Materiality for disclosures relating to:	100,000
<ul style="list-style-type: none"> • Senior Officer Remuneration; and • Exit Packages. 	

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in February 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Member Standards Committee meeting on 24 July 2019, as detailed in Appendix D. These outstanding items include:

- completion of our work on the Council's property revaluations;
- completion of our testing on the Council's employee remuneration and housing benefits expenditure, and of the appropriateness of the Council's expenditure cutoff;
- review of the Council's amended financial statements, to ensure that adjustments have been appropriately processed;
- quality reviews by the audit manager and engagement lead;
- receipt of the signed management representation letter; and
- review of the final, approved, set of financial statements.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the Authority, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Lichfield District Council.

Our audit work has not identified any issues in respect of revenue recognition.

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

3

Risks identified in our Audit Plan

Valuation of land and buildings (both PPE and Investment Assets)

The Authority revalue PPE land and buildings on a rolling five-yearly basis, and investment properties every year.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus and investment assets) at the financial statements date, where not all assets are valued in the financial year.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- communicated with the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Our audit work in this area is ongoing, but has not identified any issues in respect of valuations of the Council's property at the time of writing this report.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£34 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.


Our work on the assumptions used by the actuary identified that the actual rate of return on the pension fund's assets for the year differed from the estimated rate provided by the Pension Fund to the actuary. The Council requested that their actuary reperform the actuarial valuation as a result of this, leading to a reduction in gross pension assets of £833k.

The Council have also requested that the actuary give consideration to the liability arising as a result of changes relating to guaranteed minimum pensions (GMP) and a legal ruling around age discrimination (McCloud), which due to the prevailing legal uncertainty at the time of preparing the draft financial statements, and the need to produce these by 31 May 2019, were not taken into account in the first actuarial valuation. This resulted in increases in gross pension liabilities of £158k and £350k respectively.

The financial statements have been amended for these issues. See page 19 for further detail.

Our audit work in this area is ongoing, but has not identified any other issues in respect of valuation of the Council's net pension liability at the time of writing our report.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
<p>Net pension liability</p> <p>Draft: £41.4m</p> <p>Final: £42.7m</p>	<p>The Council's net pension liability at 31 March 2019 is £42.7m (PY £34.4m) comprising obligations under the Staffordshire Pension Fund Local Government pension scheme.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from the schemes.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Pension Fund valuation: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary's Value</th> <th>PwC's expected range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4% - 2.5%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.5%</td> <td>2.4% - 2.5%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.9%</td> <td>scheme-specific</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.1 22.1</td> <td>23.7 – 24.4 21.5 – 22.8</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.4 24.4</td> <td>26.2 – 26.9 24.1 – 25.1</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above. We have confirmed that the Council's share of the pension scheme assets is in line with expectations. Disclosure of the estimate in the financial statements is considered adequate. A material adjustment has been made to the financial statements as a result of the use of an estimated rate that differed to the actual rate of return on the pension fund's assets and the omission of liabilities due to the prevailing legal uncertainty (see page 19). 	Assumption	Actuary's Value	PwC's expected range	Assessment	Discount rate	2.4%	2.4% - 2.5%	●	Pension increase rate	2.5%	2.4% - 2.5%	●	Salary growth	2.9%	scheme-specific	●	Life expectancy – Males currently aged 45 / 65	24.1 22.1	23.7 – 24.4 21.5 – 22.8	●	Life expectancy – Females currently aged 45 / 65	26.4 24.4	26.2 – 26.9 24.1 – 25.1	●	
Assumption	Actuary's Value	PwC's expected range	Assessment																								
Discount rate	2.4%	2.4% - 2.5%	●																								
Pension increase rate	2.5%	2.4% - 2.5%	●																								
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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provision for NNDR appeals £1.2m	<p>The Council are responsible for repaying a proportion of successful rateable value appeals. Management use historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.</p>	<ul style="list-style-type: none"> We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. Disclosure of the estimate in the financial statements is considered adequate. There have been no changes to the calculation method this year, with the exception of the increase in the Council's share of the liability. 	●
Valuation of Land and Buildings £35.6m	<p>The Council has engaged the District Valuer to complete the valuation of its properties, with approximately 85% of assets being subject to a full, formal valuation process at the balance sheet date. The remaining 15% have been subject to a valuation in the last 5 years.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £0.3m.</p> <p>The total year end valuation of land and buildings (including surplus assets) was £35.6m, a net increase of £2.8m from 2017/18 (£32.9m).</p>	<ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. There have been no changes to the valuation method this year. We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2018/19 valuations. Disclosure of the estimate in the financial statements is considered adequate. No issues have been noted through our consideration of the completeness and accuracy of the underlying information used to determine the estimate. 	●

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Valuation of Investment Properties £4.9m	<p>The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March.</p> <p>The Council has engaged the District Valuer to complete the valuation of these properties. The year end valuation of the Council's investment property was £4.9m, a net decrease of £0.3m from 2017/18 (£5.2m).</p>	<ul style="list-style-type: none"> We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. There have been no changes to the valuation method this year. We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2018/19 valuations. Disclosure of the estimate in the financial statements is considered adequate. 	●
Classification of Financial Instruments	<p>As a result of IFRS 9 being brought into effect, the Council made a declaration in their 2017/18 financial statements that they elected to present changes in the fair value of equity investments in other comprehensive income from 1 April 2018.</p>	<ul style="list-style-type: none"> We do not consider that this election is available for the type of investments that the Council holds. It is our opinion that movements in the fair value of these assets should be recognised in the CIES. The movement in 2018/19 was below our trivial threshold. 	●
Other accruals and estimates	<p>The Council continues to apply estimates and judgements in a number of areas, such as accruals of income and expenditure.</p>	<ul style="list-style-type: none"> The policies for these items are in line with accounting standards and the requirements of the Code of Practice on Local Authority Accounting. Disclosure of the estimates in the financial statements is considered adequate. As part of our testing, we have reviewed the judgements applied by the Council relating to these items, and significant balances within these have been discussed with management in detail. We have found no material misstatements in the financial statements relating to these balances. 	●

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Auditor commentary

Management’s assessment process

Management’s assessment is that there is no reason to consider the Council is at risk of not being a going concern.

We have gained assurance that management’s use of the going concern basis of accounting is reasonable and appropriate. Management’s forward planning process is thorough and transparent.

This determination is made by personnel who are sufficiently senior and experienced.

Work performed

We have:
held regular discussions with officers throughout the year; and
reviewed the Council’s financial statements and financial forward planning.

The Council’s financial forecasts show that it has sufficient assets available to meet its liabilities for the foreseeable future.

We have considered these forecasts, and the Council’s past performance against its budgets, and have no concerns over the Council’s financial plans.

Concluding comments

We intend to issue an opinion that is not modified in respect of Going Concern.

No events or conditions have been identified in the course of our audit that cast doubt on the entity’s ability to continue as a going concern.

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 Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Member Standards Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	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.
Written representations	A standard letter of representation has been requested from the Council, which is included in the Committee papers.
⑤ Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's counterparties. This permission was granted and the requests were sent. Where responses were not received, we undertook alternative procedures to confirm balances with no issues noted.
⑥ Disclosures	Our review found no material omissions in the financial statements.
⑦ Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and the Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect (per Appendix D).</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • 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 other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Lichfield District Council in the audit opinion, as detailed in Appendix D.</p>

Value for Money

Background to our VFM approach

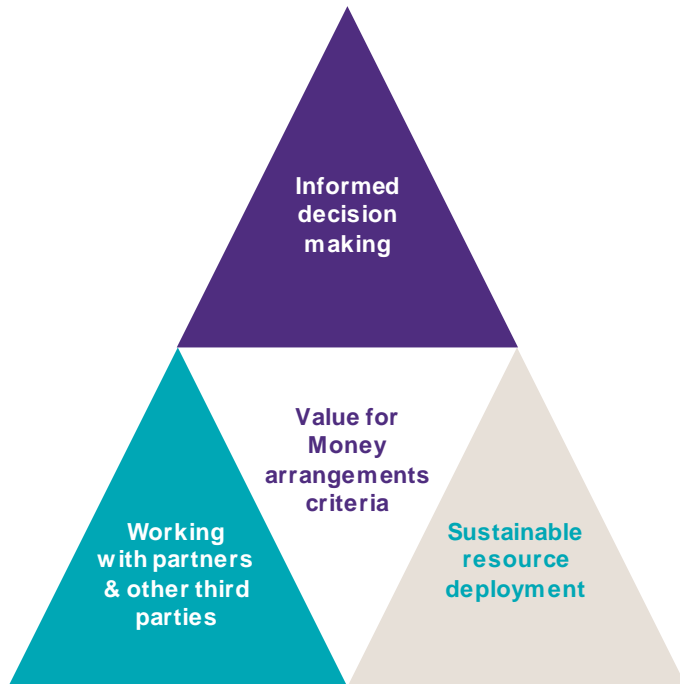
We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below :

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Risk assessment

We carried out an initial risk assessment in January 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in February 2019.

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.

Value for Money

Our work

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.

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 on the next page.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

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.

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	Findings	Conclusion
<p>1 Termination of the Friarsgate development</p> <p>The Friarsgate Development project was terminated early in the 2018/19 year following the withdrawal of a key funding partner in 2017.</p> <p>This was a key decision for the future of the district.</p>	<p>We will review the actions taken by management between the beginning of the financial year and the decision taken to abandon the Friarsgate project, including any expert advice that was taken and the information that was shared with key decision makers.</p> <p>We will also consider the actions taken by the Council since the decision was made.</p>	<p>The Council maintained a project-specific risk schedule which detailed the key risks to the project and the mitigations in place. This was available to all relevant officers, and formed the basis of regular reports to the Senior Leadership Team.</p> <p>Reports setting out the options available to the Council (supported by relevant legal advice) were taken to Overview and Scrutiny, Cabinet and Council respectively. The resulting decision was to stop the Friarsgate development.</p> <p>Following this decision, the Council commissioned an independent review of the process, in order to incorporate learning into future projects.</p> <p>It is important that the Council applies this learning as it develops its new plans for the site. Work is ongoing to develop these plans.</p> <p>No weaknesses noted in the Council's arrangements.</p>
<p>Financial sustainability</p> <p>The Council has made significant changes to aspects of its service delivery in recent years, including the outsourcing of the provision of leisure services to Freedom Leisure, the joint provision of waste collection with Tamworth Borough Council. The Council are also in the process of setting up a subsidiary company for the delivery of housing.</p> <p>In addition to this, future funding arrangements for local authorities are not known, and the UK's exit from the European Union will potentially have a significant impact.</p>	<p>We have considered the appraisal and decision making process followed by the Council when making significant delivery decisions.</p> <p>We have maintained a watching brief on the Council's progress in setting its budget for the 2019/20 year, and the updated medium term financial strategy, and consider the appropriateness of the process followed, including any actions taken to mitigate the Council's risk.</p>	<p>We consider that the Council's decision making process is clear and transparent. Officers are responsible for constructing proposals and supporting business cases etc. These are then reviewed and approved by the relevant Scrutiny Committee, Cabinet and Council.</p> <p>Proposals clearly set out the risks and financial implications, and any alternative arrangements that have been considered.</p> <p>The Council's MTFS includes transfers from reserves of £0.8m, £0.9m and £1.0m in the three years from 2020/21, although general fund reserves are forecast to remain relatively constant.</p> <p>It is important that the Council carries out appropriate diligence as plans relating to the property company progress, to ensure that financial risk is minimised and advantages to the local community (specifically the provision of housing) are maximised.</p> <p>No weaknesses noted in the Council's arrangements.</p>

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits claim	14,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,000 in comparison to the total fee for the audit of £35,412 and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
No non-audit related services identified.			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Member Standards Committee. None of the services provided are subject to contingent fees.

Follow up of prior year recommendations

We identified the following recommendation as a result of the audit of the Council's 2017/18 financial statements.

Assessment
 ✓ Action completed
 X Not yet addressed

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<p>Consideration of a de-minimis level for manual year-end accruals and adjustments</p> <p>Our testing of income and expenditure accruals identified a number of small value items. Processing of low-value accruals can create extra work for the Council's finance team during the close-down process and is unlikely to have a material impact on the financial statements if the accruals were incorrect.</p>	<p>To enable the completion of the Statement of Accounts by the 31 May and reduce error the Council have automated a number of processes. This is one area where automation has been introduced and the introduction of a de-minimis level would require manual intervention. This would make the process less efficient and increase the risk of error.</p>

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted 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 ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Actuarial Valuations		
As discussed on page 7, our work identified adjustments to the Council's net pension liability as at 31 March 2019.		
Work on the assumptions used by the actuary identified that the actual rate of return on the pension fund's assets for the year differed from that assumed by the actuary.		
In addition, the actuary's initial valuation did not give consideration to the liability arising as a result of changes relating to guaranteed minimum pensions (GMP) and a legal ruling around age discrimination (McCloud).		
The Council instructed their actuary to reperform their valuation as a result of this work, with the revised valuation including liabilities for GMP and McCloud (£158k and £350k respectively), and a lower gross asset position due to a £833k reduction in the assumed return on the Council's share of the pension fund assets.		
The following adjustment has therefore been made to the financial statements:		
Dr Past Service Costs (Cost of Services)	508k	
Dr Interest on Defined Benefit Obligation	8k	
Cr Gross Pension Liability		(516k)
Dr Return on Plan Assets (re-measurement of the net defined benefit liability)	833k	
Cr Gross Pension Assets		(833k)
Total Adjustment	1,349k	(1,349k)

Fees

We set out below our fees for the audit and provision of non-audit services.

Audit Fees

	Proposed fee £	Final fee £
Council Audit	35,412	TBC

We will confirm our final fees at a later date. We may need to consider levying additional fees for unplanned work that we have had to carry out this year.

Fees for other services	Fees £
Certification of Housing Benefits claim	14,000

Audit opinion

We anticipate we will provide the Council with an unqualified audit report

Independent auditor's report to the members of Lichfield District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lichfield District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure and Funding Analysis – Note to the Accounts on page 49, Notes to the Accounts, and Notes to the Collection Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and Procurement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Procurement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Head of Finance and Procurement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

Audit opinion

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Finance and Procurement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 3, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Procurement. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Member Standards Committee is Those Charged with Governance. Those charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements- Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Lichfield District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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 any one 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.

[signature and date to be inserted]



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26 April 2019

Dear Anthony

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted-in local government bodies from 2018/19.

For opted-in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £35,412 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether 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.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance 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.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	8,853
December 2019	8,853
March 2020	8,853
June 2020	8,853
Total	35,412

Outline audit timetable

We will undertake our audit planning and interim audit procedures between November 2019 and March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2020 and work on the whole of government accounts return in advance of the national deadline.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2019 to March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June 2020 to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	March 2020 to July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Key Audit Partner	Phil Jones	0121 232 5232	Phil.W.Jones@uk.gt.com
Engagement Manager	Laurelin Griffiths	0121 232 5363	Laurelin.H.Griffiths@uk.gt.com
In Charge Auditor	David Schofield	0121 232 5103	David.Schofield@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via Marc.C.Stocks@uk.gt.com.

Yours sincerely

Phil Jones

Key Audit Partner

Grant Thornton UK LLP

INTERNAL AUDIT ANNUAL REPORT INCLUDING PROGRESS REPORT JANUARY TO MARCH 2019

Cabinet Member for Finance & Democratic Services

Date: 24 July 2019
 Agenda Item: 9
 Contact Officer: Kerry Beavis
 Tel Number: 01543 308030
 Email: Kerry.beavis@lichfielddc.gov.uk
 Key Decision? **NO**

Local Ward
Members



AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

1.1 To report on the activity and performance of the Internal Audit section for the 2018/19 financial year.

2. Recommendations

2.1 That the Annual Report of Internal Audit for 2018/19 is noted.

2.3. Background

3.1 The Annual Report for Internal Audit details the work completed during 2018/19. The purpose of this report is to express an opinion of the soundness of the governance, risk management and control environment and highlight any controls issues relevant for inclusion in the Annual Governance Statement. The overall opinion for the whole financial year is summarised below.

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's Risk Management, Control & Governance processes.

Overall in my opinion, based upon the reviews performed for the 2018/2019 year the Authority has:

- adequate risk management arrangements;
- adequate governance; and
- adequate control processes.

The Annual Report is attached as **Appendix 1**.

3.2

Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during 2018/19.

Alternative Options	1. None.
Consultation	1. The progress report has been discussed and agreed with the Council's S151 Officer.
Financial Implications	1. None arising from this report.
Contribution to the Delivery of the Strategic Plan	1. Internal Audit aims to support the Strategic Plan by providing an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations
Equality, Diversity and Human Rights Implications	1. None arising from this report.
Crime & Safety Issues	1. None arising from this report
GDPR/Privacy Impact Assessment	1. N/A

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Audit Plan becomes unachievable	Continuous review to ensure target is achieved	Green
B	Audit Plan becomes irrelevant	Continuous review to ensure any issues that become high risk during the year are included in the Plan	Green

Background documents

Relevant web links



**ANNUAL REPORT OF
INTERNAL AUDIT
2018/19**

Audit Manager	April 2019
----------------------	-------------------

ANNUAL REPORT OF INTERNAL AUDIT 2018/19

INTRODUCTION.

The purpose of this report is to:

- provide the Chief Executive and the Head of Finance & Procurement, as S151 Officer, with an internal audit opinion of the soundness of the governance, risk management and control arrangements based on the work undertaken during the year;
- summarise internal audit's activity;
- raise any particular issues arising from that work;
- compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance targets; and
- comment upon compliance with the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1st April 2013.

OVERALL OPINION.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, control and governance processes. .

Overall my opinion, based upon the reviews performed during the 2018/19 financial year, the organisation has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

BACKGROUND.

Accounts and Audit [England] Regulations 2015 require every Local Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process taking into account the PSIAS.

Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations.

Each Director/Head of Service is responsible for maintaining a sound system of internal control within their Directorate/Service Area.

Internal Audit must ensure that all activities of the Council are subject to an internal audit review. The identification of these activities is agreed between the Audit Manager and Directors taking into account perceived priorities and risk. The annual audit plan for 2018/19 was produced using a full risk assessment and was approved by the Audit & Member Standards Committee in March 2018.

Internal Audit's findings are reported to Members and Officers in line with the Internal Audit Protocol.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

New Public Sector Internal Audit Standards have been introduced, which replace the CIPFA Code of Practice with effect from April 2013. Therefore we now measure compliance with these Standards.

An external quality assessment was completed in 2017 which showed that the Internal Audit Service was on the whole compliant with the Standards. A self-assessment against the Standards has been completed in 2018/19, and the service remains compliant with the Standards.

CONTRIBUTION TO THE ANNUAL GOVERNANCE STATEMENT

The Chief Executive and Leader of the Council are required by the Accounts and Audit [England] Regulations 2015 to sign an Annual Governance Statement (AGS). The AGS describes the Council's control framework, the process for evaluating business risk and procedures applied to manage those risks. The internal audit plan seeks to assess the effectiveness of key systems (financial and non-financial) and thereby provides one of the sources of assurance the Council draws upon when considering the AGS. Other sources of assurance could include:

- the work of External Audit,
- monitoring and review of internal controls as an integral part of the risk management process,
- the statutory functions undertaken by the Chief Financial Officer and Monitoring Officer,
- results of corporate governance processes, e.g. performance reporting,
- reviews of other Agencies and Inspectorates, e.g. health and safety. Internal review agencies may include benefit fraud investigation units.

In 2018/19, there were no reviews which resulted in a 'no assurance' opinion from Internal Audit.

INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 in the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically state that the Audit Manager must confirm this to the Audit & Member Standards Committee at least annually.

The Audit Manager confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.

DEVELOPMENTS DURING 2018/19

During 2018/19, Internal Audit has carried out the following:

- Completed the annual risk based plan in accordance with the Public Sector Internal Audit Standards.

- Produced a Quality Assurance and Improvement Programme.
- Given an assurance opinion for each audit completed based upon Internal Audit's assessment of the control environment.
- Reported regularly to the Audit & Member Standards Committee on progress against the plan.
- Continued to work with management to develop risk management.
- Provide an opinion on the internal control environment for the Annual Governance Statement.

DEVELOPMENTS FOR 2019/20

The work of Internal Audit will continue to be driven by the regulatory requirement of local government finance and the corporate and operational risks facing the Council. The Service is always looking to continuously improve its service and add value to management through regular audit to improve governance, risk management and controls. During 2019/20 we will complete the following:

- Comply with the Public Sector Internal Audit Standards (PSIAS).
- Complete the audit plan and comply with the service performance indicators.
- Continue to work with management to improve risk management.
- Complete service enhancements to provide an efficient service.

PERFORMANCE OF INTERNAL AUDIT

The following table details the performance of the Internal Audit Section against the performance targets set for 2018/19

Performance indicator	Target for 2018/19	Performance achieved at year end	Target achieved
Percentage of Annual Plan Completed	90%	96%	Yes
Number of Recommendations Made/Accepted	90%	95%	Yes
Number of Recommendations Implemented/Partially Implemented at time of follow up review.	76%	96%	Yes
Average scores achieved on customer satisfaction questionnaires	4	4.08	Yes

PROGRESS MADE AGAINST THE AUDIT PLAN

Details of the work carried out by Internal Audit during 2018/19 can be found below.

This year, the Internal Audit Section has achieved 96% of the revised Internal Audit Plan (96% in 2017/18). This is above the performance indicator included in the Services performance targets (90%). Five audits (Income Management, Property Leases & Charges, Public Sector Network, Mobile Phones and Taxi Licences) have been postponed at management's request due to imminent system changes and have been moved to the next financial year. Four audits (Disabled Facilities Grants Assurance work, Transparency Code, Web Expenses & Housing Benefit Memorandum of Understanding) have been added to the current financial years plan. Further details can be found in **Annex A**.

In addition to planned audit work, we have not undertaken any special investigations during the year.

NUMBER OF RECOMMENDATIONS MADE/ACCEPTED

At the conclusion of every audit, an audit report is issued to management detailing the findings of the audit review, together with any recommendations, required to be implemented, to address any weaknesses identified.

The Internal Audit Section made 94 recommendations during the year, 95% of which (89) have been agreed by management for implementation. The level of acceptance of audit recommendations exceeds the performance indicator included in the services performance targets (90%).

30/31 (97%) of recommendations made were agreed for the period January to March 2019. One recommendation not agreed related to the PR & Communications audit and was for the requirement of a Communications Strategy, but it was felt that the Communications Service Plan was considered adequate.

NUMBER OF RECOMMENDATIONS IMPLEMENTED BY MANAGEMENT

Follow up reviews are undertaken to ensure that appropriate action has been taken by management in response to the recommendations made. The percentage of agreed recommendations implemented/partially implemented by management at the time of the follow up review at the end of the year was 96% (90% in 2017/18). The target set for 2018/19 was 76%. Details of these reviews are reported as part of the progress reports. **Annex B** details the overall summary for the year.

Recommendations implemented - January to March 2019

Internal Audit revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions

have been implemented. Details of the implementation reviews and the status of the agreed management actions are summarised below.

First Implementation Review Area	High			Medium		
	Fully	Partially	Not	Fully	Partially	Not
CIL/S106		1		5	2	
Housing Benefit Overpayments				4	1	1
TIC				6	2	1
Car Parking				1	2	
Safeguarding (MCA)					3	
Total		1		16	10	2

Second Implementation Review Area	High			Medium		
	Fully	Partially	Not	Fully	Partially	Not
CCTV	6	2		2	1	
Total	6	2		2	1	

Internally Audit is fairly satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues. There are 2 high priority actions outstanding following the second implementation review of CCTV which relate to, finalising the draft operational procedures for the control room and finalising and publishing the 2017/18 annual review (as required by the Code of Practice) on the Council's website.

During 2018/19 all recommendations included in audit reports were prioritised as either high, medium or low risk. This enables managers to prioritise their resources to address those recommendations, which have been identified as high risk first. This also enables more meaningful information to be produced regarding the implementation of recommendations. Low risk recommendations have a negligible impact on the system of control and as such are not reviewed in the follow up review.

The Internal Audit Protocol only requires two follow up reviews to be undertaken. Should any recommendations be outstanding at the time of the second follow up review, then no further action will be undertaken by internal audit, but instead management accept the risk for non-implementation of any outstanding recommendations. The recommendations remain active on the Pentana system.

CUSTOMER SATISFACTION QUESTIONNAIRES

Management's views are sought at the conclusion of each audit by the issue of a Customer Satisfaction Questionnaire. This requires management to give a satisfaction rating of between 0 and 5. Our target score is 4.00.

Eight Customer Satisfaction Questionnaires were returned during the year. The average score for these was 4.08 (4.16 in 2017/18). The Performance Indicator is 4.00 therefore the Internal Audit Section is above the target set.



INTERNAL AUDIT COVERAGE

This section briefly summarises the audit work carried out during the 2018/19 financial year for which detailed reports have been submitted and replies have been received unless otherwise indicated. Discussions have been held with the relevant staff during the preparation and completion of audit reports submitted.

For each audit carried out Internal Audit arrives at a conclusion that assesses the level of assurance that can be placed on the system of internal control being reviewed in one of four categories. The category reflects the assessment of the robustness of the internal control environment with an opinion on whether the actual controls in place are being consistently applied. The categories of assurance are detailed in the table below.

Category	Category Description
Substantial Assurance	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.
Adequate Assurance	Audit are pleased to be able report reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively, however, there are some control weaknesses but most key controls are in place and operating effectively.
Limited Assurance	It is with some concern that Audit have to report only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively as controls are in place but operating poorly, or controls in place are inadequate.
No Assurance	It is with some concern that Audit has to report no assurance can be given that the system, process or activity will achieve its safely and effectively as controls are not in place or are failing.

In addition, the recommendations made in internal audit reports (action plans) have been placed into one of TWO categories, namely:

Red priority recommendations will be made if one of the following criteria is met:

1. Adversely affects the Annual Governance Statement;
2. Results in significant loss of funds or assets;
3. May lead to service delivery failures which could adversely affect the Council's reputation;
4. Shows non-compliance with statutory requirements, the Council's Constitution, Codes or Policies and or any Cabinet approved initiatives;
5. Changes the effectiveness of key controls;
6. Significant opportunity exists for real gains in processing efficiency;

7. Poor cost controls or potential for significant savings and/or revenue generation;
8. Significant impact environmentally, socially or economically.

All other recommendations that do not meet the above criteria will be classed as amber priority recommendations, unless they are green (low) priority which will be discussed with management but will not appear in the final report.

CONCLUSION

This report summarises the areas covered by Internal Audit during 2018/19. Internal Audit staff have worked with staff of the Council to ensure internal control is properly maintained and that systems are appraised, and, where appropriate, improved.

It is pleasing to note that the Internal Audit Section has made good progress this year in relation to its targets, achieving all of the targets, which we monitor ourselves against.

RISK MANAGEMENT

The Council has a Risk Management Strategy in place which was revised in 2018. The progress in implementing this Strategy has been reported to the Audit & Member Standards Committee each quarter.

Risks are identified, analysed, prioritised and monitored as part of the Council's risk management process.

Internal Audit have reviewed the risk management process, and as such the Risk Management Strategy will continue to be reviewed and updated and increased use of the Pentana risk management system will be completed.

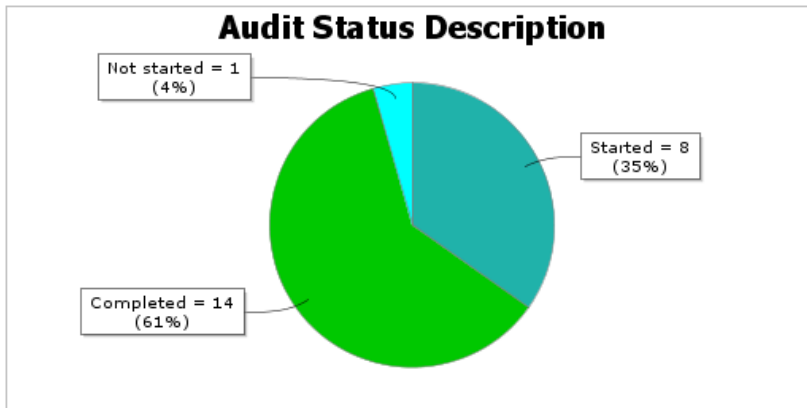
OVERVIEW OF INTERNAL AUDIT ARRANGEMENTS.

The External Auditor (Grant Thornton) reviews the work undertaken by the Internal Audit Section to ensure that reliance can be placed upon its work when giving their opinion on the accuracy of the financial statements. We are pleased to report that there has been a positive response to our work and that the External Auditor has stated:










“Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.





Our review of internal audit work has not identified any weaknesses which impact on our audit approach”

Audit Plan 18/19 Status

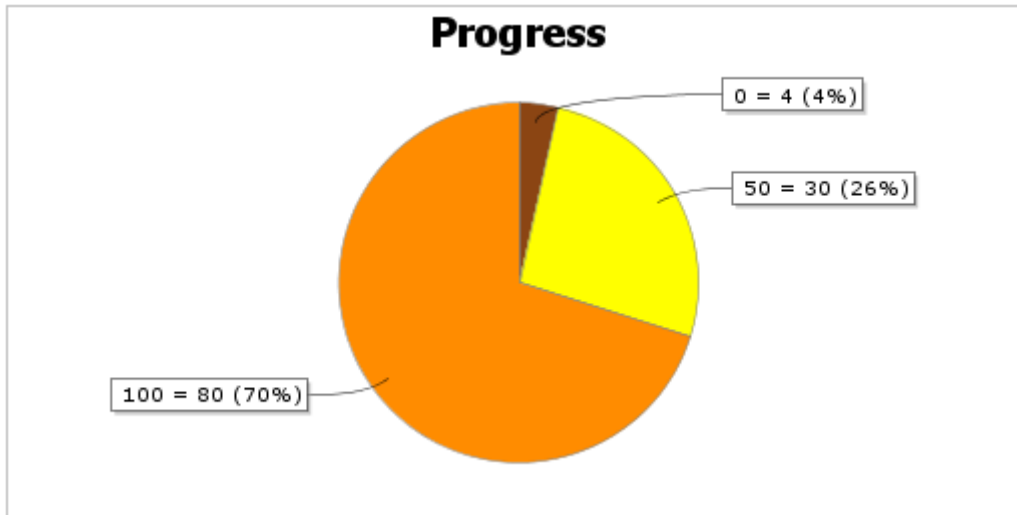


Title	Audit Status	Audit Assurance Type	Audit Assurance Level
Fraud Awareness/ Proactive work	Completed		
Treasury Management	Completed	System based review	✓✓
BACS	Completed	System based review	✓✓
Data Protection/Data Quality (GDPR)	Started	System based review	
Elections	Started	Risk based review	
Scheme of Delegation	Started	Risk based review	
Service Desk	Started	Risk based review	
Application Controls	Started	Risk based review	
Members/ Officers Allowances	Completed	System based review	✓✓

Title	Audit Status	Audit Assurance Type	Audit Assurance Level
Lichfield Connects	Completed	System based review	
Strategic Housing	Started	System based review	
Homelessness	Started	System based review	
Land Charges	Completed	System based review	
Car Parking	Completed	System based review	
LA Trading Company	Not started		
Pension Assurance Work	Completed	Transactional	
DFG Assurance work	Completed	Additional system based review	
Transparency Code	Started	Additional system based review	
Corporate work – Web expenses	Completed	Additional risk based review	
HB Memorandum of Understanding	Completed	Additional system based review	
Audits completed during Jan – Mar 2019			
Accounting & Budgetary Control	Completed	System based review	
GIS	Completed	System based review	
Proms – cash	Completed	Additional system based review	
17/18 PR & Communications	Completed	System based review	

Audit Assurance levels	
Substantial	
Adequate	
Limited	
None	

Implementation Reviews Status Total 2018/19



Recommendation % complete	Number	% of total
100% (fully)	80	70%
50% (partially)	30	26%
0% (not completed)	4	4%

RISK MANAGEMENT UPDATE

Councillor CJ Spruce

Date: 24th July 2019

Agenda Item: 10

Contact Officer: Kerry Beavis

Tel Number: 01543 308030

Email: Kerry.beavis@lichfielddc.gov.uk

Key Decision? NO

Local Ward

Members



AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 To update the Committee on the management of the Corporate Risk Register.

2. Recommendations

- 2.1 That Members:

- Note the work being undertaken to ensure the Risk Management Policy is adhered to and the actions taking place to manage the Council's most significant risks.

3. Background

- 3.1 The Council must manage risks through applying strong controls at all levels of the organisation and the Terms of Reference for the Audit & Member Standards Committee make it clear that this is this Committee's responsibility – **"To monitor the effectiveness of the Council's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management"**.
- 3.2 The purpose of Risk Management is to effectively manage potential opportunities and threats to the organisation achieving its objectives. Risk Management assesses risks to the operation of the Council's business at Service, Project and Corporate levels, to make sure we know what the issues are that we need to pay attention to and that we are taking the right actions to minimise the risks.
- 3.3 The 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 based on their likelihood of occurrence and their potential impact. Each of these are rated on a scale of 1(Low), 2 (Medium), 3 (Significant) and 4 (High); the definitions of these ratings are set out in the Risk Management Policy. By multiplying the two scores together, each risk receives a rating to place it in a category of Tolerable, Material or Severe.

3.4 Following a comprehensive review by Leadership Team of Corporate Risks, a Corporate Risk Register of those risks that could have a potential impact on the Council’s ability to deliver the Strategic Plan have been identified, reviewed and assessed. It should be noted that not all these risks are severe but need to be monitored and reviewed on a regular basis for any potential impact on the Strategic Plan.

3.5 The corporate risks that have been identified as having a potential impact on the ability to deliver the Strategic Plan are:

- **A failure to respond to changing demographics**
- **Economic growth/Performance of the local economy/Integrity of the Local Plan**
- **Financial sustainability of the Council**
- **Capacity to deliver**
- **Governance & statutory obligations**
- **Information technology**
- **Impact of Stakeholder strategies on our Strategic Plan**
- **Failure to manage a major incident**

The detail of these risks including the potential causes, consequences and the risk treatments measures in place are detailed in the Corporate Risk Register at **Appendix 1**.

3.6 The risks related to the property investment strategy were raised at Full Council on 18 December 2018. To address the concerns of members, clarity was provided on the comprehensive risk assessment and management processes around the strategy and its implementation. The report itself and other related reports, contained a significant assessment of risks, and the property investment strategy was also part of the existing corporate financial risk which is included within the corporate risk register.

As the property investment strategy is delivered these risks will be monitored and managed, and in addition, there will be;

- a risk register within the business plan for the development company to capture all key risks associated with the development strand of the property investment strategy
- a risk register within the property service plan which will capture all key risks associated with the investment strand of the property investment strategy

This comprehensive framework will ensure all risks are identified, monitored and managed in an appropriate way and through the relevant governance arrangements.

3.7 It has also been noted that some projects carry significant risks as they could have a major impact if they are not delivered. The end of the ICT Support Contract had previously been identified as a project risk, as the project has been completed, the risk has been removed from the Project Risk Register. As such, one risk remains on the Project Risk Register, and this risk needs to be monitored through this Committee and is attached at **Appendix 2** for information.

Alternative Options	1. None.
Consultation	1. Leadership Team have been consulted on the Corporate Risk Register.
Financial Implications	1. Risk management processes consider value for money at all times of the process. Failure to manage risks could lead to the Council being faced with costs that could impact on its ability to achieve its objectives

Contribution to the Delivery of the Strategic Plan	1. The Risk Management Policy supports the delivery of priorities in the Strategic Plan.
Equality, Diversity and Human Rights Implications	1. None.
Crime & Safety Issues	1. The Policy will aid the Council in assessing risks related to Crime and Community Safety and support improvement in this area.
GDPR/Privacy Impact Assessment	1. N/A

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Non-compliance with policy	Risk champions and Managers to monitor effectiveness and implementation	Green (tolerable)
B	Failure to manage known risks proactively	Severe risks are closely monitored by the Audit & Member Standard Committee and Leadership Team. Reports to Audit & Member Standard Committee provide assurance that active steps are being taken to control risks.	Green (tolerable)

Background documents


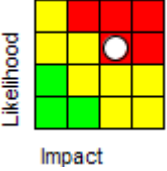
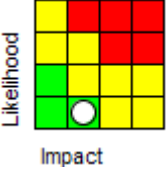
Relevant web links

Corporate Risk Register 2019/20

Report Type: Risks Report


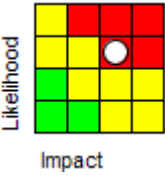
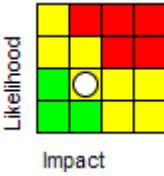
Report Author: Angela Struthers

Generated on: 05 June 2019

Risk Code	COR1	Risk Title	A Failure to Respond to Changing Demographics	Current Risk Status	
Description	A failure to respond to changing demographics				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	05-Jun-2019
Responsible Cabinet Member					
Assigned To	Pat Leybourne; Neil Turner				
Risk Factors/Causes	<p>It is recognised that the population of Lichfield district is ageing more quickly than other areas for a number of reasons: the young families that moved into the district during the periods of high growth in the 1970s and 1980s are now older. The district tends to see its young people leave for higher education, to begin their careers and to start families whilst the district is popular with those retiring and those developing professional careers during their middle age.</p> <p>In consequence we need to be mindful of the demographics of the district as it will place different demands on the services required from the council and, conversely, will also provide opportunities.</p> <p>This risk analysis attempts to capture what emerging pressures may look like and also the potential opportunities that that may materialise that need to be recognised.</p>				
Potential effects/consequences	<p>Risks</p> <p>Growing demands from residents for support services that are provided directly by the council including:</p>				


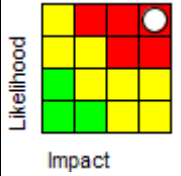
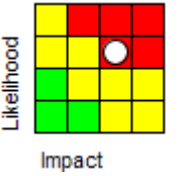
- . Benefits – council tax support; housing benefit; extra care;
 - Reduced council tax receipts; extra administration costs; if benefits capped then extra financial pressure on council
 - . Assisted bin collections;
 - Additional costs of collection
 - . Disabled car parking provision
 - Lower return from car parking
 - Impact of parking on street
 - . More applications for disability facilities grant
 - Risk of developing a waiting list for DFG's which increases the potential risk of increased delays/worsening health and wellbeing of applicants/complaints and increases the risk to meet statutory responsibilities
- Growing demands from residents for facilities and infrastructure that are provided by others but are influenced by the council including:
- . supported or extra care housing;
 - . specific types of housing including bungalows, retirement apartments, etc.
 - . provision of health facilities
 - . extra demand for taxis – pressure on licensing
- Growing demands from residents for facilities and infrastructure that are provided by others:
- . Health and social care – costs falling onto other parts of the public sector; risk of cost shunting or reduction of others' budgets.
 - . Public transport pressure particularly for buses
- Growing pressures on businesses
- An ageing workforce with dated skills that might mean businesses struggle to recruit.
- Opportunities**
- Growing demands for services provided or facilitated by the council
- A healthier older population may be looking for greater sports and physical activity opportunities in our parks and leisure centres
 - A healthier older population may be willing to volunteer for conservation, sport, cultural or tourism related activities
 - A more IT literate older population will be more willing to embrace channel shift
 - A wealthier older population may be prepared to spend more for leisure, cultural and tourism type activities.
 - A wealthier, healthier older population will continue to use car parks
 - A more mobile older population may utilise the shopmobility scheme
- Growing opportunities for the community and the economy
- A healthier experienced skilled older population will bring different skills to the workplace and to voluntary and community groups

	<ul style="list-style-type: none"> - A wealthier older population will bring disposable income to support the retail, care and leisure economy; An older population, with time capacity may offer more affordable childcare to their grandchildren thereby allowing their children to be more economically active, or to offer more time as a volunteer. - A healthier older population may wish to set up their own businesses using their own capital;
Risk Treatment Measures	Consider changing demographics – but not just from a risk point of view – when preparing equality impact assessments, plans and policies.
Latest Note	As the council's services increasingly move to digital delivery, resources are allocated to support those vulnerable customers who may not be digitally enabled, including older customers who may not be able to access the internet.


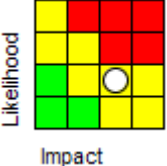
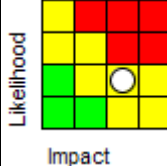
Risk Code	COR2	Risk Title	Economic Growth/Performance of the Local Economy/Integrity of the Local Plan	Current Risk Status	
Description	Economic Growth/Performance of the Local Economy/Integrity of the Local Plan				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	05-Jun-2019
Responsible Cabinet Member					
Assigned To	Craig Jordan; Richard King				
Risk Factors/Causes	<p>The state of the local economy is a key factor for the Council, residents and businesses in the District. A poorly performing economy is not only contrary to expectations of the Council's Strategic Plan to 2020 but can cause a variety of problems. It is imperative that the Authority understands local economic conditions, identifies where and how private sector investment can be attracted and furthermore determines where policy and others forms of intervention would make economic, social and environmental sense. Specific risks are that the Council does not suitably monitor and be aware of economic trends taking place or impacting upon the District, does not work appropriately cross-sector including with other public sector bodies, fails to deliver growth or key infrastructure where it has direct or significant control and does not acknowledge or engage with key businesses or consumers to ensure good succession planning and business continuity. Whilst, the Authority to some degree can influence and intervene in the local economy it needs to be recognised that external factors such as the state of the global and national economy as well as policy decisions taken at the national level can have significant impacts. The decision in 2016 to leave the European Union is an example, the repercussions of which are unknown at this time but will in due course effect the UK economy.</p>				
Potential effects/consequences	<p>The effects of a poorly performing local economy can be seen in many ways including:</p> <ol style="list-style-type: none"> 1. Increased unemployment, decreasing activity rates – people losing jobs, companies closing or reducing the scale of their operations can have serious social and economic consequences for an area including placing increased demands on the Council and other public agencies to provide support and address financial and welfare issues. 2. Failing town and local centres – Lichfield City and Burntwood are the Districts two key urban centres serving substantial populations. Outside of these and recognising the large rural areas in Lichfield District, there a number of key centres and more localised centres meeting needs of 				

	<p>immediate residents and further afield. These centres and their economic health and well-being are crucial to the sustainability of residents and local business. Significantly changeable retail/commercial vacancy rate, decline in business rate receipts, business support relief.</p> <p>3. Empty properties highlight problems with local property and commercial markets and can indicate a lack of confidence in an area, lack of market interest, poor wider economic and social conditions etc. Whilst it might be expected to see the occasional empty property in a thriving, affluent area and which has little negative impact, in other areas an agglomeration of empty properties can have serious implications. Decline in business rate receipts, decline in Council tax receipts, unused or underused resource, potential costs to Authority of liaising with property owners to maintain health and safety obligations and preventing environmental despoliation.</p> <p>4. Key to maintaining and strengthening centres is to encourage and realise improved footfall, boosting visitors and providing the right kinds of services and facilities to meet the needs of residents and those travelling further afield. If measures of footfall show a decrease over normal levels then that can be sign of market problems and lack of retailer/consumer and investor confidence. Requests for Business rate relief increase.</p> <p>5. Lower footfall and lack of investment in centres can be a sign of a troubled locality. This can impact the Council and local community through reduction in income eg. retail and commercial outlets owned or leased by the Authority. 6. In times when the economy is not performing well or there are market and other barriers at work, development sites and related infrastructure may not come forward and lay dormant. Lack of business rate income, Council Tax and New Homes Bonus to the Authority</p>
Risk Treatment Measures	<p>Having a vibrant and prosperous local economy by 2020 is a key strategic ambition in the Council's Strategic Plan. The Plan is supported by Annual Action Plans setting out specific actions and performance measures for relevant services.</p> <p>Alongside the Strategic Plan is an Economic Development Strategy and associated Action Plan setting in more detail how the stated strategic ambitions are going to be realised.</p> <p>The Council's approved Local Plan sets out a spatial strategy for delivering employment land and jobs linked to the above, this is under constant review (see below for latest update)</p> <p>The Council's shared economic development service led by Tamworth Borough Council activities are informed by the Strategic Plan and ED Strategy but also a regularly reviewed and agreed Service Level Agreement and annual business plan. Performance against the business plan is overseen by the Economic Growth, Development and Environment Cabinet Member and scrutinised by the EGED (O&S) Committee At the Strategic level the Council is involved with both the Greater Birmingham and Solihull LEP and the Stoke and Staffordshire LEP, both identifying high level priorities and from this setting out clear long term ambitions and detailed work programmes. Through this engagement the Council benefits from cross-LEP funding, access to European Funding regimes, information sharing and skills & knowledge. Programmes and initiatives, for example the Business Growth Programme and Rural Enterprise Programme, support local businesses by providing information & technical advice, access to funding and networking opportunities to share experiences and inform policy and plans. A variety of partners work with and oversee the outputs and outcomes of the District Council in terms of local economic development including Lichfield District Board, Staffs CC, Birmingham Chambers, Lichfield City BID, Lichfield Townsafe Partnership, Burntwood Business Community,</p>


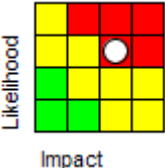
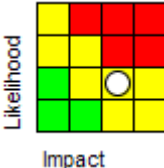
Latest Note	<p>June 2019 Update. The local economy continues to perform relatively well however we are seeing slightly increased levels of unemployment which may or may not be related to uncertainty in markets caused by Brexit. Retail vacancy rates remain very good in our key centres compared with the rest of the west midlands and UK, though again as a Council we need to be aware of the pressures on high streets. New housing is coming forward on a variety of sites across the district and interest from the development industry remains high. In terms of commercial/retail space development schemes on Eastern Avenue in Lichfield (outside the city centre) are being implemented and potential occupier interest in this area of the city should be noted. After a period of inaction there now seems to be some movement in bringing forward employment uses at Liberty Park in Lichfield and interest being shown in the area undeveloped but with planning permission at Lichfield South near Wall Island.</p>
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Risk Code	COR3	Risk Title	Financial Sustainability of the Council	Current Risk Status	
Description	The financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets.				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	29-May-2019
Responsible Cabinet Member					
Assigned To	Anthony Thomas				
Risk Factors/Causes	<p>The financial risks facing the Council continue to be severe. The following are key risks:</p> <ul style="list-style-type: none"> . Planned capital receipts are not received and this impacts on the financing of the Capital Programme. . Planned income from the Property Investment Strategy is not delivered due to a lack of investment opportunities or stifled yields. . The Council is unable to achieve its key priorities. . Planned capital receipts are not received. . The implementation of the Check, Challenge and Appeal new Business Rates Appeal system from 1 April 2017. . The implementation of more frequent Business Rate revaluations. . The financial impact of changes to the New Homes Bonus regime in 2020/21. . The move to 75% retention of Business Rates and the Fair Funding review in 2020/21. . The affordability and risk associated with the Capital Strategy. . Any potential impact of BREXIT on the local economy. Although at this stage it is difficult to quantify the risk to the Council and the local economy, trade negotiations and subsequent agreements are likely to be a key element for some local businesses. 				
Potential effects/consequences	The financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets.				
Risk Treatment Measures	<p>The Council intends closing this funding gap via an efficiency plan with four strands:</p> <ol style="list-style-type: none"> 1. 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. 				

	<p>2. 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 across LDC and its services in order to meet all of the changes following the fundamental review of Local Government Finances. This includes three strands; income, innovation and investment (the latter of which includes the property investment strategy). The anticipated outcomes are identified at the scoping stage of each project and benefit realisation assessed post implementation. The investment in property is regularly reviewed and re-profiled as necessary to mitigate risk.</p> <p>3. 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.</p> <p>4. 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 enable the Council to become financially self-sufficient over the medium term. The Council closely monitors it's in year position and this is reported on a regular basis to Cabinet in the Money Matters Reports and Strategic (Overview and Scrutiny) Committee in briefing notes.</p>
Latest Note	<p>The key highlights of financial performance from April 2018 to March 2019 that in the main, positively impact on the Medium Term Financial Strategy were:</p> <ul style="list-style-type: none"> • The revenue budget was under spent by £140,000 this year. • The treasury budget over performed by around £7,000. • This means general reserves are £147,000 higher than forecast. • The capital programme underspent by around £444,000 due to lower spend on completing disabled adaptations. This is because it was the first year of our new contract with a Millbrook Healthcare Ltd, and they have experienced a slower start than expected whilst staff who moved across from the previous provider are trained to use the new systems. • The Council received £404,000 more capital receipts due mainly to additional sales of former council houses by Bromford at the end of the financial year, from which a share of the income is received. The Council collected more council tax and business rates in 2018/19 than forecast. The Council will keep a share which will be used to fund key priorities in 2020/21.


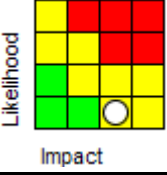
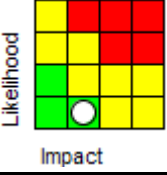
Risk Code	COR4	Risk Title	Capacity to Deliver	Current Risk Status	
Description	Capacity to deliver all of the outcomes required in the Councils Strategic Plan with the particular workforce and organisational development challenges we currently face.				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	05-Jun-2019
Responsible Cabinet Member					
Assigned To	Christie Tims				
Risk Factors/Causes	The council is facing significant pressure to deliver its ambitious strategic outcomes in tight financial constraints. Ensuring the workforce of the council has the correct skills and capacity to deliver and that all of the expected outcomes from the Strategic Plan are being effectively progressed is a significant challenge. If we are not able to recruit and retain critical skills sets and sustain sufficient resources to deliver our plans effectively, this is a key corporate risk. If we are also not able to inspire a more commercial culture and clear business focus, then we will not be able to build a sustainable council.				
Potential effects/consequences	The effects of a lack of workforce capacity can be seen in a number of ways including - 1. Impacts on service delivery 2. Failure to deliver key objectives and performance metrics 3. Workforce disturbances including industrial action; vacancy rates; inability to recruit. 4. Reputational damage 5. Loss of morale				
Risk Treatment Measures	These issues will be addressed in the full as part of the Fit for the Future programme to establish a clear vision, empower and incentivise staff to new ways of working and increase flexibility. This will be supported by a People Strategy and underpinning Workforce Development Plan. Leadership development has been undertaken to ensure effective change and will be further supported by a commercial training programme this year. Service Plans and strategic plans are being aligned with the budget setting process and the Corporate Annual Action Plan is being replaced by a				

	<p>Delivery plan for the remainder of the Strategic Plan period to ensure the key outcomes are prioritised, deliverable and support is available. As part of our golden tread for Performance Management, the Delivery Plan translates into Service Delivery plans then individual Performance Development Reviews (PDRs) and targets for all employees. Any vacancies and skill shortages are flagged as service ricks for each relevant service area.</p> <p>Key projects will be controlled with clear business case and document risks and resource planning under the Fit for the Future Programme. All activity is co-ordinated through Leadership Team. Other treatment measures are:</p> <p>Regular communications/engagement – eg staff briefings and use of key messages to ensure all employees are aware of the strategic projects and how they contribute to achieving them. Revisions to the PDR process (updated template to allow e-mailing, support for 1-2-1 PDRs in all areas) and monitoring and reporting of completion in all areas. HR policies and procedures reviewed and available via the intranet, training and support delivered as required. Absence management tracking and reporting with management of long term absence and return to work process in place.</p> <p>Talent and succession planning built into service plan templates.</p> <p>Review of recruitment processes to reduce waste/delay. Trade union relationships are good with the role of the union clearly defined. Union are supported to ensure meaningful engagement. Business continuity plans and service risk management build in resilience for teams. Training and development completed for all levels of staff. Corporate training needs are identified to build skills and capacity. Robust Project management that ensures business outcomes and performance of key projects. Employee well-being is developed and key interventions in place to support management of change. People Strategy – which articulates all of these aspirations and how managers will be supported to deliver them.</p>
Latest Note	Reviewed in light of departure of Head of Legal, Democratic and Property Services.


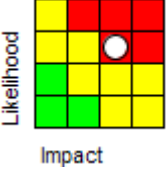
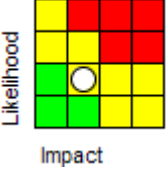
Risk Code	COR5	Risk Title	Governance & Statutory Obligations	Current Risk Status	
Description	Governance & Statutory Obligations				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	05-Jun-2019
Responsible Cabinet Member					
Assigned To	Neil Turner				
Risk Factors/Causes	<p>Every organisation needs effective governance to ensure that it complies with its statutory obligations and its own constitution. Lichfield District Council is no exception. Indeed as a public body, the council needs to be an exemplar of good governance to ensure that its decisions are sound and transparent in their making, in order to maintain the confidence of its residents, partners and customers.</p> <p>Sound decision making and probity is informed by the council's Constitution and the associated financial and procurement rules, which are unique to this council. But the council is also governed by legislation including Health and Safety at Work Act; the Equalities Act, the Local Government acts (which demands the appointment of a Head of Paid Service, a S151 Officer and a Monitoring Officer) and, from May 2018, will need to be compliant with the General Data Protection Regulations.</p> <p>There are 4 key areas of governance where the council considers the risks are greatest, either because of external factors, or because there is always a material risk to be managed. Its constitution has not been comprehensively reviewed since its adoption in 2001 despite a number of legislative changes and restructures; financial probity to ensure that we can protect the public purse; ensuring compliance with the General Data Protection Regulations (although we are aware of our obligations of the Data Protection Act); and meeting our Health and Safety obligations.</p> <p>Of course there are other risks associated with governance – for instance of managing change; of employing staff; of ensuring that our services are not fair. But these risks are considered to be satisfactorily managed through existing policies and procedures, although they are reviewed on a regular basis.</p>				
Potential	Decision making is poor and subject to challenge leading to reputational, financial and operational risk				

effects/consequences	<p>There are increased opportunities for fraud or loss to the public purse</p> <p>People are injured or killed because of a failure to comply with health and safety</p> <p>Recruitment and retention of staff is difficult because of a lack of clear policies and procedures</p> <p>Costs rise because of failure to follow policies and procedures.</p> <p>Information is lost, inaccurate or inaccessible because of a breach of data protection principles.</p>
Risk Treatment Measures	<p>The following actions are being implemented to ensure risks are mitigated:</p> <p>Decision making</p> <p>The constitution has been reviewed to ensure that it is fit for purpose. The revised constitution was adopted in May 2018.</p> <p>The approach to overview and scrutiny is changing so as to be able to support Cabinet and Cabinet Members to make better, more informed, decision in order to help deliver the ambitions of the Strategic Plan.</p> <p>Appropriately skilled and authorised officers attend all constituted meetings to ensure that decisions are not taken ultra vires.</p> <p>All members and officers are expected to observe the relevant Codes of Conduct, including declaring conflicts of interest, and operate by the Nolan 7 principles of public service.</p> <p>Financial Probity</p> <p>The council retains a team of Internal Audit and is required to maintain the appointment of External Auditors. The s151 Officer is expected to ensure that the council remains compliant with all fiscal obligations including ensuring that the council has a balanced budget, a medium term financial strategy, and an annual governance statement</p> <p>The financial and contract procedure rules were revised as part of constitution review and training will be rolled out to all Officers.</p> <p>General Data Protection Regulations</p> <p>New rules on data protection came into force on 25th May 2018. A project has being implemented to ensure that we can evidence compliance.</p> <p>Actions include training of all staff, members, the appointment of a Data Protection Officer and a Senior Information Risk Owner, an audit of data and of information systems, and the design and implementation of procedures to ensure compliance.</p> <p>Health and Safety</p>


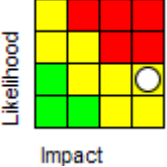
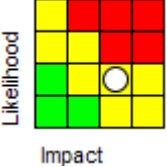
	<p>The council maintains the appointment of a competent person. The council has a Health and Safety Policy which is reviewed and revised annually. Health and Safety performance is reported to the Employee Liaison Group, Leadership Team and Employment Committee. The Joint Waste Service supports a service specific Health and Safety Committee in recognition of the greater risks associated with the collection of household and trade waste. Managers are supported in developing risk assessments and training is provided where risks are greatest.</p>
Latest Note	,

Risk Code	COR6	Risk Title	Information Technology	Current Risk Status	
Description	How ICT supports business outcomes and our reliance on IT to achieve our strategic ambitions.				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	05-Jun-2019
Responsible Cabinet Member					
Assigned To	Christie Tims				
Risk Factors/Causes	We live in an increasingly digital world, heavily dependent on information technology to deliver all our key services in some way. Our ability to be able to respond to new digital threats, adapt our ITC infrastructure and develop all the technologies we use is key to the delivery of our strategic plan. Any failure of our infrastructure, data assets and development capacity is a key business risk for the authority.				
Potential effects/consequences	<p>Losing sight of customers</p> <p>Cost/return on investment</p> <p>Loss of IT systems & inability to deliver services</p> <p>Reputational damage</p> <p>Fine and prosecution</p> <p>Potential imprisonment</p> <p>Loss of key management information</p> <p>Cost of change prohibitive to consider alternatives and develop new approaches.</p>				
Risk Treatment Measures	<p>Primarily these have been addressed in the development of the Digital Strategy and underpinning ICT Review for the termination of the support contract.</p> <p>An effective Cloud Readiness assessment has been undertaken to consider all of our future options for ICT.</p> <p>ICT has clear business continuity plans; uses strong information governance; has developed mechanisms to anticipate & identify business needs and develop and implement new technology effectively.</p> <p>Other measures include: Effective Project management and deployment of new systems Use of Firewalls and virus protection to manage cyber</p>				

	security Strong user ID's and passwords and policies on their application and refreshment Policies and procedures relating to good, safe practice and a programme of awareness. Secure remote access controls. Physical security of the building and key assets and the use of clear desk/locked screens. PSN compliance and staff vetting for relevant positions Established protocols and audit controls. Business continuity plan and disaster recovery planning. Use of penetration testing to identify and remove potential weaknesses. Data Protection Policy and Data protection training for all staff. IT governance and CPD to ensure skill sets are maintained.
Latest Note	In sourcing has gone smoothly with no issues.

Risk Code	COR7	Risk Title	Impact of Stakeholder Strategies on our Strategic Plan	Current Risk Status	
Description	Impact of Stakeholder Strategies on our Strategic Plan				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	23-Apr-2019
Responsible Cabinet Member					
Assigned To	Diane Tilley				
Risk Factors/Causes	<p>Whilst focussed on delivering the strategic plan at a local level the work of the council is inevitably affected by partner organisations locally and government and policy decisions taken nationally. The council does not operate in a vacuum. The changes to the strategy and policy of other organisation may prevent the achievement of our goals by changes in statute, requirement to divert resources to new policy initiatives, reduction in available resources, changes to grant income from other partners, changes to service provision from partners that have a knock on effect on those services we deliver. Some of these are linked to other risks in this corporate risk register , such as the impact of national economic measures on our own economy and on our financial resilience. Each risk as it emerges will appear in relevant service plans and in itself will not be a corporate risk but collectively these issues require corporate response and monitoring</p>				
Potential effects/consequences	<p>These are wide and varied but as examples of current pressures:</p> <ol style="list-style-type: none"> 1. Reduction in funding for Partner agencies results in pressure on our own budgets by increasing homelessness, input on safeguarding and Prevent. Includes Police, SCC, VCS and Health. 2. New initiatives from partners agencies puts pressure on our own resources eg Knife crime response, SOC, reduction in safeguarding activity by County, Place Based approach from County 3. Brexit impacts, pressure from CCU and government 4. Changes to health provision which affects our community and their needs. 5. Changes to the national economic position which could result in reduced business rate receipts 				

	<p>6. Increased unemployment and lower wages leading to increased demand for affordable housing</p> <p>7. New legislation on Homelessness prevention is increasing pressures</p>
Risk Treatment Measures	<p>Each different event which comes under this collective heading will have a range of treatment and mitigation measures that can be taken by the relevant service area as and when necessary. However corporately there are number of mitigating actions which need to be taken. These include:</p> <ol style="list-style-type: none"> 1. New burdens funding – ensure that costs of new government initiatives are covered by New Burdens funding and that we are fully aware of the whole cost of a change and evidence need for increased resources. 2. A need to monitor and assess emerging pressures. Through fora such as LGA, and DCN national issues can be tracked and anticipated. Through liaison with neighbouring Councils and the strategic partnerships across Staffordshire, e.g. partnership, Health and Wellbeing Board, Safer Communities’ Board emerging issues can be tracked monitored and challenged by senior staff and members 3. At a local level the District Board should consider how it encourages local partners to share knowledge and information of emerging strategies to future proof decision making 4. When developing business cases full consideration of all possible changes by other partners or stakeholders should be factored into the decision so that individual risks are fully appreciated. 5. Working as One Council will reduce risk of cross directorate impacts and also increase knowledge and information available on stakeholder activities. 6. Being clear on exit strategies for initiatives where funding and delivery is dependent on more than one organisation so that the district council does not retain the expectations of the community for continued delivery when others withdraw. 7. There needs to be a corporate recognition of these issues and acceptance of a level of risk that we have no control over 8. Analysing and responding to policy consultations to influence the direction of policy in the Council’s favour. 9. Ensuring that the additional risks identified above are considered when setting the minimum level of reserves in order to further protect the council from exposure financially as a result of these risk materialising.
Latest Note	<p>No change in this review however one of the latest risks in this area is the impact of the government guidance on the geography or LEP which may impact on our relationships with GBSLEP and SSLEP</p>

Risk Code	COR8	Risk Title	Failure to manage a major incident	Current Risk Status	
Description	Failure to manage a major incident				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	05-Jun-2019
Responsible Cabinet Member					
Assigned To	Gareth Davies				
Risk Factors/Causes	<p>Lack of integrated emergency arrangements making it difficult to react quickly to a disaster and provide the required support and essential service in line with the requirements of the Civil Contingencies Act.</p> <p>Failure to test plans</p> <p>Failure to undertake training</p> <p>Plans not activated</p> <p>Plans not kept up to date</p> <p>Plans do not accurately identify the staffing/resources required</p> <p>Implications of industrial action from other service providers eg Fire Service</p> <p>Lack of understanding both staff and members of their roles</p> <p>Failure to understand and monitor the needs of the community</p> <p>Not understanding our communities needs</p> <p>Lack of integrated emergency plans for significant incidents that may impact on our district in neighbouring authorities areas.</p>				
Potential effects/consequences	<p>Services not delivered</p> <p>Damage to reputation</p> <p>Civil Contingency Act requirements not met</p> <p>Death</p> <p>Destruction of property</p> <p>Damage to the environment</p>				


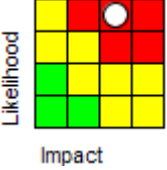
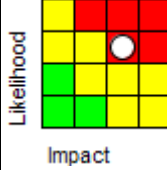
	<p>Adverse effect on vulnerable groups</p> <p>Public expectations of service delivery not met</p> <p>Increased costs for alternative service delivery</p> <p>Loss of homes – temporary or permanent</p>
Risk Treatment Measures	<p>Emergency plan in place and tested on a regular basis</p> <p>Emergency planning training</p> <p>Business Continuity Plans at service level</p> <p>Insurance cover</p> <p>Advice and guidance on Risk Management</p> <p>Business continuity strategy and management handbook</p> <p>Emergency advice available on the website including Evacuation Plan for Lichfield City Centre leaflet and poster, Flooding, How we Plan for Emergencies, Your Guide to Dealing with the Unexpected and links to the Staffordshire Prepared website</p> <p>Fire prevention controls in place and tested on a regular basis</p> <p>PAT testing</p> <p>Physical access controls in place</p> <p>Communications plan</p> <p>Membership of Staffordshire CCU & Resilience Forum</p> <p>Plans uploaded to Resilience Direct</p> <p>Learning from actual events eg IT system restores, Flooding</p> <p>Prevent training</p> <p>Chair local Safety Advisory Groups for local events</p> <p>Building Control enforcement – dangerous structures etc</p> <p>Monitor for the emergence of high risk sites on our borders and ensure adequate multi-agency response plans are in place.</p>
Latest Note	

Corporate Projects Risk Register 2019/20

Report Type: Risks Report

Report Author: Angela Struthers

Generated on: 05 June 2019

Risk Code	CORPRO3	Risk Title	FGLC	Current Risk Status	
Description	Planned or unplanned closure of the Friary Grange Leisure Centre due to lack of investment in the asset by Staffordshire County Council and/or associated Contractual/Legal issues relating to ownership and asset responsibility.				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	29-May-2019
Responsible Cabinet Member					
Assigned To	Richard King; John Smith				
Risk Factors/Causes	<p>. No investment in the building infrastructure resulting in closure – the asset responsibility is currently being discussed/disputed through the reinstated Friary Grange Management Committee. Whilst the Management Committee has now been dissolved renewed discussions are taking place between SCC & LCC to identify a pragmatic solution to prevent closure. If this is not achieved it is likely that some form of informal arbitration will be used.</p> <p>. The building is in a poor state of repair as a result of its age (45 years) and lack of investment. Recent closures have taken place as a result of water ingress and corrosion to major pipework. The roof is leaking throughout the whole facility and specifically the squash court and swimming pool roofs require replacement. The cost of the swimming pool roof is currently being determined by way of an intrusive survey funded by LDC.</p> <p>. It is not possible to determine when further closure will be required as a result of structural and/or M&E failure. Although LDC have produced an operational risk assessment the potential of risk of injury cannot be predetermined.</p>				
Potential effects/consequences	<p>. Reputational damage to the Authority</p> <p>. Cessation of the outsource leisure contract and associated compensatory payments relating to the contract and staff redundancy.</p>				

	<p>. Significant shortfall in leisure provision(refer to FGLC options paper May 2018) within Lichfield/the district (Policy & Strategic Context – National Planning Policy Framework 2012, Lichfield Local Plan 2008 – 2012, Lichfield District Infrastructure Delivery Plan 2017, Lichfield District Council Strategic Plan 2016 – 2020, Lichfield District Council Health & Wellbeing Strategy 2018, LOPS Service Plan 2018 – 2023)</p> <p>Formal legal proceedings could commence regarding ownership of the building in the event of the Management Committee being unable to reach an agreement, but this is not a preferred option. Associated costs and implications cannot be determined at this stage. Potential clawback in relation to £210K Sport England grant for refurbishment of reception area and changing rooms in 2013. The amount will be determined by the timing of any closure and LDC approach to providing a replacement facility. Enforcement bodies (Health and safety Executive, Staffordshire fire and Rescue etc) could invoke enforcement action against the Council if they deemed the lack of investment was seriously compromising public and/or employee safety</p>
Risk Treatment Measures	<p>. In June 2017 the issues relating to the Condition Survey and Management Arrangements was integrated into the procurement process for the outsource of leisure facilities. This was subsequently discussed with the preferred bidder and resulted in the 10 year operational contract being changed to a 12 month rolling basis to reflect the associated risk of cessation.</p> <p>. Between June 2017 & February 2018 LDC continued to develop the working relationship with Friary School and addressed the funding allocation relating to the apportionment of utility/operating costs.</p> <p>. In October 2017 LDC commissioned Sport England to undertake a detailed planning model to determine the size, scale and scope of leisure facility that would be required to replace FGLC.</p> <p>. In January 2018 LDC developed an operational risk matrix and associated communications plan identifying all operational/financial/structural/contractual/health and safety risks. In February 2018 LDC commissioned LPB Consulting to develop an options appraisal for Friary Grange Leisure Centre, this document was considered by the Leadership Team on 4th July and subsequently by informal Cabinet. At this stage the key focus is on maintaining the serviceability of the building and the potential to replace the facility will be considered gain in Spring 2019.</p> <p>In October 2018 renewed discussions commenced between SCC & LDC Officers to identify a pragmatic solution to ensuring the serviceability of the building. The operator of the leisure centre (Freedom Leisure) hold operational responsibility for the safe delivery of services. They will continue to report through to the Head of Leisure any concerns relating to ongoing safety and operation</p>
Latest Note	<p>A detailed condition survey was commissioned to ascertain the level of investment required to keep the facility operating. Staffordshire County Council have served notice on the District Council to terminate the existing Joint User agreement from 1 May 2020.Report being submitted to Leisure, Parks and Waste Overview and Scrutiny Committee on 12 June 2019 regarding the future of the facility.</p>

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COUNTER FRAUD & CORRUPTION UPDATE

Enter title of relevant Cabinet Member

Date: 24TH July 2019
 Agenda Item: 11
 Contact Officer: Kerry Beavis
 Tel Number: 01543 308030
 Email: Kerry.beavis@lichfielddc.gov.uk
 Key Decision? NO
 Local Ward Members



AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

- 1.1 To provide members with an update on counter fraud work completed to date during the financial year 2018/19. .

2. Recommendations

- 2.1 To approve the Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes.
- 2.2 To approve the Confidential Reporting (Whistleblowing) Policy.
- 2.3 To endorse the Fraud & Corruption Risk Register.

3. Background

- 3.1 In accordance with best practice, a review of the counter fraud related policies has been completed. No significant changes were required in this review and the changes are highlighted within the policies for information. The Counter Fraud & Corruption Policy Statement, Strategy & Guidance Notes now contains a counter fraud plan to detail the proactive counter fraud work to be completed during the financial year. The Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes is attached at **Appendix 1** and the Confidential Reporting (Whistleblowing) Policy is attached at **Appendix 2**. Both policies will be made available to staff and members on the intranet.

- 3.2 There have been no reports of suspected fraud received during the 2018/19 financial year.

Alternative Options	1. None.
Consultation	1. Consultation has been carried out with Leadership Team.
Financial Implications	1. Contribution to ensure that assets are not misused.
Contribution to the	1. The counter fraud and corruption framework supports and contributes to the

Delivery of the Strategic Plan	theme – A Council that is Fit for the Future as set out in the District Council’s Strategic Plan 2016 -20.
Equality, Diversity and Human Rights Implications	1. There are no equality, diversity or human right implications.
Crime & Safety Issues	1. The recommendations will impact positively on our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988).
GDPR/Privacy Impact Assessment	N/A

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	A positive counter fraud culture may not exist	Ensuring that policies and procedures are in place	Green (tolerable).
B	Fraud may not be prevented and go undetected	Ensuring that policies and procedures are made available	Green (tolerable)
C	Investigations could be carried out incorrectly so that sanctions and redress may not be applied	Staff are trained to carry out fraud investigations	Green (tolerable)

Background documents

None

Relevant web links



COUNTER FRAUD AND CORRUPTION POLICY STATEMENT, STRATEGY & GUIDANCE NOTES

*June 2017*⁹

This information can be produced on request in other formats and languages

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LICHFIELD DISTRICT COUNCIL

COUNTER FRAUD AND CORRUPTION POLICY STATEMENT

- 1.0 The Council fully recognises its responsibility in relation to the spending of public money (Protecting the Public Purse) and is committed to the fullest support for Members and Staff in upholding the reputation of the Council and maintaining public confidence in its integrity. It also recognises its responsibilities under the Proceeds of Crime Act 2002, Money Laundering Regulations 2007 and the Bribery Act 2010.
- 2.0 The Council acknowledges the threats of fraud and corruption and the harm that they can cause. The Council is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. Any such issues will be thoroughly investigated and, if confirmed, dealt with rapidly in the strongest possible way. We will seek the strongest possible sanctions against those who seek to defraud the Council. This includes taking appropriate action against Staff, Members, contractors, external individuals and organisations.
- 3.0 To deliver the Council's corporate priorities, aims and strategic objectives we need to maximise the financial resources available to us. In order to do this we must reduce the risk of fraud to an absolute minimum.
- 4.0 This Policy Statement, together with the Counter Fraud & Corruption Strategy and Guidance Notes, is intended to provide advice and information to Staff and Members, but suppliers, contractors and the general public are also encouraged to use this advice and guidance.

Chief Executive

Leader of the Council

COUNTER FRAUD AND CORRUPTION STRATEGY

1.0 Introduction

1.1 This strategy is a key element of the Council's overall corporate governance arrangements which aim to ensure the Council is well managed and does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable way. The Council has a range of other interrelated policies and procedures that provide a corporate framework to counter fraud activity. These have been formulated in line with appropriate legislative requirements and include:

- Financial Procedure Rules,
- Contract Procedure Rules,
- National Code of Local Government Conduct,
- Whistleblowing Policy,
- Accounting procedures and records,
- Sound internal control systems,
- Effective Internal Audit,
- Effective recruitment & selection procedures,
- Disciplinary Procedures,
- Fraud Response Plan,
- Anti Fraud Framework for the Benefits Section,
- Data Protection Policy,
- IT Security Policy,
- Constitution,
- Scheme of Delegation,
- Members Handbook,
- Code of Corporate Governance,
- Gifts & Hospitality Policy & Register,
- Anti-money Laundering Policy,
- Other council procedures as appropriate,
- Any relevant professional Codes of Ethics or obligations.

1.2 All references to fraud within this document include any type of fraud-related offence. Fraud, theft, bribery and corruption are defined as follows:

Fraud – “the intention to make gain or cause loss by false representation, failure to declare information or abuse of position”. The Fraud Act 2006

Theft – “ a person shall be guilty of theft if he/she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it”. The Theft Act 1968.

Bribery – “A person (“P”) is guilty of an offence if either of the following cases applies.

Case 1 is where—

- (a) P offers, promises or gives a financial or other advantage to another person, and
- (b) P intends the advantage—
 - (i) to induce a person to perform improperly a relevant function or activity, or
 - (ii) to reward a person for the improper performance of such a function or activity.

Case 2 is where—

- (a) P offers, promises or gives a financial or other advantage to another person, and
- (b) P knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity. (The Bribery Act 2010)

Corruption — ~~“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.”~~ (Fraud Audit Manual, the Audit Commission) there is no universally accepted definition of corruption, but it is generally understood to involve the abuse of office and position to benefit a third party (an individual, business or other organisation), in return for payment or other reward. (HM Government – UK Anti-Corruption Strategy 2017 – 2022)

- 1.3 A dishonest act or fraudulent activity may be, but is not limited to, an act or activity that is unethical, improper, or illegal such as:
- theft of an asset including, but not limited to, money, tangible property, intellectual property etc;
 - misappropriation, misapplication, destruction, removal, or concealment of property;
 - false claims and/or misrepresentation of facts;
 - alteration or falsification of paper or electronic documents, including the inappropriate destruction of paper or electronic documents;
 - inappropriate use of computer systems including hacking and software piracy;
 - embezzlement;
 - bribery, or corruption of any kind;
 - unlawful or undeclared conflict of interest;
 - unauthorised use or misuse of Council property, equipment, materials or records.
- 1.4 Although a dishonest or fraudulent act may have criminal and/or civil law consequences, the Council is not required to use a determination by a criminal or civil body as the basis for determining whether an act is dishonest or

fraudulent, nor must the act rise to the level of a crime or violation of civil law in order to constitute a violation of the Council's Disciplinary Policy & Procedure.

- 1.5 The Council also expects that individuals and organisations (e.g. partners, suppliers/contractors and service users) which it comes into contact with, will act towards the Council with integrity and without actions involving fraud or corruption. The Council in turn will endeavour to ensure that all of its dealings will be on the same basis.
- 1.6 In administering its aims and responsibilities the Council is totally committed to deterring fraud and corruption, whether it is attempted on or from within the Council, and is committed to an effective counter fraud and corruption strategy designed to:
 - limit, as far as possible, the opportunities to commit fraudulent acts - **prevention**,
 - enable any such acts to be **detected** at an early stage, and
 - deal with any subsequent **investigations** in a prompt, thorough and professional manner.
- 1.7 Overall responsibility for dealing with fraud and corruption rests with the Head of Finance & Procurement, who is the nominated Section 151 Officer having a statutory duty under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 1.8 Internal scrutiny of the Council's various activities occurs as a result of:-
 - the Head of Finance & Procurement's Section 151 responsibilities and Section 114 Local Government Finance Act 1988 responsibilities,
 - the establishment of sound Internal Audit arrangements in accordance with the Accounts and Audit Regulations 2015⁵⁴, and
 - the responsibilities placed on the Monitoring Officer under Section 5 of the Local Government and Housing Act 1989.
- 1.9 External scrutiny of the Council's various activities occurs as a result of involvement by:-
 - Local Government Ombudsman,
 - External Auditor,
 - Central Government Departments and Parliamentary Committees,
 - HM Revenues and Customs,
 - The Department for Work and Pensions
 - The general public.

1.10 This Counter Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to deter any attempted fraudulent or corrupt act. These cover:-

- Culture,
- Prevention,
- Detection and Investigation,
- Recovery, Sanction and Redress,
- Training and Awareness,
- Sharing Information,
- Implementing the Strategy.

2.0 Objectives

2.1 The key objectives of this Counter Fraud and Corruption Strategy are to:

- Increase awareness of the counter-fraud responsibilities at all levels within and outside the Council;
- Further embed and support the effective management of fraud risk within the Council;
- Support counter-fraud activities across the Council;
- Minimise the likelihood and extent of loss through fraud and corruption.

2.2 All of the above will directly support the achievement of the Council priorities whilst ensuring that statutory responsibilities are met.

3.0 Roles and Responsibilities

3.1 Roles and responsibilities for identifying and mitigating against the risk of fraud must be clearly understood and embraced effectively.

3.2 The risk of fraud and corruption is considered in the Council's corporate risk management arrangements. Service Managers must therefore ensure that:

- Their risk register accurately reflects the risk of fraud and corruption including any emerging risks;
- Controls, including those in a computerised environment and for new systems and procedures, are effective and are properly maintained and documented;
- There is compliance with the Council's Financial Procedure Rules and associated guidance, Contract Procedure Rules and any other relevant codes of practice;
- Those engaged in countering fraud and corruption, have the appropriate authority, skills and knowledge to undertake this work effectively;
- That the necessary framework agreements to counter fraud are in place where the Council is working with other organisations

either by way of contract or partnership. The Council will not knowingly enter into any contractual agreement with an organisation that fails to comply with its Code of Practice and/or other related procedures.

- Findings from fraud investigations lead to relevant system changes.

4.0 Culture

- 4.1 The Council has determined that the culture and ethics of the Authority are one of honesty and openness in all its dealings, with opposition to fraud and corruption. This strategy forms part of the governance arrangements for the authority.
- 4.2 The Council's Members and staff play an important part in creating and maintaining this culture. They are encouraged to raise any matters that concern them relating to the Council's methods of operation in accordance with this Counter Fraud & Corruption Strategy or the Council's Whistleblowing Policy.
- 4.3 The Council is committed to driving down Benefit Fraud. Both public perception and organisational culture play key roles in achieving this aim. All Members and staff are therefore required to report any known material changes affecting Benefit claims to the Benefits Office. This specifically includes your own entitlement and of any tenants or sub-tenants that you may have. Failure to do so will result in the Member or Employee being subject to the Disciplinary Policy & Procedure. In addition, it is also a requirement that the timely transfer of information you receive in your normal business activities relating to any other customer who has alerted you to a fact that affects Benefit awards is completed.
- 4.4 Staff, particularly Benefit staff, should be required to declare any interest in a Benefit Claim, for example, a relative's claim to benefit, and these cases should be treated "in confidence". The files should be kept separately and assessed by a supervisor to minimise the potential for internal fraud or collusion.
- 4.5 The Council's Whistleblowing Policy ensures that those raising concerns know they will be treated seriously and their concerns are properly investigated in a confidential and impartial manner. In raising concerns staff can be assured that they will be protected if the disclosure is made in the public's interest and will not affect their employment situation or future prospects with the Council.
- 4.6 Staff should raise their concerns with the Audit Manager, or in [his](#)/her absence with a member of the Internal Audit Team. Where staff feel unable to raise concerns with the Audit Manager, they can raise their concern with their line manager, who must immediately inform the Audit Manager. Under no circumstances should any investigations be undertaken by management.

- 4.7 In addition, a confidential reporting hotline (01543 308111) has been set up for staff and members of the public to report any concerns. Anyone using this facility should provide as much information as possible to ensure the concern can be properly investigated, including leaving your name and contact number, if possible. Concerns made anonymously are much less powerful, but they will be considered in an appropriate manner.
- 4.8 Alternatively, use the Council's website 'Report It' function.
- 4.9 For housing benefit fraud issues, concerns should be raised by contacting the National Benefit Fraud hotline on 0800 854 440.
- 4.10 Elected Members, suppliers, contractors, and the general public are also encouraged to report concerns through any of the above routes.
- 4.11 Unless there are good reasons to the contrary, any allegations received by way of confidential letters or telephone calls will be taken seriously and investigated in an appropriate manner. All allegations received in this manner should immediately be forwarded to the Audit Manager.
- 4.12 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness, but this will be discussed with you, as to whether and how the matter can be proceeded with.
- 4.13 Formal reports will be issued aimed at addressing control weaknesses and these will be reported to the Audit [& Member Standards](#) Committee in the Audit Manager's progress report.
- 4.14 The Nolan Committee set out the seven guiding principles that apply to people who serve the public. The Council will develop our working behaviour around these principles, which are attached as Appendix 1.

5.0 Prevention

5.1 Staff

- 5.1.1 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard temporary, agency and contract staff should be treated in the same manner as permanent staff. Service Managers are responsible for ensuring agencies engaged for the supply of temporary staff have rigorous vetting processes and that references are sought direct from previous clients with regard to the suitability and integrity of the candidate.

- 5.1.2 Employee recruitment is required to be in accordance with procedures laid down by the Council. Written references covering the known honesty and integrity of potential staff and where required, evidence of a licence to practice must always be obtained. All qualifications will be verified. There will be an open and fair policy of recruitment with no 'canvassing' or 'favouritism'.
- 5.1.3 Staff of the Council are expected to follow any Code of Conduct relating to their personal Professional Body and also abide by the terms and conditions of employment as set out in the Contract of Employment and the National Scheme of Conditions. The Council will report any known impropriety to the relevant Institution for them to consider appropriate disciplinary action.
- 5.1.4 Staff are reminded that they must comply within Section 117 of the Local Government Act 1972 which requires any interests in contracts that have been or are proposed to be entered into by the Council to be declared. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration. Details are described within the Code of Conduct.
- 5.1.5 Managers are required to observe the formal Disciplinary Policy & Procedure.
- 5.1.6 All staff are required to declare in a public register (held by the Monitoring Officer) any offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the Authority. Staff should also declare private work (paid or unpaid) etc., which if permitted must be carried out during hours when not employed on Council work, and should not be conducted from Council premises or use any Council equipment/assets.
- 5.1.7 The above matters are brought to the attention of staff via induction training and subsequently by internal communications.
- 5.1.8 Management at all levels are responsible for ensuring that staff are aware of the Authority's Financial Procedure Rules and Contract Procedure Rules, and that the requirements of each are being met. They are also responsible for ensuring that appropriate procedures are in place to safeguard the resources for which they are responsible, which include accounting control procedures, working manuals and operating procedures. Management must ensure that all staff have access to these rules and regulations and that staff receive suitable training.
- 5.1.9 Managers should strive to create an environment in which staff feel able to approach them with concerns they may have about suspected irregularities. If Managers and staff are unsure of the appropriate action they should consult with the Internal Audit Section.

5.2 Members

5.2.1 Members are required to operate within: -

- Sections 49 - 52 of the Local Government Act 2000,
- Local Authorities (Members' Interest) Regulations 1992 (S.I. 618)
- The National Code of Local Government Conduct
- Any local code or amendments agreed and
- The Council's Contract Procedure Rules and Financial Procedure Rules.

5.2.2 These matters are specifically brought to the attention of elected Members at their induction and subsequent training. Members are required to provide the Monitoring Officer with specific information concerning their disclosable pecuniary interests and to keep that information up to date, as required by sections 29-34 of the Localism Act 2011. The Members Interests Register is held by the Monitoring Officer.

5.3 Systems

5.3.1 The Council's Scheme of Delegation, Contract Procedure Rules and Financial Procedure Rules place a duty on all Members and staff to act in accordance with best practice when dealing with the affairs of the Council.

5.3.2 The Head of Finance & Procurement has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure proper administration of financial affairs. Various Codes of Practice outlining systems, procedures and responsibilities are widely distributed to staff.

5.3.3 The Internal Audit Section assesses regularly the level of risk within the Council with a view to preventing fraud and corruption. Such assessments are discussed with Service Managers and, where appropriate, incorporated into work plans.

5.3.4 Significant emphasis has been placed on thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls and to include adequate separation of duties. The adequacy and appropriateness of the Council's financial systems are independently monitored by both the Internal Audit Section and External Audit. Any weaknesses identified in internal control will be reported to management whose duty it will be to ensure that corrective action is taken. The Section 151 Officer will use his statutory power to enforce the required changes if necessary.

5.3.5 Service Managers will ensure that internal controls, including those in a computerised environment, are effectively maintained and documented and will investigate any potential weaknesses.

5.3.6 Service Managers must ensure that proportionate counter fraud measures are applied to new systems/procedures.

5.3.7 It is evident across the country that an increasingly wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple identities and false addresses, and involve different agencies. Staff are therefore encouraged to liaise with those other agencies, exchanging information, where possible and appropriate to help prevent and detect such fraud. It is important that arrangements exist, and are developed, to encourage the exchange of information with other agencies including:-

- other local and statutory authorities,
- Chief Financial Officer Group,
- local, regional and national Auditor networks,
- government departments,
- police forces,
- the [Audit Commission](#) [External Auditors](#),
- the National Anti-Fraud Network, and
- any other Fraud Networks/Forums.

5.3.8 The Council has established formal procedures to respond to complaints received about any aspect of service delivery. Issues relating to fraud and corruption will be passed directly to the Audit Manager. Specific guidance has also been issued to all staff in relation to Proceeds of Crime and Money Laundering. The Director of Transformation & Resources acts as the Council's Money Laundering Reporting Officer.

Comment [SA1]: Who is the MLRO – the Money Laundering Policy states the Strategic Director – Democratic, Development & Legal Services and the policy is dated 2009

5.3.9 The Council will involve the police to prosecute offenders where fraudulent or corrupt acts are discovered. This will be a matter for the Head of Finance & Procurement, Monitoring Officer and the Chief Executive to decide, in consultation with the relevant Director.

6.0 Detection and Investigation

6.1 The Council's preventative systems, particularly internal control systems, provide indicators of fraudulent activity and are designed to deter any fraudulent activity.

6.2 It is often the alertness of elected Members, council staff, and the general public to the possibility of fraud and corruption, that enables detection to occur and appropriate action to take place.

6.3 Many frauds are discovered by chance, 'tip-off' or general audit work and arrangements are in place to enable such information to be properly dealt with.

6.4 Service Managers are required by Financial Regulations to report all suspected instances of fraud and corruption to the Audit Manager. Early reporting is essential to the success of this strategy, and;

- ensures the consistent treatment of information regarding fraud and corruption,
 - facilitates a thorough investigation of any allegation received by an independent unit (Internal Audit), and
 - ensures maximum protection of the Council's interests.
- 6.5 Suspicions that any transaction or dealing may involve the proceeds of crime should be reported to the Director of Transformation & Resources, who will ensure such suspicions are reported to the appropriate authorities as required by the relevant Act.
- 6.6 The investigating officer will be appointed by the Head of Finance & Procurement. The investigating officer will usually be an Internal Audit Officer. The investigating officer will;-
- inform the Section 151 Officer (Head of Finance & Procurement) and Chief Executive, as necessary;
 - deal promptly and confidentially with the matter;
 - have unhindered access to employees, information and other resources as required for investigation purposes;
 - record all evidence received;
 - ensure that evidence is sound and adequately supported;
 - ensure security of all evidence collected;
 - liaise as necessary and appropriate with the relevant Director;
 - liaise as necessary with external agencies e.g. Police;
 - notify the Council's Insurance Officer, if appropriate; and,
 - implement Council Disciplinary Policy & Procedure where appropriate.
- 6.7 The Council can be expected to deal swiftly and thoroughly with any employee who attempts to defraud the Council or who is corrupt. The Council will deal positively with fraud and corruption or suspicions thereof.
- 6.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 6.9 When it is found that fraud or corruption has occurred due to a break down in the Council's systems or procedures, Service Managers will ensure that appropriate improvements in systems of control are promptly implemented in order to prevent a reoccurrence.
- 6.10 Depending on the nature and anticipated extent of the allegations, the Internal Audit section will normally work closely with management and other agencies such as the police to ensure that all allegations and evidence is properly investigated and reported upon.

- 6.11 Procedures for dealing with the investigation of fraud and corruption are included in the Fraud Manual of the Audit Section.
- 6.12 The Council's disciplinary process will be used where the outcome of the Audit Investigation indicates improper behaviour.
- 6.13 The Council will normally wish the police to independently prosecute offenders where financial impropriety is discovered.
- 6.14 All investigations into suspected instances of fraud and corruption undertaken by the Council shall comply with the requirements of the Human Rights Act 1998, Regulation of Investigatory Powers Act 2000, Criminal Procedures and Investigation Act 1996 and have regard to the Police and Criminal Evidence Act 1984
- 6.16 Any Councillor who is the subject of allegations of wrong doing can be referred to the Monitoring Officer to the authority (details on the website), who will determine what action should be taken.
- 6.17 All contractors, consultants and organisations receiving funding from the Council who are accused of wrong doing will be the subject of an investigation and where appropriate an independent decision may be taken to terminate the agreement/grant.
- 6.18 The Council's External Auditor has a responsibility to review the Council's arrangements for the prevention, detection and investigation of fraud and corruption and report accordingly.

7.0 Recovery, Sanctions & Redress

- 7.1 Where the Council identifies fraud then it will:

Recover, prosecute or apply other sanctions to perpetrators, where appropriate.
- 7.2 Where fraud or corruption by staff is indicated, then action will be taken in accordance with the Council's Disciplinary Policy & Procedure. This may be in addition to any civil recovery action or sanctions.
- 7.3 The Council aims to be effective in recovering any losses incurred to fraud using, as appropriate, criminal and/or civil law. Success rates will be monitored routinely as an indicator and part of the quality process.
- 7.4 Wherever possible, redress should be applied. This ensures that the Council is seen as recovering money lost to fraud.

8.0 Training & Awareness

- 8.1 The Council recognises the importance of training in the delivery of high quality services. The Council supports the concept of fraud awareness

training for Managers and for Staff involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. Staff who ignore such training and guidance may face the possibility of disciplinary action.

- 8.2 Specifically, awareness is raised by a combination of face-to-face awareness sessions, e-learning and publications about general and specific fraud issues.
- 8.3 Investigation of fraud and corruption centres around the Council's Internal Audit section. Staff engaged in this section, for the detection and prevention of fraud, are properly and regularly trained in all aspects of it. The training plans of the sections will reflect this requirement.
- 8.4 Regular training seminars will be provided for Members on a wide range of topics including declarations of interest and the Code of Conduct as detailed in the Constitution.
- 8.5 The Council will maintain an up to date awareness of the types of fraud that it may be exposed to, especially given the ongoing financial situation and the resourcefulness of potential fraudsters. It will review national developments and strengthen systems and procedures accordingly using the following key sources of information:

National Fraud Reports

National Anti-Fraud Network

Midlands Fraud Forum

Local Networking through Staffordshire and the Midlands

Any other sources of fraud awareness/updates etc.

9.0 Sharing Information

- 9.1 The Council is committed to working with other agencies in the detection and prevention of fraud.
- 9.2 There are a variety of arrangements in place, which facilitate the regular exchange of information between the District Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators.
- 9.3 The District Council is a member of the National Anti-Fraud Network (NAFN). NAFN provides access to information relating to fraud within the public sector. Fraud intelligence is collated and circulated to members, and information services to assist in the more effective investigation of fraud are available. We make use of these services.

- 9.4 As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored across the Authority and beyond. This enables information and intelligence to be generated, which is a recognised means of preventing fraud and corruption.
- 9.5 The Cabinet Office has a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.
- 9.6 The District Council has a Fraud Hotline for reporting fraud suspected within the Council – 01543 308111. There are a number of ways in which the Internal Audit Team can be contacted to report concerns of fraud and corruption, all of which are outlined in Appendix 4.

10.0 Implementing the Strategy

- 10.1 Internal Audit will undertake an annual assessment of the effectiveness of existing counter-fraud and corruption arrangements against:

Relevant Standards

Other best practice/statutory guidance as required

The roles and responsibilities as set out in Appendix 2 of this strategy.

- 10.2 Internal Audit will report its findings to the Audit [& Member Standards](#) Committee who will consider the effectiveness of the counter-fraud risk management arrangements.

11.0 Conclusions

- 11.1 The Council's systems, procedures, instructions and guidelines are designed to limit, as far as is practicable, acts of fraud and corruption. All such measures will be kept under constant review to ensure that they keep pace with developments in prevention and detection techniques regarding fraudulent or corrupt activity.
- 11.2 The Council will maintain a continuous review of all its systems and procedures through the Head of Finance & Procurement and Internal Audit, in consultation with the Monitoring Officer where required.

COUNTER FRAUD AND CORRUPTION GUIDANCE NOTES

1.0 Why Do We Need a Counter Fraud And Corruption Strategy?

1.1 Even though the vast majority of people working for the Council are honest and diligent, the Council cannot be complacent. Fraudulent or corrupt acts may include:

System issues	ie where a process/system exists which can be abused by either staff or members of the public (eg Housing Allocations Benefits)
Financial issues	ie where individuals or companies have fraudulently obtained money from the Council (eg invalid invoices/work not done)
Equipment issues	ie where Council equipment is used for personal use (eg personal use of council telephones IT equipment)
Resource issues	ie where there is misuse of resources (eg theft of building materials/cash)
Other issues	ie activities undertaken by officers of the Council which may be: unlawful; fall below established standards or practices; or amount to improper conduct (eg receiving unapproved hospitality)

(This is not an exhaustive list.)

1.2 The prevention of fraud, and the protection of the public purse is **EVERYONE'S BUSINESS**. It is important that all staff know:

- how to recognise a fraud,
- how to prevent it, and
- what to do if they suspect that they have come upon a fraud.

1.3 This guidance has been drawn up to provide information to staff at all levels. The strategy and guidance attempt to assist staff and others with suspicions of any malpractice. The overriding concern is that it is in the public interest for the malpractice to be corrected and, if appropriate, sanctions and redress applied.

1.4 It is important that staff should be able to use any mechanism without fear of victimisation, and fully know that their concerns will be addressed seriously, quickly and discreetly.

1.5 It is important that the whole Council works together to reduce Benefit Fraud. All Staff are therefore required to transfer relevant information gathered in their normal day to day activities about possible Benefit irregularities to the Department for Works and Pensions (DWP). So, for example, if during a routine visit/interview you become aware that a customer is working and

“signing on” which they may be entitled to do so but you must tell the DWP this information. You are not expected to and must not delve any further.

- 1.6 The Council has determined that it should have a culture of honesty and openness in all its dealings, with opposition to fraud and corruption. The Council’s Whistleblowing Policy does this by :-
- making it clear that vigilance is part of the job. Knowingly not raising concerns may be a serious disciplinary offence,
 - recognising that early action may well prevent more worry or more serious loss/damage,
 - making it safe and simple to convey critical information ensuring that any concern in this area is seen as a concern and not a grievance,
 - encouraging information exchange, remembering that there are two sides to every story,
 - providing a way in which concerns can be raised in confidence and not necessarily via the nominated line manager or supervisor,
 - recognising the need for discretion,
 - ensuring the anonymity of the individual, where possible, should this be preferred by the employee, and by protecting employers from reprisals.
- 1.7 Under the Enterprise and Regulatory Reform Act 2013, any disclosure made using the Whistleblowing Policy, within reasonable belief of the worker making the disclosure will only be protected if it is made in the public interest. More detail is found in the Whistleblowing Policy.
- 1.8 There is a need to ensure that any investigation process is not misused and, therefore, any abuse such as raising unfounded malicious allegations may be dealt with as a disciplinary matter.
- 2.0 Why Do We Need This Advice?**
- 2.1 It is important that you follow the advice given and do not try to handle the problem yourself, without expert advice and assistance. A badly managed investigation may do more harm than good. There are a number of internal and external processes which have to be followed to yield a satisfactory conclusion.
- 3.0 How To Recognise A Fraud**
- 3.1 Each employee must be aware of fraud and the areas within their responsibility where fraud may occur.
- 3.2 Fraud can happen wherever staff or independent contractors complete official documentation and can take financial advantage of the Council. The risk of fraud is enhanced where staff or contractors are in positions of trust or responsibility and are not checked or subjected to effective monitoring or validation. Consequently the following areas are susceptible to fraud:-

- claims for work done by independent contractors,
- travel and expense claims,
- cash receipts/ petty cash,
- payroll,
- ordering, and
- stocks and assets.

3.3 Fraud involves the falsification of records, failing to disclose information or abuse of position. Managers need to be aware of the possibility of fraud when presented with claims/forms/documentation etc. Issues which may give rise to suspicions are:-

- documents that have been altered, “Tippex” used thereon, or different pens and different hand writing,
- claims that cannot be checked, particularly if prior authorisation was not given,
- strange trends (use comparisons and reasonableness),
- confused, illegible text and missing details,
- delays in documentation, completion or submission, and
- no vouchers or receipts to support claims.

3.4 There are a number of indications of an employee being in a situation whereby they could be acting fraudulently. Common indicators could be:-

- living beyond their means,
- under financial pressure ,
- not taking annual leave, and
- solely responsible for a “risk” area and/or possibly refusing to allow another officer to be involved in their duties and/or have minimal supervision.

4.0 How To Prevent It

4.1 By establishing an adverse culture to fraud and corruption the Council can help to prevent its occurrence.

4.2 Managers need to :-

- Minimise the opportunity for fraud – this can be achieved by putting in place robust systems of internal controls and checks.
- Reduce the “Pay – Off” – this is achieved by increasing the chances of detection and increasing the penalty for the perpetrator so risks outweigh the benefits of getting “away with it”

- 4.3 There are 8 basic control types which management should concern themselves with: -

Supervision

Supervisory checks should be completed and recorded by the line manager on the work completed by his/her team.

Organisation

Within each system, there should be policies/procedures setting out how functions should be carried out. There should be clear structures/rules which staff should work within.

Authorisation

Within a system there should be authorisation controls e.g. controls to authorise a payment (electronic/physical signature), and the correct level of authority is used in decision making.

Personnel

There should be clear roles and responsibilities and appropriate level of delegation. The right person should be doing the right job.

Segregation of Duties

Seek to avoid the sole ownership for the processing and control functions of any activity, by one employee.

Physical

This relates to physical controls e.g. access to monies, documents, security of premises etc should be appropriate and restricted where necessary. Where restricted access is necessary, access to keys/door numbers etc should be retained by the person granted access rights. They should not be left on the premises. Inventory checks ensure that assets are controlled.

Arithmetical Accuracy

Checks completed by another person to confirm the accuracy of data input/independent reconciliations of cash floats etc.

Management Functions

Within the system there should be controls for monitoring and reporting upon activity e.g the production of audit trail reports from systems etc. Monitoring to highlight irregularity/non-compliance with rules and procedures and reporting – being accountable for actions.

- 4.4. Staff need to be aware of the possibility of fraud when presented with claims/forms/ documentation, etc. They should also have an awareness of internal rules and procedures; i.e. financial regulations, standing orders, declarations of outside work, hospitality etc.
- 4.5 Deterrence and prevention is the primary aim and if managers implement and control areas as mentioned in 4.3, any deviation from the set procedure should be highlighted in a timely manner.

5.0 What To Do On Suspecting A Fraud

5.1 Action By Staff

- 5.1.1 The Council is committed to the highest possible standards of openness, probity and accountability. Any employee who believes such standards are being breached should report their suspicions. This should be done via [the Council's Whistleblowing Policy](#), by contacting the Audit Manager.
- 5.1.2 You should report the matter immediately, make a note of your suspicions and provide as much factual information to support your concerns. Concerns are better raised in writing.
- 5.1.3 The background and the history of the concern, giving names, dates and places where possible, should be set out and the reason why the individual is particularly concerned about the situation. Those who do not feel able to put their concern in writing can telephone or meet the appropriate officer. The earlier the concern is expressed, the easier it is to take action. Individuals may invite their trade union or professional association to raise a matter on their behalf.
- 5.1.4 Do not try to carry out an investigation yourself. This may damage any investigation carried out by the Internal Audit section. Help the official investigators by providing information as and when requested and by giving a written statement when required.

5.2 Action By Managers

- 5.2.1 If managers become suspicious of any action by an employee or supplier or such suspicions are reported to them they should follow these simple rules.
- if possible establish if the irregularity (potential fraud, corruption or error) is a genuine error or possible fraud.
 - contact the Audit Manager or in her absence a member of the Internal Audit section.
 - do nothing else, except remain vigilant and await further instructions from the investigating team.

5.2.2 The Council is required to report any cases in which it is suspected that transactions involve the proceeds of crime. If staff or managers have any such suspicion, this should be reported immediately to the Director Transformation & Resources, who shall advise on the necessary action and ensure the matter is reported to the appropriate authorities.

5.2.3 Details of the relevant contacts can be found in Appendix 4.

6.0 What Happens To The Allegation

6.1 Internal Audit will normally carry out a full enquiry even where there is clear evidence of an offence following the Fraud Response Plan (Appendix 3). A full report will be copied and sent to:-

- the relevant Chief Officer, and
- the Chief Executive to consider if there needs to be any police involvement.

6.2 It is essential that the Internal Audit investigation be a complete one and the investigating officer to whom it is delegated is entitled to expect the fullest co-operation from all ~~Staff~~staff.

6.3 A full detailed report on any system control failures and recommended actions to address the failures will be issued to the relevant manager in the format of an internal audit report.

The Seven Principles of Public Life (Nolan Committee)

Selflessness

Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Statement of Expected Responsibilities

Stakeholder	Expected Responsibilities
Chief Executive	Ultimately accountable as Head of Paid Service for the effectiveness of the Council's arrangements for countering fraud and corruption as well as corporate governance.
Head of Finance & Procurement (Section 151 Officer)	The Head of Finance & Procurement has a statutory duty, under Section 151 of the Local Government Act 1972, Sections 114 and 116 of the Local Government Finance Act 1988 and Accounts and Audit Regulations 2011 to ensure the proper administration of the Council's financial affairs.
Head of Legal, Property & Democratic Services (Monitoring Officer)	To advise Members and officers on ethical issues, standards and powers to ensure that the Council operates within the Law and Statutory Codes of Practice. Maintain a Register of Disclosable Pecuniary Interests.
Director Transformation & Resources	The operation of the Council's Money Laundering Policy And Regulation of Investigatory Powers Act (RIPA) 2000 Policies and Procedures.
Head of Corporate Services	To put in place a corporate recruitment and selection policy and monitor compliance against it.
Heads of Service	To ensure that fraud and corruption risks are considered as part of the Council's corporate risk management arrangements. To ensure that actions to mitigate risks in this area are effective. To notify the Audit Manager of any fraud arising in a timely manner.

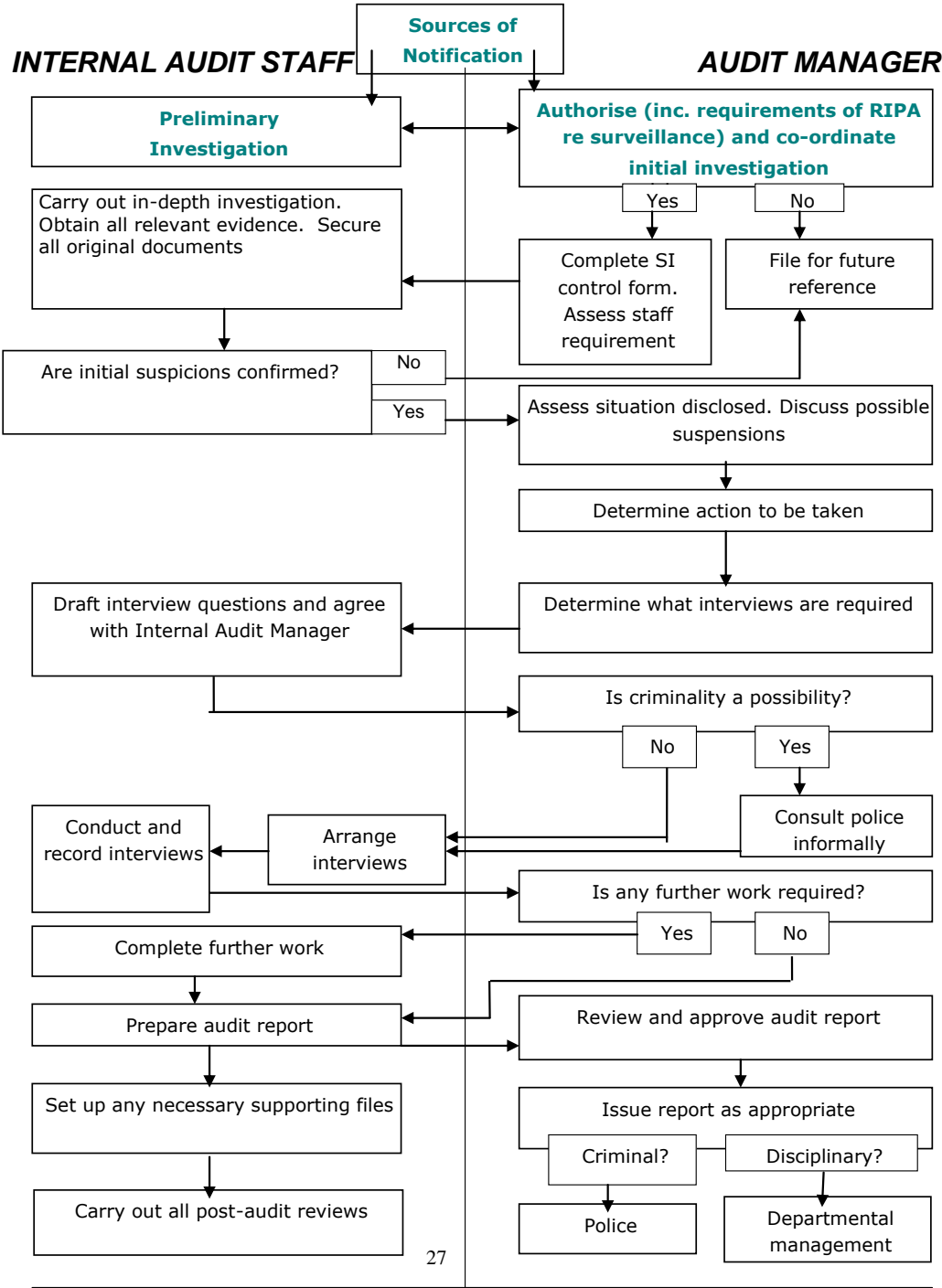
Leadership Team	Challenge new policies and strategies to ensure that fraud and corruption risks have been taken into account. Review the corporate framework designed to promote an over-riding counter-fraud culture on a regular basis. This will include monitoring and evaluating arrangements to ensure effectiveness and compliance with best practice.
Audit & Member Standards Committee	To monitor the Council's policies and consider the effectiveness of the arrangements for Counter Fraud and Whistleblowing.
Cabinet Member for Finance, Democracy	To champion the Council's Counter Fraud & Corruption arrangements and promote them at every opportunity.
Elected Members	To support and promote the development of a strong counter fraud culture.
External Audit	Statutory duty to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud, corruption and theft.
Internal Audit	Responsible for developing and implementing the Counter Fraud and Corruption Policy Statement, Strategy and Guidance Notes and investigating any issues reported under this policy. Reporting on the effectiveness of controls to the Audit & Member Standards Committee . To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this Strategy and that action is identified to improve controls and reduce the risk of recurrence.
Senior Managers	To promote employee awareness and ensure that all suspected or reported irregularities are immediately referred to the Audit Manager. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing robust internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to the Audit

	Manager.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns or suspicions. To ensure that effective controls are in place to mitigate risks to the Council.

Lichfield District Council

Fraud Response Plan

OPERATIONAL CONTROL



**HOW TO REPORT ANY SUSPECTED FRAUDS, CORRUPTION, OTHER
IRREGULARITIES OR CONCERNS**

To contact Internal Audit Services

- Contact can be made with Lichfield Internal Audit Section in a number of ways. These are:

For all general issues:

- Call [the](#) Audit Manager on 01543 308030
- Email [the](#) Audit [Manager](#) [externally via angela.struthers@lichfield.gov.uk](mailto:angela.struthers@lichfield.gov.uk)
- Telephone the confidential reporting hotline on 01543 308111
- Write to Lichfield Internal Audit, District Council House, Frog Lane, Lichfield, WS13 6ZB.
- Use the Council's Internet 'Report It' function.

- If in doubt, then [Public Concern at Work](#) will give free and totally independent advice on how to proceed. More information can be found in the [Whistle-Bblowing Policy](#).

To contact the Council's external auditor

Write to:

Grant Thornton UK LLP
[The](#) Colmore [Plaza](#) [Building](#)
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Tel: 0121 212 4000

**National Audit Office – Comptroller and Auditor General Whistleblowing
hotline: 020 7798 7999**

For Housing Benefit Fraud contact:

- Telephone the national benefit fraud hotline on 0800 854 440 or
- Text phone number 0800 320 0512 or
- Write to NBFH, PO Box No. 224, Preston, PR1 1GP

LICHFIELD DISTRICT COUNCIL INTERNAL AUDIT COUNTER FRAUD PLAN 2019/20

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CREATING AN ANTI-FRAUD CULTURE

<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<p><u>To build an anti-fraud culture through the adoption of various measures to promote counter fraud awareness by:</u></p> <p><u>Continued use of e-learning of fraud awareness</u></p> <p><u>Provide drop in sessions (if required) to staff and members.</u></p> <p><u>Continue to make available counter fraud strategies/policies on the intranet</u></p>	<p><u>Failure to make staff, members and the public that their suspicions will be treated confidentially, objectively and professionally.</u></p>	<p><u>On-going</u></p>
<p><u>To complete an annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.</u></p>	<p><u>Failure to make available enough resources for counter fraud work</u></p>	<p><u>Annually</u></p>

DETERRING FRAUD

<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>Review communications so that the most effective ways of communication with staff are utilised</u>	<u>A lack of robust strategic approach to deterring fraud can undermine actions to build an anti-fraud culture.</u>	<u>Evaluation of anti-fraud campaign</u>
<u>Deter fraud attempts by publishing the organisations counter fraud and corruption stance and the actions it takes against fraudsters.</u>	<u>A lack of understanding as to the stance the authority takes against fraud.</u>	<u>Publish strategy on the intranet</u>

<u>PREVENTING FRAUD</u>		
<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>Review the existing Counter Fraud Policy Statement, Strategy & Guidance Notes and update and amend as appropriate.</u>	<u>Out of date policies and procedures which do not cover relevant legislation</u>	<u>Annual review</u>
<u>Review and update the fraud risk register in line with potential system weaknesses identified during audits or investigations.</u>	<u>Potential risks not identified</u>	<u>Completed quarterly</u>
<u>Implement effective Whistleblowing arrangements</u>	<u>Out of date policies and procedures which do not cover relevant legislation.</u>	<u>Annual review</u>

<u>DETECTING FRAUD</u>		
<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>Undertake enquiries as a result of the outcome of the National Fraud Initiative</u>	<u>If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught maybe deemed negligible by the perpetrator.</u>	<u>On-going</u>
<u>Undertake local proactive exercises through data & intelligence analysis at the Authority in line with the audit plan</u>	<u>If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught maybe deemed negligible by the perpetrator.</u>	<u>As required</u>
<u>Review and evaluated the potential for the use of computer aided and other innovative techniques for the detection of fraud.</u>	<u>If not undertaken, there is a risk that fraud could go undetected</u>	<u>As required</u>

INVESTIGATIONS

<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>All referrals will be investigated in accordance with the Counter Fraud and Corruption Policy Statement & Strategy.</u>	<u>The risk of not investigating is that fraud goes unpunished and there is no resulting deterrent effect thus increasing the prevalence of fraud further</u>	<u>On-going</u>

SANCTIONS

<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>Ensure that the sanctions are applied correctly and consistently (including internal disciplinary, regulatory & criminal).</u>	<u>If sanctions are not imposed there is no deterrence of fraud.</u>	<u>On-going</u>

REDRESS

<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>Maintain comprehensive records of time spent on each investigation so that this can be included in any compensation claim.</u> <u>Identify and maintain a record of the actual proven amount of loss so that appropriate recovery procedures can be actioned.</u>	<u>Fraudsters may not realise that any and all measures will be taken to recover any money lost to fraud.</u>	<u>On-going</u>

<u>MANDATORY COUNTER FRAUD ARRANGEMENTS (STRATEGIC WORK)</u>		
<u>OBJECTIVE</u>	<u>RISK</u>	<u>PROGRESS</u>
<u>Attendance at relevant fraud forums/meetings to ensure that professional knowledge and skills are maintained.</u>	<u>Failure to ensure the completion of mandatory strategic work may mean that the professional knowledge and skills are not maintained to a high standard.</u>	<u>On-going</u>
<u>Completion and agreement of work plan</u>		<u>On-going</u>
<u>Regular meetings with the Head of Finance & Procurement</u>		<u>On-going</u>
<u>Quarterly report of counter fraud work</u>		<u>On-going</u>
<u>Attendance at relevant training as required.</u>		<u>On-going</u>



Confidential Reporting (Whistleblowing) Policy

June 2019⁷

This information can be produced on request in other formats and languages

LICHFIELD DISTRICT COUNCIL

CONFIDENTIAL REPORTING (WHISTLEBLOWING) POLICY

1. Policy Statement

- 1.1 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it expects employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
- 1.3 This policy document makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage. *This Whistleblowing Policy is intended to encourage and enable anyone to raise concerns in the public interest, within the Council rather than overlooking a problem or 'blowing the whistle' outside.*

2 Introduction

- 2.1 The Public Interest Disclosure Act 1998 became law in July, 1999. This Act, introduced the protection of whistleblowers and removes the limits of financial liability to which an organisation is exposed should a whistleblower receive unfair treatment. This policy document sets out the Council's response to the requirements of the Act.
- 2.2 Under the Enterprise and Regulatory Reform Act 2013, any disclosure made using the Whistleblowing Policy, within reasonable belief of the worker making the disclosure will only be protected if it is made in the public interest. It must also show one or more of the following:
- (a) that a criminal offence has been committed, is being committed or is likely to be committed,
 - (b) that a person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject,
 - (c) that a miscarriage of justice has occurred, is occurring or is likely to occur,
 - (d) that the health or safety of any individual has been, is being or is likely to be endangered,
 - (e) that the environment has been, is being or is likely to be damaged, or

(f) that information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be deliberately concealed.

2.3 This policy is designed for workers. Workers include:

- employees;
- agency workers;
- people that are training with an employer but not employed; and
- self-employed workers, if supervised or working off-site.

2.4 Local Government employees have an individual and collective responsibility regarding their conduct and practices, which are always subject to scrutiny. As individuals, employees are required to work within the Code of Conduct for Lichfield District Council Employees and the relevant codes of conduct including the standards appropriate to their professional organisations or associations. The Council's regulatory framework also includes Financial Procedure Rules and Contract Procedure Rules that must be met.

2.5 All employees have a duty to bring to the attention of management any deficiency in the provision of service and any impropriety or breach of procedure, in accordance with Financial Procedure Rules."

2.6 These procedures are in addition to the Council's complaints procedures including the Grievance [Policy &](#) Procedure and Prevention of Bullying and Harassment at work policy and other statutory reporting procedures applying to some Services.

3 Aims and Scope of this Policy

3.1 This policy aims to:

- encourage you to feel confident in raising concerns that are in the public interest
- provide avenues for you to raise those concerns and receive feedback on any action taken
- ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in the public interest.

3.2 There are existing procedures in place to enable you to disclose particular concerns. These are:

- The Authority's Grievance [Policy &](#) Procedure which enables you to lodge a grievance relating to your own employment;

- The Authority's Counter Fraud and Corruption Policy Statement, Strategy & Guidance Notes, which outlines how you can disclose potential fraud, bribery, corruption and theft;
- The Authority's Prevention of Bullying and Harassment at Work Policy [& Procedure](#), which enables you to disclose cases of potential harassment and bullying;
- The Authority's Safeguarding Children & [Vulnerable Adults at Risk of Abuse & Neglect](#) [Protection](#) Policy (which has its own Whistleblowing Procedures in place), for disclosures regarding suspected mistreatment of children and vulnerable adults.

3.3 This policy does **not** replace the corporate complaints procedure or other existing policies for raising issues regarding your employment.

4 Safeguards

4.1 The Council is committed to good practice and high standards and shall be supportive of employees.

4.2 The Council recognises that the decision to report a concern can be a difficult one to make. If what you are saying is within reasonable belief, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.

4.3 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in the public interest.

5 Confidentiality

5.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness, but this will be discussed with you, as to whether and how the matter can be proceeded with.

6 Anonymous Allegations

6.1 This policy encourages you to put your name to your allegation whenever possible.

6.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.

6.3 In exercising this discretion the factors to be taken into account would include:

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

7 Untrue Allegations

- 7.1 If you make an allegation in the public interest, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

8 How to Raise a Concern

- 8.1 You should raise your concern with the Audit Manager, or in her absence, a member of the Internal Audit Team. Where staff feel unable to raise concerns with the Audit Manager, they can raise their concern with their line manager, who must immediately inform the Audit Manager. Under no circumstances should any investigation be undertaken by management.
- 8.2 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 8.3 If the concern raised relates to fraud or corruption, then the matter will be reviewed and investigated by Internal Audit. If however, the concern relates to a management issue, then the matter will be recorded and forwarded onto the appropriate officer to deal with it.
- 8.4 Concerns are best raised in writing. You are invited to set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation. If you do not feel able to put your particular concern in writing, you can telephone or meet the appropriate officer. The Officer notified of an individual's concern must record those concerns taking a statement where they feel it appropriate.
- 8.5 In addition, a confidential reporting hotline (01543 308111) has been set up for staff and members of the public to report any concerns. Anyone using this facility should provide as much information as possible to ensure the concern can be properly investigated, including leaving your name and contact number, if possible.
- 8.6 The earlier you express the concern, the easier it is to take action, and although you will not be expected to prove the truth of the allegation, you will need to be able to demonstrate to the person contacted that there are sufficient grounds for your concern.
- 8.7 You may invite your trade union or professional association representative or a member of staff to be present during any meetings or interviews in connection with the concerns you have raised.

8.8 Advice and guidance on how matters of concern may be pursued can be obtained from the: -

**Head of Corporate Services Tel: 308100,
Audit Manager Tel: 308030**

8.9 There can be no guarantee that a disciplinary issue will ~~not~~ be the consequence and disclosures may lead to criminal investigations.

9 External contacts

9.1 While it is hoped that this policy gives you the reassurance you need to raise such matters internally, it is recognised that there may be circumstances where you can properly report matters to outside bodies, such as prescribed regulators, some of which are outlined below, or the police, or if applicable your own union, who will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.

9.2 Examples of relevant Prescribed Regulators are as follows:

Proper conduct of public business, value for money fraud and corruption relating to the provision of public services	Comptroller and Auditor General
Serious and complex fraud	Director of the Serious Fraud Office
Environmental issues	Environment Agency
Accounting, auditing and actuarial issues	Financial Reporting Council Limited
Health & safety issues	Health & Safety Executive
Social housing	Homes & Communities Agency
Data Protection & Freedom of Information	Information Commissioner
Corruption & Bribery	National Crime Agency
Child Welfare & Protection	Children's Commissioner NSPCC

The full list of prescribed regulators can be found in The Public Interest Disclosure (Prescribed Persons) Order 2014.

9.3 Public Concern at Work, 0207 404 6609, www.helpline@pcaw.co.uk, are a registered charity set up to give free independent advice to employees who contact them with concerns. They have qualified legal staff.

10 How the Council Will Respond

10.1 The Council will always respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

10.2 Where appropriate, the matters raised may:

- be investigated internally (the Disciplinary Procedure may be used);
- be referred to the police;
- be referred to the external auditor; or
- form the subject of an independent inquiry.

10.3 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.

10.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

10.5 Within ten working days of a concern being raised, the **Head of Legal, Property & Democratic Services** will write to you:

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- acknowledging that the concern has been received;
- indicating how the Council propose to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- telling you whether any initial enquiries have been made;
- supplying you with information on how the Council will support you if you think this is necessary, whilst the matter is under consideration; and
- telling you whether further investigations will take place and if not, why not.

10.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matter raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

10.7 Where any meeting is arranged, you have the right, if you so wish, to be accompanied by a Union or professional association representative or a friend who is not involved in the area of work to which the concern relates.

10.8 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcome of any investigation.

11 The Responsible Officer

11.1 The Chief Executive has overall responsibility for the maintenance and operation of this policy. Internal Audit will maintain a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.

12 How the Matter can be Taken Further

12.1 If you feel that the Council has not responded correctly at any stage, remember you can go to the other levels and bodies mentioned earlier. While it cannot be guaranteed that all matters will be addressed in the way that you might wish, it will always be the Council's intention to handle the matter fairly and properly. By using this policy, you will help achieve this.

12.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential or privileged information. Check with the contact point about that.

AMENDMENTS TO THE CONTRACT PROCEDURE RULES

Report of Angela Lax, Cabinet Member for Legal & Regulatory Services

Date: 24 July 2019

Agenda Item: 12

Contact Officer: Christie Tims – Head of Corporate Services and Interim
Monitoring Officer

Tel number: 01543 308100

Email: Christie.tims@lichfielddc.gov.uk

Key Decision? NO

Local Ward Members N/A



**Audit and Member
Standards Committee**

1. Executive Summary

- 1.1 In Spring 2019 the Council appointed Wolverhampton City Council Procurement team to provide procurement support and advice to increase efficiency and value for money across the Council.
- 1.2 As a result of this support and an internal assessment of procurement procedures a review of part 4 section 7 of the Constitution – Contract Procedure Rules has been undertaken and the changes recommended to these procedures are detailed in **Appendix A**.

2. Recommendations

- 2.1 To approve and recommend to full Council the adoption of the updated Contract Procedure Rules as part 4 section 7 of Lichfield District Council's Constitution.

3. Background

- 3.1 The Constitution consists of 7 parts: Summary and Explanation, Articles, Responsibility for Functions, Rules of Procedure, Codes and Protocols, Councillors Remuneration Scheme and Governance Structure.
- 3.2 Part 4 of the Constitution details Rules of Procedure and Section 7 details the Council's Contract Procedure Rules.

Amendments are summarised as:-

- Recognising the provision of advice offered by Wolverhampton City Council Procurement Service (referred to as the 'Procurement Service');
 - Clarifying the publication requirements for contracts (and the values that this will apply to);
 - Allowing the use of procurement cards for low value transactions (below £1,000);
 - Streamlining the process for moderate and intermediate spend (£1,000 to £75,000);
 - Clarify the use of frameworks in all cases.
- 3.3 These changes are to ensure the clarification and efficiency of procedure rules and supporting the Council's ambition to be more commercial and Fit for the Future.

Alternative Options	Not to update the Constitution in line with recommendations from the Procurement Service. To not do so could lead to inefficiency and confusion.
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Consultation	All changes to CPRs must be agreed by the Audit and Members Standards Committee and ratified at full Council as necessary to keep in line with prevailing legislation and the needs of the organisation.
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Financial Implications	None; there are no implications for the changes themselves.
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Contribution to the Delivery of the Strategic Plan	Proposals will assist with efficiency and value for money in using the most appropriate procurement routes thus the Council's ability to deliver the services required and Fit for the Future.
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Equality, Diversity and Human Rights Implications	None.
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Crime & Safety Issues	None.
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GDPR/Privacy Impact Assessment	Yes – all data collected and collated in the preparation and operation of the constitution has been impact assessed with the appropriate controls in place.
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Risk Description	How We Manage It	Severity of Risk (RYG)
Legal challenge as constitution is not up to date	Update Constitution	Green

Background documents Current Constitution
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Relevant web links https://democracy.lichfielddc.gov.uk/ieListDocuments.aspx?CId=190&MId=304&Ver=4&info=1

Appendix A

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SECTION 7
CONTRACT PROCEDURE RULES

Summary of the main controls and procedures shown in these Contract Procedure Rules (“CPRs”)

THESE CONTRACT PROCEDURE RULES MUST BE READ IN ACCORDANCE WITH THE COUNCIL’S CURRENT PROCUREMENT PLAN

- **Do the rules apply?** Check the guidance on the Council’s Intranet and in the event of any doubt you can contact the [Procurement Service Monitoring Officer](#) about whether these CPRs apply to a specific contract. [If there is any doubt then the Monitoring Officer should be contacted as they are responsible for making the final decision in ensuring the proposed route is in line with the constitution and law.](#)
- **Responsibility** - Individual Heads of Service will be responsible for governing the procurement process, **deciding whether we should buy anything** and if so ensuring that there is budget for the proposed purchase. **If the rules are breached it is potentially a matter for disciplinary action.** (see Rule C11).
- **Joint Procurement** – Heads of Service must look at options for joint procurement and use of Framework agreements. (See Rule C11 and Section F).
- **Compliance with other policies including equality, health and safety.** When buying anything for us, you have to consider the importance and effect of our other policies, for example, the relevant Health and Safety Policy and the Council’s Equality Statement. (See Rules B3 and D3).
- **Conflicts** - If you are involved in the procurement process or manage any contracts, you must declare any possible conflict of interest to your manager and the Monitoring Officer. ~~The golden rule is, if in doubt~~ [then it should be declared.](#) (See Rules C2 - C4).
- **Contract Value** - The contract value does not just mean its yearly value but all payments over the length of the contract (including any extensions – even if those extensions are never activated) – special rules apply if there is no set length for the contract (see Rules C7-8 and H1-3).
- **Record Retention** - You must keep all tender-related documents in line with our policies on keeping documents and to satisfy audit requirements. You must also place [all contracts over £5,000](#) ~~the contract~~ on the Contract Register (see Rule N1-N3).
- **Publicising the Contract** – All invitations to tender for contracts at and over £25,000 must be placed on the ~~Tenders and Contracts part of the website, and the~~ Government’s Contract Finder website and all awarded contracts over £5,000 must be entered on to the Council’s contract register ~~and those awards at and over £25,000 must also be entered on the Contract Finder Website.~~ (See Rules N4, F10 and F13).
- **Delegations** - Staff involved in the procurement process must act in line with the Scheme of Delegation. Heads of Service and Members of Leadership Team have authority to sign contracts up to £75,000. Contracts of £75,000 and above must have the authority of a Member of Leadership team and a member of Cabinet (see rule F10).
- **Follow the process carefully** - You must follow the correct tendering process – this will depend on the value of the contract and the extent to which a framework agreement is

already in place.

- **Higher Value Contracts** - For all contracts over £75,000, you must consult the [Procurement Service Monitoring Officer](#) before buying what is needed (See Rule F9 - 10).
- **Electronic Procurement** - Electronic procurement (including e-tendering) is a developing area and one the Council is keen to encourage. However it is important that you discuss this with the [Procurement Service Monitoring Officer](#) to ensure compliance with the Council's rules. (See Rules F16 and 17).
- **Tender Evaluation** - When you evaluate a tender using MEAT (most economically advantageous tender), you must use the tender evaluation methodology referred to in these CPRs (See Rules M1 and M2).
- **Financial Appraisal** - You cannot accept a tender or appoint a provider for a contract worth over £25,000 which meet certain criteria, unless you have carried out a financial check in line with the supplier financial appraisal strategy (see Rule F10 and Annex 2).
- **Waivers from the Rules – Only applicable to non EU procurement contracts** - In certain situations, we allow an exception to below EU threshold contracts under these CPRs as long as you fill in a waiver form and this is authorised (See Rule U1).
- **Monitoring the Contract** – Once the contract is awarded the work does not stop; the Head of Service must ensure that compliance with the contract including with any policies such as Health and Safety and Equality is monitored (See Section V).

Options available for the tendering process

<p>Low-value transactions</p>	<p>Up to £1,000</p>	<ul style="list-style-type: none"> • A framework agreement if there is one, unless best value can be achieved through other procurement routes <u>No obligation to obtain more than one quote.</u> • For transactions valued below £1,000 <u>For one-off transactions a corporate credit card should be used wherever possible, you can use a purchasing card.</u>
<p><u>Moderate-value transactions</u></p>	<p><u>Over £1,000 and up to £25,000</u></p>	<ul style="list-style-type: none"> • <u>A framework agreement if it exists and if it meets the requirements of the service.</u> • <u>A minimum of two written quotations invited</u> • <u>If no framework option – decide whether a bespoke contract is needed or whether the Council’s standard terms and conditions will suffice.</u> • <u>Contracts above £5,000 must be added to the Contract Register</u>
<p>Intermediate-value transactions</p>	<p>Over £25,000 and up to £75,000</p>	<ul style="list-style-type: none"> • <u>A framework agreement if it exists and if it meets the requirements of the service.</u> there is one, unless best value can be achieved through other procurement routes • <u>Publicised on the Government’s Contract Finder.</u> • <u>A minimum of tthree written quotations invited</u> • <u>If no framework option – decide whether a bespoke contract is needed or whether the Council’s standard terms and conditions will suffice.</u> • <u>Contracts must be added to the Contract Register</u>

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High-value transactions	Over £75,000 and up to EU transactions limit	<ul style="list-style-type: none"> • <u>A framework agreement if it exists and if it meets the requirements of the service, there is one, unless best value can be achieved through other procurement routes and is agreed by the Monitoring Officer</u> • <u>Publicised on the Government's Contract Finder.</u> <u>Placed on the Tenders and Contracts part of the Website and the Government's Contracts Finder Website</u> <p><u>A minimum of three written tenders invited</u></p> <ul style="list-style-type: none"> • <u>If no framework option – decide whether a bespoke contract is needed or whether the Council's standard terms and conditions will suffice</u> • <u>Contracts must be added to the Contract Register</u>
EU transactions	Goods and Services over £181,302 Works over £4,551,413	<ul style="list-style-type: none"> • <u>Special rules apply – see guidance from the Monitoring Officer Procurement Service.</u>

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- 2 SUPPLIER FINANCIAL APPRAISAL STRATEGY
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- 4 GLOSSARY OF TERMS
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A Introduction

- A1 These CPRs are part of our Constitution and are our procedural regulations for buying items for us. They do not apply to buying items or services from within the Council. In addition the Council's procurement plan and any relevant financial regulations must also be met.
- A2 We explain the difference between goods, work and services in the glossary of terms at the end of these CPRs.
- A3 The CPRs apply to any contract that results in us making a payment and contracts where a service is being provided for us which results in some income being generated for us.
- A4 The CPRs also apply if we are acting as the lead organisation in partnership or other joint arrangement or if we appoint a subcontractor in connection with any contract.
- A5 The CPRs do not cover grants which we may receive or make (unless the grant is part of a contract for services).

KEY DIFFERENCES BETWEEN GRANTS & CONTRACTS

1) Contracts – the essential elements of a contract are that there is a mutual bargain with consideration paid. A contract contains reciprocal obligations and the payment may be subject to VAT, depending on the service being supplied. Generally all contracts are subject to EU Procurement Rules to some degree whereas a grant is not.

2) Grants - the grant funder is subsidising a service it considers necessary, but which the grant recipient does not otherwise have the resources to deliver on a self-sustaining basis.

The essential elements of a grant are that the funds must be freely given and the donor receives nothing in return. Unless the grant agreement is a Deed, there is no obligation to pay and a grant is also outside the scope of VAT.

3) The “grey area” between Grants and Contracts - restricted grants and contracts for services can sometimes operate in a similar way.

For example, a local authority could give a grant to a childcare organisation to enable it to provide a certain number of subsidised places. Alternatively, the local authority could contract with the childcare organisation to purchase a certain number of childcare places on behalf of service users. To avoid any doubt it is important to make it clear whether the arrangement is a grant or a contract and that the drafting does not include any ambiguous language.

4) Appropriate Agreement - once it has been decided whether the payment is a grant or for contracted services, careful drafting of the Agreement is important.

For example, invoices are raised under a contract, but a grant is usually 'claimed' or 'drawn down'. "Clawback" provisions are used in the drafting of a Grant Agreement to enable funders to reclaim funding if the terms of a grant are not complied with.

With a contract, there should be no mention of clawback as the funder's remedy for any breach is to sue for damages. If in any doubt seek the guidance of the Corporate Director Governance who will provide you with an appropriate Agreement for your intended use.

A6 The CPRs do not apply to:

- contracts of employment;
- contracts relating to interest in land (also known as property);
- contracts placed by the Chief Finance Officer for treasury management purposes "or in the course of Treasury management activities"
- contracts relating to selling or otherwise disposing of our assets.
- Instructions to Counsel ~~by the Head of Legal, Property and Democratic Services.~~

A7 If you are in any doubt about whether the CPRs apply, you must always check with the guidance issued by the [Procurement Service Monitoring Officer](#).

A8 Our 'best value duty' is very important. It means that we must always consider how each procurement meets our duty to secure continuous improvement in what we do after taking account of economy, efficiency, effectiveness and outcomes. **As a result, we need to question whether we should be buying anything at all and, if we do, whether we can buy it best ourselves or jointly, or if we should rely on someone else to get better value.**

A9 Government and EU public procurement regulations require that we must allow, and be seen to be allowing, freedom of opportunity to trade and to be open and clear about how we do things.

A10 If we fail in this duty, a provider could make a complaint against us which could result in them claiming damages and even suspension of the contract.

A11 The most important principles are being clear, open and providing fair competition. Whenever we are buying goods and services for the council, we must always act to promote competition and to achieve value for money. However we must also ensure that we try and be innovative in the ways in which we procure services. This is critical for us to achieve our ambition. If you think that any part of the rules are stifling this then you should contact the [Procurement Service Monitoring Officer](#) so that [they/he/she can](#) consider a suitable amendment to the rules [and raise this with the Monitoring Officer](#).

A12 The CPRS have three main aims. These are to:

- keep to the obligations that govern spending public money, such as the EU procurement directives (reflected in the Public Contracts Regulations 2015);
- get best value in the way we spend money, so that we may in turn offer better and more cost-effective services to the public; and
- protect people who follow the CPRs.

A13 The CPRs:

- are written in plain English; and
- help decisions to be made by the right people at the right level in the council.

A14 With regard to below EU threshold contracts these CPRs may be suspended if the Chief Executive decides that it is appropriate to do so, see heading U6, for details.

A15 The rules are **automatically complied with** if we are entering into a framework agreement negotiated by another public organisation or you are buying something jointly with one or more public organisations and you are following their procurement processes or any of the other situations covered in U7;

A16 These CPRs apply to all contracts for goods, or for work, services or utilities for us or which we provide (other than those stated above) or you have a valid waiver under the section headed 'Exceptions from the CPRs'.

A17 **These rules must be followed and breach of them is potentially a matter for disciplinary action.**

B Context

B1 The European Union sets down (through a treaty) what obligations are placed on us when we are buying. The main principle is to make sure that everyone in the marketplace who could provide the goods, work or services to us has the

opportunity to do so.

- B2 We all now need to think about the way we arrange this, for example, e-auctions, e-tendering, or setting up a framework or placing a supply contract. More and more, councils are working collaboratively through joint procurements (in other words, buying the goods and services you need with another service area or another council or councils and sometimes other public organisations).
- B3 When you are buying anything for us, you **must** consider the importance and effect of our other policies on what you are buying. For example, this could include the Strategic Plan, the Corporate Equality Statement, the Council's Health and Safety Policies, the Council's Safeguarding Children and Vulnerable Adults Policy and economic aspirations.
- B4 If you are buying larger or expensive goods, work or services, remember that the Public Contracts Regulations 2015 for higher value orders and contracts are stricter than for those of lower value. This is so that the benefits of a more thorough, complicated process are not outweighed by the price compared to the value of the Goods, [Services or Works](#) or ~~Services~~ in question.
- B5 At the highest end of the value scale, we **must** follow full EU public procurement directives, which say that we must keep to certain other procedures. In these cases, you **must** consult the [Procurement Service Monitoring Officer](#).

C Before we start

Making sure we keep to law and policies

- C1 When making or proposing a contract on our behalf, the Head of Service will:
- keep to all relevant legal requirements including EU procurement regulations, relevant health and safety, environmental and equalities and discrimination law;
 - comply with these CPRs; and
 - keep to our financial regulations.

Honesty and conflicts of interest

- C2 Every officer who takes any decision or has any influence about a contract must keep to our local code of conduct for employees.
- C3 Every officer who has a financial interest in a contract must contact the Monitoring Officer who will make a record in a book we will keep for the purpose, under Section 117 of the Local Government Act 1972.
- C4 You **must** tell the Monitoring Officer if you are dealing with a contract for the council and have been offered a gift or hospitality. You can get more advice and guidance on the Council's Intranet in relation to Gifts and hospitality.

The competitive process

- C5 EU directives, UK law and Government policy says that we **must** always make sure that we are offering the opportunity to provide goods, work or services to the whole market to make sure there is fair competition.
- C6 If your contract is a high you **must** follow the section on high-value procurements.
- C7 The value of a contract means the estimated total value over the length of time it will apply, including any extension options (**not the yearly value**), before VAT.
- If the contract is for buying a single item, which is not related to buying other items, the contract is worth the price, or estimated price, referred to in that contract.
 - If the contract is for buying a related group of items, the contract is worth the total price, or estimated total price, of the group.
- C8 If there is no set length of time for the contract, **this is the estimated value of the contract over a period of four years**. You should not split contracts to avoid the values, either by item or length.

Who can buy goods and services?

- C9 Heads of Service should make sure that any buying is carried out by an authorised person who can prove they have the skills and knowledge appropriate for buying the goods, work and services. These people should already have authority under our scheme of delegation for procurement. If not, they need to be granted authority from the relevant person or organisation.
- C10 Each Head of Service **must** make sure that we do not go over the limits in the scheme of delegation.
- C11 Before starting a procurement process, you need to make sure that you have carefully identified the need and fully assessed the options for meeting it.
- Before you start, you **must** consider the following.
- **Do we need to spend the money?** Is there a clear business need, supported by appropriate evidence and a budget in place?
 - **What is important to the council in this procurement?** Do you just need the goods, work or services? Or are there other things you want to bring about (for example, improved environmental performance, new jobs) or added

social value. It is important that we consider whether we can obtain social value through the contract that is improving the social, environmental or economic wellbeing of our area (by virtue of the Public Services (Social Value) Act 2012. This allows commissioners to achieve broader aims but you **must** consider the guidance issued by the [Monitoring Officer/Procurement Service](#).

- **Can you buy what you need with another council or public authority?** If you think you could save us money or achieve other advantages if you bought what you need with someone else, consider whether there is an existing framework arrangement or contract you can use. This framework or contract could be one already set up by another council or joint-purchasing organisation or run centrally by the Government (such as the Government Procurement Service).
- **Can we use a purchasing consortium?** Is there some kind of recognised purchasing group in place (often referred to as a buying consortium) where members can use the purchasing arrangements to buy goods or services? If there is a group in place, you do not have to keep to these regulations. However, you can only buy the goods or services that are covered by the group arrangements. If the goods or services are outside the scope of the group arrangements, you must use some other method of procurement in line with these regulations.

Employment issues and TUPE (Transfer of Undertaking Protection of Employment Regulations)

- C12 Entering into new contractual arrangements or changing existing contractual arrangements can give rise to TUPE implications. It is not always obvious that there are TUPE implications (for example, when a contract with another supplier comes to an end and is to be put out to tender again). So, **if in any doubt**, you **must get the** advice of HR to make sure that any relevant TUPE arrangements are in place.
- C13 Where it has been decided that goods, work or services should be bought from an external source, you **must** consider the effects this may have on the existing in-house team and the possibility of staff transferring to the new provider under TUPE.
- C14 These contracts **must** contain conditions to make sure appropriate workforce (and other) information will be made available in enough time when that contract is due to end to make sure that we can fulfil TUPE obligations.
- C15 TUPE situations will almost always give rise to pensions issues. You can get advice on this from the County Council's Pensions Section – this will be arranged by HR. You will need an actuarial statement on pension information for any proposed TUPE transfers. It is the responsibility of the person managing the tender process to get this. Sometimes, we may need a pension admissions

agreement.

C16 You can get more information on TUPE from www.acas.org.uk.

The main contracts

C17 For high value contracts a Director must get further relevant approval from the relevant Cabinet Member before a contract is to be awarded.

C18 The Director **must** consider if members should be involved in decisions during the tender process on High Value Contracts, for example by deciding on the conditions for awarding the contract.

Other

C19 A Director or Head of Service will not, without approval from the Chief Finance Officer enter into a contract for supplying goods or services under any operating lease, hire, rental or any other credit arrangements.

C20 Heads of Service and Directors must make sure all contracts and related records are kept, so they can be inspected, for a period of 10 years. This includes decisions to suspend these regulations and using any delegated powers.

C21 The Monitoring Officer may make arrangements under these CPRs about keeping records for certain types of contracts.

C22 Any interim contractor or consultant who is responsible to us for preparing or supervising a contract on our behalf must do the following. They must:

- keep to these regulations as though they were a Director, though the procedure may be modified so that inviting, opening and accepting tenders can be approved beforehand by the Director concerned;
- if the Chief Finance Officer or any officer we have authorised asks, produce all the records they keep in relation to the contract; and
- at the end of a contract, send all records, documents and so on relating to the contract to the Director concerned.

D Defining the need

D1 At the least, you **must** clearly and carefully specify the goods, work or services to be supplied, the agreed programme for delivery and the terms for payment together with all other terms and conditions. You also need to make sure that you will have the funds in the budget to pay for them.

D2 This means you **must** decide before beginning the procurement process the size, scope, and specification of the goods, work or services needed. If you are buying

with someone else, you **must** decide this scope with your partners first.

- D3 You **must** keep to any other council policies which could apply to what you want to buy including the Council equality statement and the Council's Health and Safety Policy and Safeguarding Policy.
- D4 When identifying and defining the need, you should make sure you have involved a wider range of organisations relevant to the goods, work or services to be supplied. By knowing the market and encouraging a wider supply base, you have more chance to find the right providers and achieve the right services at the right price.

E Contract strategy

- E1 Once you have decided on the need, you **must** decide on your strategy for buying the goods, work or services. This means taking a step back from the traditional procurement process and assessing the purchasing options particularly when purchasing services.
- E2 You **must** consider options for delivering goods, work or services. The options for goods, works or services are:
- not buying the goods, having the work done or providing the services at all;
 - providing the goods, work or services ourselves (for example, by taking spare goods from another directorate or using their staff);
 - getting someone else to provide the ongoing goods, work or service (using the 'voluntary sector' or another local authority or public organisation); or
 - providing the goods, work or services with someone else (the private or 'third' sector or another local authority or public organisation).

F How we buy the goods and services we need

Framework agreements (including the Crown Commercial Services (CCS), ESPO, WMS)

- F1 You **must** use framework agreements for goods, work and services (including approved lists) for contracts over £5,000 if they exist and if they meet your requirements, no matter what the value, unless the relevant Director or the Chief Finance Officer confirms, in writing, that the particular needs justify another procurement route.

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- F2 Framework agreements are arrangements with providers for providing goods, work or services on agreed terms for a set period for estimated quantities against which orders may be placed if and when needed during the contract period. They offer benefits of pre-negotiated terms, bulk-buying, improved services and reduced administration costs over the period of the arrangement.
- F3 A framework agreement may also have the option for you to hold a mini-competition with all the capable providers on the framework when you come to buy for us. Care must be taken to follow the rules set out in the framework agreement.
- F4 You **must** investigate whether call-off contracts or frameworks are relevant in your own case. You could get better value for us by using an existing framework agreement (and if relevant the central government agreements). **You also need to check if legally you can use them.**
- F5 Countywide arrangements for routine goods and services and directorate-specific contracts, for example, maintaining premises (such as gas servicing) and terms of tenders for highways maintenance would fall into the definition of a framework.

Full tender procedures (over the EU thresholds)

- F7 If you are inviting tenders for contracts over EU procurement thresholds, you **must** decide on the procedure to follow before you advertise and it **must** be one of the following.
- **Open procedure** (Regulation 27) - all interested providers send us a tender in response to an advertisement.
 - **Restricted procedure** (Regulation 28) - expressions of interest from interested providers in response to an advertisement, with us inviting a selection of those providers to send us a tender.
 - **Competitive procedure with negotiation** (Regulation 29) – a procurement procedure under which contracting authorities may award a contract following evaluation of the bidders' initial tenders. However, they may also conduct the procedure in successive stages and carry out negotiations on the initial and any subsequent tenders. Only use this procedure if it is agreed by the Corporate Director Governance.
 - **Competitive Dialogue procedure** (Regulation 30) - where the purpose of the procurement is known but not the solution. Only use this procedure if it is agreed by the Corporate Director Governance.
 - **Innovation Partnership** (Regulation 31) – this new procedure is aimed at encouraging the development of innovative products, services or works,

which are not already available on the market. A problem for companies which want to provide such new approaches is the cost of investing in the development of innovative products or services, without any likelihood that these could be taken through to final production or delivery unless there were further procurement processes after an initial R&D services contract.

- F8 For all transactions valued above the EU threshold, and for all transactions over £75,000 (not including VAT), you must [contact the Procurement Service and follow the process and advice they provide](#). ~~get approval of the proposed tender process from the Monitoring Officer.~~

Full tender procedures for high-value transactions

- F9 For transactions valued at over £75,000 (not including VAT) but below the EU thresholds, you must carry out a formal tender process in line with the following principles.

- Openness
- Transparency
- Visibility
- Value for money
- In the best interests of the council
- Competition

- F10 It is a requirement of these CPRs that any contract at £75,000 or over ~~is advertised on the Council's Website in the Tenders and Contracts section, unless the Monitoring Officer agrees otherwise. In addition as a result of the changes in the Public Contracts Regulations 2015 the tender must also be advertised on the Government's Contracts Finder website to comply with the Public Contracts Regulations 2015. As stated below~~ High Value Contracts require approval from the relevant Cabinet member before they can formally be awarded. In addition a financial appraisal must be carried out if it is appropriate in accordance with the financial appraisal strategy at Annex 2. ~~Also seek....(add in existing)....~~

Intermediate-value transaction

- F11 For transactions valued over ~~£254,000~~ but at or below £75,000 (not including VAT), you **must** seek three written quotations before you issue a purchase order or contract, ~~specifying the goods, work or services~~. This must set out prices, our terms and conditions of contract and terms of payment, unless a framework already exists and this must show value for money. If there is a framework, you **must** follow the procedure as set out in the framework, ~~unless the relevant~~

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~~Director or the Monitoring Officer confirms, in writing, that the particular requirements justify using another procurement route.~~ Annex 3 should be referred to.

- F12 Your order must contain our standard terms and conditions of contract between us and the provider. A quotation and a purchase order will create a legally binding contract. ~~We use the purchase order to formalise the terms of the contract. The award of contracts over £25,000 must also be recorded on the Government's Contracts Finder website~~ and added to our contract register.

Moderate Value Transactions

~~F13~~ For transactions valued over £1,000 but below £25,000 you **must** seek a minimum of two written quotations before you issue a purchase order or contract. This must set out prices, our terms and conditions of contract and terms of payment, unless a framework already exists and this must show value for money. If there is a framework, you **must** follow the procedure as set out in the framework. Annex 3 should be referred to.

~~F14~~ Your purchase order **must** contain our standard terms and conditions of contract between us and the provider. A quotation and a purchase order will create a legally binding contract. We use the purchase order to formalise the terms of the contract. The award of contracts over £5,000 must be added to our contract register.

Low-value transactions

~~F1534~~ For transactions valued up to £14,000 (not including VAT), there is no obligation to obtain more than one quote before you can purchase the goods, services/goods or works. However you must issue a formal purchase order (unless using a corporate credit card) -specifying the goods, work or services and setting out prices and terms of payment. For one-off purchases, a corporate credit card or other electronic payment should be used wherever possible. ~~unless a framework already exists and this must show value for money. If there is a framework, you must follow the procedure set out in that framework, unless the Monitoring Officer confirms, in writing, that the particular requirements justify using another procurement route.~~

F164 Your purchase order **must** contain our standard terms and conditions of contract between us and the provider. A quotation and a purchase order will create a legally binding contract. We use the purchase order to formalise the terms of the contract.

Electronic procurement and emailed quotations

F175— You should always aim to use electronic procurement (or e-procurement) systems rather than paper systems. If you are going to use e-

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tendering provided by another organisation, this must be agreed by the [Procurement Service Monitoring Officer](#). Using e-tendering may disadvantage some smaller providers. You should make it clear that paper systems can still be used, so that we attract the widest range of providers.

F186 If you accept electronic quotations, these **must** be:

- sent to a specific email address;
- opened at a set time;
- opened in the presence of a duly authorised officer;
- logged under the price given; and
- kept on the relevant file.

G The EU directives

Extra requirements for transactions valued over EU limits

G1 Below are the contract values above which you must follow procedures governed by the EU directives.

For goods and services (including goods and consultancy services)	£181,302
For work	£4,551,413 (from January 2018)

These limits are changed in January every two years. You **must** check the latest limits before you go ahead.

H Adding contracts together

H1 You **must never** deliberately split down the value of contracts.

H2 Wherever possible, we should make our purchases in the form of a single large contract rather than a series of smaller contracts. However, there will be circumstances where using lots of (smaller) contracts, is appropriate.

H3 You **must** add together the value of the separate contracts of the same type over a short period so you can decide whether the value of the contract falls within the limits.

I Procedures governed by the EU directives

- 11 If your contract has a value over the current EU threshold for Goods, Services or Works, you **must** comply with the UK Public Contracts Regulations 2015. **EU treaty rules (reflected in the Public Contracts Regulations 2015) only apply in full to non-Schedule 3 services.**

Schedule 3 services are described in Annex 4 and where their contract value is above the current Schedule 3 'light touch regime' threshold of **£589,148** you must:

- Post in the OJEU a contract notice - or a Prior Information Notice - making known the intention to award a contract for any Schedule 3 service **above** the 'light touch regime' threshold (Annex 4) – thereby, by definition, inviting expressions of interest.
- Thereafter, by definition, hold some sort of (competitive) award process following this.
- Ensure that their award procedures are at least sufficient to ensure compliance with the principles of equal treatment and transparency.
- Run the process in conformity with the information in the call for competition (but may depart from it in certain circumstances which would not result in breach equal treatment and transparency).
- Allow reasonable and proportionate time and time-limits for the whole process.
- Publish a contract award notice (once awarded – these can be grouped for publication quarterly).

An OJEU call for competition (Contract Notice or PIN) can be dispensed with only where:

- The contract is below-threshold.
- The “negotiated procedure without notice” can be used – ie, where a procurer can legitimately approach one provider direct.
- There is some other reason why the EU rules don't require a competition (perhaps because what might otherwise have been a procurement is instead an in-house arrangement, or a public-to-public co-operation).

- 12 The Public Procurement Regulations 2015 contain conditions relating to providing notices and other documents electronically.

- 13 You **must** tender the contract under one of the procurement options listed at F1 above (for particularly complicated contracts). This Council would only consider the use of the Competitive Procedure with Negotiation in exceptional circumstances.

- 14 EU directives and the Public Procurement Regulations 2015 are very detailed and we can only give details of the main ones here. If in doubt, you should get the

guidelines and advice from a procurement advisor.

15 For each contract, unless we say differently below, you must publish a contract notice in the Supplement to the Official Journal of the European Union (OJEU). **Great care must be taken in filling out the information in the OJEU notice to make sure that the information is accurate.** Advertisements you publish as well as this **must not**:

- appear in any form before we have sent a contract notice to OJEU; and
- contain any information on top of that in the contract notice in OJEU.

16 You **must** always follow the minimum timescales relating to tender procedures governed by the EU directives. The timescales given for completing and returning tenders are only the minimum, so there is flexibility to extend timescales to encourage bids from smaller providers or consortiums. If procurement falls under Schedule 3 services or is under the EU procurement limits, there is no formal time limit. Similarly, when faced with short timescales within which to use the funds, you should still make sure the process used is fair, clear and accessible to all.

17 If you have sent a prior information notice (PIN) announcing a forthcoming contract notice to OJEU between 52 and 365 days before you have sent the contract notice, reduced timescales may apply.

18 You must also, now under the Public Services (Social Value) Act 2012 consider:

- How what is proposed to be procured could seek to improve the economic, social and environmental well-being of the area.
- How the Council may through the contracting process seek to secure improvement in the economic, social and environmental well-being in conducting the process of procurement.
- Whether any consultation with the local community is necessary to establish how the contract being procured may improve the economic, social and environmental well-being of the area.

J Tender documents

J1 Every above EU threshold invitation to tender using a Pre-Qualification Questionnaire (PQQ) should include:

- the nature and purpose and, if it applies, the proposed length of the contract;
- an outline of the goods, work or services to be supplied or carried out;

- a statement on our procedures for getting tenders;
- a requirement for the applicant to provide information about their technical, commercial and financial standing if we do not already have the information;
- a closing date for receiving applications;
- the evaluation criteria (with weightings) to include in any tender process (see regulation 13);
- an outline process and timetable;
- a statement that we do not have to accept the lowest or any tender; and
- a named Individual to deal with from the Council (or its agent).

J2 Unless we change it every **invitation to tender should** include:

- the nature, purpose, start date and period of the contract;
- the detailed specification and quantities of goods, work or services to be supplied or carried out;
- the times at, or within which, and the places at which the goods, work or services are to be supplied or performed;
- a copy of the conditions of contract which the successful contractors will have to keep to;
- information on TUPE;
- the evaluation criteria (with weightings) for awarding the contract
- a statement that we do not have to accept the lowest or any tender;
- the closing time and date, and address for receiving tenders;

NOTE: Pre-Qualification Questionnaires are no longer allowed in below EU threshold procurement

K Getting tenders

K1 The Head of Service must send to every person who wants to give us a tender any documents which the Council considers are necessary to fully inform their proposed

tender. This includes a returnable tender form or other document which tells each company wanting to tender to:

- include their offer price (or prices) for the goods, work, services or utilities;
- include their signature or seal;
- return the filled-in tender form to the Manager concerned at the address given by a certain date and time;
- where returning by post send the filled-in tender in an envelope with the word 'TENDER' addressed to the relevant Director at the Council followed by the subject the tender relates to and the closing date and time for receiving tenders;
- be told that, depending on procurement regulations relating to e-tendering arrangements, we will not consider tenders sent in only by fax or email.

L Receiving and opening tenders and PQQs (pre-qualification questionnaires)

L1 Every response to a PQQ or an invitation to tender should be delivered:

- no later than the time given for sending us the tender in the invitation to tender (and addressed to the relevant Director at the place shown in the invitation to tender (or e-mail address)); or
- on a read-only CD-ROM clearly labelled with the tenderer's name and contract reference, or via email (or provided in hard copy as a last resort);

There should be no other labelling or markings on the packet that identifies who is providing the tender.

L2 The Head of Service **must** keep the tenders secure until the time we have given for their opening. These are to be kept in the safe held by Land Charges. We will not open tenders before the closing date and time. Two officers **must** open all tenders at the same time. They **must** not be involved in the tender evaluation and award.

L3 We **must** list the opened tenders on a list of tenders. Tenders must be signed and dated by the people opening them. Pages with prices in them do not need to be signed, only the total price page.

L4 Email tenders **must** be stored in a specific address which is secure and which meets our audit requirements.

L5 We will not open a tender if it is received late and after we have opened other tenders for that contract.

L6 If the circumstances mean it is appropriate, the Director or the Monitoring Officer may postpone, for a reasonable period, the closing time and date for receiving tenders. This applies as long as we have let everyone know, in the same way, who we have asked for tenders from and that tenders have not been opened.

M Evaluating tenders and quotations

M1 If we have asked for written quotations for contracts valued at or below £75,000 (not including VAT), unless otherwise decided by the Director or Head of Service the contract shall be awarded based on identifying the most economically advantageous tender (MEAT).

M2 For contracts valued over £75,000 (not including VAT) and for all contracts governed by EU directives, the contract shall be awarded based on identifying the most economically advantageous tender (MEAT). However, there are some situations where using MEAT will not be an appropriate method of evaluation. This is usually if the only obvious difference between products or solutions will be that of price (for example, if you are buying stationery or other standard items). It is unlikely that you could choose providers for services or work on price alone as these will often need wider evaluation techniques. When deciding on how we evaluate tenders, we need to be careful that using a lowest-price method of evaluation rather than MEAT is appropriate for the procurement.

M3 This evaluation involves scoring tenders fairly by an officer or panel of officers or independent experts using criteria which **must**:

- be already set out in the invitation to tender documents in order of importance;
- be strictly kept to at all times throughout the tender process;
- reflect the principles of best value;
- include price;
- consider whole-life costing, particularly in the case of capital equipment where the full cost of maintenance and so on should be taken into account;
- be able to be assessed independently;
- be weighted according to importance;
- show wider social value if this has been included in the specification; and

- avoid discrimination on the basis of nationality, or other cause which goes against any of our policies.

M4 If you use this evaluation method, you must award the contract to the company which sends us the most economically advantageous tender. (In other words, the tender that achieves the highest score in the independent assessment.)

N Awarding contracts and audit trails

N1 You **must** record in writing the results of the tender-evaluation process and the decision to award a contract.

N2 You **must** only award a contract if you are authorised to do so. You **must** make sure that the appropriate budget holder has the funds in place before you make the award.

N3 Heads of Service and Directors should make sure that proper records of all procurement activity are kept in electronic or hard-copy format as appropriate. This is in line with our policy on keeping documents.

N4 All contracts awarded with a value over £54,000 must be recorded on the Council's contract register (via the Intranet) unless the Monitoring Officer agrees otherwise. This is critical to allow for the Council to carefully monitor its spend and to allow the public to view the way in which the Council spends its resources.

N5 We cannot accept any tender which breaks EU procurement regulations.

N6 We cannot accept any tender unless, where required, we have carried out a financial check in line with our supplier financial appraisal strategy (Annex 2).

O Standstill period (for EU tenders only)

O1 For all contracts tendered under EU directives, we **must** have a 'standstill period' between the decision to award and the actual award of the contract. The minimum standstill period is calculated depending on the means of communication used to transmit the standstill notice:

At least 10 calendar days, when the notice is communicated using electronic means (e.g fax, email); or

When using non-electronic means, there is a choice between either 15 days from date of sending or 10 days from date of receipt.

Once we have made the decision to award a contract, we must write to each company that provided a tender with the outcome of the tender process. This notice **must** include:

- details of the criteria for awarding the contract;
- if possible, the score or ranking the company achieved against those criteria;
- if possible, the score or ranking the winning company achieved; and
- the name of the winning company

Q2 There **must** be at least 10 calendar days between sending this notice and the end of the contract. Special rules apply if a company asks us for a debrief on the tender process. Even if a company asks for a debrief outside of the standstill period, we **must** still provide this. In this instance, you must get advice from the appointed procurement advisor as soon as possible. The appointed procurement advisor will be a person with legal or procurement qualifications.

P Contract award notice (EU contracts only)

P1 We **must** announce all contracts awarded under the EU directive using a contract award notice in OJEU which must be sent no later than 48 calendar days after the date we award the contract.

P2 Awards of all contracts for £25,000 and over must be recorded on the Government's Contract Finder Website.

Q Conditions of contract

Q1 There must be written evidence of every contract and all contracts must be in a form agreed with the Monitoring Officer.

Q2 All transactions **must** use an appropriate model form of contract approved by the Monitoring Officer (or a form decided by the Director after consulting the Monitoring Officer).

Q3 For all contracts for services estimated at a value over £75000 (not including VAT), if the model conditions of contract are not suitable, you **must** consult the Monitoring Officer to produce a suitable set of conditions of contract (with other advisors if necessary) before inviting tenders.

Q4 The Monitoring Officer **must**:

- keep a record or list of all model sets of conditions of contract that gives details of when the conditions were last updated, who is responsible for updating them, any changes and contact references;
- keep all current model conditions of contract under review;

- monitor and review conditions of contract issued by other organisations; and
make sure that information is sent to directorates and access is given to available framework agreements and contracts, local or joint framework agreements and call-off contracts.

R Insurance

R1 Insurance conditions will be contained in the conditions of contract. In terms of insurance, we will normally need the successful contractor to have the following types and minimum limits of cover. These figures can be varied by agreement of the Council’s Section 151 Officer (the Officer with responding for finance matters)

	Works Contracts	Goods and services Contracts
Public Liability	£25 million	£5 million
Employers Liability	£5 million	£5 million
Professional Indemnity	£2 million	£2 million

R2 The above limits relate to each claim. For public liability and employers’ liability, the cover must be in place throughout the period covered by the contract. For professional indemnity, the conditions are more complicated. Not only must the cover be in place throughout the period covered by the contract but also for another six years after the end of the contract (or 12 years if the contract is executed as a Deed). For certain types of services, for example, financial advice, the amount of professional indemnity insurance cover will need to be higher to protect us in case anyone gives inappropriate advice.

R3 When providing goods and services, the above limits may not be appropriate for small and medium enterprises (SMTs) and sole suppliers. In these instances, we can reduce these limits after carrying out a risk assessment and filling in the relevant sections of the waiver form (Annex 1) after consulting the Chief Finance Officer.

S Transferring contracts

S1 In appropriate circumstances we may agree to transfer a contract, by novation or assignment. You must ask for advice on how to transfer a contract from the Monitoring Officer, **before** any contract is transferred.

S2 The Monitoring Officer **must** take this decision and it must be notified to the Cabinet.

T Changing and extending contracts

- T1 Depending on any legal restrictions and the need to keep to these CPRs, a Director may authorise the following extensions and changes to an existing contract.
- An extension for a particular period under the terms and conditions of the contract (but depending on the satisfactory performance when monitoring the contract).
 - A single extension of the contract by up to half the contract term as long as this would not place the contract over the EU limit or break any law.
 - Any other change, and if relevant a resulting change in price, decided in line with the contract terms.
- T2 Any extension to the contract period cannot be longer than the original length of the original contract. Any extension or change to the contract must be notified to the Cabinet.
- T3 You **cannot** extend or change contracts arranged under the EU regulations without consulting the procurement service.

U Exceptions from the regulations

- U1 An exception to these CPRs means we give permission to agree a below EU threshold contract without keeping to one or more of these CPRs. We may grant an exception under conditions set out below. We cannot grant an exception if to do so would mean breaking any laws on public procurement or other relevant legislation.
- U2 **An exemption will automatically apply where we decide to use a framework agreement or to jointly contract with another public authority acting as the lead authority (see Rule A15).**
- U3 The Chief Executive may grant an exception to these CPRs as detailed below. If you want an exception (other than those automatically covered which are listed below at paragraph U7 or at A14), you must apply in writing using the request for waiver form (Annex 1 of these CPRs) and send it to the Monitoring Officer. Please include the exception you want and your reasons for it.
- U4 The Monitoring Officer will keep a register of all exceptions to these CPRs.
- U5 We will not agree an application for an exception unless you have a good reason. We do not consider a lack of time caused by poor forward planning as a good reason and so will not allow it.

Exceptions which involve the request for waiver form (Annex 1 of these regulations)

Note: the Council cannot give an exception for above EU threshold value contracts that are covered by the Public Contracts Regulations 2015.

General contracts

- U6 We may grant an exception in the following circumstances.
- If there is an unexpected emergency involving danger to life or health or serious damage to property, if the goods, work or services are needed more urgently than would be possible if we followed the tender or quotation procedure.
 - If, for technical reasons, the goods, work or services can be bought from only one provider and this can be justified.
 - If the proposed contract is an extension or change to the scope of an existing contract with a value (including the change or extension) that is below the relevant EU threshold. However, this does not apply if the existing contract provides for an extension.
 - If we can achieve value for money by buying used vehicles, equipment or materials.
 - To develop our aims to develop the economy, whilst complying with the Public Contracts Regulations 2015.
- U7 You will, as detailed in A14 and A15, not need separate authorisation in the following circumstances:
- If you place an order with a single provider under an existing corporate contract or framework agreement.
 - If you place an order through a buying consortium of which we are a member.
 - As part of a partnering contract that involves a series of contracts with one provider.
 - you are buying something jointly with one or more public organisations and you are following their procurement processes
 - If any law says we must contract differently from these standing orders.
 - If you place an order under an arrangement, of which we are a member that has gone through a competitive process which meets EU conditions, for example, Crown Commercial Services.

- For goods, work or services which must be provided by a public utility or a local authority other than us under their legal powers.

V Monitoring the Contract

V1 Once the contract has been awarded and recorded it is important that we do not simply ignore the contract until it comes round to retender. The contract must be properly monitored and checked to ensure that the contract is being properly performed and that the Council continues to obtain best value. It is the Heads of Service responsibility to ensure that this happens.

**Request for 'Waiver' (exception)
From Contract Procedure Rules**

LICHFIELD DISTRICT COUNCIL

NOTES:

- Please see the Contract Procedure Rules, regarding requests for waivers
- Waivers cannot be approved that would place the Council in breach of national legislation or EU procurement law
- Requests may be made by email. Requests for waivers must be made **prior to commencement of any procurement activity**
- This form is to be completed and passed to the relevant officer authorised under the constitution to sign/seal the Contract/Framework Agreement, prior to entering into any Contract/Framework Agreement

Compliance with certain EU Regulations (reflected in the Public Contracts Regulations 2015) is still required even if a waiver is granted. Please seek the advice of a Procurement Advisor for the following procurements:-

Schedule 3 services and single supplier procurements that are over the EU threshold are not exempt from EU procurement law but are merely partially exempt

- A copy of the completed waiver form duly signed by all parties indicated should be placed on the contract file and a copy must be sent to the Monitoring Officer for filing on the council's waiver database – send to: [address needed](#)
- This waiver request must not be completed or signed by any individual who has a direct or indirect interest in the request.

		INFORMATION TO BE INSERTED
1	TITLE of Contract/Framework Agreement	
2	Description of Goods/Works/Services	
3	NAME of proposed provider, if known	
4	<u>Duration and Value of Contract</u>	
4.1	Duration of Contract/Framework Agreement (include initial term and any options to extend) <u>Note</u> Framework Agreement should not generally be for more than four years years
4.2	If Contract/Framework Agreement duration is in excess of 4 years provide justification for extended period	
4.3	If proposed Contract has been renewed or extended previously with the same provider/group of companies please indicate (this may affect the aggregated value of the Contract).	
4.4	Have there been any previous waivers in respect of this contract?	<input type="checkbox"/> YES <input type="checkbox"/> NO If <input type="checkbox"/> YES please provide details of (i) date and value of Contract (ii) date(s) and values of any previous waivers and any limitations attached to previous waivers (iii) value of this waiver request

		INFORMATION TO BE INSERTED
4.5	<p>Total VALUE (excluding VAT) of proposed Contract/Framework Agreement include any amounts specified at 4.4 TOTAL VALUE should be value over entire duration including any extension period</p> <p><u>Note</u></p> <p>Include <u>all</u> anticipated ancillary matters such as maintenance support, licences, training, expenses etc.</p>	
4.6	If unable to determine value, please provide brief explanation	
5	<u>Budget</u>	
5.1	Is there a budget available for the total value of Contract?	<input type="checkbox"/> YES <input type="checkbox"/> NO
5.2	If reply to 5.1 is <input type="checkbox"/> NO how is funding to be sourced?	
5.3	Is funding conditional?	<input type="checkbox"/> YES <input type="checkbox"/> NO If <input type="checkbox"/> YES include brief summary of funding conditions
6	<p><u>Evidence of Value for Money</u></p> <p><u>Note</u></p> <p>If a formal tendering process is not to be undertaken value for money must be evidenced (without exception)</p>	Details of value for money:
7	<p><u>EU Thresholds</u></p> <p>Is Contract over EU Thresholds?</p> <p>EU Thresholds as at January 2018:</p> <ul style="list-style-type: none"> • works £4,551,413 + • goods & services £181,302 	<input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> YES complete Point 13

		INFORMATION TO BE INSERTED
8	<p><u>Procurement Route</u></p> <p>If the Contract is over £75K (excluding VAT) Monitoring Officer to sign confirmation that there is not a more suitable alternative procurement route</p>	<p>Signature</p> <p>Monitoring Officer</p>
9	<p><u>Reason for Request</u></p> <p>Brief description why waiver is being requested</p> <p><u>Note</u></p> <p>There is a general presumption that all Contracts/Framework Agreements will be formally tendered. If this is not the case, the reasons must be explained along with the actual procurement route to be taken.</p>	
10	<p><u>Risks</u></p>	
10.1	<p>Details of any material risks e.g.</p> <ul style="list-style-type: none"> • Variation to standard contract clauses (Legal) • DBS Disclosures (HR) • Non-standard Insurance limits (Public Liability/Employers Liability/Professional Indemnity Insurances) • Financial vetting revealing significant risk • Other (please specify) 	
10.2	<p>Why is the council assuming any material risks?</p>	
11	<p><u>Other Information</u></p> <p>Other relevant information (if applicable)</p>	
12	<p><u>Exit Plan</u></p> <p>What are the plans for the provision of goods/works/services upon the expiry of the Contract e.g. re-tender/one-off project?</p>	

CONTRACTS OVER THE EU THRESHOLD		
13	Does the request for waiver fall within one of the following categories? Contract for:	<div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> YES <input type="checkbox"/> NO </div> <p><u>Note</u></p> <p>If <input type="checkbox"/> NO the request for waiver is likely to be refused if over the EU Threshold</p>
13.1	Acquisition or development of material for broadcasting	
13.2	Arbitration or conciliation services	
13.3	Financial services in connection with the issue, purchase, sale or transfer of securities	
13.4	Central bank services	
13.5	Employment and other contracts of service	
13.6	Research and development services, unless solely for the benefit of the council and paid for by the council	
		INFORMATION TO BE INSERTED
13.7	Services, where the council has the <u>exclusive</u> right to provide the service	
13.8	EU Services under Schedule 3 or EU directive 14 exemption	
SUBMISSION BY REQUESTING OFFICER		
14	For completion by requesting officer only I confirm that the information set out above is correct.	

	Contract Officer's signature: Name..... Post Tel No..... Date..... <i>(either type name or use signature)</i>	
WAIVER AUTHORISATION NOTE: FOR ALL CONTRACTS EXEMPTION CAN ONLY BE GIVEN BY THE CHIEF EXECUTIVE		
15	<input type="checkbox"/> APPROVED	<input type="checkbox"/> REFUSED
16	Comments and Restrictions/Limitations to approval/reasons for refusal (if any)	
17	Name/signed Chief Executive..... Date	

Supplier financial appraisal strategy

Aim

The aim of the supplier financial appraisal strategy is to reduce as far as possible the effect of a business failure on the most vulnerable in the community.

Principles

The strategy is based on:

- the need to help the Council make the right decision for all main critical contracts;
- promoting competition when buying goods, work, services and utilities;
- choosing the most suitable suppliers of goods, work, services and utilities based on a set of financial and market measures;
- the need to take account of the level of risk associated with the supply, service or supplier; and
- the ongoing assessment of the supplier's financial strength.

The main responsibilities

While the final decision to reject an applicant for financial reasons rests with the Chief Finance Officer the emphasis will be based on a partnership approach.

Internal Audit will monitor how we follow this strategy through their planned procurement audit assignments carried out each year.

Method

The following method applies for all contracts awarded using a tendering procedure or waiver.

For contracts with a value of **less than £75,000** you do not need to carry out a financial appraisal before awarding a contract.

For contracts with a value over **£75,000 but less than £1 million** the Head of Service, the relevant Director and the Chief Finance Officer will decide whether a financial appraisal is needed, before the contract is awarded.

The basic assessment involves four questions as shown below.

- Is the type of supply or service being bought 'routinely' rather than as a one-off purchase?
- Is the supply or service readily available from a number of other suppliers?
- Can the supply or service be easily substituted?
- Are contract payments only made once we have received the supply or service?

If you answer no to any of the four questions, you will normally carry out a financial appraisal using the same process and a choice of those factors (1 to 8) shown below.

The procurement officer, lead commissioning manager and a representative from the relevant joint finance unit will decide on the need to carry out a financial appraisal for each year of the contract.

We will carry out detailed financial appraisals:

- for all tendering exercises **over £1 million**;

Pre-contract award

Factors to be discussed

- 1 We will take account of output from financial checks carried out using the financial assessors N2Check, Dunn & Bradstreet and Experian (based on those accounts lodged with Companies House).
- 2 We will analyse the latest set of accounts (if not lodged with Companies House).
- 3 We will carry out financial checks on the parent company (if there is one).
- 4 We will analyse the contract value when compared to:
 - the recommended total yearly contract value as defined by Dunn & Bradstreet;
 - the market standard of no more than 25% of turnover; and
 - the current total spending with the tender applicant.
- 5 In terms of the nature of the contract, we will look at:

- the type of supply or service (for example, regular or one-off);
 - the extent of competition within the market (for example, how easy to source the contract); and
 - the payment terms (for example, payment in advance or payment once the goods or services are received).
- 6 We will also look at information from suppliers gathered through current arrangements for managing services or from other sources.
- 7 We will check the movement in share prices (if this applies).
- 8 For sole traders and partnerships, we need to change certain factors. For example, we will replace factors 1 and 2 with the requirement for tender applicants to fill in a financial assessment in a format set by the Chief Finance Officer. This will show certain information on trading accounts for the last three years. The assessment will automatically work out the average liquidity score.

Following on from the above, we will assess whether to reject the tender for financial reasons. Before we reject it, we will consider the need to get (where appropriate) a banker's reference or parent company guarantee. We will record and keep the result of this assessment (including the reasons behind it).

Post-contract award

In assessing the ongoing financial strength of suppliers, we will repeat the above process for each year of the contract within one month of the anniversary of the contract award date. This will help us manage contracts effectively.

IMPORT ANNEX 3

Glossary of terms

Approved contractors list is a list of suitably accredited and qualified providers from which we ask for quotations or tenders without the need to advertise the procurement.

Crown Commercial Services is an executive agency and trading fund of the Cabinet Office of the UK Government. The CCS is responsible for improving government commercial and procurement activity and bringing together policy, advice and direct buying; providing commercial services to the public sector and saving money for the taxpayer

Competitive dialogue procedure is used when we cannot provide a precise specification and where there is scope to negotiate about what services companies can provide. The purpose of this procedure is to negotiate on the specification of the project and not on the price.

Consortium means an association of several business organisations who are legally bound together to work towards a commonly held aim. .

Contract means any agreement where we agree to carry out or to buy or sell any goods, work, services or utilities for payment or otherwise.

Electronic procurement means procurement using the internet, including online e-auctions and buying portals on the internet. You can take advantage of reduced minimum time periods when you arrange your contracts under the EU procurement regime and send your documents electronically. You can get advice and guidance on this from a procurement advisor.

EU procurement regulations means the Public Contract Regulations 2015 together with relevant EU directives, case law and guidance issued.

Framework agreement means an agreement or other arrangement which sets the terms (in particular the price and, where appropriate, quality) under which the provider will enter into one or more contracts or a series of contracts with us. This may also be referred to as a continuous contract or a standing offer.

‘Lowest tender in price terms’ for accepting a tender means either the lowest cost or, if the evaluation is not just based on price, the most economically advantageous tender score after an evaluation.

Open procedure This means an advert will be placed in OJEU and relevant press and trade journals. The tender will be open to anyone who shows an interest.

Public organisation includes any organisation which may award a public contract under the Public Contract Regulations 2015.

Public services contract is one under which we employ a person to provide services.

Public works contract is a contract to buy goods (not land or the product of an activity); or hire goods, whether or not we install them. Public works contract is a contract for carrying out work under which we employ a person to do the work.

Restricted procedure means an advert will be placed in OJEU, and the relevant press and trade journals. Organisations which express an interest will have to fill in a pre-qualification questionnaire (PQQ). We will evaluate the PQQs and produce a shortlist of suitable organisations which we will then invite to tender.

'Signing' a contract includes arrangements for formally accepting a tender, if this is covered in the procurement regulations.

Standstill period is the period of time between giving notice of our plan to award the contract and the confirmation of the award of the contract which is needed under the EU procurement regulations (reflected in the Public Contracts Regulations 2015). This gives unsuccessful companies the chance to ask for a debriefing and to challenge an award of a contract.

'Supply' includes buying, leasing, hiring or renting goods or services or arranging any form of credit for them (this can also include when we do not pay anything for those goods or services).

'Tendering' means a formal procedure for getting written offers (tenders) for supply.

'Third sector' means non-governmental organisations that are driven by value and which mainly reinvest any profit to further social, environmental or cultural aims. The sector includes voluntary and community organisations, charities, social enterprises, faith groups, housing associations and co-operatives and mutuals.

'Value for money' is not the lowest price but the best combination of whole-life costs and quality to meet users' needs. You should always assess value for money over the whole life of the contract and you should take into account all costs and benefits to society as a whole including the environmental and social benefits and costs, not just those directly relevant to us. (OGC 2008).

Works are defined as including:

- building and civil engineering work;
- installing, for example, heating and electrical equipment or ICT equipment;
- carrying out work such as tiling and papering; and
- maintaining buildings.

We may also treat the following activities as a contract for **work**.

- A contract where we employ a provider to act as our agent when letting contracts.
- An agreement where a developer constructs a building on their own land (according to our needs) and then transfers the land and structure to us at a later date.

SCHEDULE 3 SERVICES

NOTE: Under the Public Contract Regulations 2015 ('PCR'), the distinction between Part A and Part B Services has been removed and replaced by what has become known as the "Light Touch Regime" ('LTR'). Details of this regime are at Regulation 74 onwards of the PCR.

A services contract will fall within the scope of the LTR if it is for the certain types of health, social and other services listed at Schedule 3 of the PCR (see H3 and Annex 4). For these LTR contracts, a higher threshold than that for ordinary service contracts will apply, before the LTR is applicable. This threshold is currently set at **£589,148**

Bear in mind that the services listed at Schedule 3 of the PCR do not exactly mirror what used to be categorised as Part B Services under the PCR 2006; if a service is not listed at Schedule 3 of the PCR it will be subject to the full EU procurement regime rather than only the LTR.

While the LTR is not prescriptive as to how contracting authorities design their procurement process for LTR services contracts, it does for the first time require that services contracts that fall within the LTR are advertised.

The services listed below are found at Schedule 3 to the PCR. These include the following services:

Health, social and related services	Administrative social, educational, healthcare and cultural services
Compulsory social security services	Benefit services
Other community, social and personal services including services furnished by trade unions, political organisations, youth associations and other membership organisation services	Religious services Hotel and restaurant services
Legal services, to the extent not excluded by regulation 10(1)(d)	Other administrative services and government services
Provision of services to the community	Prison related services, public security and rescue services to the extent not excluded by regulation 10(1)(h)
Investigation and security services	International services
Postal services	Miscellaneous services

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AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2019/20

Item	24 July 2019	14 November 2019	5 February 2020	19 March 2020	28 April 2020	Deferred Reason
FINANCE						
Annual Governance Statement					√	
Annual Treasury Management Report	√					
Mid-Year Treasury Management Report		√				
Review of Accounting Policies				√		
Statement of Accounts	√					
Treasury Management Statement and Prudential Indicators			√			
Audit & Member Standards Committee Practical Guidance		√				Only relevant if there is updates to guidance so may not be needed
INTERNAL AUDIT						
Annual Report for Internal Audit					√	
Internal Audit Charter and Protocol					√	
Internal Audit Plan					√	
Internal Audit Progress Report	√	√	√			
Quality Assurance and Improvement Programme			√			
Review of Internal Control including Public Sector Internal Audit Standards Self-Assessment Summary			√			
Risk Management Update	√		√		√	
Risk Management Update to include Risk Management Policy and Corporate Risk Register		√				
Counter Fraud Update Report including Counter Fraud & Corruption and Whistleblowing Policies	√					

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2019/20

Item	24 July 2019	14 November 2019	5 February 2020	19 March 2020	28 April 2020	Deferred Reason
LEGAL AND DEMOCRATIC						
Annual report on Exceptions and Exemptions to Procedure Rules			√			
Overview of the Council's Constitution in respect of Contract Procedure Rules	√					
GDPR/Data Protection Policy		√				
Annual Report of the Monitoring Officer - Complaints		√				
RIPA reports policy and monitoring		√				
Review of the Effectiveness of the Audit & Member Standards Committee			√			
Terms of Reference						
EXTERNAL AUDITOR						
Audit Findings Report for Lichfield District Council 2018/19	√					
The Annual Audit Letter for Lichfield District Council		√				
Certification Work for Lichfield District Council for Year Ended 31 March 2019		√				TBC depending on when we agree the work will be performed – may have to be Feb
Planned Audit Fee 2019/20	√					
Informing the Audit Risk Assessment - Lichfield District Council		√				
Audit Plan for Lichfield District Council 2019/20		√				
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2020			√			
Audit & Member Standards Committee Training Session by Grant Thornton				√		

AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2019/20

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