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17 July 2018

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, 25TH JULY, 2018 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

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

To: Members of Audit and Member Standards Committee

Councillors Tittley (Chairman), Hoult (Vice-Chair), Mrs Boyle, Marshall, Mosson, Rayner, Strachan, Mrs Tranter and Mrs Woodward

AGENDA

AUDIT AND MEMBER STANDARDS COMMITTEE

22 MARCH 2018

PRESENT:

Councillors Tittley (Chairman), Awty (Vice-Chairman), Mrs Boyle, Marshall, Mosson, Strachan, Mrs Tranter

Observer: Councillor Spruce (Cabinet Member for Finance and Democracy), Councillor Pritchard (Deputy Leader of Cabinet and Cabinet Member for Economic Growth, Environment & Development Services) and Councillor Wilcox (Leader of the Council)

Officers in attendance: Ms B Nahal, Mrs A Struthers, Mr A Thomas and Miss W Johnson

Also Present: Mr J Gregory and Miss L Griffiths from Grant Thornton (External Auditors)

8 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Rayner and Councillor Mrs Woodward.

9 DECLARATIONS OF INTEREST

There were no declarations of interest.

10 MINUTES OF THE MEETING HELD ON 22 JANUARY 2018

The Minutes of the Meeting held on 22 January 2018, as printed and previously circulated, were taken as read and approved as a correct record.

11 REVIEW OF ACCOUNTING POLICIES

Members considered the Report of the Head of Finance & Procurement setting out the Council's proposed Accounting Policies to be adopted in completing the 2017/18 Statement of Accounts. Very small changes had been made which were tracked throughout the document for ease of reference. These key changes were:-

- The removal of the policy on prior period adjustments as there are no such items related to changes in accounting policies or fundamental errors within the 2017/18 accounts. It was explained following a question that this Accounting Policy only needed to be included if there was a change in Accounting Policies or if there was a fundamental error. The decluttering the Accounts Agenda meant if this was not the case then it could be removed.
- The Business Rates Appeal provision related to the 2017 valuation list will be calculated using the Government's allowance in the multiplier for appeals of 2.1p due to the lack of robust information on appeal numbers following the introduction of the check, challenge and appeal process.
- The policy on Fair Value Measurement is now shown in alphabetical sequence.

RESOLVED: That the Audit and Member Standards Committee approves the Council's proposed Accounting Policies that will form part of the 2017/18 Statement of Accounts.

12 INTERNAL AUDIT CHARTER AND PROTOCOL

Members considered the Internal Audit Charter and Protocol Report from the Audit Manager for the 2018/19 financial year.

RESOLVED: The Audit and Member Standards Committee considered the performance report and no issues were raised.

13 INTERNAL AUDIT PLAN 2018/19

Members considered the Internal Audit Plan 2018/19 from the Audit Manager. Consideration was given to the 2018/19 Work Programme of the Internal Audit Section which took in to account the resources available – Annual Planned Audit Work Programme at Appendix 1.

RESOLVED: The Audit and Member Standards Committee approved the Annual Planned Audit Work Programme as detailed in the report.

14 PUBLIC SECTOR INTERNAL AUDIT STANDARDS/QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Members considered the Public Sector Internal Audit Standards/Quality Assurance & Improvement Programme Report from the Audit Manager. This was to ensure compliance with the Public Sector Internal Audit Standards and the Quality Assurance & Improvement Programme as required by the Public Sector Internal Audit Standards. The External Quality Assessment (EQA) was completed last year and an update on the progress against the recommendations made was detailed at Appendix 1, the current internal annual assessment against the standards was detailed at Appendix 2 and an overview of the Quality Assurance & Improvement Programme (QAIP) in place for the Authority's Internal Audit Service at Appendix 3.

RESOLVED: The Audit and Member Standards Committee endorsed:
(1) The Internal Quality Assessment; and
(2) The Quality Assurance & Improvement Programme.

15 AUDIT COMMITTEE LDC PROGRESS REPORT AND UPDATE - YEAR ENDED 31 MARCH 2018

Members considered the Audit Progress Report and Sector Update from the External Auditors (Grant Thornton). This provided the Committee with a report on progress in delivering their responsibilities as External Auditors and summarised many recent developments in local government.

Grant Thornton explained that when the plan came before Committee previously the Value for Money Initial Risk Assessment had not been done. Attention was drawn to page 98 where the Friarsgate development had been identified as a significant VFM risk requiring some further work. The auditors commented that they had not identified the Council's financial position as a significant risk and that, overall, district councils tend to be in a better place financially than either County Councils or Unitary Councils because they do not have the pressures which arise from social care.

RESOLVED: The Audit and Member Standards Committee noted the Report.

16 WORK PROGRAMME

Members considered the Work Programme and it was noted that the Annual Governance Statement would be available at the next meeting on Wednesday 9 May 2018 along with the External Auditor’s Presentation on costs of Benefits work.

17 ANY OTHER BUSINESS

Members thanked the Head of Finance & Procurement and his team for the recently received budget book which summarised LDC’s budget in a 29 page document with graphics. Mr Thomas said this had been put together as an informed document for all members and could also be seen on the website by members of the public and our partners.

Councillor Tittley was also thanked for his hard work throughout the year as Chairman of the Audit & Member Standards Committee.

(The Meeting closed at 6.28 pm)

CHAIRMAN

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Annual Treasury Management Report

Cabinet Member for Finance and Democracy

Date:	25 July 2018
Agenda Item:	4
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members :	**Full Council**

Lichfield district council
www.lichfielddc.gov.uk

AUDIT (AND MEMBER STANDARDS) COMMITTEE

1. Executive Summary

1.1 The report covers the Treasury Management performance for the financial year 2017/18.

1.2 Capital expenditure was **£2,608,485** and this is **(£759,515)** less than the Approved Revised Budget of **£3,368,000**.

1.3 There have been **(£434,481)** of actual capital receipts received in 2017/18 compared to the Approved Budget of **(£204,790)**.

1.4 The funding of the Capital Programme in 2017/18 reflects the actual expenditure of **£2,608,485** and therefore **(£258,621)** less capital receipts have been utilised.

1.5 The borrowing need of **£4,177,320** and its financing is in line with the Approved Revised Budget of **£4,471,000**, although the planned investment related to leisure outsourcing of £282,000 is now planned to take place in 2018/19.

1.6 The Balance Sheet at **APPENDIX B** shows a variance between actual and budget of **£2,552,000** on Assets less Liabilities and **(£2,552,000)** on Total Equity. These variances are explained at 3.16 & 3.17.

1.7 The level of cash available was **£24,706,278** compared to the budget of **£23,419,000**. This was utilised for internal borrowing of **£760,292** and investments of **£23,945,986**.

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 report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2017/18.

2. Recommendations

2.1 To review the report and issues raised within.

2.2 To review the actual 2017/18 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 2017/18 and the actual Prudential Indicators for 2017/18.

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 quarterly to the Cabinet and Strategic Overview and Scrutiny 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

a) presents details of capital spend, capital financing, borrowing and investment transactions;

b) reports on the risk implications of Treasury decisions and transactions;

c) gives details of the outturn position on Treasury Management transactions in 2017/18;

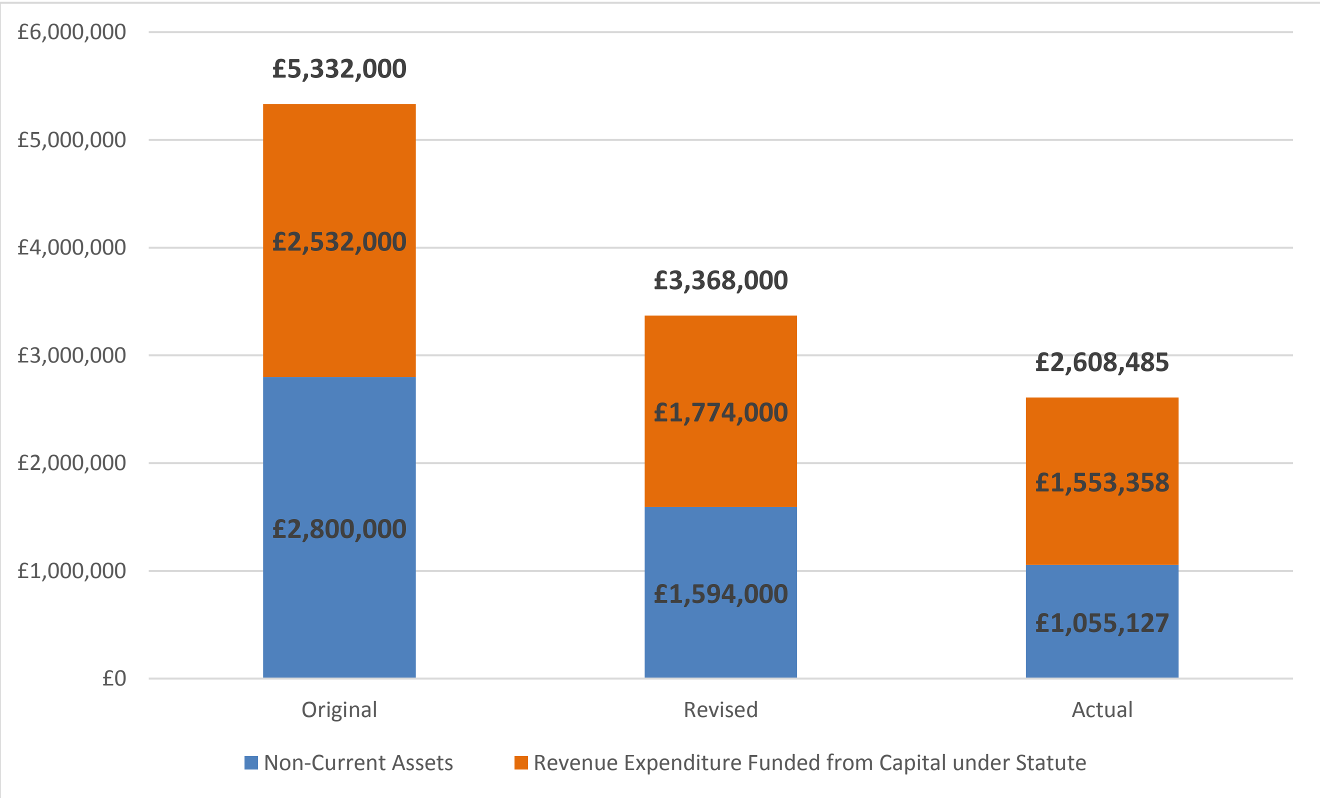
d) confirms compliance with Treasury limits and Prudential Indicators

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).

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).

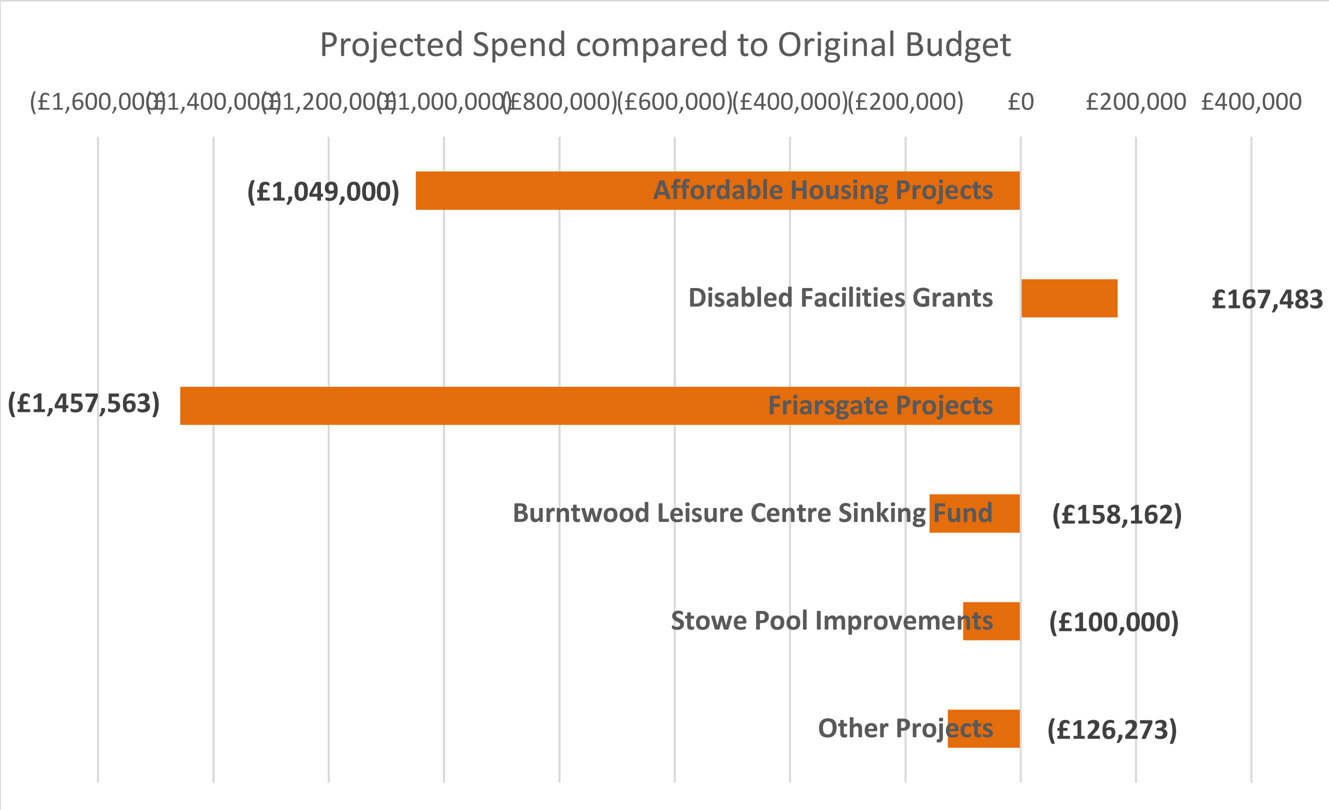
The Capital Programme

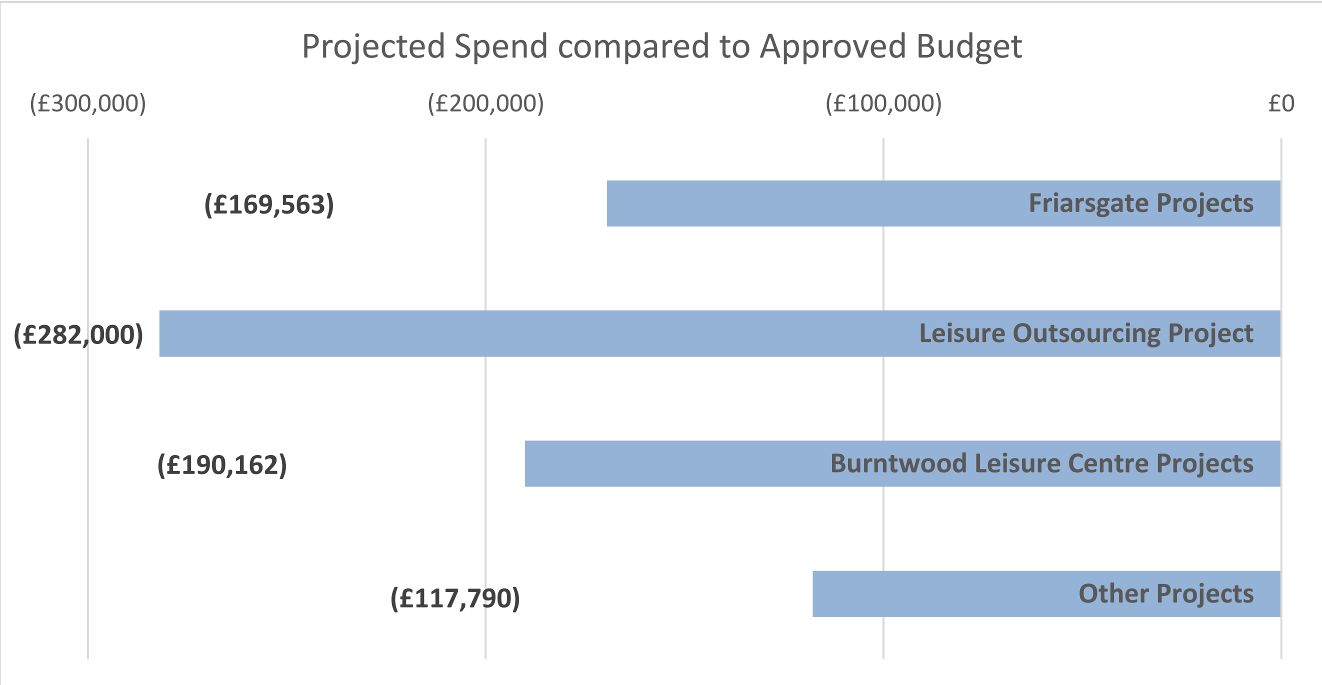
3.8 A summary of the Capital Programme performance from the Original Budget to the Actual for 2017/18 is shown in detail at **APPENDIX A** and in the chart below:



3.9 Capital expenditure was **£2,608,485** and this is **(£759,515)** less than the Approved Revised Budget of **£3,368,000**.

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





3.11 **Friarsgate** – This reflects the latest project plan and the Councils decision as to whether to be the funder for this scheme.

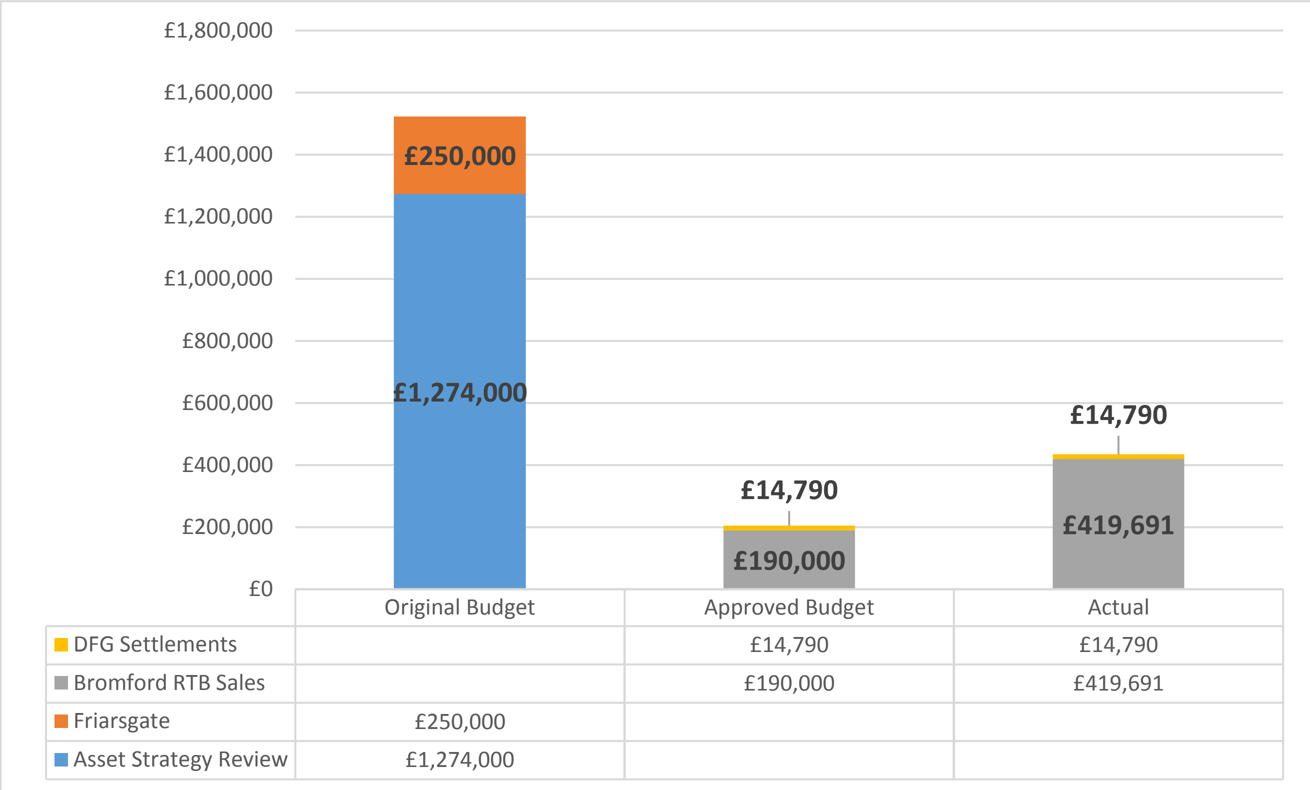
3.12 **Leisure Outsourcing** – The spend profile reflected the bid submitted, however capital investment in Burntwood Leisure Centre is likely to commence in July 2018.

3.13 **Burntwood Leisure Centre Projects** – This reflected the previous sinking fund investment plan, however, this has been superseded by the capital investment being undertaken as part of the leisure outsourcing.

Capital Receipts

3.14 There have been **(£434,481)** of actual capital receipts received in 2017/18 compared to the Approved Budget of **(£204,790)**. The additional capital receipts received of **(£229,691)** is related to the Council's share of Right to Buy sales.

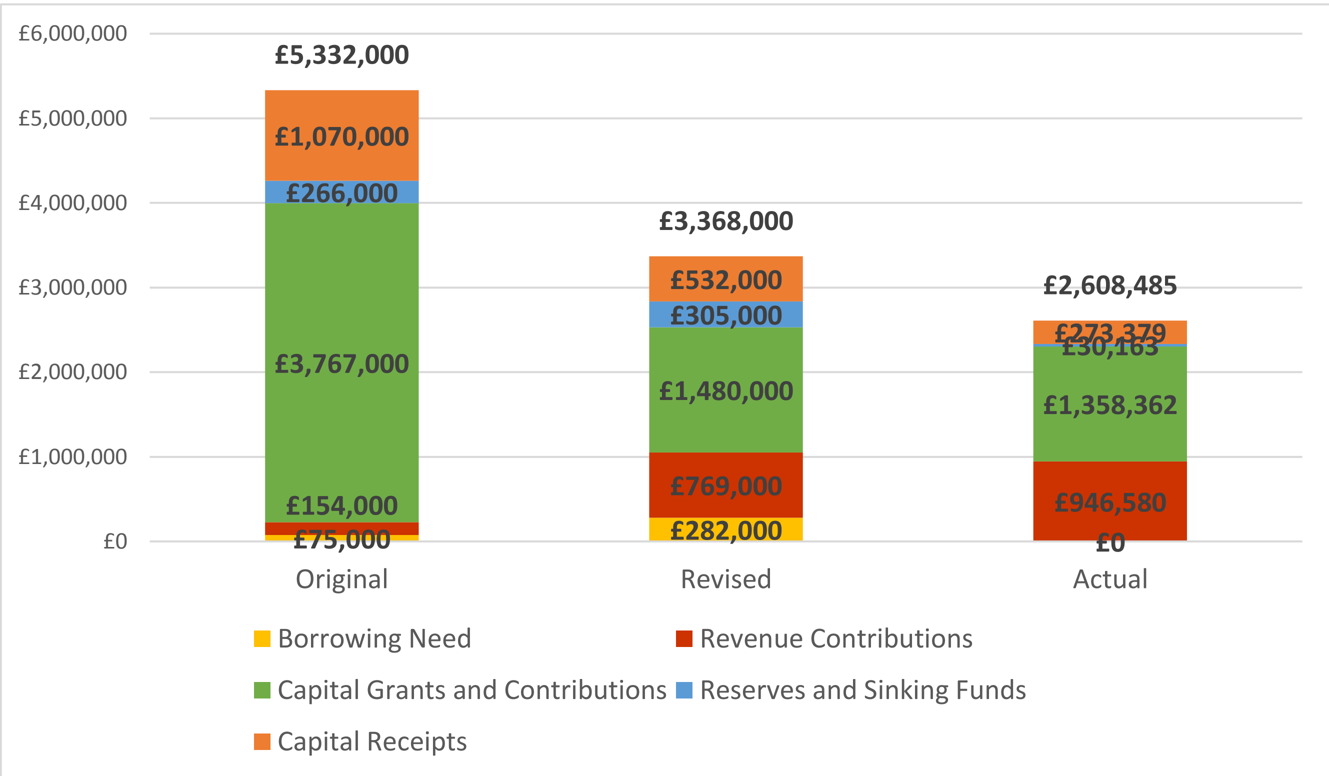
3.15 The Original and Approved Budgets together with the actual capital receipts received are shown in the graph below:



	Original Budget	Approved Budget	Actual
DFG Settlements		£14,790	£14,790
Bromford RTB Sales		£190,000	£419,691
Friarsgate	£250,000		
Asset Strategy Review	£1,274,000		

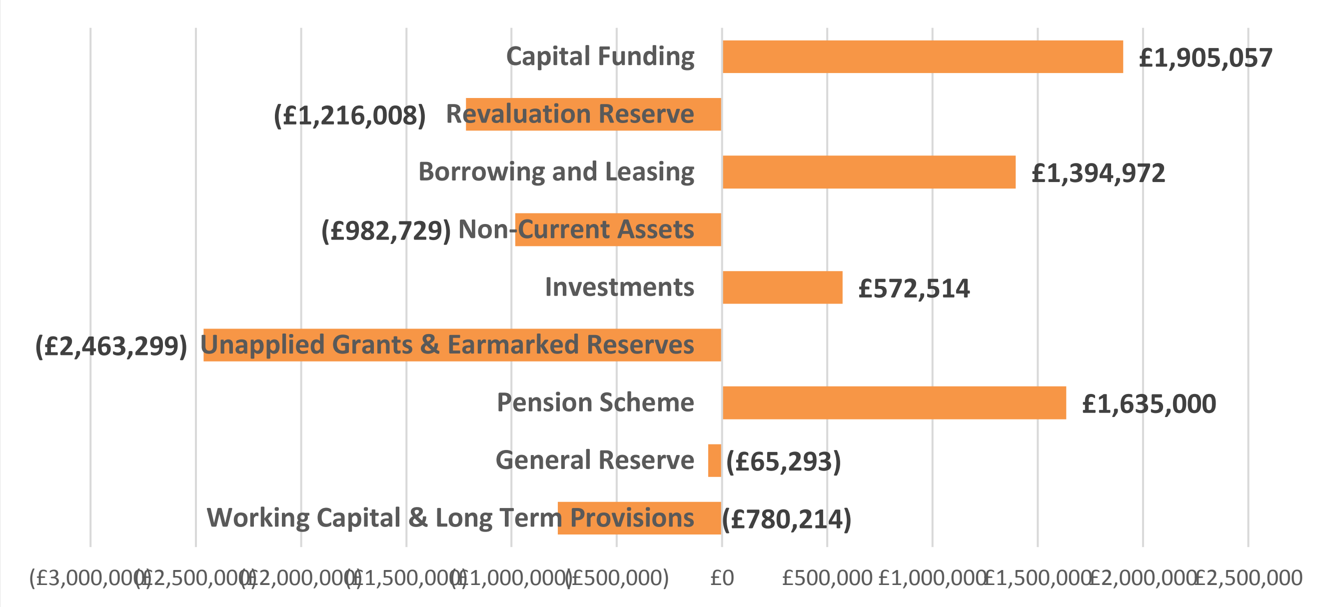
Capital Funding

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



The Balance Sheet

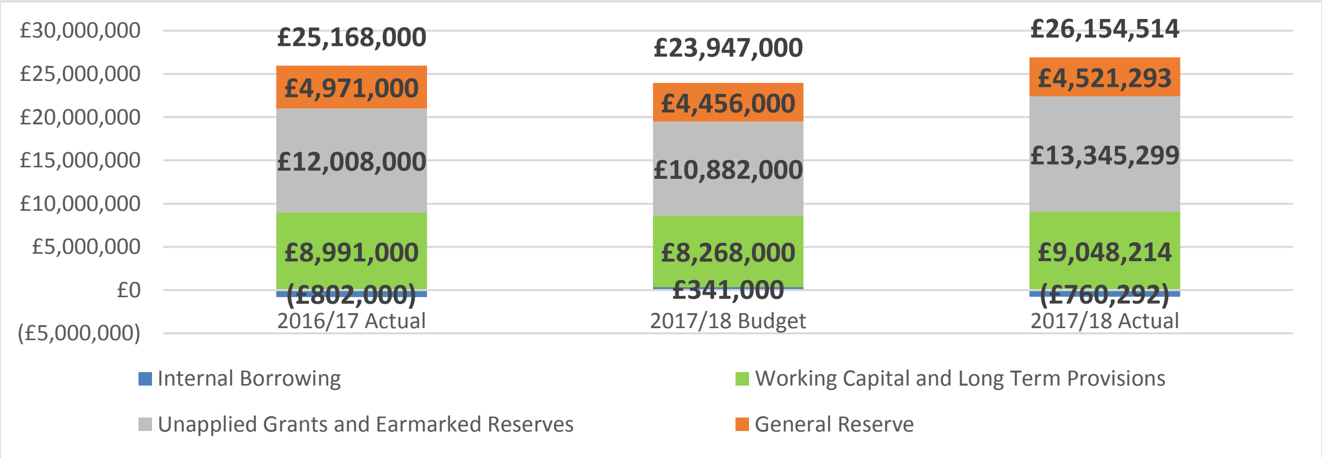
3.17 The actual Balance Sheet for 2016/17 together with the budgeted and actual Balance Sheet for 2017/18 are shown in detail at **APPENDIX B** and the variance of budget to actual for 2017/18 in the chart below:



3.18 The main reasons for the variance between the budgeted and actual Balance Sheet for 2017/18 are detailed below:

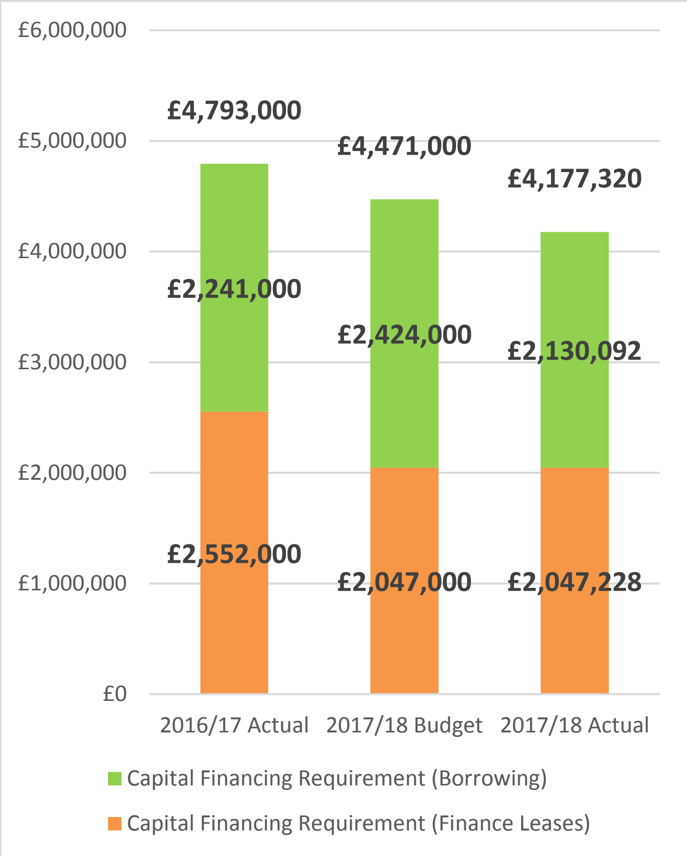
- **Capital Funding and Revaluation Reserve** – The value of these assets overall has been revalued upwards by the District Valuer resulting in a variance of **(£1,216,000)** in the revaluation reserve. The main revaluations being Burntwood Leisure Centre and Lichfield Garrick. The disposal of King Edwards Leisure Centre has contributed to the Capital Adjustment Account variance of **£1,905,000**.
- **Borrowing and Leasing** – The amount of external borrowing was lower by **£1,395,000** due to the projected works at Burntwood Leisure Centre planned as part of the leisure outsourcing being delayed until 2018/19. This borrowing actually took place on 31 May 2018.
- **Unapplied Grants & Earmarked Reserves** – An increase in Capital, Section 106 and CIL receipts of (£750,000), an increase in the Business Rates Volatility reserve (£630,000) and the Friarsgate reserve (£665,000) contributed towards the overall variance of **(£2,463,299)**.
- **Pension Scheme** – Cabinet agreed on 17-Jan-17 to pay the past service element of pensions for 2019/20 and 2020/21 of **£1,635,000** in advance.

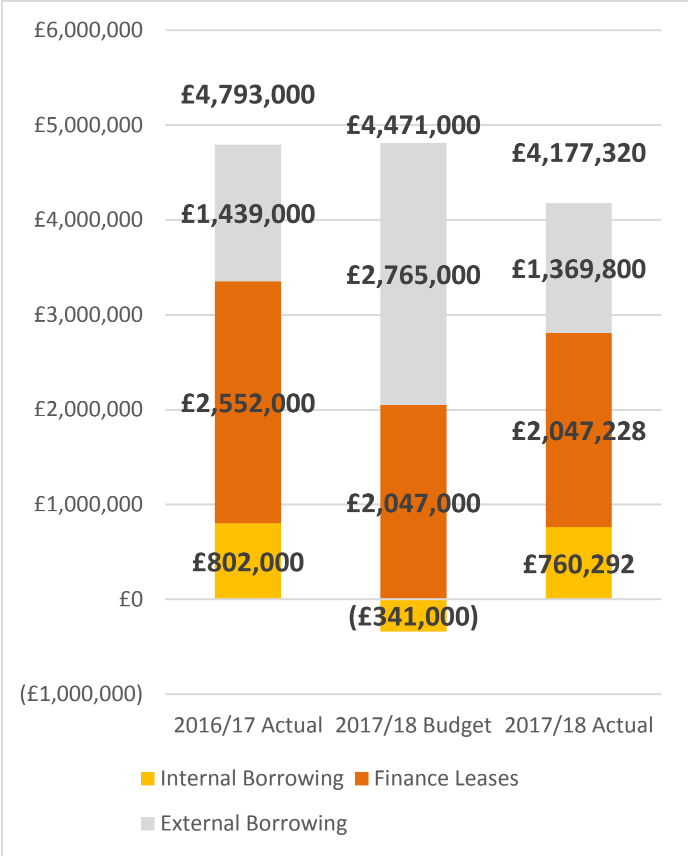
3.19 The level of investments and the sources of cash are shown in the chart below:



Borrowing Need (Capital Financing Requirement) and its Financing

3.20 The actual and Budgeted Borrowing Need together with its financing for 2016/17 and 2017/18 is shown in the graphs below. The variance of **£293,680** between budget and actual is related to the delayed spend of **£282,000** from the Leisure Outsourcing project.

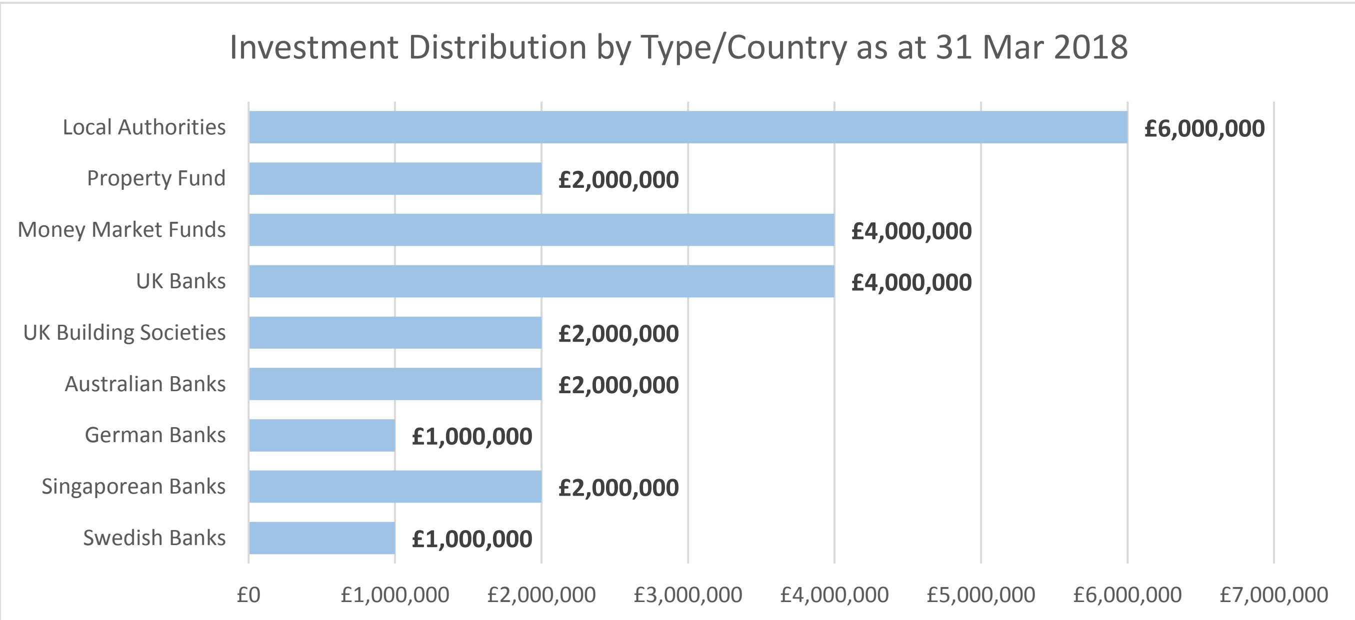




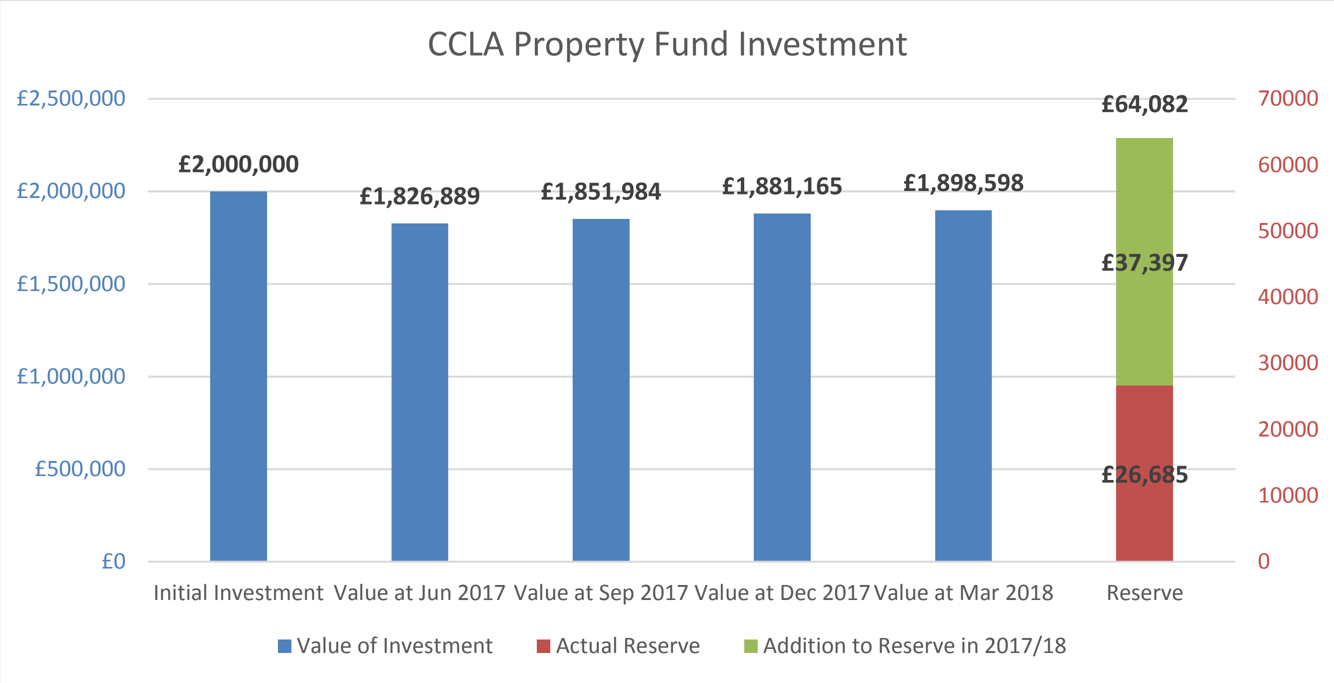
Investments

The Security of Our Investments

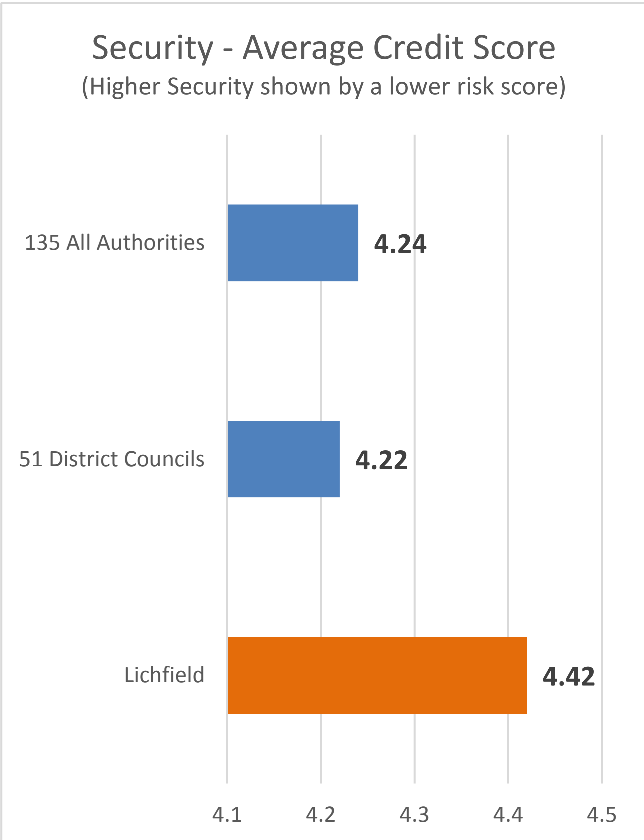
3.21 The investments the Council had at the 31 March 2018 of **£24m** (with the property fund valued at original investment of **£2m**) by type and Country are summarised in the graph below and in more detail at **APPENDIX C**

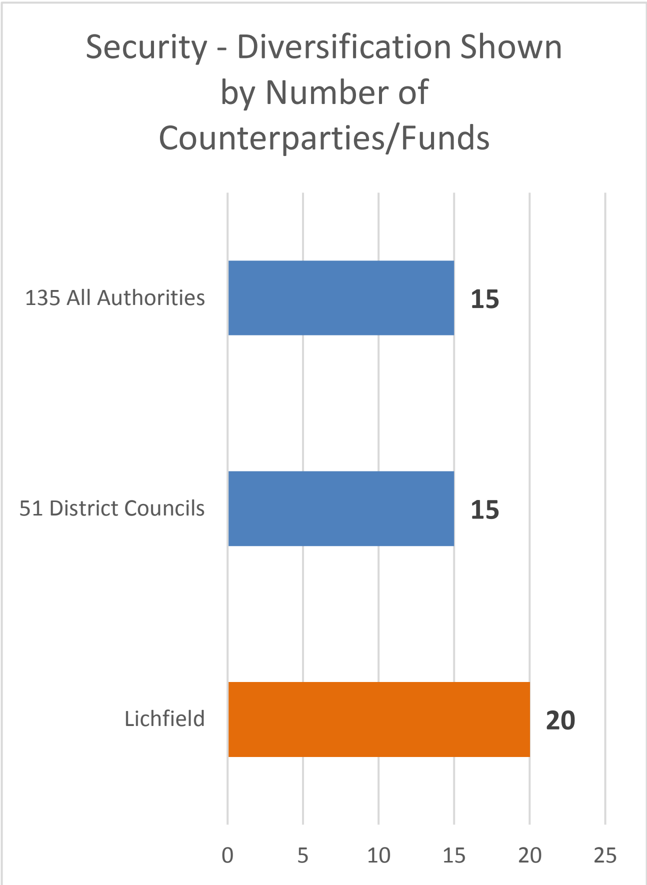


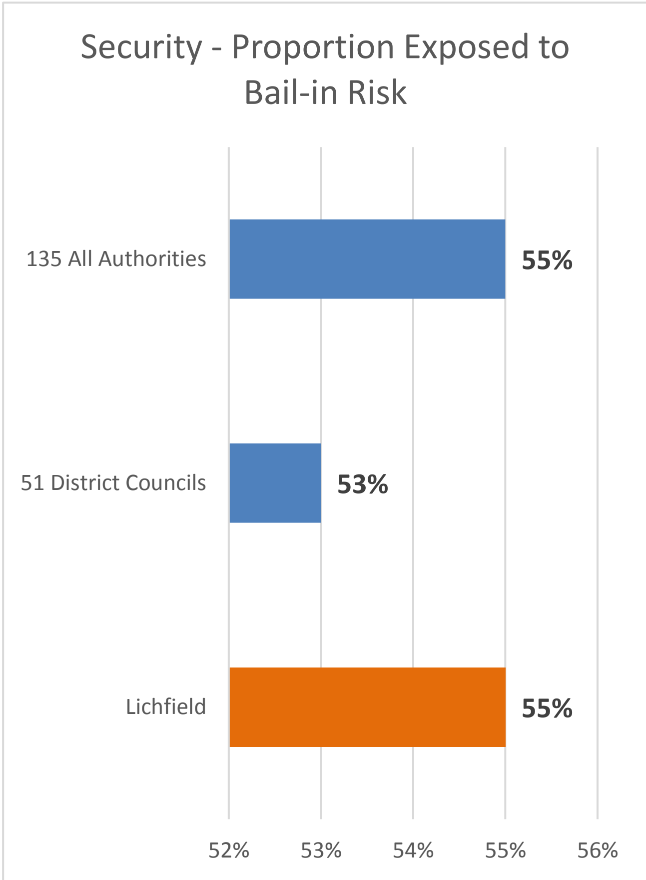
3.22 The current value of the Property Fund investment together with the value of the earmarked reserve at the end of 2017/18 intended to offset reductions in value is shown in the graph below:



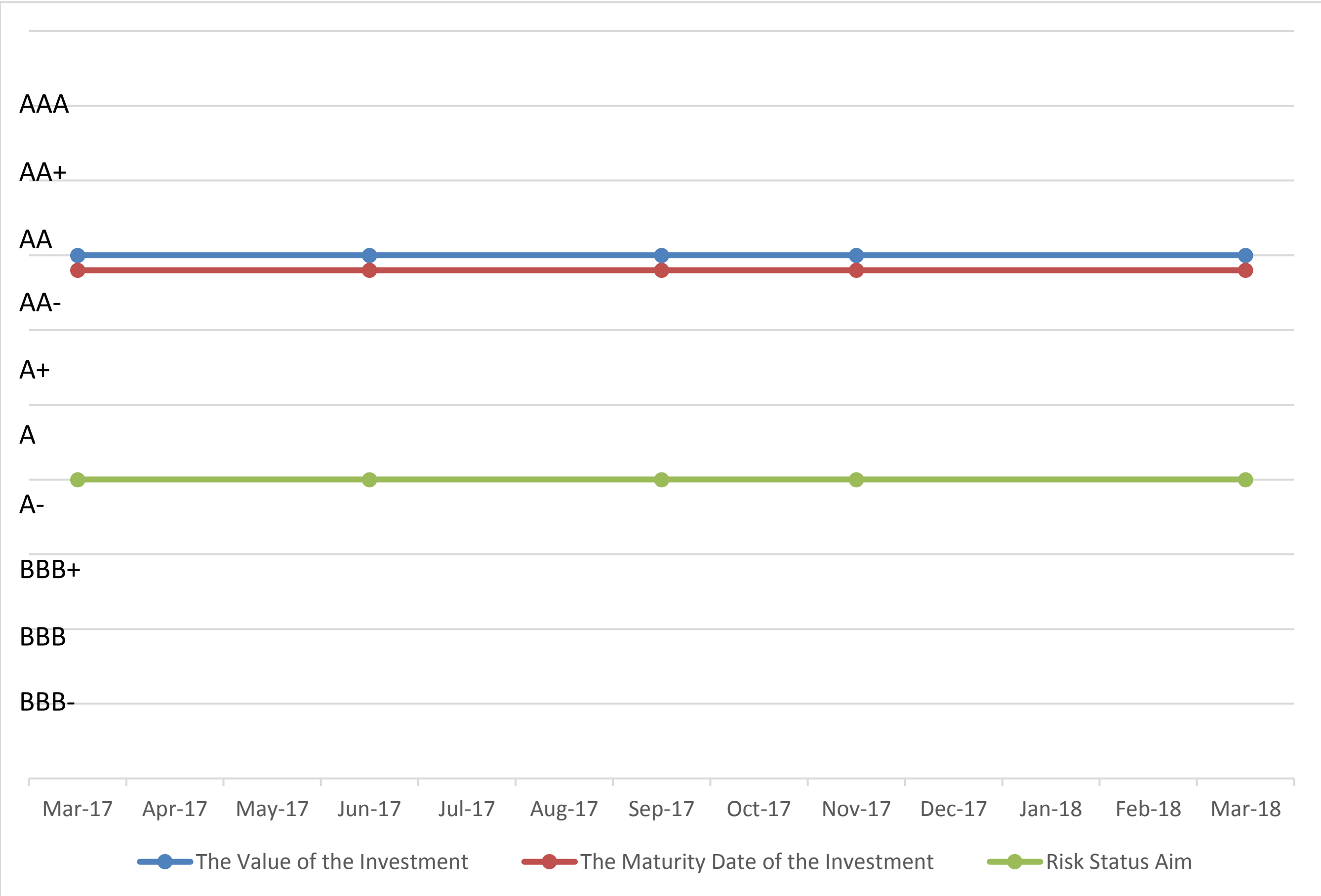
3.23 A comparison of the Council's portfolio size (with the property fund valued at its current value of **£1.9m**), average credit score, level of diversification and level of exposure to 'Bail in' risk compared to all Arlingclose Clients is shown in the charts below:





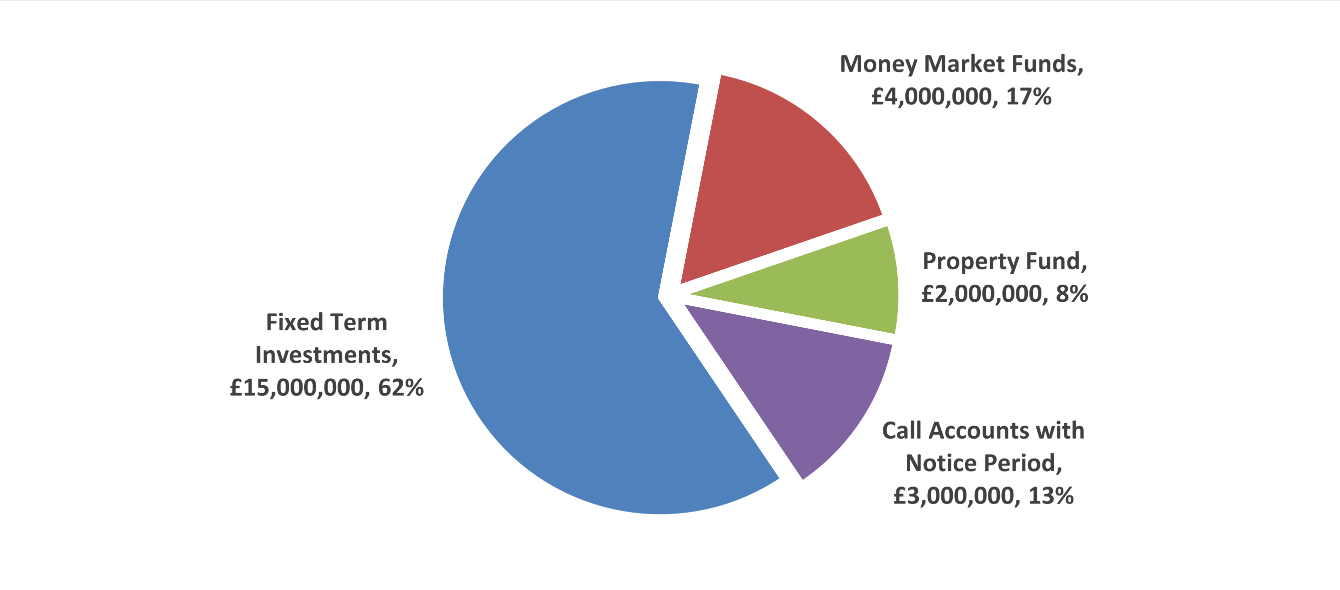


3.24 Our aim for the risk status of our investments was **A- or higher**. The risk status based on the length of the investment and the value for a 12 month period is summarised in the graph below:

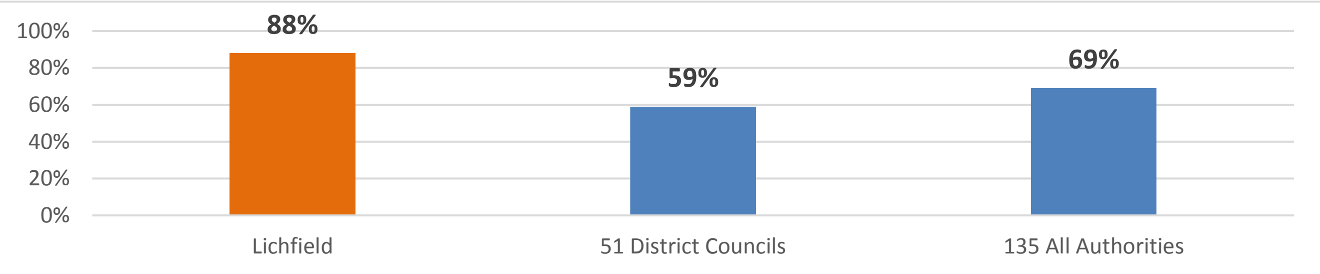


The Liquidity of our Investments

3.25 The Council has not had to temporarily borrow during 2017/18 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:

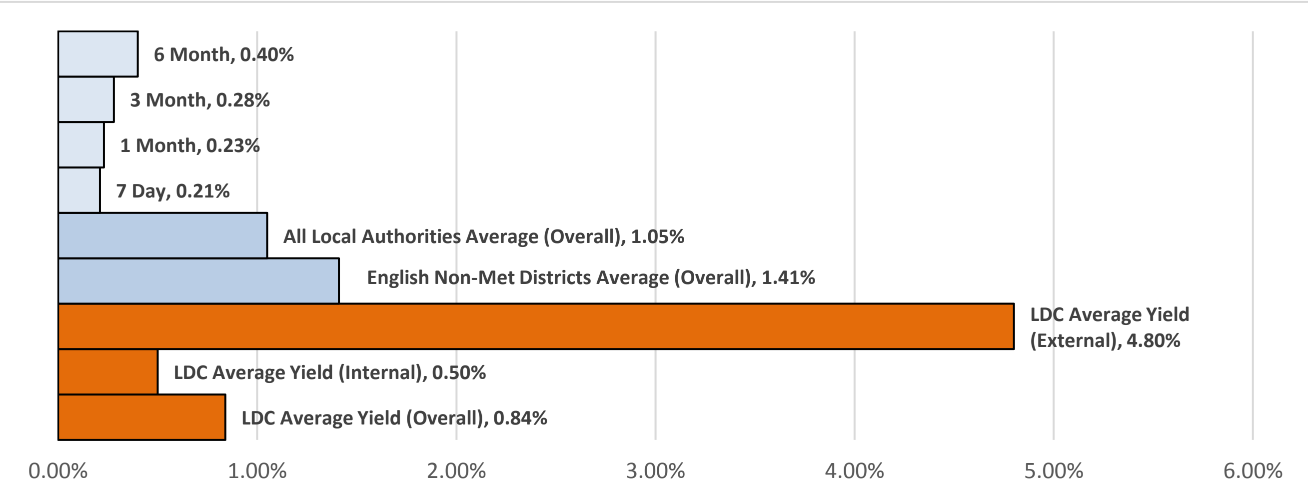


3.26 The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown in the graph below:



The Return or Yield of our Investments

3.27 The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown in the graph below:



3.28 The investment activity during the financial year generated **(£159,280)** of net investment income. Of this, **(£44,960)** related to the Local Authorities' Property Fund (gross income (£87,357) less transfer to reserve of £37,397).

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) 2017/18:

- We can confirm that the Council has complied with its Prudential Indicators for 2017/18; these were originally approved by Council at its meeting on 21 February 2017 and were fully revised and approved by Council on 20 February 2018.
- 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 2017/18.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are shown in detail in **APPENDIX D** and are summarised in the table below :

PI	Details	Revised Budget	Actual	Compliant
1	Capital Expenditure (£)	£3.368m	£2.608m	✓
2	Ratio of Financing Costs to Net Revenue Stream (%)	5%	5%	✓
3	Capital Financing Requirement (£)	£4.471m	£4.177m	✓
4	Gross external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	✓
	Actual external debt	£3.468m	£3.418m	✓
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	£0.00	£0.60	✓
6	Authorised Limit (£)	£15.292m	£3.991m	✓
7	Operational Boundary (£)	£5.895m	£3.991m	✓
8	Adoption of the CIPFA Code of Practice in Treasury Management	Yes	Yes	✓
9	Is our gross debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	No	✓
10	Upper limit for investments fixed interest rate exposure (Highest)	(100%)	(80%)	✓
11	Upper limit for investments variable interest rate exposure (Highest)	(100%)	(47%)	✓
10	Upper limit for borrowings fixed interest rate exposure (Highest)	100%	100%	✓
11	Upper limit for borrowings variable interest rate exposure (Highest)	30%	0%	✓
Maturity Structure of Fixed Rate Borrowing (upper limit) (%)				
12	Under 12 months	100%	4.44%	
12	12 months and within 24 months	100%	4.44%	
12	24 months and within 5 years	100%	13.33%	
12	5 years and within 10 years	100%	22.22%	
12	10 years and within 20 years	100%	44.44%	✓
12	20 years and within 30 years	100%	11.11%	
12	30 years and within 40 years	100%	0.00%	
12	40 years and within 50 years	100%	0.00%	
12	50 years and above	100%	0.00%	
13	Principal Sums invested > 364 days (£m)	£6.000m	£2.000m	✓
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions.		

Contribution to the Delivery of the Strategic Plan

The MTFS underpins the delivery of the Strategic Plan 2016-20.

Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.

Crime & Safety Issues	There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk
A	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate including the impact of the EU Referendum	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
B	Counterparty default	This Approved Annual Investment Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material
C	Collection performance for Council Tax and Business Rates reduces.	Regular monitoring in the Money Matters Reports throughout the financial year.	Yellow - Material
D	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
E	Planned capital receipts are not received	The Council plans to dispose of a number of assets to fund capital investment including the Bore Street Shops. The sale of the Bore Street Shops is being monitored closely to ensure any subsequent financial implications are included in the MTFS.	Red - Severe
F	New Government policies including the level of cuts to Communities and Local Government	To ensure any new policies such as those related to Business Rates and New Homes Bonus are evaluated and the impact is incorporated into the MTFS.	Red - Severe

Background Documents

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Money Matters: Council Tax, National Non Domestic Rates and Pension Contributions – Cabinet 17 January 2017
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-21 Cabinet – Cabinet 7 February 2017
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 5 September 2017.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 5 December 2017.
- Mid-Year Treasury Management Report – Audit and member Standards Committee – 22 January 2018.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 13 February 2018.
- Money Matters: The Medium Term Financial Strategy (Revenue and Capital) 2017-22 (MTFS) – Cabinet 13 February 2018.

Relevant web link	

APPENDIX A

Capital Programme Performance in 2017/18

Project	Original Budget	Approved Budget	Actual Outturn	Variance to Approved Budget	Variance to Original Budget
BLC Enhancement Work	£42,000	£74,000	£11,838	(£62,162)	(£30,162)
Other Burntwood Leisure Centre Sinking Fund Projects	£128,000	£128,000	£0	(£128,000)	(£128,000)
Play Area at Hawksyard	£0	£0	£580	£580	£580
Squash Court and Sports Hall Floors (FGLC)	£0	£50,000	£0	(£50,000)	£0
Leisure Review: Capital Investment	£0	£282,000	£0	(£282,000)	£0
FGLC (Lighting, Boiler)	£0	£15,000	£15,824	£824	£15,824
Accessible Homes (Disabled Facilities Grants)	£850,000	£1,010,000	£1,017,483	£7,483	£167,483
Home Repair Assistance Grants	£15,000	£15,000	(£5,247)	(£20,247)	(£20,247)
Decent Homes Standard	£437,000	£0	£0	£0	(£437,000)
Energy Insulation Programme	£10,000	£30,000	£9,278	(£20,722)	(£722)
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	£80,000	£80,000	£40,000	(£40,000)	(£40,000)
Oakenfield Play Area (Sinking Fund)	£0	£9,000	£9,000	£0	£9,000
Community Building at Hawksyard	£320,000	£320,000	£319,574	(£426)	(£426)
Healthy and Safe Communities	**£2,494,000**	**£2,013,000**	**£1,418,330**	**(£594,670)**	**(£1,075,670)**
Swan Road - Whittington Parish Council	£0	£28,000	£28,205	£205	£28,205
Bin Purchase	£0	£0	£103,112	£103,112	£103,112
Vehicle Replacement Programme	£167,000	£18,000	£18,325	£325	(£148,675)
Shortbutts Park, Lichfield	£0	£10,000	£9,868	(£132)	£9,868
Fazeley Crossroads Environmental Improvements	£0	£4,000	£3,971	(£29)	£3,971
Stowe Pool Improvements	£100,000	£0	£0	£0	(£100,000)
Ancient Monument (Friary)	£0	£1,500	£1,500	£0	£1,500
Canal Culvert at Huddlesford	£100,000	£10,000	£11,675	£1,675	(£88,325)
Clean, Green and Welcoming Places to Live	**£367,000**	**£71,500**	**£176,656**	**£105,156**	**(£190,344)**
Data Management System	£0	£5,000	£0	(£5,000)	£0
Friarsgate Support	£1,830,000	£495,000	£349,617	(£145,383)	(£1,480,383)
Friarsgate: Castle Dyke/Frog Lane Enhancement	£50,000	£97,000	£16,111	(£80,889)	(£33,889)
Friarsgate: Coach Park	£0	£0	£56,709	£56,709	£56,709
Garrick Square	£58,000	£0	£0	£0	(£58,000)
Sankey's Corner Environmental Improvements	£0	£3,000	£0	(£3,000)	£0
City Centre Strategy and Interpretation	£0	£1,500	£0	(£1,500)	£0
Car Parks Variable Message Signing	£32,000	£0	£0	£0	(£32,000)
Old Mining College - Refurbish access and signs	£0	£14,000	£0	(£14,000)	£0
Cannock Chase SAC	£0	£86,000	£85,984	(£16)	£85,984
A Vibrant and Prosperous Economy	**£1,970,000**	**£701,500**	**£508,422**	**(£193,078)**	**(£1,461,578)**
Depot Sinking Fund	£0	£11,000	£0	(£11,000)	£0
Bin Storage Area Resurfacing	£0	£20,000	£19,932	(£68)	£19,932
IT and Channel Shift Programme	£200,000	£250,000	£283,625	£33,625	£83,625
Multi Media in the Committee Room	£0	£10,000	£10,236	£236	£10,236
Asset Management: District Council House	£301,000	£291,000	£191,284	(£99,716)	(£109,716)
A Council that is Fit for the Future	**£501,000**	**£582,000**	**£505,077**	**(£76,923)**	**£4,077**
Capital Programme Total	**£5,332,000**	**£3,368,000**	**£2,608,485**	**(£759,515)**	**(£2,723,515)**

Non-Current Assets	**£2,800,000**	**£1,594,000**	**£1,055,127**	**(£538,873)**	**(£1,744,873)**
Revenue Expenditure Funded from Capital under Statute	**£2,532,000**	**£1,774,000**	**£1,553,358**	**(£220,642)**	**(£978,642)**

Funding Source	Original Budget	Approved Budget	Actual Outturn	Variance to Approved Budget	Variance to Original Budget
Capital Receipts	£1,074,000	£532,000	£273,379	(£258,621)	(£800,621)
Revenue Contributions	£154,000	£769,000	£946,580	£177,580	£792,580
Council Funding	**£1,224,000**	**£1,301,000**	**£1,219,959**	**(£81,041)**	**(£8,041)**
Borrowing Need	£75,000	£282,000	£0	(£282,000)	(£75,000)
Capital Grants and Contributions	£3,767,000	£1,480,000	£1,358,363	(£121,637)	(£2,408,637)
Reserves and Sinking Funds	£262,000	£305,000	£30,163	(£274,837)	(£231,837)
Capital Programme Total	**£5,332,000**	**£3,368,000**	**£2,608,485**	**(£759,515)**	**(£2,723,515)**

APPENDIX B

The Council's Balance Sheet

	Type	2016/17 Actual £000s	2017/18 Actual £000s	2017/18 Budget £000s	Variance to Budget £000s
Property, Plant and Equipment	ASSET	43,080	41,968	42,904	(936)
Heritage Assets	ASSET	515	515	515	0
Investment Property	ASSET	5,572	5,200	5,572	(372)
Intangible Assets	ASSET	50	76	50	26
Assets Held for Sale	ASSET	0	300	0	300
Investments	INV	24,981	24,418	23,760	658
Borrowing	BOLE	(1,439)	(1,370)	(2,765)	1,395
Finance Leases	BOLE	(2,552)	(2,048)	(2,047)	(1)
Working Capital	CRED	(7,919)	(7,953)	(7,196)	(757)
Long Term Provisions	CRED	(1,250)	(1,180)	(1,250)	70
Pensions	PEN	(36,562)	(34,393)	(36,562)	2,169
TOTAL ASSETS LESS LIABILITIES		**24,476**	**25,533**	**22,981**	**2,552**

Unusable Reserves					
Revaluation Reserve	REV	(7,800)	(9,016)	(7,800)	(1,216)
Capital Adjustment Account	CAP	(36,624)	(34,865)	(36,770)	1,905
Deferred Credits	CRED	(47)	(47)	(47)	0
Pension Scheme	PEN	36,562	36,028	36,562	(534)
Benefits Payable During Employment Adjustment Account	CRED	225	132	225	(93)
Collection Fund	UGER	(1,116)	(611)	(634)	23
Available for Sale Reserve	INV	187	101	187	(86)
Usable Reserves					
Unapplied Grants and Contributions - General	UGER	(759)	(705)	(654)	(51)
Unapplied Grants and Contributions - Cannock Chase	UGER	(28)	(22)	0	(22)
Unapplied Grants and Contributions - Section 106	UGER	(488)	(588)	(459)	(129)
Unapplied Grants and Contributions - CIL	UGER	(185)	(327)	(185)	(142)
Usable Capital Receipts	UGER	(2,784)	(2,936)	(2,457)	(479)
Usable Capital Receipts - Arts Statue	UGER	(134)	(134)	(134)	0
Burntwood Leisure Centre Sinking Fund	UGER	(247)	(236)	(45)	(191)
City Centre Redevelopment Sinking Fund	UGER	(25)	(25)	(25)	0
Elections	UGER	(226)	(194)	(226)	32
Public Open Spaces	UGER	(476)	(439)	(476)	37
Three Spires Multi Storey	UGER	(1,979)	(2,057)	(2,129)	72
Building Regulations	UGER	(209)	(147)	(209)	62
Other Earmarked Reserves	UGER	(3,326)	(4,904)	(3,223)	(1,681)
Grant Aid - Development	UGER	(26)	(20)	(26)	6
General Fund Balance	GEN	(4,971)	(4,521)	(4,456)	(65)
TOTAL EQUITY		**(24,476)**	**(25,533)**	**(22,981)**	**(2,552)**

Summary	Type	2016/17 Actual £000s	2017/18 Actual £000s	2017/18 Budget £000s	Variance to Budget £000s
Capital Funding	CAP	(36,624)	(34,865)	(36,770)	1,905
Revaluation Reserve	REV	(7,800)	(9,016)	(7,800)	(1,216)
Borrowing and Leasing	BOLE	(3,991)	(3,418)	(4,812)	1,394
Non-Current Assets	ASSET	49,217	48,059	49,041	(982)
Investments	INV	25,168	24,519	23,947	572
Unapplied Grants & Earmarked Reserves	UGER	(12,008)	(13,345)	(10,882)	(2,463)
Pension Scheme	PEN	0	1,635	0	1,635
General Reserve	GEN	(4,971)	(4,521)	(4,456)	(65)
Working Capital & Long Term Provisions	CRED	(8,991)	(9,048)	(8,268)	(780)
TOTAL ASSETS LESS LIABILITIES		**0**	**0**	**0**	**0**

Investments in the 2017/18 Financial Year

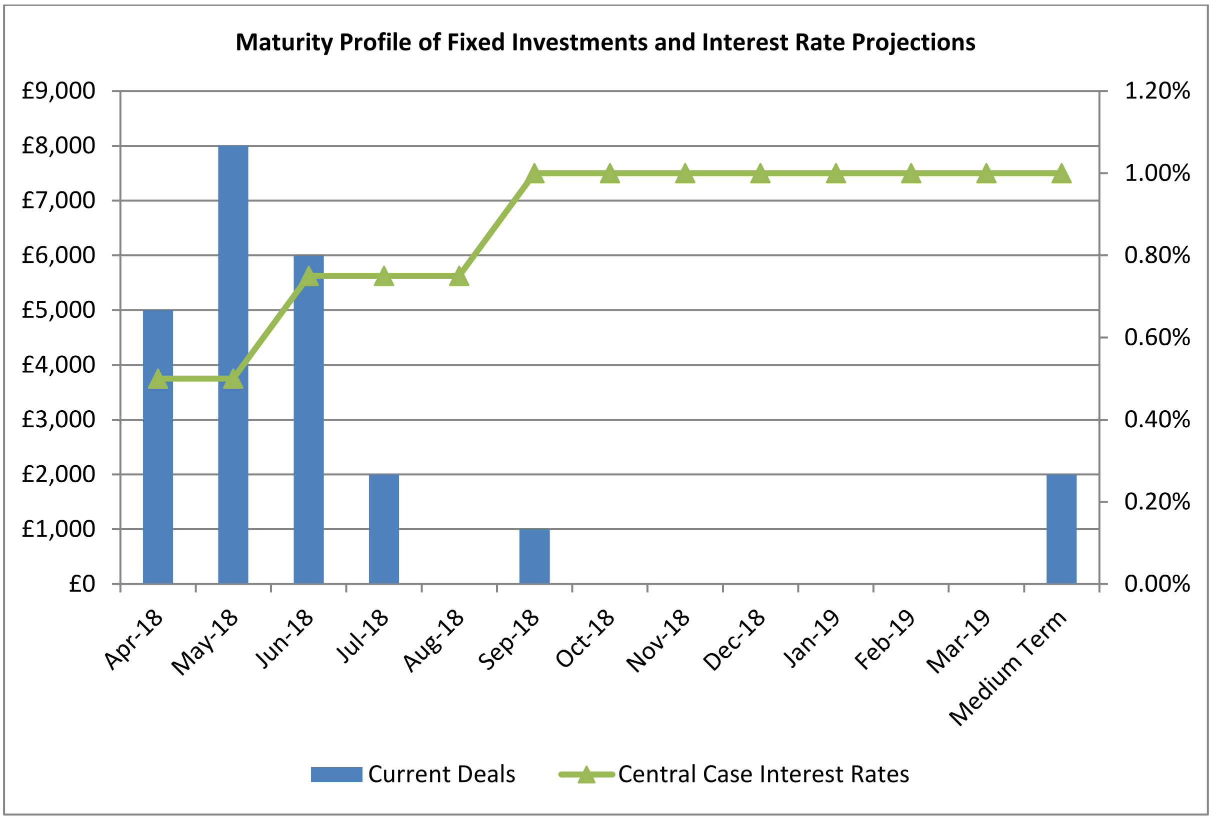
The table below shows a breakdown of our investments at the end of March 2018:

Counterparty	Principal	Matures	Days to Maturity	Rate	Lowest Credit Rating	Foreign Parent
Money Market Funds						
Invesco Aim	£1,000,000	01-Apr-18	Instant Access	0.41%	A+	N/A
Legal & General	£1,000,000	01-Apr-18	Instant Access	0.42%	A+	N/A
BNP Paribas MMF	£1,000,000	01-Apr-18	Instant Access	0.43%	A+	N/A
Amundi	£1,000,000	01-Apr-18	Instant Access	0.43%	A+	N/A
Property Fund						
CCLA Property Fund	£2,000,000	N/A	N/A	4.13%	N/A	No
Fixed Term Investments						
Rugby Borough Council	£2,000,000	29-Jun-18	90	0.35%	LOCAL	No
United Overseas Bank	£1,000,000	18-May-18	48	0.39%	AA-	Yes
DBS Bank	£1,000,000	01-Jun-18	62	0.39%	AA-	Yes
Coventry Building Society	£1,000,000	05-Apr-18	5	0.40%	A	No
Salford City Council	£2,000,000	16-May-18	46	0.50%	LOCAL	No
Commonwealth Bank of Australia	£1,000,000	03-May-18	33	0.42%	AA-	Yes
Lloyds	£1,000,000	15-May-18	45	0.65%	A	No
Nationwide	£1,000,000	15-May-18	45	0.46%	A	No
Australia and New Zealand Banking Group	£1,000,000	12-Jun-18	73	0.57%	AA-	Yes
Landesbank Hessen-Thüringen (Helaba)	£1,000,000	09-Jul-18	100	0.62%	A	Yes
Barclays Bank	£1,000,000	18-May-18	48	0.41%	A	No
Merthyr Tydfil Council	£2,000,000	29-Jun-18	90	0.85%	LOCAL	No
Call Accounts with Notice Period						
Santander UK plc	£1,000,000	27-Sep-18	180	0.55%	A	Yes
Goldman Sachs International Bank	£1,000,000	04-Jul-18	95	0.44%	A	Yes
Svenska Handelsbanken AB	£1,000,000	05-May-18	35	0.25%	AA-	Yes
Total Investments	**£24,000,000**					

External Borrowing

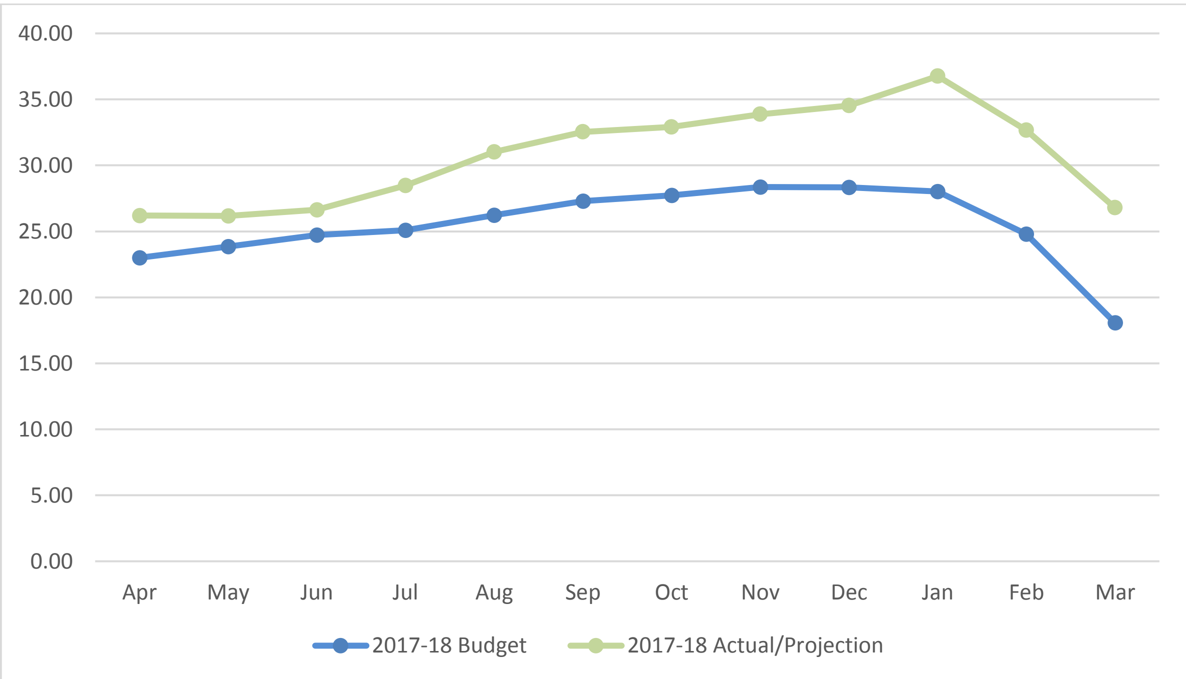
Source	Loan Amount	Maturity Date	Interest Rate	Outstanding Balance as at 31 March 2018
Public Works Loan Board	£1,522,000	08-Apr-40	2.59%	£1,369,800

The maturity profile of these investments at 31 March 2018 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



Cash Flow for 2017/18

The graph below compares the budget for average investment levels in 2017/18 with the actual levels.



Performance of the Treasury Management Function

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

Security:

Our aim for the risk status of our portfolio was an average long-term rating of **A-** or higher. As a matter of prudence, the lowest rating from the three credit rating agencies was utilised to comply with this threshold**.**

The investments outstanding at the 31 March 2018 had a risk status of **AA-** based on the length of the investment and **AA-** based on the value of the investment, which is a more secure risk status. These risk statuses are both compliant with our aim and the recommendations from our Treasury Management advisors.

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily.

The time limits were relatively short to manage counterparty credit risk (a bank or building society being unable to repay our investment). We also maintained balances in Money Market Funds to provide for unforeseen cash flow requirements. The average length of investments we have made in 2017/18 is **96 days**.

Liquidity:

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the financial year. We actively managed liquidity risk in 2017/18 by purchasing Certificates of Deposit and Treasury Bills because they can be sold on the secondary market in the event the money is required for unforeseen circumstances. We also had significant sums invested in call accounts and Money Market Funds which provide instant access to cash. Therefore, due to the level of our liquid investments in 2017/18 we did not need to temporarily borrow.

Yield:

In the year of 2017/18 we have achieved an average interest rate of **0.66%.** This compares to our performance indicator of the average Seven-day London Inter-bank Bid (LIBID) rate, which was **0.21%**, the one month rate was **0.23%,** the three month rate was **0.28%** and the six month rate was **0.40%.**

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

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

The interest rates, amounts of money we had available to invest, interest receipts, interest paid and net investment income in 2017/18 are shown in the table below:

	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	96 days
Temporary Borrowing	£0	£0
Yield		
Average amount we had available to invest (£m)	£30.70m	£30.71m
Average Interest Rate (%)	0.65%	0.66%*
7-day London Inter-bank Bid (LIBID) rate	0.21%	
1 month London Inter-bank Bid (LIBID) rate	0.23%	
3 month London Inter-bank Bid (LIBID) rate	0.28%	
6 month London Inter-bank Bid (LIBID) rate	0.40%	
Net Investment Income (£)	(£155,500)	(£159,280)
Net Treasury Position (£)	(£19,450)	(£14,447)

- This percentage is different to the percentage on page 9, due to one calculation is based on a whole year's worth of investments and one on the investments as at 31 March 2018.

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18

1. Background:

There is a requirement under the Local Government Act 2003 for Local Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code during the summer of 2017, and issued a revised Code in December 2017.

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

(a) Financing its capital spending from government grants/usable capital resources/ revenue contributions etc rather than from external borrowing.

(b) Adhering to the paramount requirement of safeguarding the council's invested balances during a period of unprecedented money market dislocation; maintaining adequate diversification between institutions; optimising investment returns subject to the overriding requirement of security and liquidity.

(d) Forecasting and managing cash flow and undertaking short-term borrowing and lending to preserve the necessary degree of liquidity.

2. Estimates of Capital Expenditure (Prudential Indicator 1):

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

No. 1 **Capital Financing**	**2017/18** **Original** **£m**	**2017/18** **Approved** **£m**	**2017/18** **Actual** **£m**
Non-Current Assets	2.800	1.594	1.055
Revenue Expenditure funded from Capital under Statute	2.532	1.774	1.553
Total	**5.332**	**3.368**	**2.608**

2.2 This capital expenditure has been financed as follows:

No. 1 **Capital Financing**	**2017/18** **Original** **£m**	**2017/18** **Approved** **£m**	**2017/18** **Actual** **£m**
Capital Receipts	1.070	0.532	0.273
Burntwood Sinking Fund	0.170	0.202	0.012
Other Sinking Funds	0.000	0.000	0.000
Capital Grants and Contributions	3.767	1.480	1.358
Earmarked reserves etc.	0.096	0.103	0.018
Revenue Contributions	0.154	0.769	0.947
Finance Leases, Invest to Save and Borrowing	0.075	0.282	0.000
Total	**5.332**	**3.368**	**2.608**

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

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

3.2 The ratio is based on costs net of investment income:

No. 2 Ratio of Financing Costs to Net Revenue Stream	**2017/18 Original £m**	**2017/18 Approved £m**	**2017/18 Actual £m**
Investment Income	(0.161)	(0.195)	(0.195)
Transfer to Property Reserve	0.038	0.035	0.036
Internal Interest	0.004	0.004	0.004
External Borrowing Interest	0.036	0.037	0.037
Finance Lease Interest Charges	0.016	0.016	0.048
Minimum Revenue Provision	0.581	0.604	0.616
Total Financing Costs	**0.515**	**0.501**	**0.546**
Total Funding Available	11.034	11.060	11.059
%	**5%**	**5%**	**5%**

4. Capital Financing Requirement (Prudential Indicator 3):

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

No. 3 Capital Financing Requirement	**2017/18 Original £m**	**2017/18 Approved £m**	**2017/18 Actual £m**
Balance Brought Forward	4.806	4.793	4.793
Capital Expenditure financed from borrowing etc.	0.075	0.282	0.000
Minimum Revenue Provision	(0.581)	(0.604)	(0.616)
Balance Carried Forward	**£4.300**	**£4.471**	**£4.177**

5. Gross Borrowing and the Capital Financing Requirement (Prudential Indicator 4):

5.1 This is a key indicator of prudence and ensures that over the medium term gross borrowing will only be for a capital purpose.

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

No. 4	**Revised £m**	**31/03/18 £m**
LT Borrowing	(1.309)	(1.309)
Short Term Element of LT Borrowing	(0.061)	(0.061)
Short Term Element of LT Liabilities	(0.516)	(0.505)
Other Long Term Liabilities	(1.582)	(1.543)
Total	**(£3.468)**	**(£3.418)**

	2017/18 Original £m	**2017/18 Approved £m**	**2017/18 Actual £m**
CFR plus next 2 years	3.993	24.714	24.420
Gross Debt	(3.461)	(3.468)	(3.418)
Gross Borrowing < CFR plus next 2 years	**True**	**True**	**True**

The Head of Finance and Procurement (Section 151) reports that the Authority had no difficulty meeting this requirement in 2017/18. There are also no difficulties envisaged for future years.

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

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

No.5 Incremental Impact of Capital investment Decisions	2017/18 Original £	2017/18 Approved £	2017/18 Actual £
Band D Equivalent	**(£0.21)**	**£0.00**	**£0.60**

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

7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 **The Authorised Limit (Prudential Indicator 6):**
This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements. This limit was set at **£15,292,000** for 2017/18.

8. Operational Boundary (Prudential Indicator 7):

This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity and was set at **£5,895,000**.

8.1 Levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was :

No. 6 and 7 Authorised Limit and Operational Boundary	2017/18 Maximum £m	2017/18 Year Start £m	2017/18 Year End £m
External Borrowing - Long Term	1.370	1.370	1.309
External Borrowing - Short Term	0.069	0.069	0.061
Bank Overdraft	0.000	0.000	0.000
Other Long Term Liabilities - Short Term	0.505	0.505	0.505
Other Long Term Liabilities - Long Term	2.047	2.047	1.543
Total	**£3.991**	**£3.991**	**£3.418**

Details	2017/18 Original £m	2017/18 Approved £m	2017/18 Maximum £m
Authorised Limit	£15.292	£15.292	£3.991
Operational Boundary	£5.895	£5.895	£3.991

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

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

Adoption of the CIPFA Code of Practice in Treasury Management

- Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003.
- Council has incorporated any changes resulting from the CIPFA Treasury Management Code within its treasury policies, practices and procedures.
- At its meeting on 21 February 2017, Council originally approved its Prudential Indicators for 2017/18.
- The Prudential Indicators were fully revised and approved by Council on 20 February 2018.

10. Gross Debt (Prudential Indicator 9):

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

No. 9	2017/18 Original £m	2017/18 Approved £m	2017/18 Actual £m
Outstanding Borrowing	(1.338)	(1.370)	(1.370)
Other Long Term Liabilities	(2.124)	(2.098)	(2.048)
Gross Debt	**(£3.462)**	**(£3.468)**	**(£3.418)**
Capital Financing Requirement	**£4.300**	**£4.471**	**£4.177**
Is our Gross Debt in excess of our Capital Financing Requirement and are we borrowing in advance of need?	**No**	**No**	**No**

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

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

No. 10 and 11	2017/18 Original %	2017/18 Approved %	2017/18 Highest %	2017/18 Lowest %	2017/18 Average %
Fixed Interest Rates					
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(80%)	(53%)	(64%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%
Net Fixed Exposure (No. 10)	**0%**	**0%**	**20%**	**47%**	**36%**
Variable Interest Rates					
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(47%)	(20%)	(36%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	0%	0%	0%
Net Variable Exposure (No. 11)	**(70%)**	**(70%)**	**(47%)**	**(20%)**	**(36%)**

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

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

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

No. 12 **Maturity Structure of Fixed Rate Borrowing**	**£**	**%**	**Lower Limit**	**Upper Limit**
Under 12 months	60,880	4.44%	0%	100%
12 months and within 24 months	60,880	4.44%	0%	100%
24 months and within 5 years	182,640	13.33%	0%	100%
5 years and within 10 years	304,400	22.22%	0%	100%
10 years and within 20 years	608,800	44.44%	0%	100%
20 years and within 30 years	152,200	11.11%	0%	100%
30 years and within 40 years	0	0.00%	0%	100%
40 years and within 50 years	0	0.00%	0%	100%
50 years and above	0	0.00%	0%	100%
Total	**£1,369,800**			

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

13.1 This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days:

No 13 **Upper Limit for total principal sums invested over 364 days**	**2017/18 Original £m**	**2017/18 Approved £m**	**2017/18 Actual £m**
Upper Limit	**£6.000**	**£6.000**	**£2.000**

14. Credit Risk (Prudential Indicator 14):

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

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

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

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

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

15. Changes to the 2017 Prudential Code:

15.1 The 2017 Prudential Code has deleted three Prudential Indicators: (a) incremental impact on Council Tax, (b) adoption of the TM Code, and (c) HRA limit on indebtedness. The first two are relevant for this Council. In relation to (b), there is no longer a requirement for local authorities to formally adopt the Treasury Management Code, but local authorities in all parts of the UK are now required by law to have regard to the Code. For (a), the Council has decided not to retain this indicator as a local indicator.

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Statement of Accounts 2017/18

Cabinet Member for Finance and Democracy

Date:	25 July 2018
Agenda Item:	5
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	**No**
Local Ward Members	Full Council

Lichfield district council
www.lichfielddc.gov.uk

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 2017/18. 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. This is a change from previous years when certification was required by 30 June and Audited by 30 September.

1.2 To manage this change a number of items in the Final Accounts project plan have been brought forward to enable the draft Statement of Accounts to be produced on 31 May 2018.

1.3 The Statement of Accounts was signed by the Head of Finance and Procurement (Section 151) on 31 May 2018.

1.4 A copy of the Unaudited Statement of Accounts was placed on the Council's website on 31 May 2018. The period of inspection and elector's right to question the External Auditor also commenced on 31 May 2018 for 30 working days until 11 July 2018.

1.5 There were no requests from electors to inspect the accounts and no questions were raised of the External Auditor during this period.

1.6 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 6**).
- Approves the Letter of Representation at **APPENDIX A**.
- Approves the Councils Statement of Accounts for 2017/18 (attached at **APPENDIX B**).

3. Background

3.1. The External Auditor's Audit Findings report will be discussed at Agenda Item 6**.** This details the findings from the final accounts audit as well as providing a Value for Money conclusion. There are no significant issues of concern for the Committee to consider.

3.2. 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**.

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

3.4. 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 9 May 2018**).	34
Expenditure and Funding Analysis	This statement reconciles Money Matters financial performance to the Comprehensive Income and Expenditure Statement.	53
Comprehensive Income and Expenditure Statement	This records all of the Council's income and expenditure for the year based on accounting requirements.	54
Movement in Reserves Statement	This is a summary of the changes to the Council's reserves over the course of the year.	55
Balance Sheet	This Statement is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves.	56
Cash Flow Statement	This shows the reason for changes in the Council's cash balances during the year.	57
Notes to the Accounts	These provide more detail about the Council's accounting policies (**approved by Audit (and Member Standards) Committee 22 March 2018**) and individual transactions.	60
Collection Fund and Notes	This summarises the collection of Council Tax and Business Rates.	122
Glossary of Terms	This provides an explanation of the terms used in the Statement of Accounts.	125
Independent Auditor's Report	The External Auditor's opinion.	129

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

The Comprehensive Income and Expenditure Statement

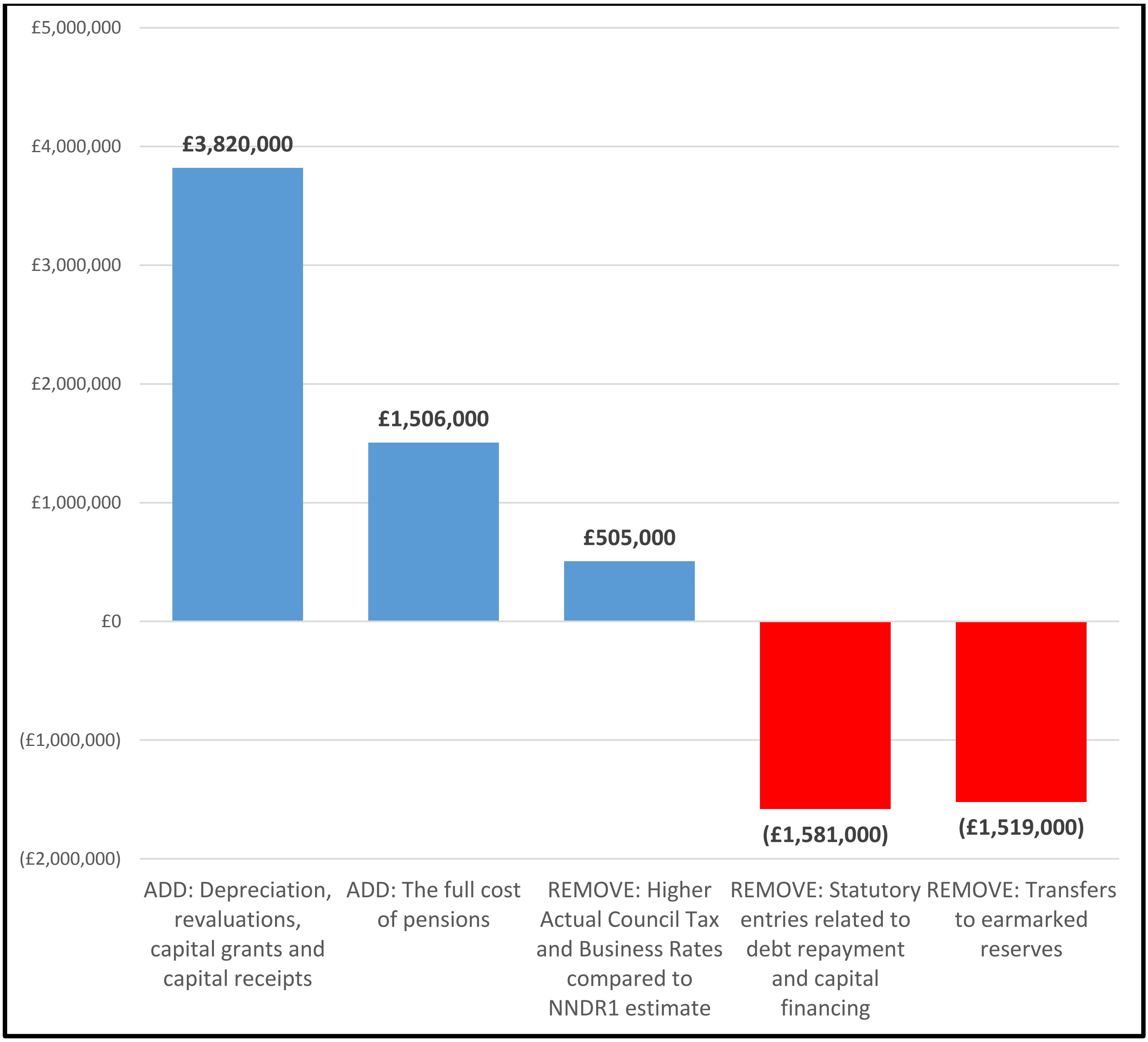
3.6. The Council prepares and monitors its revenue financial performance during the financial year based on statutory requirements known as the funding or General Fund basis. The information included in the Narrative Report (and Money Matters Reports) is prepared using this basis.

3.7. As part of its Statement of Accounts, the Council is also required to prepare a Comprehensive Income and Expenditure Statement based on accounting requirements.

3.8. These two statements produce different figures for financial performance because of the different bases that are used in their preparation.

3.9. The Expenditure and Funding Analysis on page 53 and supplementary information on pages 79 and 80, reconcile the General Fund surplus and transfer from General Reserves (shown in the Narrative Report on page 24 and in Money Matters Reports) to the Comprehensive Income and Expenditure Statement (shown on page 54).

3.10. The graph below summarises the Expenditure and Funding Analysis (EFA) and shows the main reasons why the General Fund deficit of **£450,000** becomes a greater deficit on Provision of Services in the Comprehensive Income and Expenditure Statement of **£3,181,000**.

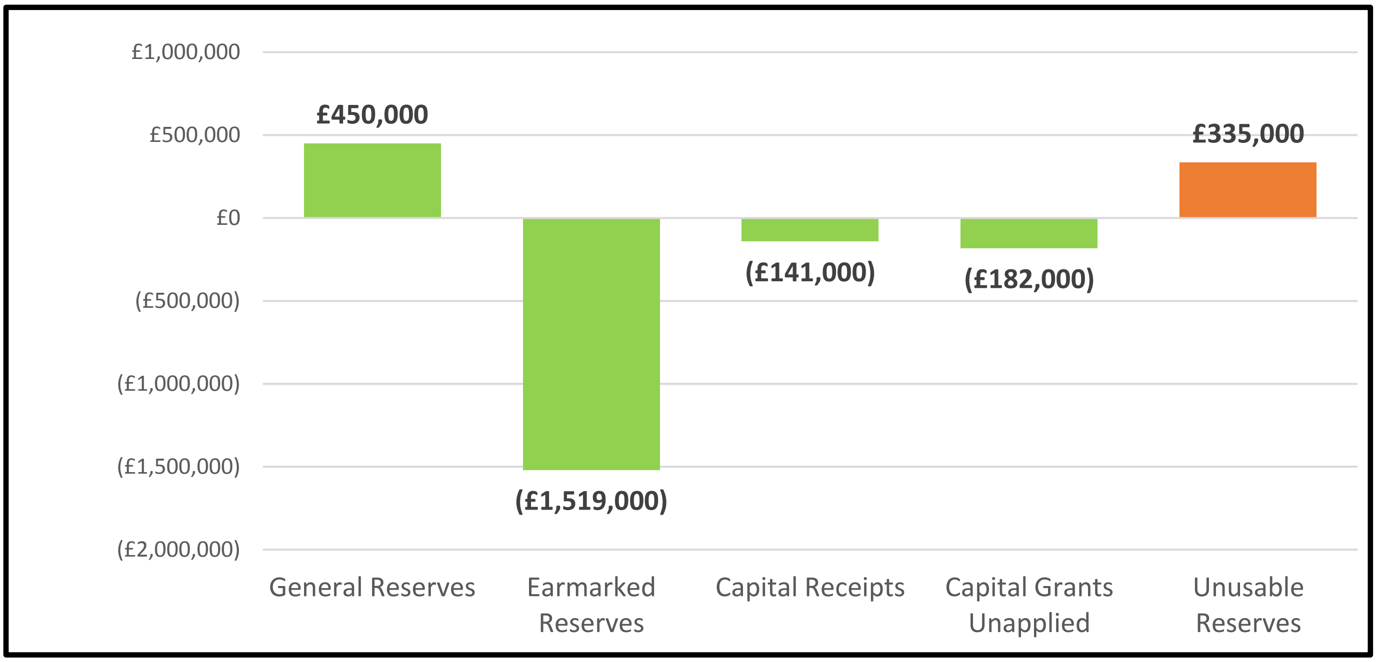


3.11. The reasons for the increase in the deficit of **£2,731,000** are:

- The inclusion of capital accounting entries including depreciation to be compliant with accounting requirements – **this increases the deficit by £3,820,000**.
- The inclusion of a sum in addition to pension payments in the year to reflect the full cost of pensions – **this increases the deficit by £1,506,000**.
- The removal of the Council's share of the additional income for actual Council Tax and Business Rate income compared to the NNDR 1 estimate – **this increases the deficit by £505,000**.
- The removal of entries related to debt repayment and capital financing (these are replaced by depreciation) – **this reduces the deficit by (£1,581,000)**.
- The removal of transfers to Earmarked Reserves because under accounting requirements these are considered to form part of the General Fund balance – **this reduces the deficit by (£1,519,000)**.

The Movement in Reserves Statement

3.12. The movement (increases in reserves are shown as negatives) in usable and unusable reserves during 2017/18 are summarised in the graph below:



3.13. The movement in reserves during 2017/18 is explained below:

- **General Reserves** - there was a General Fund deficit of revenue expenditure over income and therefore **£450,000** was taken from General Reserves (Movement in Reserves on page 55).
- **Earmarked Reserves** - additional contributions of **(£1,519,000)** were made to Earmarked Reserves to reflect resources being set aside for specific projects such as Friarsgate, the Commercialisation agenda and Business Rates volatility (note 8 on page 81).
- **Capital receipts** – these have increased by **(£141,000)**. There were receipts generated of **(£434,000)** mainly from the Council's share of Bromford Right to Buy receipts of (£420,000). Capital receipts of **£285,000** were used to fund capital investment during the year for such projects as Disabled Facilities Grants and Information Technology enhancement (Movement in Reserves on page 55).
- **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 **(£182,000)** during 2017/18 due primarily to receipts from Community Infrastructure Levy and the Special Areas of Conservation of (£163,000) that have not yet been utilised (Movement in Reserves on page 55).
- **Unusable reserves** – these have decreased by **£335,000** 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 55):
    1. A decrease in the negative pension reserve of **(£534,000)** following reassessment by the Actuary.
    2. An increase in the revaluation reserve of **(£1,216,000)** where asset values have increased following revaluations.
    3. A decrease in the Collection Fund Adjustment Account of **£505,000.** 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 **£1,759,000**. 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

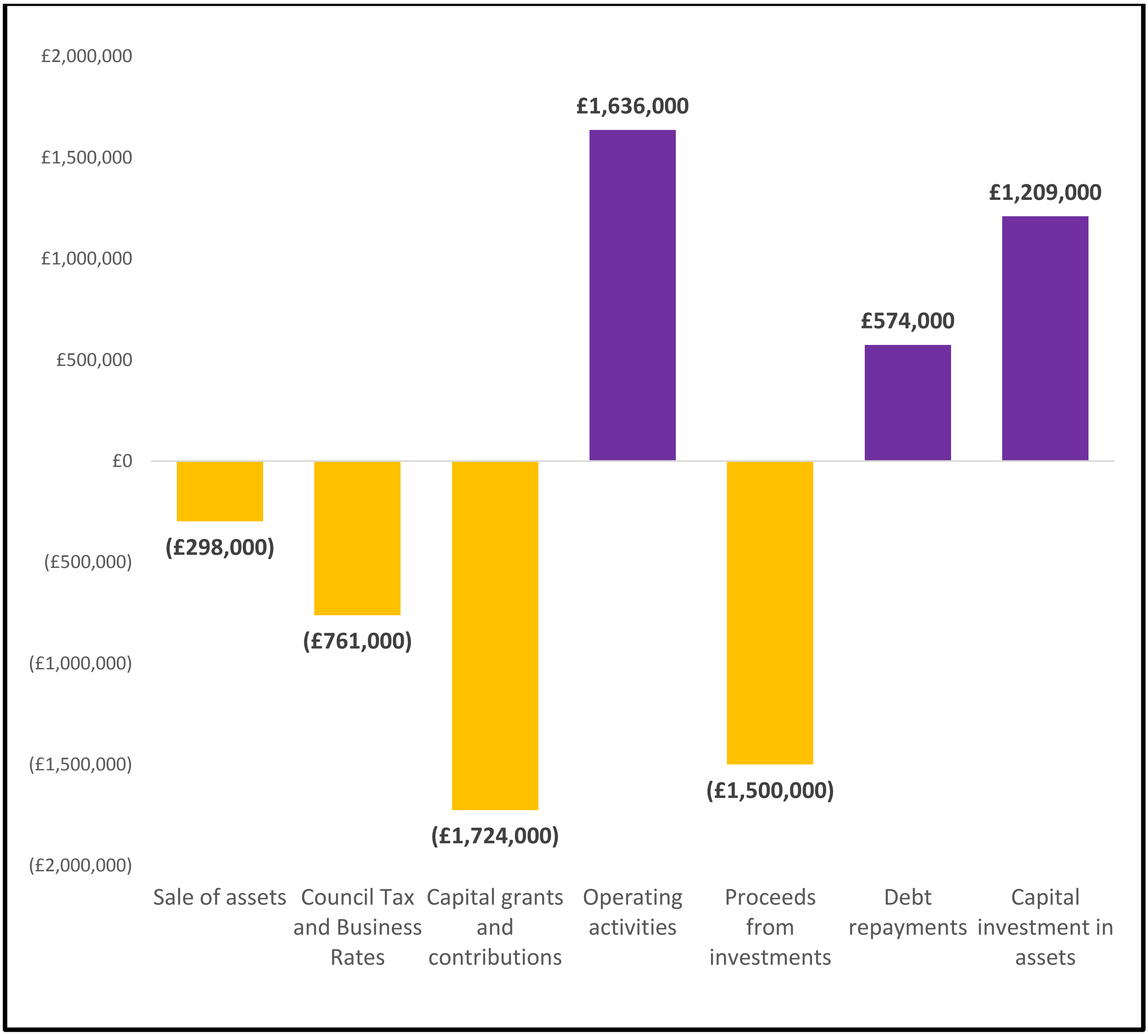
3.14. The changes in the Balance Sheet during 2017/18 are shown in the graph below (increases in assets or reductions in liabilities/reserves are positives and reductions in assets and increases in liabilities/reserves are negatives):

3.15. The increase in the 'bottom half' of the Balance Sheet (in amber and green) represented by reserves is **(£1,057,000)**. There is also a corresponding increase in net assets in the 'top half' of the Balance Sheet (in blue) of **£1,057,000**. The main reasons for these changes are detailed below:

- **Unusable Reserves** – These changes are explained in paragraph 3.13.
- **Usable Reserves** - These changes are explained in paragraph 3.13.
- **Long Term Liabilities** – the Pension liability has decreased by **£2,169,000** due to the Council making a prepayment of contributions.
- **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 2017/18 there has been a relatively small change of **(£257,000)** is related to a number of items.
- **Long Term Assets** – Property, Plant and Equipment has reduced by **(£1,112,000)** mainly as a result of the disposal of King Edward VI Leisure Centre offset partly by 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.

The Cash Flow Statement

3.16. The Cash Flow Statement shows why the level of cash and cash equivalents has reduced during the financial year. The sources and use of **cash** (income is shown in gold as negatives and expenditure shown in purple as positives) that have resulted in an increase of **(£864,000)** in cash and cash equivalents are shown in the graph below:



3.17. 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 Section 106 and Disabled Facilities Grant.
- A reduction in short term and long term investments.

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

- The repayment of external borrowing and finance leases.
- Capital investment in non-current assets including Friarsgate and the Information Technology programme.
- Day to day revenue operating activities.

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 Committee was consulted and approved the Accounting Policies to be applied at its meeting on 22 March 2018 and approved the content of the Annual Governance Statement at its meeting on 9 May 2018.

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.

Crime & Safety Issues	There are no Crime and Community Safety Issues.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Statement of Accounts is not completed in line with the Statutory requirement for certification and publication.	We have a detailed project plan. Tasks are accelerated each year and alternative approaches are adopted to ensure the unaudited Statement of Accounts are certified and available for inspection by 31 May. The draft 2017/18 Statement of Accounts was completed and signed by the Head of Finance and Procurement on 31 May 2018.	Green (Tolerable)
B	The Statement of Accounts is not completed to the required quality, in line with Statutory and Accounting requirements or has a qualified opinion issued by the External Auditor	The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications. This training includes attendance at training and development related specifically to the production of the Statement of Accounts.	Green (Tolerable)

Background documents

- Statement of Accounts working papers 2017/18
- 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/Council/Financial-information/Our-statements-summaries-of-accounts.aspx

APPENDIX A

Your ref
Our ref DT
Ask for Diane Tilley
email Diane.tilley@lichfielddc.gov.uk

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Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham, West Midlands
B4 6AT

25 July 2018

Dear Sirs

Lichfield District Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of **Lichfield District Council** for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v 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.

vi 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.

Chief Executive
Diane Tilley BSc MRICS

vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

viii All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

ix Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for those misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

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 financial statements such as records, documentation and other matters;
b additional information that you have requested from us for the purpose of your audit; and
c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

a management;
b employees who have significant roles in internal control; or
c others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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 Statement/Annual Report

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

Approval

The approval of this letter of representation was minuted by the Audit (and Member Standards) Committee at its meeting on **25 July 2018.**

Yours faithfully

Councillor Martyn Tittley
Chair of Audit (and Member Standards) Committee
Date 25 July 2018

Diane Tilley
Chief Executive
Date 25 July 2018

Anthony Thomas
Section 151 Officer
Date 25 July 2018

Audit Adjustments

Error identified in sample testing

During sample testing of creditors, we identified an item of £9,850 which relates to 2018/19. This had been reversed out of the Council's 2017/18 expenditure by accruing for it as a prepayment. This resulted in the item being included in both Short Term Creditors and Short Term Debtors in the Council's Balance Sheet, when it should not have been included in the 2017/18 financial statements at all.

Our audit approach required us to extrapolate the results of this error across the relevant population and this confirmed that the projected error of £244k was well below our materiality level, and hence we were not required to do any additional testing.

Potential understatement of the Council's IAS19 liability

As discussed on page 9, the Council outsourced the provision of leisure services during the 2017/18 year, resulting in a number of staff transferring to the new provider under TUPE. The Council have not included the IAS19 liability relating to these individuals in the draft financial statements, as management do not consider that the Council has any liability for individuals who are not employees of the Council.

At the time of writing this report we have yet to conclude our work in this area, but are satisfied that the impact of any potential error in the treatment of this liability would not be material. We will provide a verbal update the Audit and Member Standards Committee on this matter.

APPENDIX B

Lichfield district council

www.lichfielddc.gov.uk

Statement of Accounts

2017/18

Contents

If you have any comments on this **Statement of Accounts 2017/18** 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 2018.

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 2018 and its income and expenditure for the year.

This is an electronic copy without an electronic signature. The original was signed on 25 July 2018 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 2017/18 has been approved by Audit (and Member Standards) Committee on 25 July 2018. The Audit Findings Report was reported to Audit (and Member Standards) Committee on 25 July 2018.

Chair of Audit (and Member Standards) Committee Date: 25 July 2018

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2018, 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 2017/18. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that for the 2017/18 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 2017/18;
- A Summary of the Financial Performance of Lichfield District Council in 2017/18;
- A Summary of the Principal Risks and Uncertainties Facing Lichfield District Council;
- Explanation of the Financial Statements.

An Introduction to Lichfield District

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

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

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

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

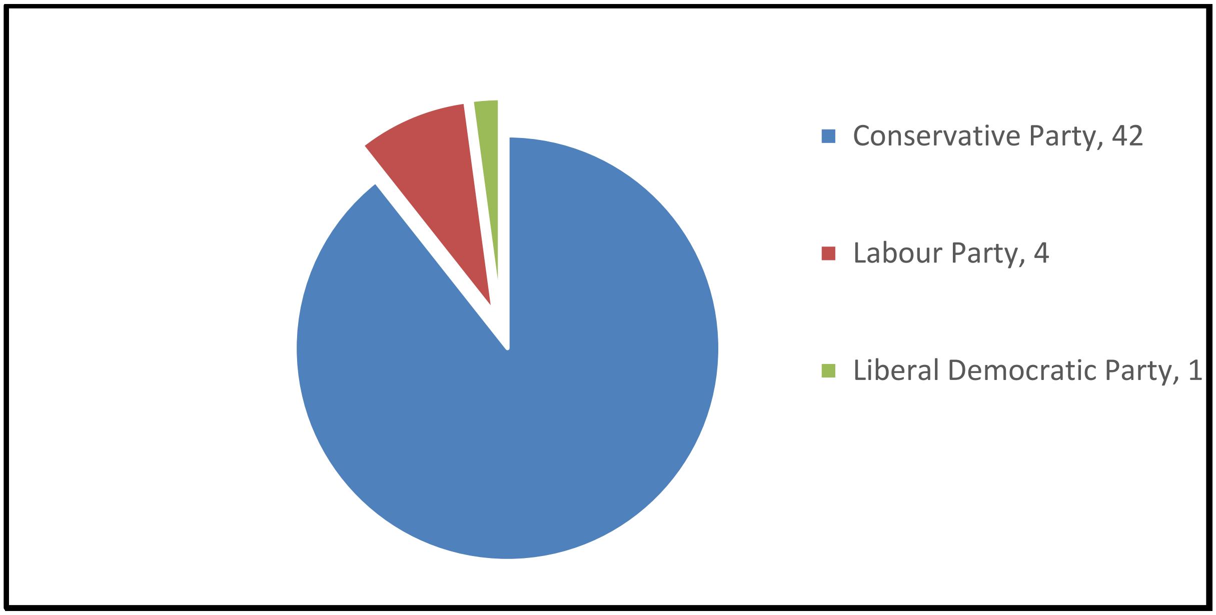
On average the District is prosperous and ranks well within the indices of deprivation (although there are areas where deprivation exists). The District performs well at all levels of education with pupils achieving above the national average. Lichfield has lower than the national average levels of unemployment. 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.

An Introduction to Lichfield District Council

Lichfield District Council was formed in 1974, from Lichfield City Council and Lichfield Rural District Council. The Council has **26** wards, with **47** elected Members. The political composition of seats is as follows:



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 **308** people of which **90%** 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*

- *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 Pan*
- *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, following a lengthy procurement process, it was decided to outsource the operational delivery of our leisure centres both in Burntwood and Lichfield. Outsourcing is a tried and tested model throughout the UK - within Staffordshire three other districts currently outsource their services.

The operator selected after the procurement process was Freedom Leisure a not for profit company formed in 2002, and which currently operate **75** leisure centres at various locations within the UK. As a large company, Freedom will be able to bring a robust regional and national network with innovative customer engagement mechanisms, corporate buying power, established relationships with sport/health professionals and National Governing Bodies of Sport.

It is the role of the Council to work 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. Freedom will use a wide range of interventions to engage and consult with the community driving services closer to the customer.

The aim of the outsourcing is 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 will be 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.

The Council's Performance

For 2017/18, 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.

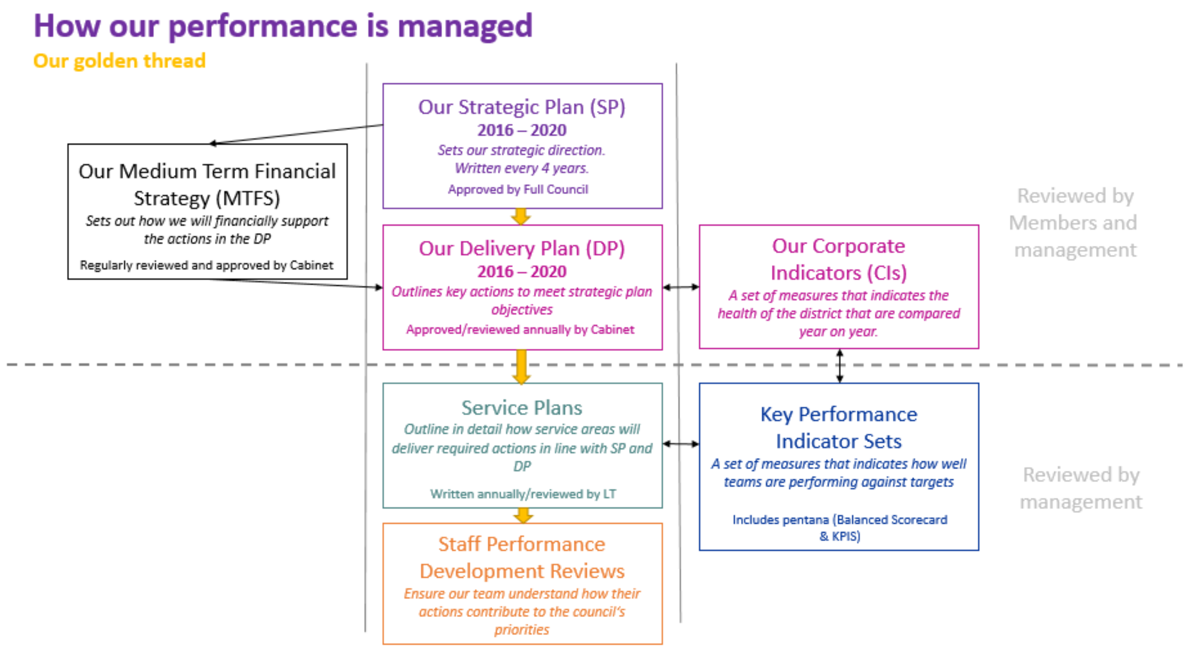
- **Clean, green and welcoming places to live**
  - We want to create great communities where people want to and can afford to live
  - We want a good balance of homes, including enough affordable homes, and we want the right mix and quantity of office, retail and manufacturing spaces
  - We want to protect our stunning heritage and make sure our green spaces, streets and public areas are looked after and well managed.

The 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 annual plans and targets are set out each year as an **Annual Action Plan** or **'Corporate Top 10'**, which shows the top 10 activities that the Council will be focussing on during the next financial year in order to deliver the commitments set out in the Strategic Plan. For 2017/18 this was approved by Full Council in February 2017.

The Annual Action Plan is performance-managed in line with the Corporate Performance Management Framework. Update reports on the 2017/18 Action Plan are presented to Cabinet in January for the mid-year outturn and July for the end of year outturn. These reports also include activity and performance indicators to enable Members to track performance across the range of statutory and discretionary services which the Council provides.

The process has been reviewed and updated during 2017/18 so that for 2018/19 a Delivery plan will be monitored to ensure the outcomes from our Strategic Plan 2016 to 2020 are achieved. Details of this will be discussed at Cabinet in June 2018, and the proposed process can be seen below:



The full year outcomes for the 2017/18 **Corporate Top 10** are highlighted below:

VIBRANT AND PROSPEROUS ECONOMY

1. Develop Lichfield City and Burntwood Town Centres

Action	Progress
Start on site with Friarsgate by the end of 2017	As the developer was unable to meet the milestones within the Development Agreement by the 30 June 2018 deadline, the Council has served notice to terminate the Development Agreement.
Planning application considered for Burntwood Town centre development by June 2017	Resolution to grant planning permission made for Burntwood Town centre site in April 2017. Section 106 agreement signed and permission formally granted in January 2018.
Implement City Centre Development Strategy including:	

- **Re-integration of the tourist information centre (TIC) into St Mary's Heritage Centre**	Agreement reached with Staffordshire County Council (SCC) for TIC to be re-incorporated into St Mary's Heritage Centre on completion of refurbishment works. Works on-going with a move in date of late summer 2018. The sub lease is expected to be completed in 2018.
- **Planning application determined for new coach park by June 2017**	Planning permission granted in March 2017.
- **Submit bid for restoration of Stowe Pool to Heritage Lottery Fund (HLF) by June 2017**	Bid submission delayed until 2018.

2. Encourage Job Creation Throughout the District

Action	Progress
Support the development of commercial sites at Liberty Park, Wall Island and Fradley Park	The Council continues to work with developers/owners on these three sites. At **Liberty Park**, a revised application for Phase 1 was received in May 2018. At **Wall Island**, Phase II reserved matters granted in February 2018. Amendments to Phase I (retrospective approval for car parking) approved in December 2017. At **Fradley Park**, planning permission for Prologis Phase II granted in December 2017 and for land off Wood End Lane in January 2018.
Review major employment allocations to facilitate development by March 2018	**Fradley Park** – new website promoting development opportunities is now live with two development plots and an industrial unit available. **Prologis Park, Fradley –** two units are now occupied by Screwfix and Anixter with one development site still available. **Imperial Retail Park, Eastern Avenue –** work has begun to redevelop the site and establish a new retail park. The scheme is anchored by Lidl and Costa, with the site being capable of housing up to four retailers. **Lichfield South Business Park, Wall Island –** phase 3 of the current business park is being created with reserved matters for a research and innovation centre.

	Former Olaf Johnson site, Burntwood – work has begun which will comprise a minimum of nine units with additional parking.
Identify and remove barriers to site assembly at Burntwood to facilitate town centre development	The Council, SCC and developer are jointly fund costs of completing land assembly to facilitate development. Preparation works on site.
Bring forward the Cricket Lane, Lichfield employment allocation	Pre-application discussions are ongoing for a planning application for a mixed-use scheme of housing and employment. Application expected in summer 2018.

HEALTHY AND SAFE COMMUNITIES

3. Ensure a Safe, Warm and Accessible Housing Stock

Action	Progress
95 Disabled Facilities Grant (DFG) adaptions completed to allow residents to remain in their own homes	**102** adaptions have been completed during 2017/18.
Countywide review of adaptions completed by March 2018	The contract for the delivery of adaptations across Staffordshire has been awarded to Millbrook Healthcare Ltd, starting from 1 April 2018.

4. Prevent Cases of Homelessness

Action	Progress
200 cases of at-risk of homelessness prevented from becoming homeless	**202** successful interventions preventing immediate risk of homelessness have been undertaken during 2017/18. **136** were completed by the Council with a further **66** by Citizens Advice South East Staffordshire (CASES) on our behalf.

5. Promote a More Active District

Action	Progress
Delivery of actions within the Physical Activity and Sport Strategy (PASS) to include:	
- **Adoption of a new Joint Use Agreement at Friary Grange Leisure Centre (September 2017)**	The Management Committee has been reinstated to work more collaboratively on the management, maintenance and operation of Friary Grange.
- **The transfer of the management and operation of two leisure centres to a leisure operator (January 2018)**	Leisure centres and associated product outsourced to Freedom Leisure on 1 February 2018. The Council is now working with Freedom Leisure on contract and partnership development with a focus on health and wellbeing.

CLEAN, GREEN AND WELCOMING PLACES TO LIVE

6. Implement the Local Plan and Promote Housing Growth

Action	Progress
Planning permission granted for 1,300 homes	Planning permission granted for **416** homes. The 'call in' and associated delay in determining Arkall Farm has removed 1,000 homes from this year's predicted supply, though a decision on 'call-in' is expected shortly which could re-confirm supply.
At least 633 homes built in accordance with the five year housing land supply trajectory for 2017/18	**648** homes completed **(102%).**
At least 158 affordable homes built in accordance with the targets of the Local Plan	**135** affordable homes completed **(85%)**.
Strategic Housing Sites Plan reviewed by March 2018	Barriers to Growth monitoring tool adopted and being used to inform progress on development of strategic housing sites.
Adoption of Site Allocations Plan by March 2018	Consultation completed. Officers assessing responses with a report to Cabinet in May 2018.

7. Mitigate the Effects on Local Communities and the Environment of the Government's High Speed (HS2) Proposals

Action	Progress
Phase 1 – commence considering and determining applications and environmental health consents in line with qualifying authority status	First schedule 61 COPA (pollution control) application given consent in January 2018. No complaints have arisen as a result of the works involved. All planning approvals determined within the statutory time-frame.
Phase 2 – ensure timely and meaningful responses to consultations on draft Environmental Impact Assessment and route design refinement	Petition formally lodged to Phase 2a Hybrid Bill and negotiations commenced with HS2 in advance of planned appearance at Select Committee to seek to address points raised.

A COUNCIL THAT IS FIT FOR THE FUTURE

8. Implement the Fit for the Future Programme and Outcomes of the Corporate Council Review

Action	Progress
Delivery plan implemented for the following reviews: - **Revenues and Benefits**	Actions implemented include: - Introduction of landlords' portal - Training of front line staff to enable more requests for service to be completed at the first point of contact - Procurement of revenues and benefits forms package to enable enhanced consumer experience - New team structure agreed, consultation period completed and new structure partly implemented - Benefits claim forms were made available on line to customers in March 2018.
- **Economic Development**	**Highlights by theme:** **Place** (in addition to the highlights described elsewhere): - Lichfield BID has placed four footfall counters around Lichfield City, hosting events throughout the year, provide a networking opportunity for businesses and introduced a Joint Procurement Scheme to source and manage

	contracts for individual businesses, saving BID members money - **95.4%** of premises within Lichfield District have access to UK superfast broadband (>24Mbps). **Business:** - Business support clinics have taken place within Lichfield District in partnership with the two Growth Hubs covering the area - As part of Tamworth and Lichfield for Business, there were **199** attendees at the Tamworth and Lichfield Business Show in November 2017 - Work is currently taking place on gathering further data on the local business population covering both local authorities, Tamworth and Lichfield, with a business survey being undertaken later this year - **9** Lichfield District businesses have been approved for the Business Growth Programme, creating **27** jobs - **63** business enquiries have been received since the end of August 2017. **People:** - **169** businesses or individuals have enquired regarding the Enterprise for Success programme, creating **16** jobs - The Higher Level Skills Match programme has launched covering Lichfield District providing local SMEs with graduate level skills development, recruitment and advice services.
Complete and implement new arrangements for Scrutiny	Council agreed in May 2017 to maintain four committees and terms of reference for co-ordinating group and task groups were strengthened and more regularly used.
Prepare and adopt new People Strategy by March 2018 including the adoption of new: - **Flexible working policy** - **Car parking policy**	People Strategy is being prepared in consultation with Leadership Team, for formal adoption later this year.
Consider and agree future use of Council House by March 2018	A bid for funding for the exploratory works for the Lichfield Hub concept was submitted to Government's One Public Estate programme, but this was unsuccessful. The project's key partners, including the District and SCC, are continuing with the project and have allocated a budget to allow these works and studies to be progressed.

9. a – Ensure Revenue and Capital Budgets are Managed Efficiently and Effectively
b – Reduce Dependence of the Revenue Budget on Income from Government Grant
c – Implement the Four Strands of the Efficiency Plan 2016-20

Action	Progress
2016/17 Accounts audited and unqualified by July 2017	We received an unqualified opinion on 26 September 2017 and this was reported to Audit (and Member Standards) Committee.
Outturn at 31 March 3018 to be +/-£250,000 of the original revenue budget	The Net Cost of Services outturn at **£10,162,512** was **(£72,288)** below the Approved Budget.
Maintain collection rates of Council Tax and Non-domestic Rates of at least 98.5%	Collection related to the 2017/18 financial year: Council Tax: **98.8%** Business Rates: **98.96%** Collection related to all financial years: Council Tax: **97.50%** Business Rates: **98.60%**
Adopt and implement commercialisation strategy by November 2017	Commercialisation was repositioned within the refreshed Fit for the Future programme as a key cross-cutting strand. The refreshed programme was communicated in September 2017, scoped in November 2017, and formally launched in April 2018. The commercialisation strategy has been replaced by a Property Investment Strategy which was approved in November 2017.

10. Encourage More Customers to use Digital Means to Interact with the Council

Action	Progress
Adopt, by May 2017, and implement innovation/channel shift/digitisation programme	Innovation/channel shift/digitisation programme being implemented with the following delivered: - Single customer account with online forms and new CRM - Benefits forms now online - Revenue online forms in testing - Committee services system introduced in January 2018 - Line of business system for Regulatory Services identified.
More transactions completed online by customers	New online opportunities provided through landlord portal and leisure centre bookings. Garden waste subscriptions and other waste processes available online. **79%** of garden waste subscriptions had been completed online.
More processes completed with fewer interventions by staff	**6** processes for Joint Waste and **4** for Benefits (including the landlord portal) are now fully automated.
Reduced number of telephone and face to face calls to the Council	During the year there were **136,789** telephone calls and **23,448** face to face visits compared with **113,746** and **21,743** respectively. The increase coincides with the go-live of the garden waste subscription service and the bad weather that affected waste collections.

Financial Performance

The Economic Climate and its Impact on Lichfield District Council

For the last few years, Lichfield District Council has faced significant financial challenges due to reductions in funding from Central Government, cost pressures within services and greater volatility in financing. The process is ongoing, will last until at least 2020/21 and will be continuously reviewed as the Council develops a stronger understanding of the challenges it faces. These challenges are due largely to the significant changes in local government funding:

- **New Homes Bonus** - the Local Government Finance Settlement for 2017/18 introduced a number of changes to the New Homes Bonus regime following the consultation with the aim of identifying savings "of at least £800m" for Social Care. The changes are detailed below:
  - Payments will be reduced from six years to four in 2018/19.
  - A National baseline (deadweight) for growth of **0.4%**. Only growth in excess of the baseline will attract New Homes Bonus. The Government has also reserved the right to alter the level in the event of significant or unforeseen housing growth.

  The Local Government Finance Settlement consultation for 2018/19 introduced the prospect of further changes to the regime based on measures linked to planning effectively. These potential measures relate to withholding bonus from houses granted on appeal and linking bonus to the housing delivery test or the standard approach to housing need. The Provisional Local Government Settlement indicated that there would be no change to the baseline, and the planning effectively measures would also not be implemented in 2018/19.

- **Retained Business Rates** - there have been a number of consultations on the proposed new system and it now looks increasingly likely that the reset of the baselines to reflect need will occur in 2020/21 (rather than 2019/20 as previously thought). This means that a higher share of Business Rate growth can be included in the Medium Term Financial Strategy (MTFS) for 2019/20.

  In 2018/19 the projection indicates the Council's share of Business Rates Growth will be growth of **(£500,000)** above the baseline and this level is also assumed for 2019/20. However, from 2020/21 to reflect the Fair Funding Review, this growth has been reduced to **(£100,000)** per year.

- **Revenue Support Grant (RSG)** - for 2018/19 this has been reduced to **£0.** It will become negative in 2019/20 with the introduction of a tariff. This adjustment reflects the Government's new approach in determining RSG allocations. This approach now takes into account the amount that can be raised locally through Council Tax. In practice this means that councils such as Lichfield which have a higher tax base, that is more properties above the average Band D, will have less RSG. The Government has announced that a consultation on the tariff adjustment or negative RSG will take place in 2018.

To provide an element of certainty for RSG and Transition Grant, the Council accepted the Government's invitation to be part of a four year settlement covering the years 2016/17 to 2019/20.

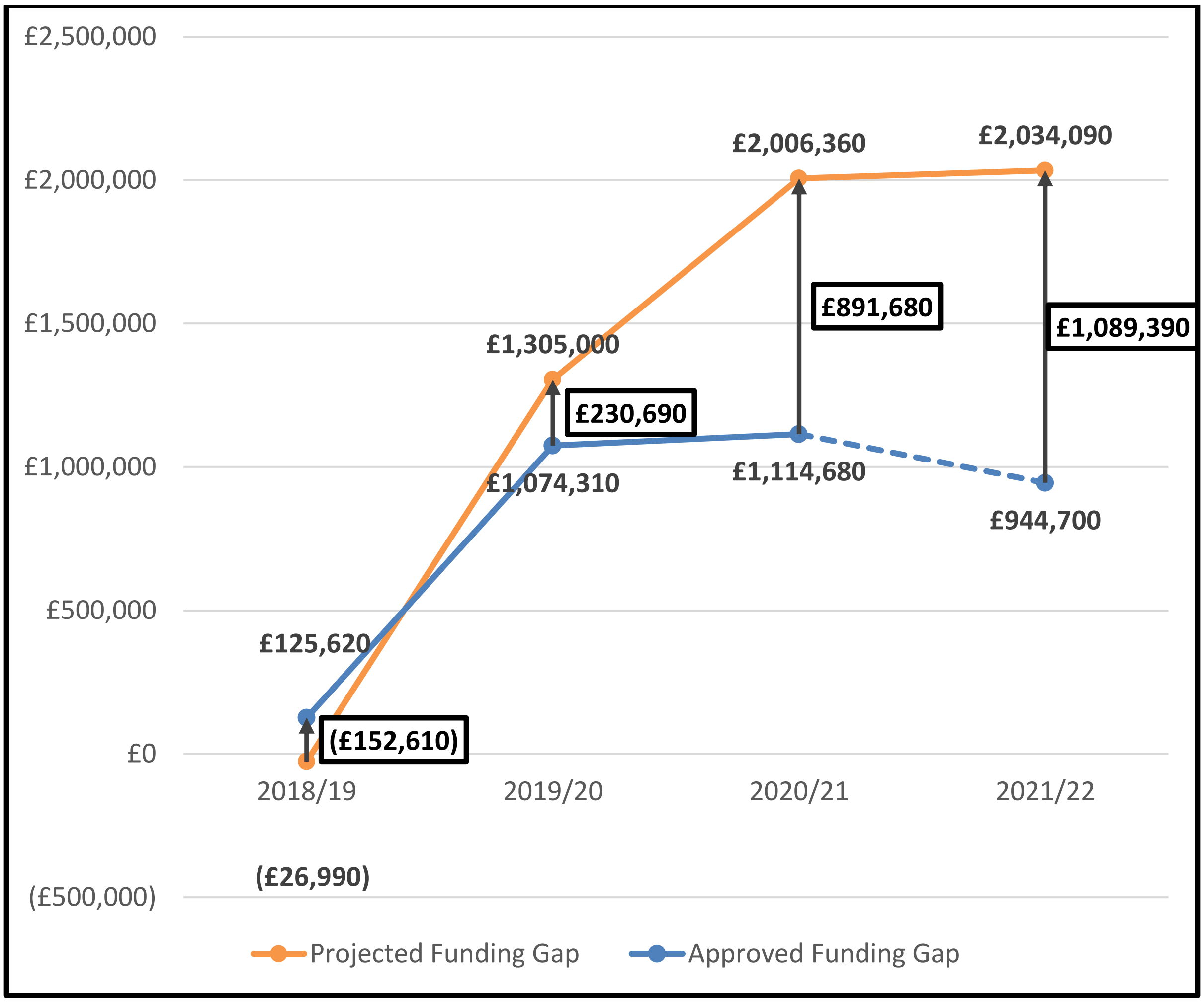
As part of this multi-year settlement process, the Council was required to develop and publish an Efficiency Plan. This Plan sets out the Council's approach to identifying the savings highlighted in the MTFS. This Plan includes three strands:

- **In Year Efficiency Savings/Income Generation** – this is in recognition of the Council's favourable financial performance over the last three financial years, in comparison with the Approved Budget.

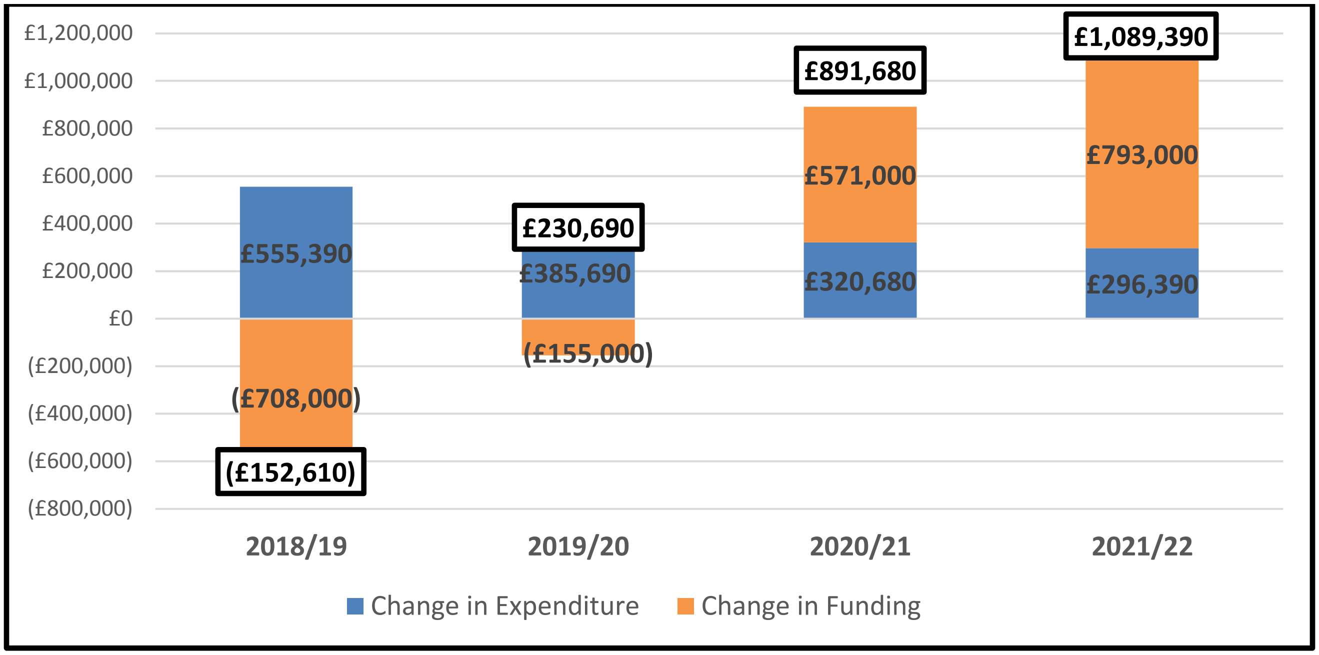
- **Fit for the Future (F4F) Efficiency Savings/Income Generation** – this is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be needed across the Council and its services in order to meet all of the changes following the fundamental review of Local Government finances.

- **Growing the Business Rates and Council Tax Base** – the Council will seek to maximise the growth of both these in order to increase the income from these funding sources. This will help to enable the Council to become financially self-sufficient over the medium term.

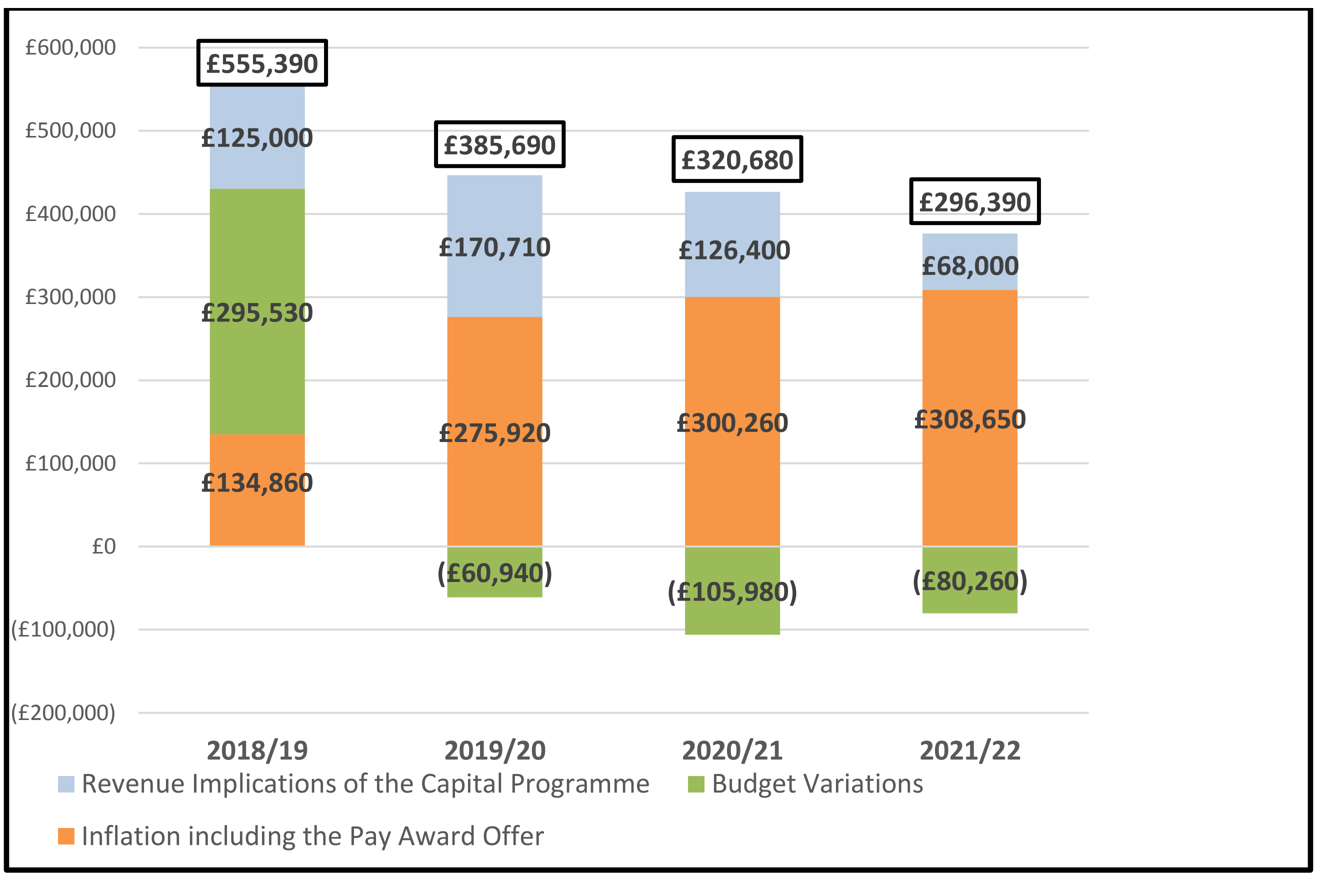
The projected Funding Gap compared to the Approved Funding Gap (taking account of Approved changes during 2017/18) plus a further projection for 2021/22 is shown in the graph below:



There has been an increase in the size of the projected Funding Gap in 2020/21 and 2021/22 and this is as a result of increases in expenditure and changes in funding as summarised in the graph below:



The key reasons for the increase in expenditure compared to the Approved MTFS are explained in the chart below:



These increases in expenditure are explained in more detail below:

Inflation - The 2 Year Pay Award Offer and Other Items

- On 5 December 2017 the National Employers made a final pay offer covering the period 1 April 2018 to 31 March 2020.
- The measures included in the pay offer accommodate the future National Living Wage and redefine the pay spine accordingly from 2019.
- In year 1 from 1 April 2018 the offer includes bottom loading on scale points 6 to 19 and then a flat rate increase of **2%** on scale points 20 and above.
- In year 2 from April 2019 the offer involves changes in scale points to introduce new scale points 1 to 22 to deal with compacting differentials and then a flat rate increase of **2%** for the new scale point 23 and above.
- We have continued to include a pay award of **1%** for the remaining financial years of the Medium Term Financial Strategy. This is subject to change although as a rough guide a **1%** pay increase equates to circa **£100,000** in additional costs each year.
- No inflation is added to other budgets unless there is a contractual requirement.

Budget Variations

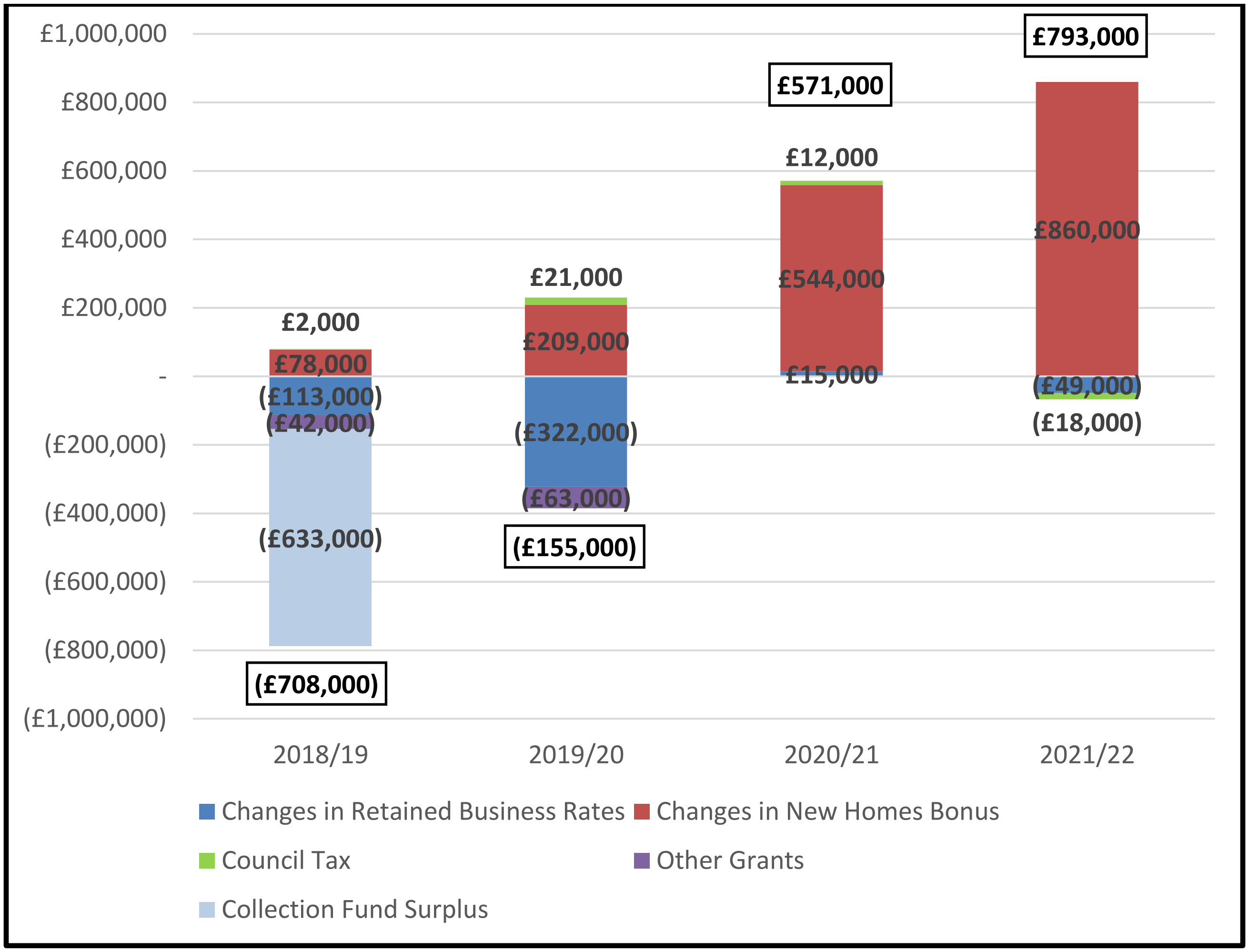
- **Changes to Pay** – these are a combination of changes resulting from the Personal Assistants review and the Management Restructure (such as officers not being appointed at the top of the grade).
- **Local Plan –** these are budget pressures related to the Local Plan allocations and review of **£90,000** in 2018/19 and **£80,000** in 2019/20 in excess of the earmarked reserve.
- **Reduction in income –** this is a combination of reduced Community Infrastructure Levy income in 2018/19 of **£33,000**, projected reduced Department of Works and Pensions grant in 2020/21 of **£20,000** and in 2021/22 of a further **£20,000**, the ceasing of card surcharges of **£7,000** and the reduction in SLA income from the Garrick for ICT Services of **£39,970**.
- **Reduction in expenditure –** this reflects the approved reduction in the Garrick subsidy of **(£60,000)** from **£310,000** to **£250,000** from 2018/19 and the achievement of the **(£50,000)** Fit for the Future target for Revenues and Benefits (further savings were included as part of the management restructuring).
- **Other** – including **£250,000** in 2018/19 to enable the facilitation and development of commercialisation and transformation projects requiring initial investment (that may be repaid from savings or additional income). In addition there are other relatively small changes in expenditure and income budgets including an increase in investment income as a result of the recent interest rate increase.

Revenue Implications of the Capital Programme

- These now only include the revenue implications related to the Friarsgate Report to Cabinet on 5 December 2017 and updated projections for the Property Investment Strategy.
- In terms of the Property Investment Strategy, in the early years of 2018/19 and 2019/20 where management costs and borrowing repayments exceed income, the net cost has been included in the Draft Medium Term Financial Strategy. In later years, from 2020/21 onwards where income exceeds costs, it is assumed income equals costs and therefore no surplus is currently included.

Changes in Funding

The key reasons for the change in funding compared to the Approved MTFS are explained in the chart below:



The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2020/21.

The Medium Term Financial Strategy and Monitoring Financial Performance

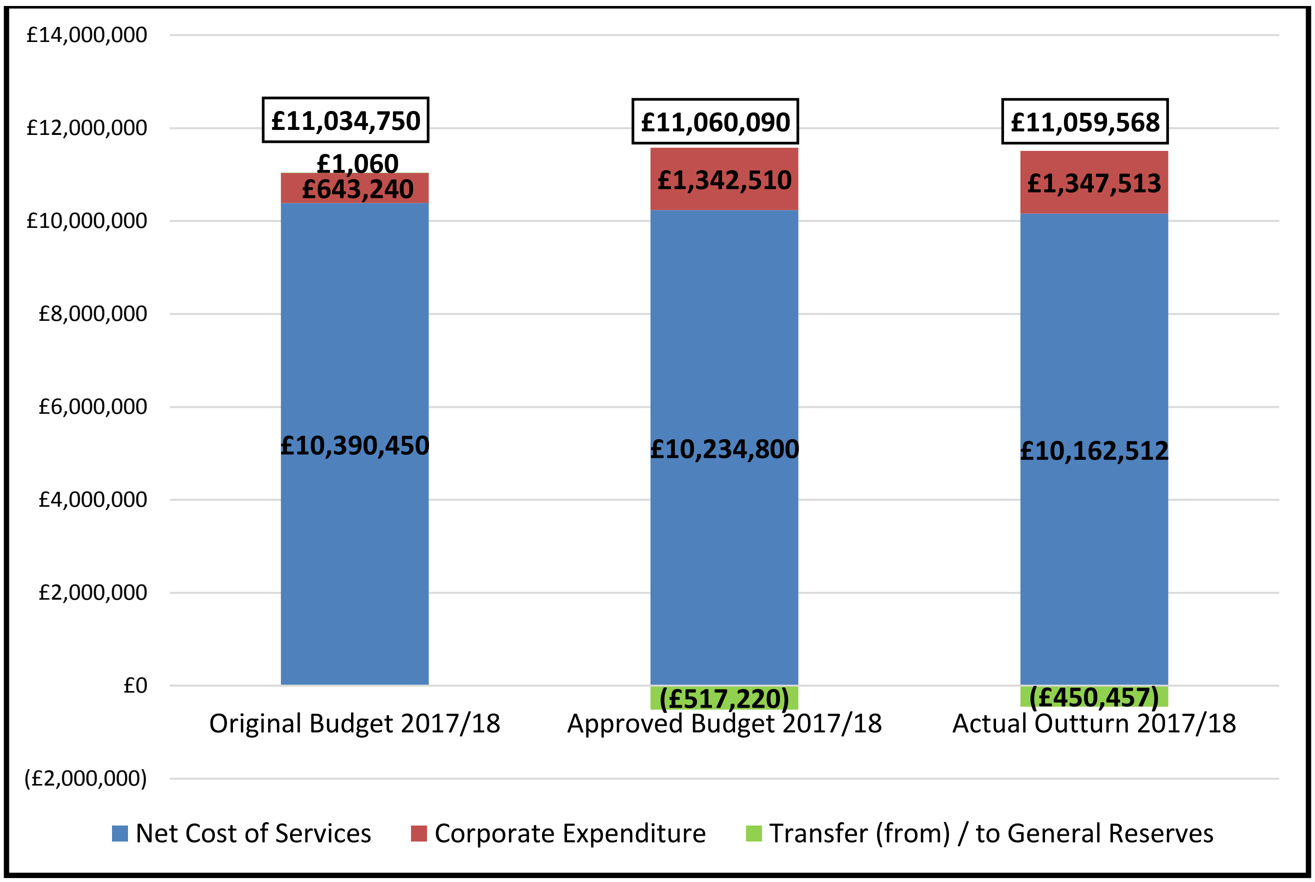
The ability to deliver the outcomes set out in the Strategic Plan 2016-20 is dependent on the resources available over the life of the plan. Therefore, the Council prepares a **Medium Term Financial Strategy (MTFS)**. This covers how we will use reserves, our investments, and our approach to Council 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 four financial years 2016-21. It was approved by Full Council on 21 February 2017.

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 outturn and capital outturn. The revenue and capital transactions recorded in these statements supported all of the Council's activities in 2017/18.

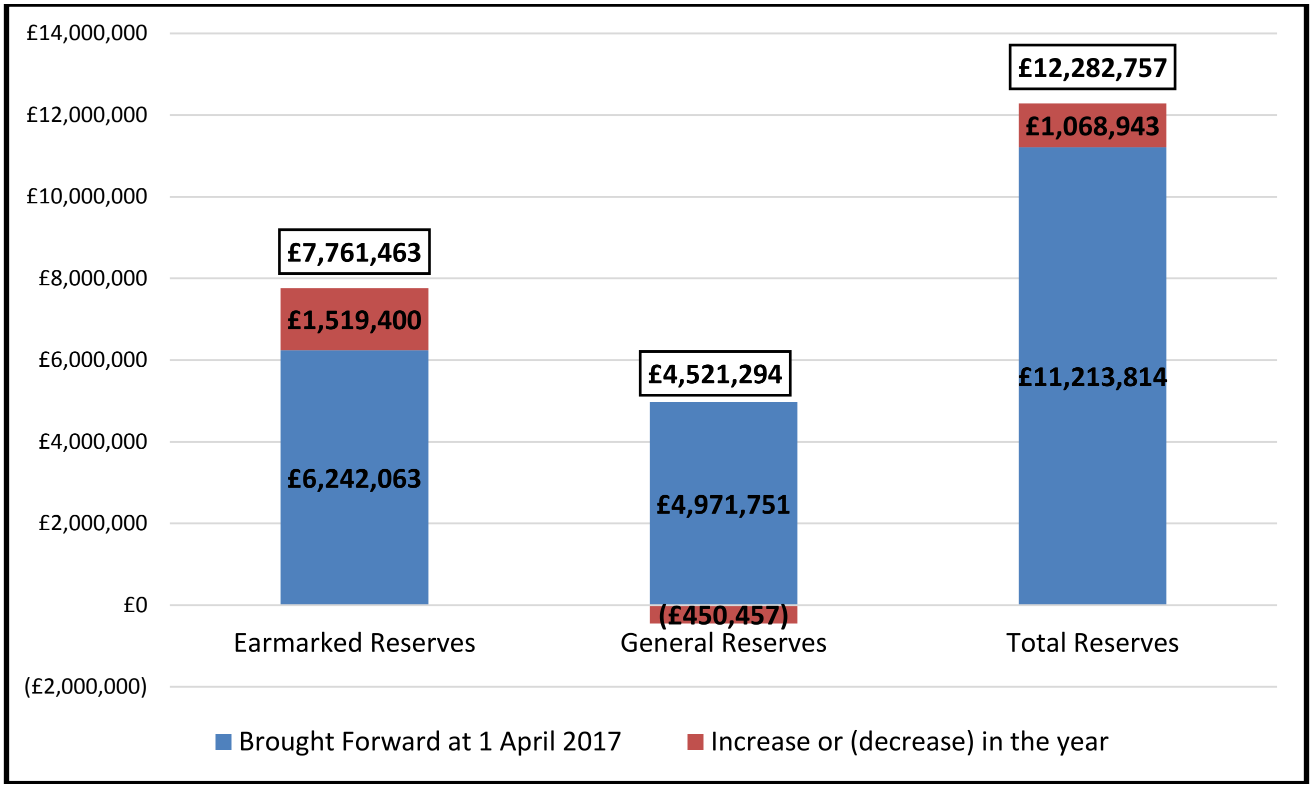
Revenue Financial Performance in 2017/18

Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.

The chart overleaf shows the Revenue financial performance for 2017/18. 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, including corporate expenditure, was **(£66,763)** below the Approved Budget. This meant that (**£450,457)** was taken from General Reserves compared to an estimate contained in the Original Budget of **£1,060** being taken to General Reserves**.**



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 **£1,700,000**. This means that there is available reserves of **£2,821,294** over and above the Minimum Level.

The details of net expenditure for activities included under the Net Cost of Services and Corporate Expenditure categories in the chart on page 22, together with the sources of funding in the format of the information contained in our Council Tax Leaflet, are shown below:

2016/17		2017/18				
Actual Outturn £000		Original Budget £000	Approved Budget £000	Actual Outturn £000	Amount per Person £	Amount per Band D Property £
5,321	A council that is fit for the future	5,404	5,806	5,868	£57.48	£158.89
(1,156)	A vibrant and prosperous economy	(710)	(946)	(1,046)	(£10.24)	(£28.32)
3,462	Clean, green and welcoming places to live	3,882	3,381	3,355	£32.86	£90.85
1,776	Healthy and safe communities	1,815	1,994	1,984	£19.44	£53.73
9,403	**Net Cost of Services**	**10,391**	**10,235**	**10,161**	**£99.54**	**£275.15**
440	Capital & earmarked reserves	659	1,362	1,362	£13.34	£36.87
(86)	Interest receipts/payments	(16)	(20)	(14)	(£0.14)	(£0.39)
693	Transfer (from) or to General Reserves	1	(517)	(450)	(£4.41)	(£12.20)
10,450	**Net Expenditure**	**11,035**	**11,060**	**11,059**	**£108.32**	**£299.43**
(2,198)	Business Rates	(2,484)	(2,470)	(2,463)	(£24.12)	(£66.69)
(773)	Revenue Support Grant	(236)	(236)	(236)	(£2.32)	(£6.40)
(1,878)	New Homes Bonus	(1,422)	(1,422)	(1,421)	(£13.92)	(£38.49)
4	Other Grants and Local Council tax Support to Parishes	30	(9)	(16)	(£0.16)	(£0.43)
252	(Surplus) or Deficit on the collection of Council Tax and Business Rates from the previous year	(829)	(829)	(829)	(£8.12)	(£22.44)
(5,857)	**Amount to be raised from Council Tax**	**(6,094)**	**(6,094)**	**(6,094)**	**£59.69**	**£164.99**

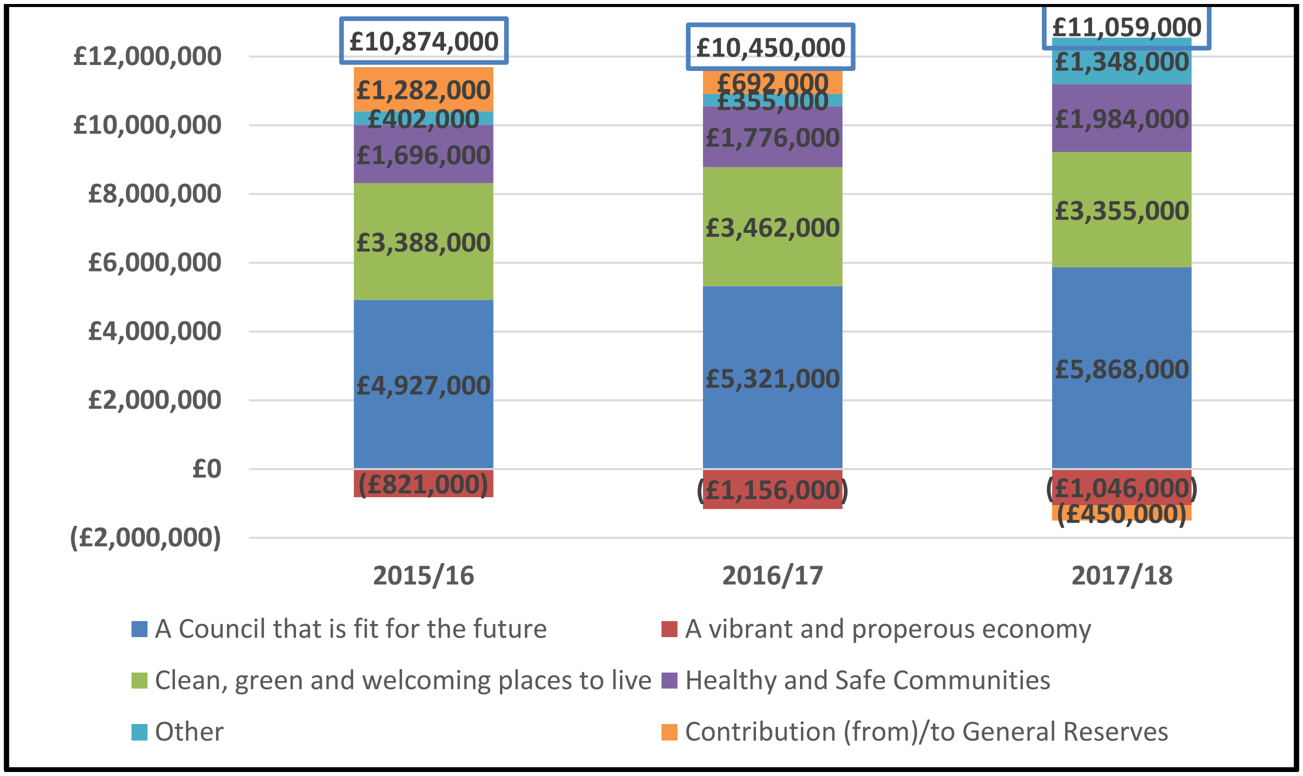
The information in the table above is based on the statutory funding basis and shows expenditure exceeding income by **£450,000** and therefore a transfer from General Reserves**.**

The Comprehensive Income and Expenditure Statement shows financial performance based on generally accepted accounting practices with a deficit of income over expenditure of **£3,181,000**.

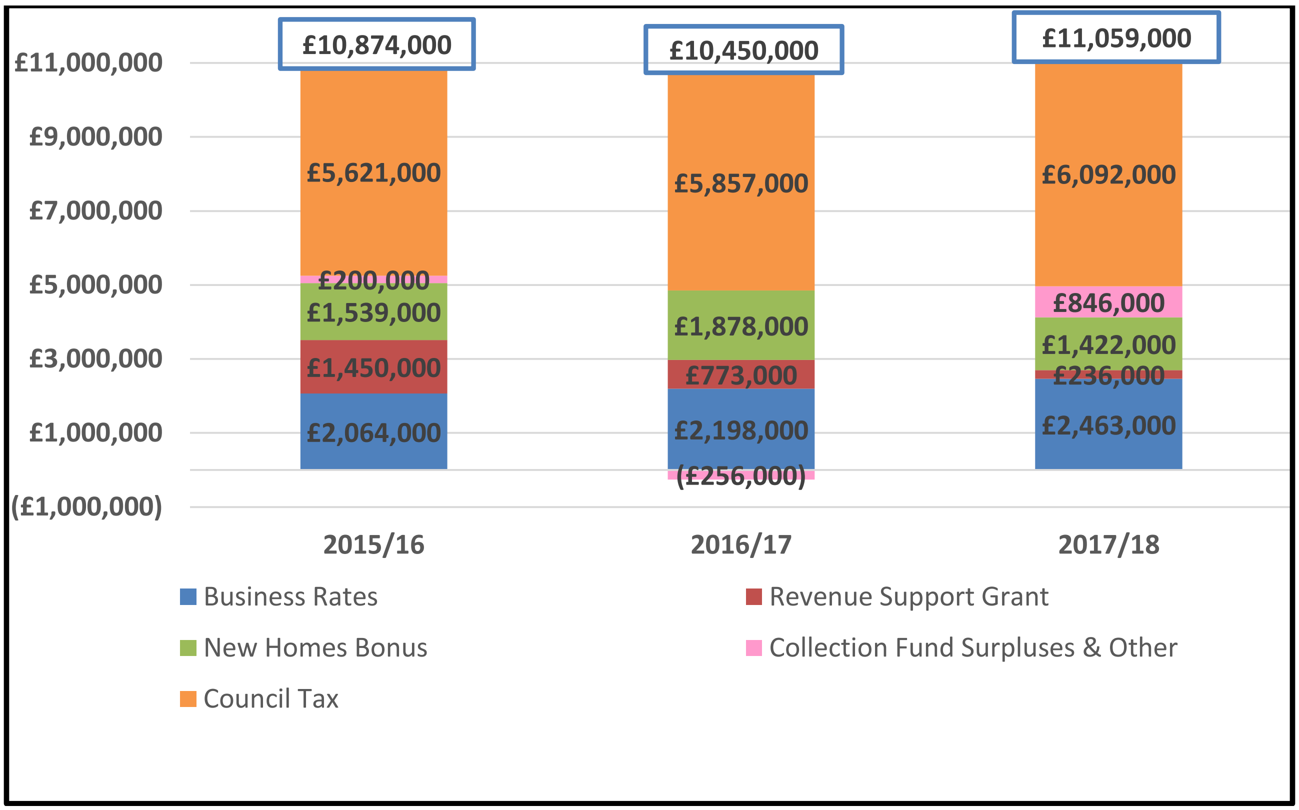
The **Expenditure and Funding Analysis (EFA)**, reconciles financial performance under the statutory funding basis to the accounting basis. The table below provides a summary:

		2016/17 £000	2017/18 £000
Income in excess of Expenditure shown in the table above	**Page 25**	**(692)**	**450**
Add : Earmarked Reserve Transfers (including those within the Net Cost of Services)	Page 81	(585)	(1,519)
Funding Basis - Expenditure and Funding Analysis	**Page 53**	**(1,277)**	**(1,069)**
Adjustments between Funding and Accounting Basis	Pages 79-80	(14)	4,250
Accounting Basis - Comprehensive Income and Expenditure Statement	**Page 54**	**(1,291)**	**3,181**

The chart below shows the make-up of our Net Expenditure for 2015/16, 2016/17 and 2017/18



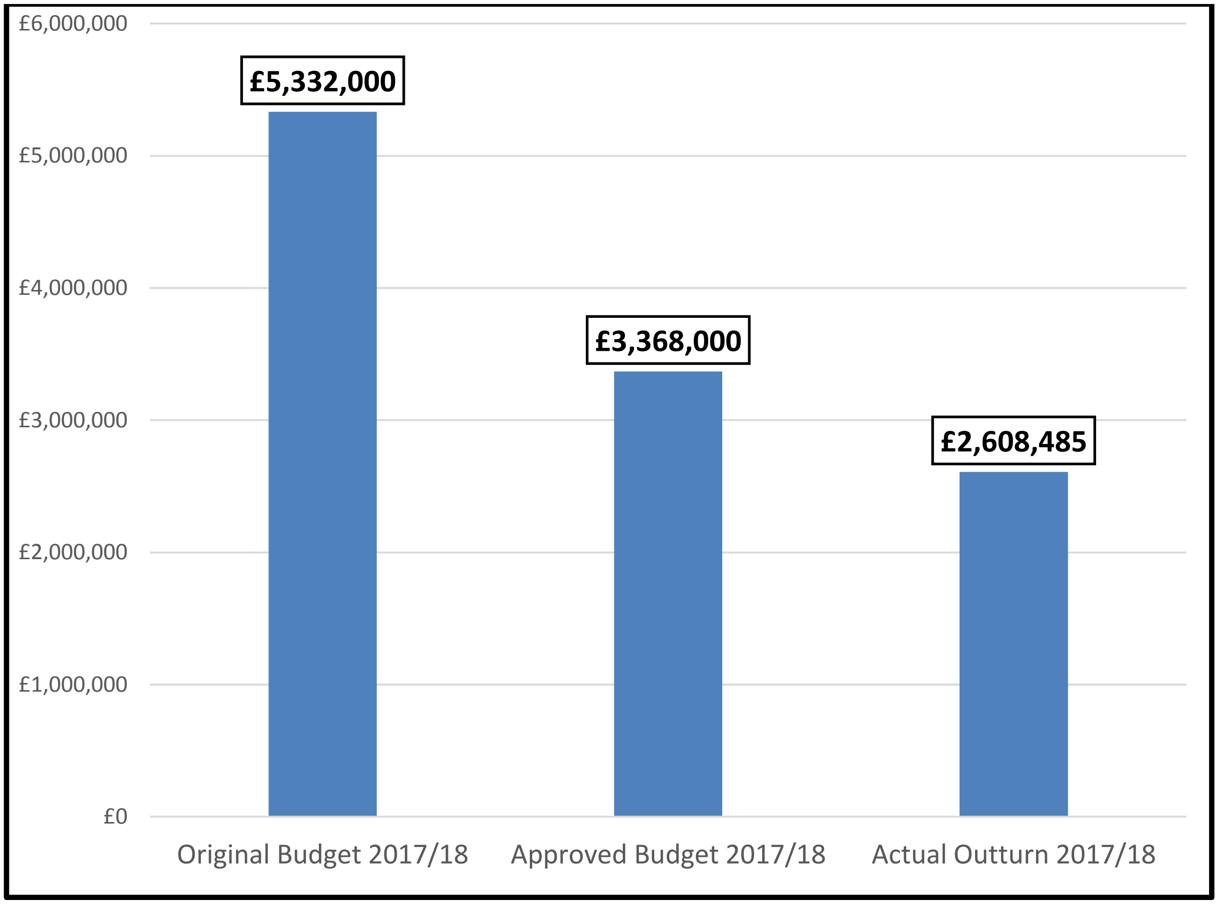
The chart below shows how our Net Expenditure for 2015/16, 2016/17 and 2017/18 was funded.



Capital Financial Performance in 2017/18

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

The chart below shows the final Capital financial performance for 2017/18 compared to the Original and Approved Budgets.

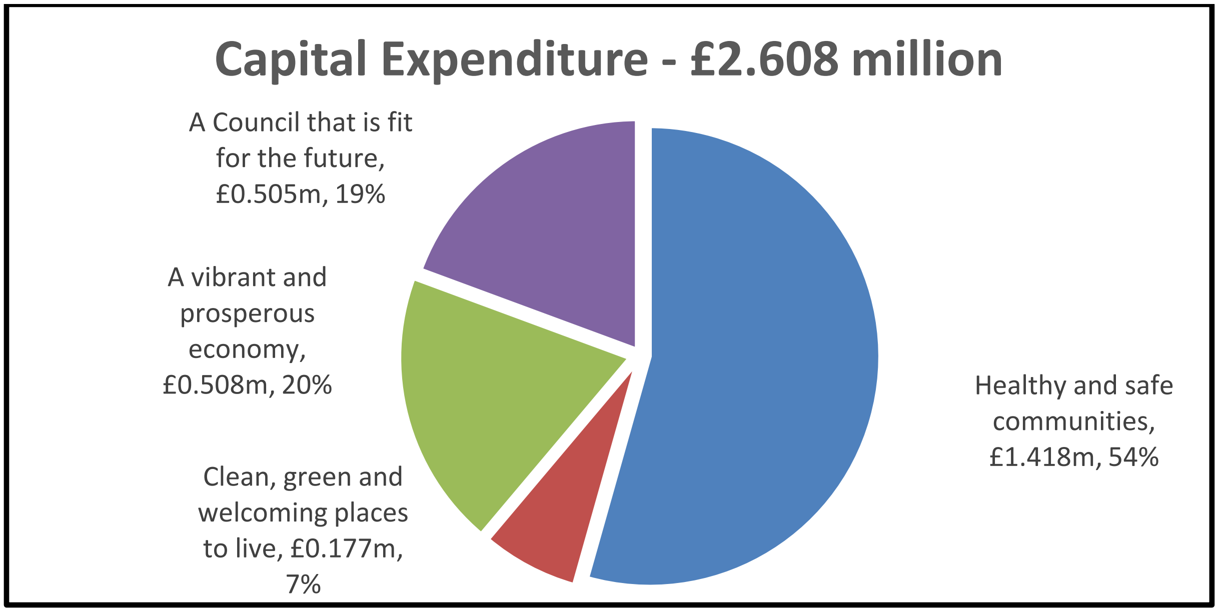


The Actual Outturn was **£2,608,485** and this is (**£759,515)** below the Approved Budget of **£3,368,000.**

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

- **Joint Waste £103,044** – Additional bin purchases of **£103,112** funded from revenue**.**
- **Leisure and Operational Services (£531,360) –** Leisure outsourcing (£282,000) and Burntwood Leisure Centre enhancement works (£158,162)
- **Economic Growth (£186,858) –** Friarsgate projects (£169,563)

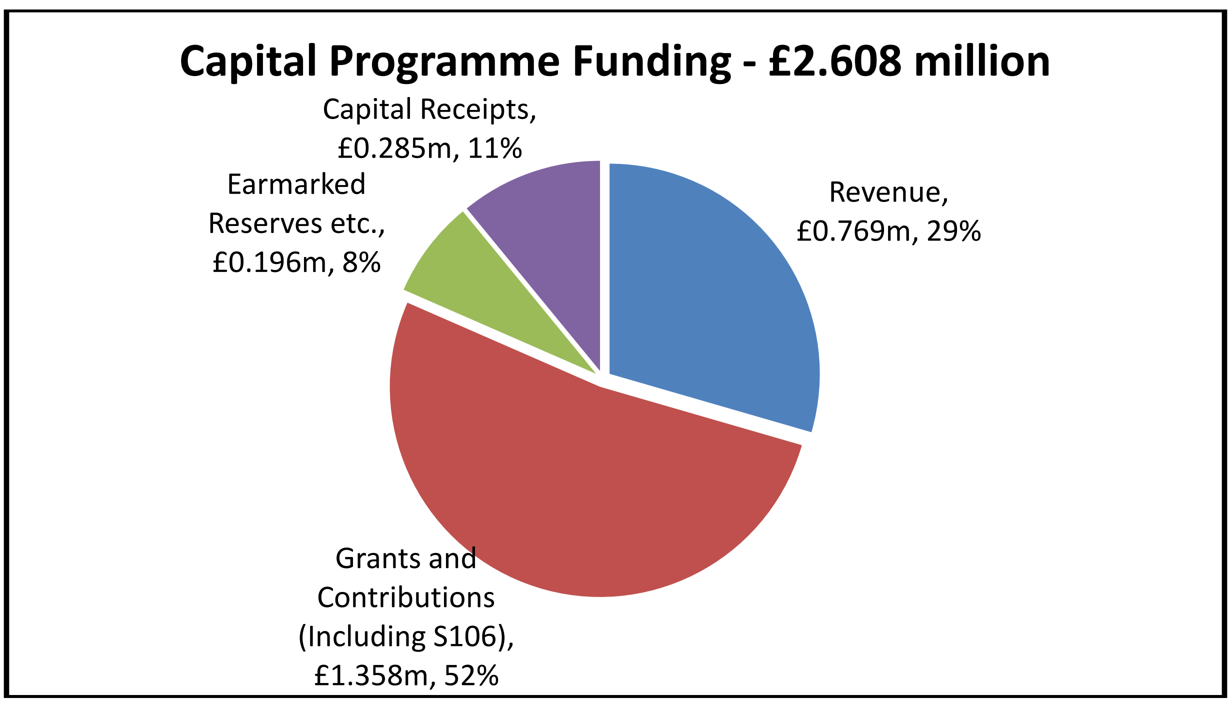
The capital expenditure for 2017/18 shown by the Council's top priorities is shown on the chart below.



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

- Capital receipts - these are receipts generated from the sale of assets
- Grants and contributions – such as Government grants supporting Housing, Heritage Lottery Fund Grant and Section 106 Planning Obligations
- Revenue – this is funded directly from the Revenue Budget
- Earmarked Reserves
- Finance Leases – these enable assets to be purchased via a series of payments over a period of time

The funding of the 2017/18 capital expenditure is illustrated in the chart below.



Principal Risks and Uncertainties

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

Following a review by Leadership Team during 2017/18, 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** such project that has been identified as a **significant risk –** Friarsgate Development.

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

A Failure to Respond to Changing Demographics
<u>Risk to the Council</u>
The population of Lichfield District is aging more quickly than other areas and as a result we need to be mindful of the demands that will be placed on the Council. Examples include Council Tax support, housing benefit, disabled parking provision, assisted bin collections, applications for disabled facilities grants, housing needs, etc. there will be growing pressures on health and social care and on businesses facing an aging workforce.

<u>Management of Risk</u>
The Council will consider these issues when preparing equality impact assessments, plans and policies. In addition, there are potential opportunities from an aging population, for instance, a healthier experienced and skilled older population will bring different skills to the workplace and to voluntary and community groups, and a wealthier older population will bring disposable income to support retail, care and the leisure economy.

Economic Growth/Performance of the Local Economy/Integrity of the Local Plan
<u>Risk to the Council</u>
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 Annual Action Plans setting 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 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 financing the Capital Programme
- The implementation of more frequent Business Rate revaluations
- The financial impact of the changes to the New Homes Bonus regime including the level of the baseline
- The move to 100% retention of Business Rates
- 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 their 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 Rate and Council Tax base.

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

Capacity to Deliver

Risk to the Council

The Council is at a key junction in its strategic development, facing significant pressures to deliver under tight financial constraints. Ensuring the workforce of the Council has the correct skills to deliver all our strategic ambitions will be a key challenge. The effects of a lack of workforce capacity can be seen in a number of ways including:

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

Management of Risk

The risks will be addressed as part of the People Strategy and the underpinning Human Resources (HR) Strategy and Workforce Plan. Management and leadership development proposals are being considered to support the development of the organisation. The People Strategy is one of the key strands of the F4F programme. The 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 are being implemented to 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 come into force from 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 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, 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 will be managed through the development of an IT Strategy supported by business continuity plans, strong information governance, anticipating and identifying business needs and developing technology.

A review of IT has been undertaken and significant development is underway for both key systems and the infrastructure which is close to end of life.

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 positon 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 direct of policy in the Council's favour.

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.

Friarsgate Development

Risk to the Council

This is the Council's regeneration project in the centre of Lichfield City. The risk to the Council is of the project not being completed on time and to budget and quality. The potential consequences are:

- Public disappointment
- Impact on the Council's reputation and finances
- Adverse publicity
- Economic impact on the District and the Council.

Management of Risk

The Council is utilising employees with skills in major development projects. Member scrutiny takes place through the Economic Growth, Environment and Development (Overview and Scrutiny) Committee and a presentation of the scheme has been given to Members. A project management structure and governance structure for the project has been agreed to ensure that the adequate skills, resource and reporting lines are in place.

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 2018. 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 2017/18, 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)

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 2018 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.

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 2017/18, **2** Members' Code of Conduct complaints were received. In the one instance, following an investigation which found fault, the Member offered a verbal apology which was accepted. In the other instance no action was taken.

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 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.

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.

The 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 outs 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.

A summary report on safeguarding is produced. It shows that from April 2017 to March 2018, **19** concerns were raised. **10** related 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.

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 2018 and can be found on the Council's website. **81%** of Members attended training on equalities during 2017/18.

During 2017/18, the Council's Equality and Diversity Policy was updated and a draft was discussed at Leadership Team in February 2018. It is in the process of going through consultation via Employee Liaison Group (ELG) before being considered by Employment Committee and approval by Full Council.

For the first time, in 2017/18, the Council published 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.

Our gender pay gap is significantly lower than the national average – the mean is **4.72%** compared with **14.32%** nationally and the median **0%** compared with **25.9%** nationally.

We have identified that the main reason for the gap is the fact that we host the Joint Waste Service (with Tamworth Borough Council). The waste service traditionally attracts a larger percentage of male employees, and 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.

We are confident that our future plans for recruitment and resourcing, promotion and talent management will help us to further narrow the gap and ensure a fairer future for all who work here.

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.

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, the Greater Birmingham and Solihull Business Rates Pool, county and regional waste partnerships, and housing and community safety partnerships.

We are also committed to working collaboratively with a range of other partners including schools and colleges, the County Council, health, police and fire services to achieve what is needed for our District. This is done through the Lichfield District Board. We also need the continued support of 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.

During 2017/18, various consultations took place, for example, on the Draft Local Plan Allocations Documents. This consultation took part between 20 March and 12 May 2017 and approximately 5,000 representations were received. These representations were analysed and the main issues raised were considered by Cabinet in December 2017. As a result, a further consultation was undertaken on the Draft Local Plan Allocations (Focus Changes) Document from 8 January to 19 February, the results of which are currently awaited.

We also undertook a Budget Consultation exercise. The Council has 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. In 2017/18, we undertook an abridged consultation for the 2018/19 budget which looked at preferences to where the Council allocates its resources, making savings and determining the acceptable level of Council Tax increase.

Engagement with residents also took place whereby they were invited to ‘test’ the green waste charging system on the website before the service went live on 1 January 2018.

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. 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 August 2017, 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 **8%** of districts and boroughs. Only 36 out of 416 council websites were awarded a four star rating and of these only 16 were districts/boroughs.

In March 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 **162** 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. 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.

Data protection laws are being strengthened in May 2018 with the introduction of the General Data Protection Regulations (GDPR) which replaces and builds on the principles contained in the 1998 Data Protection Act. GDPR will require 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 is in a position to comply with GDPR various work streams have been 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 2017/18 **362** complaints were received compared with **449** in 2016/17. We received **187** compliments in 2017/18 which compares with **218** in 2016/17.

In July 2017, the Council received the Annual Review Letter from the Ombudsman for the period ending 31 March 2017. It reported that **7** complaints and enquiries (a reduction from **8** in 2016/17) were received from Lichfield District Residents, which came from corporate and other services, housing and planning and development. This total figure compares favourably to the average of **15** complaints received by District Councils within Staffordshire. Of the 7 complaints and enquiries **1** was upheld.

The reporting of complaints and compliments continued to improve during 2017/18, 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 were provided with monitoring reports on a six monthly basis in addition to reports being presented to Audit (and Member Standards) Committee.

Some examples of areas that have improved in response to customer complaints are:

- Local Searches, where staff have now been recruited and trained and front end software is being procured to improve the customer experience
- Swimming lessons, where lessons were reviewed and improved based on the feedback from parents to begin punctually and ensure changing facilities were available in enough time for the lesson to begin
- Beacon Park, where signs have been installed to remind dog owners to control their dog.

The process for dealing with complaints was further refined during late 2017/18, moving from a three to a two stage process, which it is hoped will mean a quicker and more effective process for both customers and internal teams.

There were no whistleblowing reports during 2017/18 (nor during 2016/17).

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.

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.

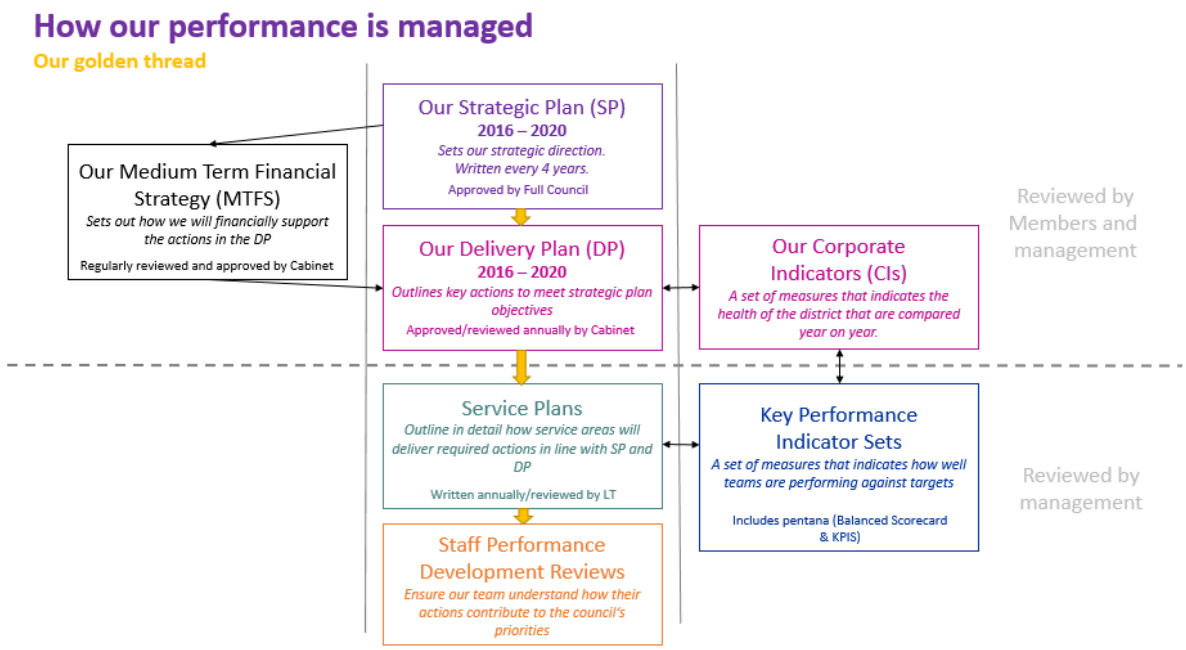
In addition, the Plan makes clear how the Council will actively explore and pursue new ways of delivering services so that they can be delivered more efficiently and effectively, resulting in a fourth priority outcome:

- A Council that is 'Fit for the Future'.

The Strategic Plan not only sets out our strategic direction but also provides the context for the Annual Action Plan (which is approved by Council each year in February). This identifies and focuses on 10 key activities/projects (known as the Corporate Top 10), in order to achieve progress against the aspirations in the Strategic Plan.

The Annual Action Plan is performance-managed in line with the Corporate Performance Management Framework. Update reports on the 2017/18 Action Plan are presented to Cabinet in January for the mid-year outturn and July for the end of year outturn. These reports also include activity and performance indicators to enable Members to track performance across the range of statutory and discretionary services which the Council provides.

The process has been reviewed and updated during 2017/18 so that for 2018/19 a Delivery plan will be monitored to ensure the outcomes from our Strategic Plan 2016 to 2020 are achieved. Details of this will be discussed at Cabinet in June 2018, and the proposed process can be seen below:



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 Local Plan) by the publishing council. Cabinet in December 2017 approved the publication of an updated revised LDS.

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.

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 2017/18, two Neighbourhood Plans were taken to referendum and approved by the community. The referendums, Lichfield City referendum and Whittington and Fisherwick referendum took place on 22 February 2018, with both gaining the necessary levels of support from those voting.

We are about to start the review process for our Local Plan and are also progressing the Allocations document. The principle of progressing a review has been agreed by members, and shortly a report will be presented to Cabinet which, if approved, will allow a consultation to commence with local residents, communities, businesses and other key stakeholders on the scope of the review and the issues that will need to be addressed. The work will start in earnest once the Land Allocations document – part 2 of our current Local Plan – is submitted to the Secretary of State for examination.

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. Outsourcing is a tried and tested model throughout the UK - within Staffordshire three other districts currently outsource their services.

The operator selected after the procurement process was Freedom Leisure a not for profit company formed in 2002, and which currently operate 75 leisure centres at various locations within the UK. As a large company, Freedom will be able to bring a robust regional and national network with innovative customer engagement mechanisms, corporate buying power, established relationships with sport/health professionals and National Governing Bodies of Sport.

It is the role of the Council to work 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. Freedom will use a wide range of interventions to engage and consult with the community driving services closer to the customer.

The aim of the outsourcing is 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 will be 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.

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 2017/18 is the MTFS 2017-21. This was approved by Cabinet and Full Council in February 2017.

The Revised Budget for 2017/18 was approved by Full Council in February 2018 as part of the MTFS for 2017/18.

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 2018-21. The Chief Finance Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up audit scrutiny. The Council is 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 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. Consequently, the Council implemented plans and strategies to manage these financial risks, for example the Fit for the Future (F4F) Programme introduced in May 2013.

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

By mid-2017 the F4F programme had helped to identify a range of service improvements and deliver nearly £2million of savings. It has now been refreshed and repositioned to focus on delivering the ambitions and outcomes of the Strategic Plan 2016-20. This refreshed programme has incorporated the desire to become a commercial council and oversee a range of projects that seek to:

- Maximise innovation to provide efficient and effective services to our customers
- Instigate best practice methods of setting, reviewing and maximising income from current and new sources
- Establish a range of prudent investments that provide sustainable long-term returns that remove the need for Government grants
- Create a culture of commercialisation to ensure that we have the necessary skills, knowledge and behaviours.

The F4F programme will continue to oversee and support the delivery of legacy projects, those being previously reviewed but not implemented. There will be a clear scope and timetable based on the review recommendations, and anything not delivered will be passed to the service to deliver as part of ongoing continuous improvement.

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 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 Democracy submitting recommendations to Full Council.

During 2017/18 it was recognised that the current Constitution was in need of an overall update in order to reflect recent changes in legislation and also to make it easier to navigate. As a result the Constitution has been updated and was approved by Full Council in May 2018.

Whilst there have been amendments to all of the parts, many are minor drafting changes, for example, to reflect new job titles. Some changes, however, have been more significant, for example:

- Summary and Explanation – includes a diagram structure of the Council so people can view at a glance the main decision making meetings
- Articles – contain graphics summarising the main functions of committees; incorporates the Joint Waste Board
- Responsibility for Functions – has the most significant changes to how it looks and makes the scheme of delegation easier to follow
- Rules of Procedure – changed to reflect the higher key decision limit of £75,000
- Codes and Protocols – incorporates Councillor and Employee Codes of Conduct plus protocol on Councillor/employee relations
- Councillors' Remuneration Scheme – simplified and reduced
- Governance Structure – contains a summary of the Cabinet and Leadership Team memberships and details the current Statutory Officers.

The Council has a training plan for Members which is developed and monitored by the Employment Committee. There were **13** training events during 2017/18. The areas covered included treasury management, planning, GDPR for Members, universal credit, conservation and arboriculture, and commercialisation in context.

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

Senior politicians appraise the Chief Executive's performance against these targets and the Chief Executive appraises the Directors. As part of this process development needs and solutions are identified and agreed.

Performance Development Reviews (PDRs) are carried out for employees and training needs are identified as part of this process. The importance of the PDR process for the Council continues to be highlighted by the Chief Executive. The rate of completed PDRs for 2017/18 improved significantly on the previous year. At the end of September 2017, **59.56%** had been completed (2016 **25.87%**). By 31 March 2018, this rate had risen to **88.08%** compared with **52.55%** at 31 March 2017.

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 'Breakfast' Briefings. There are also individual team meetings and the staff newsletter Team LDC.

In 2016/17 the Council began a substantial senior management restructure. This was completed in early 2017/18. The new structure has been designed to:

- Facilitate, support, enable and promote transformation in how the Council operates and delivers services to the community
- Support a 'One Council' ethos across the organisation, and reinforce strong corporate governance and performance management
- Enable a more policy driven and evidence led approach to decision-making and service development
- Work alongside elected members to provide stronger, proactive and forward looking strategic leadership to the Authority and District
- Create and support a tier of empowered and confident heads of service and technical professionals that manage day-to-day operations and service delivery.

This will further support the delivery of services, increase capacity, establish a one council approach and further strengthen corporate governance.

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 Action Plan. These are monitored by Members and Senior Officers and reported on three times a year to Audit (and Member Standards) Committee and half yearly to Cabinet. All reports requiring a decision include a risk assessment section.

Up to 2017/18, the Register only included those risks that were rated as ‘severe’. In 2017, Leadership Team undertook a comprehensive review of Corporate Risks, and the Corporate Risk Register was updated to include all risks that were not necessarily ‘severe’ but could nevertheless impact the delivery of the Strategic Plan.

The Council continues to manage and monitor the effectiveness of its health, safety and insurance management system. In May 2018, 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 has identified a number of areas which could be developed to ensure that the Council remains legal and compliant with good practice. Monitoring of the Service Plan objectives will be undertaken by the Head of Corporate Services.

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 ensue 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 2017/18, 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

- 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 2017/18 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 following a recommendation from the Peer Review that took place in 2014. Examples of these changes include the greater use of briefing papers, lighter agendas and triangulation meetings with relevant Cabinet Members. 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.

The Council is planning a Peer Review during 2018/19, details of which will emerge in early 2018/19.

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 2017/18, Internal Audit continued to operate in accordance with the Public Sector Internal Audit Standards.

An annual review of the effectiveness of the system of Internal Audit is undertaken by the Internal Audit Manager based on the Public Sector Internal Audit Standards and using feedback from Directors, 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 2018.

The review of Internal Audit for 2017/18 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 2017/18.

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 though regular progress reports, and the Annual Internal Audit Opinion
- An annual review of the effectiveness of Internal Audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2015)
- The views of our External Auditors, regularly reported to Audit (and Member Standards) Committee though regular progress reports, the Annual Audit Letter, the Informing the Audit Risk Assessment document, the Audit Findings Report and the Audit Plan
- 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 and Overview and Scrutiny Committees.

Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2017/18 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 2017/18 no significant weaknesses in Governance or Internal Control were highlighted.

Section 5: Update on Significant Governance Issues 2016/17

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 2016/17.

Diane Tilley	**Councillor Michael Wilcox**
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.

2016/17						2017/18				
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**
5,321	33	5,354	314	5,668	A council that is fit for the future	5,868	(101)	5,767	(333)	5,434
(1,156)	(320)	(1,476)	644	(832)	A vibrant and prosperous economy	(1,046)	(88)	(1,134)	629	(505)
3,462	(151)	3,311	(234)	3,077	Clean, green and welcoming places to live	3,355	4	3,359	728	4,087
1,776	86	1,862	286	2,148	Healthy and safe communities	1,984	3	1,987	659	2,646
9,403	**(352)**	**9,051**	**1,010**	**10,061**	**Cost of Services**	**10,161**	**(182)**	**9,979**	**1,683**	**11,662**
(9,403)	(925)	(10,328)	(1,024)	(11,352)	Other Income and Expenditure	(10,161)	(887)	(11,048)	2,567	(8,481)
0	**(1,277)**	**(1,277)**	**(14)**	**(1,291)**	**(Surplus) or deficit on Provision of Services (cash flow)**	**0**	**(1,069)**	**(1,069)**	**4,250**	**3,181**
		(9,936)			**Opening General Fund**			**(11,213)**		
		(1,277)			(Surplus) on General Fund			(1,069)		
		(11,213)			**Closing General Fund**			**(12,282)**		

31 March 2017 £000		**31 March 2018 £000**
4,971	General Fund Balance	4,521
6,242	Earmarked Reserves Balance	7,761
11,213	**Total**	**12,282**

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.

2016/17				2017/18		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
6,651	(983)	5,668	A council that is fit for the future	6,180	(746)	5,434
4,034	(4,865)	(832)	A vibrant and prosperous economy	4,351	(4,856)	(505)
28,070	(24,993)	3,077	Clean, green and welcoming places to live	28,757	(24,670)	4,087
4,678	(2,530)	2,148	Healthy and safe communities	4,825	(2,179)	2,646
43,433	**(33,371)**	**10,061**	**Cost of Services**	**44,113**	**(32,451)**	**11,662**
2,175	(1,148)	1,027	Other Operating Expenditure **(Note 9)**	4,168	(522)	3,646
1,356	(623)	733	Financing and Investment Income and Expenditure **(Note 10)**	1,429	(636)	793
11,912	(25,024)	(13,112)	Taxation and Non-Specific Grant Income **(Note 11)**	11,785	(24,705)	(12,920)
58,876	**(60,166)**	**(1,291)**	**(Surplus) or deficit on Provision of Services (cash flow)**	**61,495**	**(58,314)**	**3,181**
		(1,686)	(Surplus) or deficit on revaluation of non-current assets			(2,112)
		187	(Surplus) or deficit on revaluation of available-for-sale financial assets			(86)
		(635)	Re-measurement of the net defined benefit liability			(2,040)
		(2,134)	**Other Comprehensive Income and Expenditure**			**(4,238)**
		(3,425)	**Total Comprehensive Income and Expenditure**			**(1,057)**

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 2016	9,936	2,644	1,244	13,824	7,227	21,051
Total Comprehensive Income and Expenditure	**1,291**	**0**	**0**	**1,291**	**2,134**	**3,425**
Adjustments between accounting basis and funding basis	(14)	546	216	748	(748)	0
Increase/(Decrease) in Year	**1,277**	**546**	**216**	**2,039**	**1,386**	**3,425**
Balance at 31 March 2017	**11,213**	**3,190**	**1,460**	**15,863**	**8,613**	**24,476**

	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	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**

31 March 2017 £000		31 March 2018 £000
4,971	General Fund Balance	4,521
6,242	Earmarked Reserves Balance	7,761
11,213	**Total**	**12,282**

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'.

2016/17 (Restated) £000		Notes	2017/18 £000
43,080	Property, Plant & Equipment	**12**	41,968
515	Heritage Assets	**13**	515
5,572	Investment Property	**14**	5,200
50	Intangible Assets		76
1,813	Long Term Investments	**15**	1,899
158	Long Term Debtors	**15**	93
51,188	**Long Term Assets**		**49,751**
0	Assets Held for Sale	**18**	300
55	Inventories		45
4,700	Short Term Debtors	**16**	4,504
19,559	Short Term Investments	**15**	18,046
3,609	Cash and Cash Equivalents	**17**	4,473
27,923	**Current Assets**		**27,368**
(69)	Short Term Borrowing	**15**	(61)
(11,478)	Short Term Creditors	**19**	(11,535)
(456)	Short Term Provisions	**20**	(392)
(827)	Capital Grants Receipts in Advance	**33**	(544)
(12,830)	**Current Liabilities**		**(12,532)**
(1,370)	Long Term Borrowing	**15**	(1,309)
(11)	Long Term Creditors	**15**	0
(1,250)	Long Term Provisions	**20**	(1,180)
(2,047)	Long Term Liabilities: Finance Leases	**36**	(1,543)
(36,562)	Long Term Liabilities: Defined Benefit Pension	**38**	(34,393)
(565)	Capital Grants Receipts in Advance	**33**	(629)
(41,805)	**Long Term Liabilities**		**(39,054)**
24,476	**Net Assets**		**25,533**
15,863	Usable Reserves	**21**	17,255
8,613	Unusable Reserves	**22**	8,278
24,476	**Total Reserves**		**25,533**

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.

2016/17 £000		2017/18 £000
1,291	Net surplus or (deficit) on the provision of services	(3,181)
5,599	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements **(Note 23)**	4,252
(3,521)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities **(Note 24)**	(2,707)
3,369	**Net cash flows from Operating Activities**	**(1,636)**
(5,044)	Investing Activities **(Note 25)**	2,313
865	Financing Activities **(Note 26)**	187
(810)	**Net increase or (decrease) in cash and cash equivalents**	**864**
4,419	Cash and cash equivalents at the beginning of the reporting period	3,609
3,609	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**4,473**

INDEX OF NOTES TO THE ACCOUNTS

INDEX OF NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 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:

- 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.

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 2017/18 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 2018. 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.
- Liabilities are discounted to their value at current prices, using a discount rate of **3.2%** (based on the indicative rate of return on high quality corporate bonds).
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities professional estimate.
  - Unquoted securities current bid price.
  - Unitised securities current bid price.
  - Property market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), ie the net interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by apply the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains or losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Staffordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Financial Assets

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

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

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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.

Art Collection:

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

Other Items:

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

Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration of 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 72 (Impairment) and pages 70 to 73 (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 70 to 73 (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.

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).

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.

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 2017/18 (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.

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.

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.

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life as estimated by Managers.
- Infrastructure – straight-line allocation over the useful life as estimated by Managers.
- A full year's charge is made in the year of acquisition and no charge is made in the year of disposal or decommissioning.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to 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

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

VAT

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

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 2018/19 Code:

- **IFRS 15 Revenue from Contracts with Customers** – this presents new requirements for the recognition of revenue based on a control-based revenue recognition model.
- **Amendments to IAS 12 Income from Taxes: Recognition of Deferred Tax Assets for Unrealised Losses** – this applies to deferred tax assets related to debt instruments measured at fair value.
- **Amendments to IAS 7 Statement of Cashflows: Disclosure Initiative** – this standard will potentially require some additional analysis of 'Cash Flows from Financing Activities' in future years.

- **IFRS 16 Leases –** this will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for exemptions for low-value and short-term leases).

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investment in other comprehensive income as permitted by the IFRS:

- The Local Authorities Property Fund (CCLA)

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits) and it already makes a provision for doubtful debts on its service assets (e.g. trade receivables). The estimated additional provision to be made as at 1st April 2018 is £37,320.

These changes are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2018, and there is therefore no impact on the 2017/18 Statement of Accounts.

3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts:

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

2. The Council hosts the Joint Waste Service with Tamworth Borough Council and is responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements. In February 2016 the Council procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**. A further **£680,000** of assets was added to this during 2016/17. At 31 March 2018 the Net Book Value of the assets was **£1,567,000** and the value of the finance lease obligation was **£1,964,000**. 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.

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 2017/18, the risk has been assessed at low, no greater than **1%** or **£96,876**.

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 **£307,000**. 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by **£33,000** and for vehicles, plant and equipment would increase by **£194,000** for every year that useful lives had to be reduced.
Business Rate Appeals	Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2014/15 and earlier years in proportion to their share (40% for this Council). A provision has been recognised as the best estimate of the amount that businesses have been overcharged up to 31 March 2018. 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 2018. <u>2005 and 2010 Lists</u> Total Rateable Value of Appeals Outstanding at 31 March 2018 (2005 and 2010 lists) = **£53.4m** Total provision = **£3.70m** (£2.83m for 2005 and 2010 lists and £0.87m for 2017 list.) Provision as a % of Appeals Outstanding (2005 and 2010 lists) = **5.30%** <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 41% of the opening Rateable Value had received an appeal. At 31/03/2018 this would be £36.844m (41% of £88.816m). This value is multiplied by the allowance in the Business Rates Multiplier of 2.1p to calculate the appeals provision of **£0.870m.**	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: <u>2005 List</u> Average success rate **45.18%** Average reduction in RV **10.40%** Combined **4.70%** <u>2010 List</u> Average success rate **29.71%** Average reduction in RV **10.44%** Combined **3.10%** <u>Overall (2005 and 2010 lists)</u> Average success rate **37.68%** Average reduction in RV **10.42%** Combined **3.93%** Each **1%** increase in the overall Combined figure would increase the provision by **£768,000**. The Council's share of this increase at **40%** would be **£307,000**.
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 **£11,261,000**; a **0.5%** increase in the salary rate would amount to **£1,799,000**; and a **0.5%** increase in the pension rate would amount to **£9,304,000.**
Sundry Income and Housing Benefit Overpayment Debtors	At 31 March 2018, the Council had a balance of sundry income debtors of **£1,603,000**. A review of arrears suggested that an impairment of doubtful debts of **48% (£773,000)** 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 **£830,000 (52%)**. Each **1%** increase in the percentages used to calculate the Bad Debt provision would increase the provision by **£6,000.**

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 25 July 2018.

There is one non-adjusting event after the Balance Sheet date. The Council decided at its meeting on 26 June 2018 not to go ahead with and fund a major retail development in the City, Friarsgate. Notice was therefore served to the Developer on 30 June 2018 to terminate the Development Agreement.

On 30 June 2018, the Council agreed to purchase the police station for a total cost of **£1,913.000** with **£1,700,000** for acquisition and other budgeted costs totalling **£213,000**.

There are no adjusting 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:

	2017/18				2016/17			
	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)	1,785			(1,785)
Revaluation (gains) / losses on Property, Plant and Equipment	(165)			165	33			(33)
Movements in the market value of investment properties	373			(373)	0			0
Amortisation of intangible assets	7			(7)	8			(8)
Capital grants and contributions applied	(1,242)			1,242	(775)			775
Revenue expenditure funded from capital under statute	1,567			(1,567)	740			(740)
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)	408			(408)
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(616)			616	(615)			615
Capital Expenditure charged to the General Fund	(965)			965	(512)			512
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES	(299)		299		(273)		273	
Application of grants to capital financing transferred to the Capital Adjustment Account			(117)	117			(57)	57
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)			(645)	645		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(434)	434			(396)	396		
Use of the Capital Receipts Reserve to finance new capital expenditure		(285)		285		(495)		495
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,632			(3,632)	3,294			(3,294)
Employers pension contributions and direct payments to pensioners payable in the year	(2,126)			2,126	(1,917)			1,917
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)	(1,162)			1,162
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	13			(13)
Total Adjustments	**4,250**	**141**	**182**	**(4,573)**	**(14)**	**546**	**216**	**(748)**

7. Expenditure and Funding Analysis Notes

2016/17

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	5,321	33	0	0	33	5,354
A vibrant and prosperous economy	(1,156)	(538)	218	0	(320)	(1,476)
Clean, green and welcoming places to live	3,462	(151)	0	0	(151)	3,311
Healthy and safe communities	1,776	86	0	0	86	1,862
Net Cost of Services	**9,403**	**(570)**	**218**	**0**	**(352)**	**9,051**
Other Income and Expenditure	(9,403)	(15)	(218)	(692)	(925)	(10,328)
(Surplus) or deficit on Provision of Services (cash flow)	**0**	**(585)**	**0**	**(692)**	**(1,277)**	**(1,277)**

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 79 under the column General Fund Balance.

2016/17	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	257	39	18	314
A vibrant and prosperous economy	487	14	143	644
Clean, green and welcoming places to live	377	51	(662)	(234)
Healthy and safe communities	440	18	(172)	286
Cost of Services	**1,561**	**122**	**(673)**	**1,010**
Other Income and Expenditure	(676)	1,255	(1,603)	(1,024)
(Surplus) or deficit on Provision of Services (cash flow)	**885**	**1,377**	**(2,276)**	**(14)**

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 79 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**

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

2016/17 £000		2017/18 £000
(13,792)	Fees, charges and other service income	(13,243)
(219)	Interest and investment income	(202)
(7,463)	Income from council tax	(7,770)
(25,503)	Government grants	(24,474)
(46,977)	**Total Income**	**(45,689)**
13,148	Employee expenses	13,681
27,723	Other service expenses	27,315
1,795	Depreciation, amortisation and impairment	2,282
96	Interest payments	84
1,255	Pension interest and expected return on assets	941
2,302	Precepts and levies	2,635
(237)	(Gain) or loss on disposal of non-current assets	2,366
(396)	Capital grants and contributions	(434)
45,686	**Total Expenditure**	**48,870**
(1,291)	**(Surplus)/Deficit on the Provision of Services**	**3,181**

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 2017/18. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000
Earmarked General Reserve	(2,526)	723	(871)	(2,674)	538	(1,878)	(4,014)
Earmarked Reserve-Restricted	(89)	4	(26)	(111)	18	(145)	(238)
Election Reserve	(129)	30	(127)	(226)	60	(28)	(194)
Public Open Space Reserve-Restricted	(447)	0	(29)	(476)	37	0	(439)
Joint Waste Shared Service Reserve-Restricted	(584)	0	(57)	(641)	0	(11)	(652)
Building Regulations Reserve-Restricted	(146)	0	(63)	(209)	62	0	(147)
Development Grant Aid Reserve	(20)	0	(6)	(26)	10	(4)	(20)
Birmingham Road Car Park Capital Reserve-Restricted	(1,716)	0	(163)	(1,879)	0	(178)	(2,057)
TOTAL	**(5,657)**	**757**	**(1,342)**	**(6,242)**	**725**	**(2,244)**	**(7,761)**

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.

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

2016/17 £000		2017/18 £000
1,660	Parish Council Precepts	1,714
(237)	(Gains)/Losses on the disposal of non-current assets	[1]2,366
(396)	Unattached Capital Receipts	(434)
1,027	**TOTAL**	**3,646**

10. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
96	Interest payable and similar charges	84
1,255	Pensions interest cost and expected return on pensions assets	941
(219)	Interest receivable and similar income	(202)
(399)	Income and expenditure in relation to investment properties and changes in their fair value	(30)
733	**TOTAL**	**793**

11. Taxation and Non-Specific Grant Income

2016/17 £000		2017/18 £000
(7,463)	Council Tax Income	(7,770)
	<u>Business Rates</u>	
(14,090)	Council Share of Retained Business Rates	(13,651)
11,269	Less: Business Rates Tariff	10,860
643	Less: Business Rates Levy	921
(209)	Add: Business Rates Levy Repayable	(299)
(3,219)	Non-ring fenced government grants	(2,985)
(43)	Capital grants and contributions	4
(13,112)	**TOTAL**	**(12,920)**

[1] In January 2018, the Council disposed of King Edward VI leisure centre and the loss on disposal was £2,346,183.

Non-ring fenced Government Grants are comprised of:

2016/17 £000		2017/18 £000
(1,878)	New Homes Bonus	(1,421)
(4)	Returned New Homes Bonus	(5)
(773)	Revenue Support Grant	(236)
(75)	New Burdens Grants	(185)
(392)	Small Business Rates Relief	(916)
(2)	Long Term Empty Property Relief	0
(53)	Transitional Funding Grant	(52)
(1)	Retail Relief Grant	4
0	Rural Rate Relief	(1)
0	Supporting Small Business Relief	(13)
0	Discretionary Rate Relief	(102)
0	Pub Relief	(19)
(41)	Business Rate Inflation Cap	(39)
(3,219)	**TOTAL**	**(2,985)**

12. Property, Plant and Equipment

Movements in 2017/18:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 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**

Comparative Movements in 2016/17:

Restated	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2016	**33,224**	**9,447**	**346**	**4,104**	**905**	**48,026**
Additions	375	1,230		6	232	1,843
Revaluation increases/(decreases) recognised in the revaluation reserve	1,051					1,051
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(56)					(56)
De-recognition – disposals	(389)	(800)				(1,189)
At 31 March 2017	**34,205**	**9,877**	**346**	**4,110**	**1,137**	**49,675**
Accumulated Depreciation and Impairment						
At 1 April 2016	**(536)**	**(5,661)**	**(44)**	**0**	**(151)**	**(6,392)**
Depreciation charge	(806)	(976)	(3)			(1,785)
Depreciation written out to the revaluation reserve	635					635
Depreciation written out to the surplus/deficit on the provision of services	24					24
De-recognition – disposals	166	757				923
At 31 March 2017	**(517)**	**(5,880)**	**(47)**	**0**	**(151)**	**(6,595)**
Net Book Value						
At 31 March 2017	**33,688**	**3,997**	**299**	**4,110**	**986**	**43,080**
At 31 March 2016	**33,668**	**3,786**	**302**	**4,104**	**754**	**41,635**

Restatement due to the reclassification of a pool from Other Land and Buildings to Community Assets after discussion with the District Valuer.

Other Land & Buildings Breakdown

2016/17 £000	Restated	2017/18 £000
7,606	Arts Facility	8,245
350	Bus Station	325
977	Depot	1,000
700	Garage	0
12,426	Leisure Centres	11,309
2,323	Multi Storey Car Parks	2,389
1,984	Offices	2,025
48	Other Land & Buildings	841
630	Parks and Sports Grounds	519
811	Pavilions	779
214	Public Conveniences	234
95	Residential	0
3,979	Retail	3,578
1,545	Surface Car Park	1,596
33,688	**Total**	**32,840**

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 2018, the Council had no significant capital commitments.

Effects of Changes in Estimates

In 2017/18, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is 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 £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Carried at historical cost	19	3,363	3,382
Valued at fair value as at:			
- 31 March 2018	27,686		27,686
- 31 March 2017	1,147		1,147
- 31 March 2016	2,794		2,794
- 31 March 2015	1,084		1,084
- 31 March 2014	0		0
- 31 March 2013	110		110
Total Cost or Valuation	**32,840**	**3,363**	**36,203**

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 £000	Art Collection £000	Other Items £000	Total Assets £000
Cost or Valuation				
At 1 April 2017	**305**	**80**	**130**	**515**
At 31 March 2018	**305**	**80**	**130**	**515**
Cost or Valuation				
At 1 April 2016	**305**	**80**	**130**	**515**
At 31 March 2017	**305**	**80**	**130**	**515**

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:

2016/17 £000		2017/18 £000
394	Rental income from investment property	417
5	Direct operating expenses arising from investment property	(387)
399	**Net gain / (loss)**	**30**

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:

2016/17 £000		2017/18 £000
5,572	**Balance at Start of Year**	**5,572**
0	Net Gains/(losses) from fair value adjustments	(372)
5,572	**Balance at end of year**	**5,200**

	2016/17			2017/18		
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Fair Value as at 31 March 2017 £000	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Fair Value as at 31 March 2018 £000
Residential Properties	0	55	55	0	55	55
Office Units	780	0	780	0	780	780
Commercial Units	4,230	507	4,737	0	4,365	4,365
Total	**5,010**	**562**	**5,572**	**0**	**5,200**	**5,200**

Transfers between levels of the fair value hierarchy in 2017/18

The introduction of the requirement to disclose the inputs used in valuing properties to Fair Value initially brought with it a range of views on the interpretation of the definitions. Subsequent discussions between Valuer's and Accountants have resulted in a more consistent approach to the treatment of inputs being developed. It is understood that it is now generally considered that Level 2 input is the most common categorisation for Local Authority Assets. Level 1 and Level 3 categorisations can exist for Local Authority Assets but are likely to be relatively uncommon. Therefore the categorisation of a number of Level 1 assets have been adjusted to Level 2, which is more in line with the current approach to categorisation of inputs.

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:

- One long term loan with the Public Works Loans Board (the loan with Salix was repaid during the year)
- Finance leases detailed at note 36
- Trade payables for goods and services received

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

Loans and receivables comprise:

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

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

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

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

Financial Assets	Long Term		Short Term	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Loans and receivables:				
- Principal at amortised cost			17,500	18,000
- Accrued interest			28	26
Available-for-sale investments:				
- Principal at amortised cost	1,813	1,899	2,000	0
- Accrued interest			31	20
Total Investments	**1,813**	**1,899**	**19,559**	**18,046**
Loans and receivables:				
- Cash (including bank accounts)			248	472
Available-for-sale investments:				
- Cash equivalents at fair value			3,360	4,000
- Accrued interest			1	1
Total Cash and Cash Equivalents			**3,609**	**4,473**
Debtors				
Trade receivables	158	93	4,682	2,763
Total included in Debtors	**158**	**93**	**4,682**	**2,763**
Total Financial Assets	**1,971**	**1,992**	**27,850**	**25,282**

Financial Liabilities	Long Term		Short Term	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Loans at amortised cost:				
Principal sum borrowed	(1,370)	(1,309)	(69)	(61)
Total Borrowing	**(1,370)**	**(1,309)**	**(69)**	**(61)**
Liabilities at amortised cost:				
Finance leases	(2,047)	(1,543)		
Total other Long Term Liabilities	**(2,047)**	**(1,543)**	**0**	**0**
Liabilities at amortised cost:				
Trade payables	(11)	0	(5,438)	(5,393)
Finance leases			(505)	(505)
Total included in Creditors	**(11)**	**0**	**(5,943)**	**(5,898)**
Total Financial Liabilities	**(3,428)**	**(2,852)**	**(6,012)**	**(5,959)**

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 2018			31 March 2017		
	Gross assets (liabilities) £000	(Liabilities) assets offset £000	Net position on balance sheet £000	Gross assets (liabilities) £000	(Liabilities) assets offset £000	Net position on balance sheet £000
Bank accounts in credit	474	(134)	340	273	(125)	148
Total offset financial assets	**474**	**(134)**	**340**	**273**	**(125)**	**148**
Bank overdrafts	(134)	134	0	(125)	125	0
Total offset financial liabilities	**(134)**	**134**	**0**	**(125)**	**125**	**0**

Reconciliation to Cash & Cash Equivalents

31 March 2017 £000		31 March 2018 £000
148	Main Bank Accounts Total	340
93	Total Reconciling Differences (Unpresented Cheques and Cash in Transit)	129
241	**Cash & Cash Equivalents - Bank Accounts**	**469**

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:

2016/17		Financial Liabilities	Financial Assets		2017/18
Total £000		Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	Total £000
96	Interest Expense	84			84
96	**Interest payable and similar charges**	**84**	**0**	**0**	**84**
(219)	Interest Income		(93)	(109)	(202)
(219)	**Interest and Investment Income**	**0**	**(93)**	**(109)**	**(202)**
(123)	**Net Gain / (Loss) for the Year**	**84**	**(93)**	**(109)**	**(118)**

Financial Instruments - Fair Values

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

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

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, 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

	Fair Value Level	**31 March 2017 Balance Sheet £000**	**31 March 2017 Fair Value £000**	**31 March 2018 Balance Sheet £000**	**31 March 2018 Fair Value £000**
Financial assets held at fair value:					
Money market funds	1	3,361		4,001	
Financial assets for which fair value is not disclosed:		26,460		23,273	
Total Financial Assets		**29,821**		**27,274**	
Recorded on the Balance Sheet as:					
Short Term Investments		19,559		18,046	
Long Term Investments		1,813		1,899	
Cash & Cash Equivalents		3,609		4,473	
Short Term Debtors		4,682		2,763	
Long Term Debtors		158		93	
Total Financial Assets		**29,821**		**27,274**	

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

	Fair Value Level	31 March 2017 Balance Sheet £000	31 March 2017 Fair Value £000	31 March 2018 Balance Sheet £000	31 March 2018 Fair Value £000
Financial liabilities held at amortised cost:					
Long Term loans from PWLB	**2**	(1,439)	(1,576)	(1,370)	(1,469)
Other Long Term loans	**2**	0	0	0	0
Finance Lease liabilities	**2**	(2,552)	(2,621)	(2,048)	(2,070)
Total		**(3,991)**	**(4,197)**	**(3,418)**	**(3,539)**
Liabilities for which fair value is not disclosed		(5,449)		(5,393)	
Total Financial Liabilities		**(9,440)**		**(8,811)**	
Recorded on the Balance Sheet as:					
Short Term Creditors		(5,438)		(5,393)	
Long Term Creditors		(11)		0	
Finance Lease Liabilities		(2,552)		(2,048)	
Short Term Borrowing		(69)		(61)	
Long Term Borrowing		(1,370)		(1,309)	
Total Financial Liabilities		**(9,440)**		**(8,811)**	

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

16. Short Term Debtors

31 March 2017 £000		31 March 2018 £000
125	Central government bodies	1,776
233	Council tax payers	399
487	Business rate payers	304
845	**Total statutory debtors**	**2,479**
283	**Manual prepayments**	**275**
1,777	Other local authorities	640
11	NHS Bodies	2
2,894	Other entities and individuals	2,121
4,682	**Total trade debtors**	**2,763**
5,810	**Total debtors**	**5,517**
	Less bad debt provision:	
(131)	Council tax payers	(129)
(140)	Business rate payers	(101)
(827)	General debtors	(773)
(12)	Lichfield BID	(10)
4,700	**Total debtors**	**4,504**

17. Cash and Cash Equivalents

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

31 March 2017 £000		31 March 2018 £000
7	Cash held by the authority	3
241	Bank Accounts	469
3,361	Money Market Funds	4,001
3,609	**Total**	**4,473**

18. Assets Held for Sale

31 March 2017 £000		31 March 2018 £000
80	Balance outstanding at start of year	0
	Assets newly classified as held for sale:	
0	• property, plant and equipment	133
0	Revaluation gains	167
(80)	Assets sold	0
0	**Balance outstanding at year-end**	**300**

19. Short Term Creditors

31 March 2017 £000		31 March 2018 £000
(3,854)	Central government bodies	(3,453)
(227)	Council tax payers	(223)
(444)	Business rate payers	(428)
(4,525)	**Total statutory creditors**	**(4,104)**
(1,515)	**Receipts in advance**	**(2,038)**
(3,145)	Other local authorities	(3,400)
0	NHS Bodies	(5)
(1)	Public corporations and trading funds	0
(2,292)	Other entities and individuals	(1,988)
(5,438)	**Total trade creditors**	**(5,393)**
(11,478)	**Total creditors**	**(11,535)**

20. Provisions

The Council has two provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2017	**(100)**	**(1,560)**	**(46)**	**(1,706)**
Additional provisions made this year	(5)	(210)	0	(215)
Amounts used this year	13	290	46	349
Balance at 31 March 2018	**(92)**	**(1,480)**	**0**	**(1,572)**
Element Categorised as Current	**(92)**	**(300)**	**0**	**(392)**

Outstanding Legal Cases

The Authority has one legal case in progress that have 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.

Business Rates Appeals

The amount of **£1,480,000** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2018.

21. Usable Reserves

2016/17 £000		2017/18 £000
4,971	General Fund	4,521
1,460	Capital Grants Unapplied	1,642
3,190	Capital Receipts Reserve	3,331
6,242	Earmarked Reserves	7,761
15,863	**Total**	**17,255**

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

22. Unusable Reserves

2016/17 £000		2017/18 £000
7,800	Revaluation Reserve	9,016
36,624	Capital Adjustment Account	34,865
47	Deferred Capital Receipts	47
(36,562)	Pensions Reserve	(36,028)
1,116	Collection Fund Adjustments	611
(187)	Available for Sale Reserve	(101)
(225)	Accumulated Absence Account	(132)
8,613	**Total**	**8,278**

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.

2016/17 £000			2017/18 £000
6,571	**Balance at 1 April**		**7,800**
1,743	Upward revaluation of assets	2,811	
(57)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(699)	
1,686	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		2,112
(209)	Difference between fair value depreciation and historical cost depreciation	(181)	
(248)	Accumulated gains on assets sold or scrapped	(715)	
(457)	Amount written off to the Capital Adjustment Account		(896)
7,800	**Balance at 31 March**		**9,016**

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.

2016/17 £000			2017/18 £000
36,687	**Balance at 1 April**		**36,624**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,785)	· Charges for depreciation and impairment of non-current assets	(1,741)	
(33)	· Revaluation gains/losses on Property, Plant and Equipment	165	
(8)	· Amortisation of intangible assets	(7)	
(740)	· Revenue expenditure funded from capital under statute	(1,567)	
(159)	· Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(1,642)	
(2,725)			(4,792)
209	Adjusting amounts written out of the Revaluation Reserve		181
34,171	Net written out amount of the cost of non-current assets consumed in the year		32,013
	Capital financing applied in the year:		
495	· Use of the Capital Receipts Reserve to finance new capital expenditure	285	
814	· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,238	
17	· Application of grants to capital financing from the Capital Grants Unapplied Account	121	
615	· Statutory provision for the financing of capital investment charged against the General Fund	616	
512	· Capital expenditure charged against the General Fund	965	
2,453			3,225
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(373)
36,624	**Balance at 31 March**		**34,865**

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.

2016/17 £000		2017/18 £000
(35,820)	**Balance at 1 April**	**(36,562)**
(8,638)	Actuarial gains or losses on pensions assets and liabilities	2,200
9,273	Return on Plan Assets	(160)
(3,294)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,632)
1,917	Employer's pensions contributions and direct payments to pensioners payable in the year	2,126
(36,562)	**Balance at 31 March**	**(36,028)**

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.

2016/17 £000		2017/18 £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.

2016/17				2017/18		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
41	**(87)**	**(46)**	**Balance at 1 April**	**35**	**1,081**	**1,116**
(6)	1,168	1,162	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	9	(514)	(505)
35	**1,081**	**1,116**	**Balance at 31 March**	**44**	**567**	**611**

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.

2016/17 £000		2017/18 £000
0	**Balance at 1 April**	(187)
(187)	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	86
(187)	**Balance at 31 March**	**(101)**

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.

2016/17 £000		2017/18 £000
(212)	**Balance at 1 April**	(225)
(13)	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	93
(225)	**Balance at 31 March**	**(132)**

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

2016/17 £000		2017/18 £000
1,793	Depreciation, amortisation and impairment	1,748
33	Downward revaluations	560
0	Upward revaluations charged to services	(353)
408	Carrying Amount of non-current assets disposed in the year	2,357
(83)	Increase / (Decrease) in Provisions	(134)
4	(Increase) / Decrease in Stock	11
163	(Increase) / Decrease in Debtors	184
1,737	Increase / (Decrease) in Creditors	8
1,377	Movement in pension liability	(129)
167	Other non-cash adjustments	0
5,599	**Adjust net surplus or deficit on the provision of services for non-cash movements**	**4,252**

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

2016/17 £000		2017/18 £000
(1,041)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(426)
(1,047)	Capital Grants & Contributions	(1,520)
(1,433)	Any other items for which the cash effects are investing or financing activities	(761)
(3,521)	**Adjust net surplus or deficit on the provision of services for investing and financing activities**	**(2,707)**

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

2016/17 £000		2017/18 £000
(1,254)	Purchase of property, plant and equipment, investment property and intangible assets	(1,209)
(39,700)	Purchase of short-term and long-term investments	(51,900)
897	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	298
33,700	Proceeds from short-term and long-term investments	53,400
1,313	Other (receipts)/payments from investing activities (including capital grants and contributions)	1,724
(5,044)	**Net cash flows from Investing activities**	**2,313**

26. Cash Flow Statement - Financing Activities

2016/17 £000		2017/18 £000
(516)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(505)
(53)	Repayments of short and long term borrowing	(69)
1,434	Council Tax and Business Rates Net Cash Inflows	761
865	**Net cash flows from Financing activities**	**187**

27. Cash Flow Statement - Operating Activities

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

2016/17 £000		2017/18 £000
182	Interest received	214
(58)	Interest paid	(48)
124	**Net cash flows from operating activities**	**166**

28. 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 all functions relating to Building Control:

2016/17 £000		2017/18 £000
613	Expenditure Incurred	725
(561)	Income received	(558)
(35)	Fee payable by South Staffordshire District Council	(35)
(35)	Fee payable by Tamworth Borough Council	(35)
(35)	Contribution from Lichfield District Council	(35)
(53)	**(Surplus)/Deficit Transferred (To)/From Earmarked Reserves**	**62**

29. 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.

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:

2016/17 £000		2017/18 £000
	Funding provided to the operation	
(1,748)	Contribution from Lichfield	(1,750)
(1,292)	Contribution from Tamworth	(1,275)
(3,040)	**Total funding provided to the operation**	**(3.025)**
	Expenditure met by the operation	
2,470	Pay and allowances	2,577
4	Premises costs	4
1,217	Transport costs	1,229
1,340	Supplies and Services	1,339
0	Third Party Payments	6
318	Support Costs	369
(2,424)	Revenue income	(2,605)
2,925	**Total expenditure**	**2,919**
(115)	**Net (surplus)/deficit arising on the pooled budget during the year**	**(106)**
(66)	**Lichfield District Council's share of 57.84% of the net (surplus)/deficit arising on the operation**	**(61)**

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.

2016/17 £000		2017/18 £000
(115)	**Net (surplus) arising on the pooled budget during the year**	**(106)**
1,748	Add: Lichfield's Contribution shown as expenditure in the CIES	1,750
53	Amounts not reported in the Joint Waste Service	325
1,686	**Net Cost of Services in the Comprehensive Income and Expenditure Statement**	**1,969**

30. Members' Allowances

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

2016/17 £000		2017/18 £000
282	Allowances	267
4	Expenses	3
286	**Total**	**270**

31. Officers' Remuneration

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

Post (Relevant dates included for part year appointments)		Salary, Fees and Allowances £	Performance Pay £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2017/18	101,794	9,983	-	-	17,952	129,729
	2016/17	100,796	9,885	-	-	23,699	134,380
Director of Place & Community	2017/18	84,288	-	-	-	13,499	97,787
	2016/17	82,536	1,588	-	-	17,963	102,087
Director of Transformation & Resources	2017/18	80,610	-	97	-	12,918	93,625
	2016/17	76,706	1,433	96	-	16,691	94,926
Strategic Director Community, Housing and Health	2017/18	-	-	-	-	-	-
	2016/17	60,850	2,790	-	73,455	13,590	150,685
Director of Finance, Revenues and Benefits	2017/18	-	-	-	-	-	-
	2016/17	18,335	1,433	-	85,680	4,218	109,666
Assistant Chief Executive (Started 24th April 2017)	2017/18	57,630	-	-	-	9,190	66,820
	2016/17	-	-	-	-	-	-
Head of Corporate Services (Started 19th April 2017)	2017/18	53,687	-	-	-	8,549	62,237
	2016/17	-	-	-	-	-	-
Head of Development Services	2017/18	57,144	-	-	-	9,101	66,246
	2016/17	52,848	-	-	-	11,207	64,055
Head of Economic Growth	2017/18	57,144	-	-	-	9,101	66,246
	2016/17	52,848	-	-	-	11,207	64,055
Head of Finance & Procurement	2017/18	58,333	-	-	-	9,450	67,783
	2016/17	58,408	-	-	-	12,616	71,024
Head of Legal, Property & Democratic Services	2017/18	57,144	-	-	-	9,101	66,246
	2016/17	53,309	-	-	-	11,307	64,616
Head of Leisure and Operational Services	2017/18	60,406	-	-	-	-	60,406
	2016/17	4,976	-	-	-	-	4,976
Head of Regulatory Services, Housing & Wellbeing	2017/18	57,039	-	124	-	9,084	66,248
	2016/17	49,707	-	124	-	10,529	60,360
Head of Revenues, Benefits & Customer Services	2017/18	57,144	-	-	-	9,101	66,246
	2016/17	50,156	-	-	-	10,626	60,782

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

2016/17 Number of employees	Remuneration band	2017/18 Number of employees
1	£50,000-£54,999	5
-	£55,000-£59,999	1
-	£60,000-£64,999	1

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

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	1	0	0	2	1	2	£18,571	£12,914
£20,001 - £40,000	1	1	1	4	2	5	£63,962	£170,509
£40,001 - £60,000	0	1	0	2	0	3	£0	£143,424
£60,001 - £80,000	0	0	1	0	1	0	£73,455	£0
£80,001 - £100,000	1	0	0	0	1	0	£85,680	£0
£100,001 - £150,000	0	0	0	0	0	0	£0	£0
£150,001 - £200,000	0	0	0	0	0	0	£0	£0
Total	**3**	**2**	**2**	**8**	**5**	**10**	**£241,668**	**£326,847**

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

Exit Package Cost Band	2016/17			2017/18		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£18,571	£0	£18,571	£12,663	£251	£12,914
£20,001 - £40,000	£44,517	£19,445	£63,962	£150,240	£20,268	£170,508
£40,001 - £60,000	£0	£0	£0	£83,430	£59,994	£143,424
£60,001 - £80,000	£73,455	£0	£73,455	£0	£0	£0
£80,001 - £100,000	£85,680	£0	£85,680	£0	£0	£0
£100,001 - £150,000	£0	£0	£0	£0	£0	£0
£150,001 - £200,000	£0	£0	£0	£0	£0	£0
Total	**£222,223**	**£19,445**	**£241,667**	**£246,333**	**£80,513**	**£326,846**

32. External Audit Costs

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

2016/17 £000		2017/18 £000
46	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	46
5	Fees payable to the Grant Thornton UK LLP for the certification of grant claims and returns for the year	8
51	**TOTAL**	**54**

33. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2017/18:

2016/17 £000		2017/18 £000
	Credited to Taxation and Non Specific Grant Income	
43	Other Contributions	(4)
43	**Sub Total (Capital)**	**(4)**
7,463	Council Tax Income	7,770
2,387	Non-Domestic rates	2,169
3,219	Non Ring Fenced Government Grants	2,985
13,069	**Sub Total (Revenue)**	**12,924**
13,112	**Total**	**12,920**

2016/17 £000		2017/18 £000
	Credited to Cost of Services	
764	Disabled Facilities Grant	757
0	Section 106 - Hawksyard	320
185	CIL - Various Sites	141
54	Other Contributions	328
1,003	**Sub Total (Capital)**	**1,546**
18,849	Housing and Council Tax Benefits	17,925
260	Ministry of Housing, Communities and Local Government	387
99	Other Government Departments and Agencies	88
29	Positive Futures	18
82	Office of the Police and Crime Commissioner	86
357	Contributions from other Local Authorities	195
1,421	Contributions from other Local Authorities-Shared Services	1,404
21,097	**Sub Total (Revenue)**	**20,103**
22,100	**Total**	**21,649**

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:

2016/17 £000		2017/18 £000
	Capital Grants Receipts in Advance	
827	Other Contributions	544
827	**Current Liabilities**	**544**
565	Other Contributions	629
565	**Long Term Liabilities**	**629**
1,392	**Total**	**1,173**

2016/17 £000		2017/18 £000
	Revenue Grants Receipts in Advance	
8	Natural England-Environmental Stewardship	5
463	Heritage Lottery Fund	385
0	Ecological Mitigation	423
95	Neighbourhood Planning	15
12	Other Contributions	7
578	**Total (shown within Current Liabilities)**	**835**

34. Related Parties

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

<u>Central Government</u>

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 33.**

<u>Members</u>

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid is shown in **Note 30**. During 2017/18, works and services to the value of **£203,000** were commissioned from companies in which thirty one members had an interest (**£163,000** in 2016/17). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£75,000** to voluntary organisations **(£141,200** in 2016/17) 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 **£416,000** from Bromford Housing Group in 2017/18 (**£289,000** in 2016/17) 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 2017/18 was **£4.085 million** (**£4.852 million** owed from the Council in 2016/17).

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 **£310,000** was made to the Lichfield Garrick Theatre Trust in 2017/18 (**£310,000** in 2016/17). Support services provided by the Council to the Garrick totalled **£25,300** (**£52,300** in 2016/17). 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 totalled **£140,000**. The Leisure Implementation Panel monitors performance, the panel consists of both Freedom Leisure and District Council officers.

35. Capital Expenditure and Capital Financing

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

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

2016/17 £000		2017/18 £000
4,663	**Opening Capital Financing Requirement**	**4,793**
	Capital Investment	
1,843	Property, Plant & Equipment	997
0	Intangible Assets	44
740	Revenue Expenditure Funded from Capital under Statute	1,567
	Sources of Finance	
(495)	Capital receipts	(285)
(831)	Government grants and other contributions	(1,358)
	Sums set aside from revenue:	
(512)	Direct revenue contributions	(965)
(615)	Minimum revenue provision	(616)
4,793	**Closing Capital Financing Requirement**	**4,177**

	Explanation of movements in year	
130	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	(616)
130	**Increase / (decrease) in Capital Financing Requirement**	**(616)**

36. Leases

<u>Council as Lessee</u>

<u>Finance Leases</u>

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 2017 £000		31 March 2018 £000
2,153	Vehicles, Plant, Furniture and Equipment	1,631
2,153	**TOTAL**	**1,631**

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 2017 £000		31 March 2018 £000
	Finance lease liabilities (net present value of minimum lease payments)	
505	- current	505
2,047	- non-current	1,543
144	Finance costs payable in future years	96
2,696	**Minimum Lease Payments**	**2,144**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
Not later than one year	553	544	505	505
Later than one year and not later than five years	2,143	1,600	2,047	1,543
Total	**2,696**	**2,144**	**2,552**	**2,048**

Operating Leases

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

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

31 March 2017 £000		31 March 2018 £000
18	Not later than one year	20
45	Later than one year and not later than five years	71
477	Later than five years	536
540	**TOTAL**	**627**

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
39	Minimum Lease Payments	27
39	**TOTAL**	**27**

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 2017 £000		31 March 2018 £000
359	Not later than one year	388
821	Later than one year and not later than five years	732
3,041	Later than five years	2,922
4,221	**TOTAL**	**4,042**

37. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2018 and no impairment was chargeable.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Staffordshire County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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:

2016/17 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2017/18 £000
	Cost of Services:	
2,029	- Current service cost	3,120
10	- Past service costs	107
0	- Settlements and curtailments	[2](536)
	Financing and Investment Income and Expenditure	
1,255	- Net interest expense	941
3,294	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**3,632**
	Other Post Employment Benefit Charged to the CIES	
	Re-measurement of the net defined benefit comprising:	
(9,273)	- Return on plan assets (excluding the amount included in the net interest expense)	160
(362)	- Actuarial gains and losses arising on changes in demographic assumptions	0
(6,646)	- Actuarial gains and losses arising on other experience	(44)
15,646	- Actuarial gains and losses arising on changes in financial assumptions	(2,156)
(635)	**Total Post Employment Benefit Charged to the CIES**	**(2,040)**
	Movement in Reserves Statement	
(742)	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**534**
	Actual amount charged against the General Fund Balance for pensions in the year	
1,917	**- employers' contributions payable to scheme**	**2,126**

[2] This relates to the removal of assets and liabilities of the Leisure Centre staff following their transfer via TUPE to Freedom Leisure on 1 February 2018.

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:

2016/17 £000	Local Government Pension Scheme	2017/18 £000
(111,789)	Present value of the defined benefit obligation	(111,170)
75,227	Net liability arising from defined benefit obligation	75,142
0	Prepayment of future years pension contributions	1,635
(36,562)	**Net liability arising from defined obligation**	**(34,393)**

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

2016/17 £000	Local Government Pension Scheme	2017/18 £000
64,209	Opening fair value of scheme assets	75,227
0	Effect of Settlements	(1,721)
2,237	Interest income	1,966
	Remeasurement gain / (loss):	
9,273	- The return on plan assets, excluding the amount included in the net interest expense	(160)
1,803	Contributions from employer	2,019
503	Contributions from employees into the scheme	508
114	Contributions in respect of unfunded benefits	107
(2,798)	Benefits paid	(2,697)
(114)	Unfunded benefits paid	(107)
75,227	**Closing position as at 31 March**	**75,142**

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

2016/17 £000	Local Government Pension Scheme	2017/18 £000
	Opening balance at 1 April	
98,258	- Present value of funded liabilities	109,940
1,771	- Present value of unfunded liabilities	1,849
2,029	Current service cost	3,120
10	Past Service cost (including curtailments)	107
0	Effect of Settlements	(2,257)
3,492	Interest costs	2,907
503	Contribution from scheme participants	508
	Remeasurement (gain) / loss:	
(362)	- Actuarial gains/losses arising from changes in demographic assumptions	0
15,646	- Actuarial gains/losses from changes in financial assumptions	(2,156)
(6,646)	- Other experiences	(44)
(2,798)	Benefits paid	(2,697)
(114)	Unfunded benefits paid	(107)
111,789	**Closing position as at 31 March**	**111,170**

Information about the Defined Benefit Obligation

	Liability Split £000 as at 31 March 2018	Liability Split % as at 31 March 2018	Weighted Average Duration
Active Members	48,391	44.2%	24.1
Deferred Members	21,750	19.9%	25.3
Pensioner Members	39,292	35.9%	11.5
Total	**109,433**	**100.0%**	**18.6**

Local Government Pension Scheme assets comprised:

	Period ended 31 March 2017				**Period ended 31 March 2018**			
Asset Category	Quoted prices in active markets **£000**	Quoted prices not in active markets **£000**	Total **£000**	% of Total Assets	Quoted prices in active markets **£000**	Quoted prices not in active markets **£000**	Total **£000**	% of Total Assets
Cash and cash equivalents	3,778.9		3,778.9	5%	3,518.9		3518.9	5%
Equity Securities:								
- Consumer	5,046.1		5,046.1	7%	3,327.4		3,327.4	4%
- Manufacturing	4,350.2		4,350.2	6%	3,206.4		3,206.4	4%
- Energy and Utilities	1,864.9		1,864.9	2%	940.1		940.1	1%
- Financial Institutions	5,038.7		5,038.7	7%	3,116.1		3,116.1	4%
- Health and Care	4,185.6		4,185.6	6%	2,272.8		2,272.8	3%
- Information technology	5,034.8		5,034.8	7%	2,175.1		2,175.1	3%
- Other	74.8		74.8	0%	83.3		83.3	0%
Debt Securities								
- Corporate Bonds	5,586.4		5,586.4	7%	5,825.5		5,825.5	8%
Private equity:								
- All		2,388.0	2,388.0	3%		2,241.7	2,241.7	3%
Real Estate:								
- UK Property		6,055.9	6,055.9	8%		5,939.5	5,939.5	8%
Investment Funds and Unit Trusts:								
- Equities	25,109.3		25,109.3	33%	36,283.5		36,283.5	47%
- Bonds	4,114.3		4,114.3	5%	4,517.8		4,517.8	6%
- Hedge Funds		1,476.6	1,476.6	2%		1,348.0	1,348.0	2%
- Other		1,122.5	1,122.5	1%		1,980.9	1,980.9	3%
Total Assets	**64,184**	**11,043**	**75,227**	**100%**	**65,267**	**11,510**	**76,777**	**100%**
Adjust for Prepayment							[3](1,635)	
Total Assets Restated							**75,142**	

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 2017/18 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 2018.

[3] During 2017/18, the Council paid pension contributions for the three years 2017/18 to 2019/20. This figure relates to the amount that is classed as 'prepaid' ie relating to 2018/19 to 2019/20 that is included in the actuary's report but adjusted to reflect proper accounting practices.

The principal assumptions used by the actuary have been:

Period Ending	31 March 2017 % Per Annum	31 March 2018 % Per Annum
Financial Assumptions		
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.6%	2.7%
	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 2018	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	11,261
0.5% increase in the Salary Increase Rate	2%	1,799
0.5% increase in the Pension Increase Rate	8%	9,304

Scheme History

Local Government Pension Scheme	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £'000	2015/16 £'000	2016/17 £000	2017/18 £000
Present value of the defined benefit obligation	(72,884)	(85,886)	(90,255)	(108,083)	(100,029)	(111,789)	(111,170)
Net Liability arising from defined benefit obligation	47,847	54,640	56,238	64,014	64,209	75,227	75,142
Adjustment for prepayment of future years pension contributions							(1,635)
Net Liability arising from defined obligation	**(25,037)**	**(31,246)**	**(34,017)**	**(44,069)**	**(35,820)**	**(36,562)**	**(34,393)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£34.393 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of

£25.553 million (see page 57). 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 2019 is **£1.270 million.**

39. Contingent Liabilities

- Under the Deed of Transfer of the Council's Housing Stock to Bromford Housing Association (HomeZone) on 24 March 1997, the Council entered into certain limited warranties and covenants, which will terminate on the fortieth anniversary. The amount of any potential liability cannot be estimated.
- The Staffordshire County Council Pension fund policy requires a guarantor when admitting charitable body staff members. As such, Lichfield District Council is guarantor of pension commitments for employees transferred by TUPE to the Lichfield Garrick Theatre Trust. This affects 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 2017/18, the risk has been assessed at low, no greater than **1%** or **£4,575**.
- 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 2017/18, the risk has been assessed at low, no greater than **1%** or **£96,876**.
- 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 2018 is **£302,337**. 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) (the representative body for Local Authorities) has sought legal advice from Counsel, on our behalf, on the applications for mandatory relief from business rates, issued by GVA Grimley Ltd, on behalf of NHS trusts. Counsel advice is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

40. Contingent Assets

- Under the Deed of Transfer of the Council's Housing Stock to Bromford Housing Association (HomeZone) on 24 March 1997, the Council is entitled to a share of any housing receipts the Association receives in relation to transferred properties.
- The critical judgment in relation to the finance lease for the Joint Waste Service vehicles mean the finance lease liability is shown in this Council's Financial Statements. In the event

that the Joint Waste Service ceases to operate, the Council would seek to recover an element of the outstanding lease obligations from Tamworth Borough Council.

41. Financial Instruments - Risks

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

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

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

Credit Risk

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

Credit Risk: Investments

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

- Credit Default Swaps (where quoted);
- Share prices (where quoted);
- Gross Domestic Product (GDP) and Net Debt as a percentage of GDP;
- Sovereign Support Mechanisms/potential support from well-resourced parent institutions
- Macroeconomic indicators;
- Corporate developments and information in the general and financial media.

The Annual Investment Strategy also imposes a maximum sum to be invested with each financial institution together with limits in relation to groups of counterparties. The credit criteria in respect of financial assets held by the Council are as detailed overleaf:

Specified Investments[4]

Financial Asset Category	Strategy Approved 21 February 2017		Strategy Approved 21 February 2018	
	Minimum Criteria	**Limits**	**Criteria**	**Limits**
UK Banks and Building Societies	AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- None	**£1m, 5yrs** **£1m, 5yrs** **£1m, 4yrs** **£1m, 3yrs** **£1m, 2yrs** **£1m, 13mths** **£1m, 6mths** **£0.5m, 100days** **£0.5m, 1 Day** **£0.5m, 1 Day** **£0.5m, 6Mths**	AAA AA+ AA AA- A+ A A- None	£1m, 5yrs £1m, 5yrs £1m, 4yrs £1m, 3yrs £1m, 2yrs £1m, 13mths £1m, 6mths £0.5m, 6mths
Deposits with Money Market Funds	List provided by Financial Advisors	**£1m**	List provided by Financial Advisors	**£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 2017		Strategy Approved 21 February 2018	
	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	Minimum Long Term Rating **A**	**Banks /Building Societies / Corporates - £1m** **Government - £2m**	Minimum Long Term Rating **A**	**Banks /Building Societies / Corporates - £1m** **Government - £2m**
Group Limit	**£1 million**		**£1 million**	
Sovereign Limits	**No Limit**		**No Limit**	

[4] Specified Investments are the lowest risk investments being in high security and high liquidity investments made in Sterling, Short term investments made with UK Government and other Local Authorities and short term money market transactions with a "high credit quality".

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 31/03/2017 £000	Long Term 31/03/2018 £000	Short Term 31/03/2017 £000	Short Term 31/03/2018 £000
AAA			3,360	4,000
AA+			0	0
AA-			6,000	5,000
A+			2,000	0
A			3,500	6,000
Unrated Pooled Funds	1,813	1,899	0	0
Unrated Local Authorities			8,000	7,000
Total Investments	**1,813**	**1,899**	**22,860**	**22,000**
Accrued Interest			59	47
Cash in Hand and Bank Accounts			249	472
Balance Sheet Total for Short Term investments and Cash and Cash Equivalents	**1,813**	**1,899**	**23,168**	**22,519**

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of **£24.418m (£1.899m** of long term investments **£18.046m** of short term investments and **£4.473m** of cash equivalents) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits

Credit Risk: Receivables

Customers for goods and services are assessed for credit, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

31 March 2017 £000		31 March 2018 £000
3,855	Less than three months	1,933
140	Three to six months	143
180	Six months to one year	155
507	More than one year	532
4,682	**Total**	**2,763**
18%	Average % default adjusted for current conditions	28%
827	**Credit Risk exposure**	**773**

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 loan received in April 2015 is as follows:

31 March 2017 £000		31 March 2018 £000
(69)	Less than one year	(61)
(61)	Between one year and two years	(61)
(183)	Between two years and five years	(183)
(304)	Between five years and ten years	(304)
(609)	Between ten years and twenty years	(609)
(213)	Between twenty years and thirty years	(152)
(1,439)	**Total**	**(1,370)**

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

Market Risks: Interest Rate Risk

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

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

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.
The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2018, 0% (2017: 0%m) of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and 70% (2017: 70%) to variable rates.

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

2016/17 £000		2017/18 £000
81	Increase in interest receivable rate investments	91
81	**Impact on the Surplus or Deficit on the Provision of Services**	**91**
(6)	Decrease in fair value of available for sale assets	0
(6)	**Impact on Comprehensive Income and Expenditure**	**0**
(52)	Decrease in fair value of loans and receivables*	(25)
(140)	Decrease in fair value of fixed rate borrowings / liabilities*	(127)

*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 £91,133 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.

42. 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 2017/18 and no financial transactions were made. No new accounting policies are required for the preparation of the 2017/18 Statement of Accounts.

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 2016/17 £000		Council Tax £000	Business Rates £000	Total 2017/18 £000
			Income			
(56,828)		(56,828)	Council Tax	(59,696)		(59,696)
(15)		(15)	Transfer from / (to) general fund - Council Tax Benefit	(14)		(14)
	(35,481)	(35,481)	Non-Domestic Rates		(33,948)	(33,948)
	48	48	Transitional protection payments		(103)	(103)
	(1,464)	(1,464)	Contribution towards previous year's Collection Fund deficit			0
(56,843)	**(36,897)**	**(93,740)**	**Total income**	**(59,710)**	**(34,051)**	**(93,761)**
			Expenditure			
56,343		56,343	Precepts and demands from major preceptors and the authority	59,256		59,256
	16,884	16,884	Share of non-domestic rating income to major preceptors and the authority		16,721	16,721
	16,884	16,884	Payment with respect to central share (including allowable deductions) to central government		16,721	16,721
			Impairment of Debts / Appeals			
62	448	510	· write–offs on uncollectable amounts	82	98	180
35	(142)	(107)	· allowance for impairment	6	(97)	(91)
	(220)	(220)	· allowance for appeals		(200)	(200)
	124	124	Allowance for collection costs		121	121
448		448	Contribution towards previous year's Collection Fund surplus	303	1,971	2,274
56,888	**33,978**	**90,866**	**Total expenditure**	**59,647**	**35,335**	**94,982**
45	**(2,919)**	**(2,874)**	Movement on Fund (Surplus) / Deficit	**(63)**	**1,284**	**1,221**
(319)	**218**	**(101)**	Balance at the beginning of year	**(274)**	**(2,701)**	**(2,975)**
(274)	**(2,701)**	**(2,975)**	Balance at the end of year	**(337)**	**(1,417)**	**(1,754)**

Council Tax £000	Business Rates £000	Total 2016/17 £000	Allocation of Collection Fund (Surplus) / Deficit	Council Tax £000	Business Rates £000	Total 2017/18 £000
(35)	(1,080)	(1,115)	Lichfield District Council	(44)	(567)	(611)
(197)	(243)	(440)	Staffordshire County Council	(240)	(128)	(368)
(30)		(30)	Staffordshire OPCC	(38)		(38)
(12)	(27)	(39)	Staffordshire Fire Authority	(15)	(14)	(29)
	(1,351)	(1,351)	Central Government		(708)	(708)
(274)	**(2,701)**	**(2,975)**		**(337)**	**(1,417)**	**(1,754)**

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) **37,212** for 2017/18. This basic amount of Council Tax for a Band D property (**£1,604.32** for 2017/18) 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 2017/18 is shown below:

2016/17 £000	Council Tax	2017/18 £000
39,856	**Staffordshire County Council**	**42,200**
6,502	**Staffordshire Office of Police & Crime Commissioner (OPCC)**	**6,691**
2,575	**Staffordshire Fire Authority**	**2,643**
5,857	**Lichfield District Council**	**6,094**
	Parish Precepts :	
36	Alrewas	37
73	Armitage with Handsacre	81
306	Burntwood Town Council	309
15	Clifton Campville with Thorpe Constantine	16
14	Colton	14
3	Curborough & Elmhurst, Farewell & Chorley	3
20	Drayton Bassett	21
11	Edingale	12
12	Elford	12
54	Fazeley Town Council	54
61	Fradley and Streethay	62
23	Hammerwich	26
4	Hamstall Ridware	4
6	Harlaston	8
7	Hints and Canwell	7
13	Kings Bromley	12
640	Lichfield City Council	673
24	Longdon	24
16	Mavesyn Ridware	17
140	Shenstone	157
5	Swinfen and Packington	5
7	Wall	10
1	Weeford	1
44	Whittington and Fisherwick	45
18	Wigginton and Hopwas	18
1,553	**Total Parish Precepts**	**1628**
56,343		**59,256**

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

Band	Band Width	2016/17 Band D Equivalent (Tax Base)			2017/18 Band D Equivalent (Tax Base)		
	£	Number of Dwellings	%	99.0%	Number of Dwellings	%	99.0%
A	0 to 40,000	2,405	7	2,380	2,426	7	2,402
B	40,001 to 52,000	6,057	16	5,997	6,099	16	6,038
C	52,001 to 68,000	7,813	21	7,735	7,917	21	7,837
D	68,001 to 88,000	5,885	16	5,826	5,935	16	5,876
E	88,001 to 120,000	5,293	14	5,240	5,337	14	5,284
F	120,001 to 160,000	4,743	13	4,695	4,789	13	4,741
G	160,001 to 320,000	3,915	11	3,876	3,929	11	3,889
H	320,001 upwards	739	2	732	748	2	740
Class O		129		129	128		128
TOTAL		**36,979**	**100**	**36,610**	**37,308**	**100**	**36,935**

Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2017/18 amounting to **£5,727**. The total allowance for impairment of debt as at 31 March 2018 is **£1,009,502** and represents **54%** of the **£1,873,694** outstanding debt.

Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **47.9p** (2016/17 **49.7p**) and the small business non-domestic rating multiplier **46.6p** (2016/17 **48.4p**) 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.

2016/17 £000		2017/18 £000
83,064	Non-Domestic rateable value at year end	90,105
35,520	Net rates payable by Ratepayers	33,948

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.

2016/17 £000	Preceptors	Share %	2017/18 £000
	Central Share		
16,884	Central Government	50	16,721
	Major Precepting Bodies		
3,039	Staffordshire County Council	9	3,010
338	Staffordshire Fire Authority	1	334
13,507	Lichfield District Council	40	13,377
16,884	**Total Precepting Bodies**	**50**	**16,721**

NDR Allowance for Impairment

A reduction in the allowance for impairment was made during 2017/18 amounting to **£97,123**. The total allowance for impairment of debt as at 31 March 2018 is **£251,687** and represents **34%** of the **£750,082** outstanding debt.

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.

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

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 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.

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 TO THE MEMBERS OF LICHFIELD DISTRICT COUNCIL

This section will be included in the audited version of the Statement of Accounts

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 ਇੰਟਰਪ੍ਰੇਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

Arabic

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

Cantonese

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

Bengali

যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান অথবা যদি আপনার একজন ইন্টারপ্রেটারের প্রয়োজন হয়, তাহলে দয়া করে আমাদের সাথে যোগাযোগ করুন।

French

Si vous souhaitez obtenir ce document dans une autre langue ou sous un autre format ou si vous avez besoin des services d'un interprète, veuillez nous contacter.

Farsi

اگر این مدرک را به زبانی دیگر یا در فورمتی دیگر میخواهید و یا اگر احتیاج به سرویس مترجم دارید، لطفا با ما تماس بگیرید

Polish

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

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Grant Thornton

Audit Findings

Year ending 31 March 2018

Lichfield District Council

25 July 2018

Contents

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Page 172

Headlines

This table summarises the key issues 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 2018 for those charged with governance.

Financial Statements	Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion: • the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income 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. We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, 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.	Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 13. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Member Standards Committee meeting on 25 July 2018, as detailed in Appendix E. These outstanding items are detailed on the next page. We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, 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')	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. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 16.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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 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), 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.

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.

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 25 July 2018, as detailed in Appendix E. These outstanding items include:

- obtaining and reviewing remaining third party investment confirmations;
- final quality assurance checks of the audit file;
- receipt of the signed management representation letter; and
- review of the final, approved set of 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. We detail our assessment of materiality in the table to the right.

	Amount
Materiality for the financial statements	£864k
Performance materiality	£648k
Trivial matters	£43k
Materiality for specific transactions, balances or disclosures:	
Senior officers' remuneration and exit packages	£100k

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) there is a 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.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, 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 Lichfield District Council, 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.** **Work performed** We have: • evaluated the Council's accounting policy for recognition of revenues for appropriateness; • performed substantive testing on material revenue streams; and • reviewed unusual significant transactions. **Key findings** Our audit work has not identified any issues in respect of improper revenue recognition.
2	**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. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. Management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtained a full listing of journal entries, identified and tested unusual and significant journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. **Key findings** Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment** Previously the Council has revalued its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from current value. This year the Council have changed their approach and revalued the vast majority of their land and buildings and surplus assets. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	**Work performed** We have undertaken the following work in relation to this risk: • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • reviewed the basis on which the valuation is carried out and challenged the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements; 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. **Key findings** Our audit work has not identified any issues in respect of the valuation of the Council's property, plant and equipment.
4	**Valuation of investment properties** Investment properties were historically included in the Council's rolling valuation programme along with other land and buildings. Following on from previous audit recommendations due to the Council's highly material investment property balance and the differing valuation requirements of PPE and investment properties, the Council are considering investment properties separately for the 2017/18 year. We identified investment property revaluations and impairments as a risk requiring special audit consideration.	**Work performed** We have undertaken the following work in relation to this risk: • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • reviewed the basis on which the valuation is carried out and challenged the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements; 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 fair value. **Key findings** Our audit work has not identified any issues in respect of the valuation of the Council's investment properties.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
5	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. In addition, the Council has outsourced the provision of leisure services during the 2017/18 year, resulting in a number of staff transferring to the new provider under TUPE. The agreement in place surrounding this transfer includes specific clauses relating to the pensions of these individuals. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	**Work performed** We have undertaken the following work in relation to this risk: • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • gained an understanding of the basis on which the valuation is carried out; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made; • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary; and • reviewed the agreements in place around the staff who have transferred under TUPE, and management's assessment of how these are best treated in the financial statements. **Key findings** At the time of writing this report, work is still ongoing to determine whether the Council's approach to accounting for the pension liability relating to the staff that transferred under TUPE is correct. Further information on this is included on page 9 of this report. Our audit work has not identified any other issues in respect of the valuation of the Council's pension fund net liability.

Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
Employee remuneration Payroll expenditure represents a significant percentage (30%) of the Council's operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with the CHRIS21 sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	**Work performed** We have undertaken the following work in relation to this risk: • evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • agree that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and • undertake a trend analysis and detailed analytics to ensure pay is materially complete. **Key findings** Our audit work has not identified any issues in respect of the completeness of the Council's employee remuneration costs.
Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (64%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non-pay expenses as a risk requiring particular audit attention.	**Work performed** We have undertaken the following work in relation to this risk: • evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • performed detailed substantive testing on operating expenditure recorded for the financial year; and • tested operating expenditure to ensure cut-off has been correctly applied. **Key findings** Our audit work has not identified any significant issues in respect of the completeness of the Council's operating expenditure costs.

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Outcome
The Council has outsourced the provision of leisure services during the 2017/18 year, resulting in a number of staff transferring to the new provider under TUPE. The agreement put into place surrounding the transfer of these members of staff includes specific clauses relating to the LGPS pensions of these individuals.	There are fundamentally two treatments that could be applied: • **Option 1 – (actuarial risk retained by the Council)** The Council include the staff transferred under TUPE within the Council's net pension liability; or • **Option 2 – (actuarial risk passed to the service provider)** The Council exclude the staff transferred under TUPE from the Council's net pension liability, and instead review the need to recognise a liability for a pension guarantee in the financial statements. Management have determined that the second option is the most appropriate for the Council, and is in line with guidance currently available. The Council requested that their actuary prepare an IAS19 report that excluded the staff that were no longer employees of the Council at the end of the year. The Council's draft financial statements were prepared on the basis that actuarial risk for the individuals transferred to the provider was no longer the Council's risk, and so the Council no longer has any liability for their pension.	At the time of writing this report, discussions are still ongoing as to the correct treatment of this pension liability. As part of their evaluation of the two available accounting treatments, the Council have obtained two separate actuarial valuations (one including the staff transferred under TUPE and one excluding them). The Council discussed the issue with us at an early stage and the two valuations provide assurance that, even if the Council's current treatment is incorrect, the maximum potential misstatement of the liability in the 2017/18 accounts is £600k. We are therefore satisfied that the potential mistreatment of this liability will not give rise to a material misstatement in the Council's financial statements this year. We will finalise our view on the correct treatment of this balance prior to the Audit and Member Standards Committee, in order to provide a verbal update prior to the approval of the financial statements. Management have decided that, should we determine that an error has been made in the accounting treatment applied, they will not amend for this issue due to the resource that would be required to action the potential adjustment prior to the reporting deadline of 31 July 2018 and the non-material nature of the error. We have therefore included reference to it in Appendix C.

Other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
Impact of IFRS 9	The Council have included a statement in Note 2 to the financial statements that they are electing to present changes in the fair value of equity investments in other comprehensive income from 1 April 2018. If the election is deemed ineffective and a statutory override is not confirmed the Council will be required to recognise all gains and losses and impairment charges as income and expenditure in year and will need to finance any losses from general funds.	We do not consider that this election is available for the type of investments that the Council holds. However there is currently no guidance available on the application of the standard to the public sector, and there is the possibility of a statutory override to IFRS 9 being issued. This issue has no impact on the Council's performance or position for the 2017/18 financial year, and so has not affected our opinion.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's revenue recognition policies are disclosed within Note 1 of the Accounts, within Accounting Policies, and covers each of the main areas of revenue received by the Council, including revenue received from the sale of goods, the provision of services, and government grants and contributions, along with how revenue is recognised for the non-exchange transactions such as Council Tax and Business Rates. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The Council Tax and 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. 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.	The revenue recognition policy is consistent with the Code of Practice on Local Authority Accounting. Management have followed the policy in accounting for the Council's revenue streams.	(Green)
Judgements and estimates	Key judgements and estimates include: – Valuation and useful life of PPE – Fair value measurement of investment property – Valuation of the pension fund net liability – Accruals of income and expenditure – Provision for NNDR appeals – Provision for bad debts	Disclosures of critical judgements and assumptions used in Notes 3 and 4 to the Financial Statements are considered to be clear. The policies adopted for material accounting estimates are consistent with the Code of Practice on Local Authority Accounting. We have reviewed your Business Rate Appeals provision and are satisfied with the approach taken.	(Green)
Other critical policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	(Green)

Page 181

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

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 other incidents in the period and no other 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.
4	**Written representations**	A standard letter of representation has been requested from the Council, which is included in the Audit and Member Standards Committee papers.
5	**Confirmation requests from third parties**	We requested from management permission to send confirmation requests to banks and investment and debt counterparties. This permission was granted and the requests were sent. At the time of writing this report, a small number of these requests were outstanding. Should these remain outstanding we will undertake alternative procedures to gain assurance over these balances.
6	**Disclosures**	Issues and omissions found during our review are summarised in Appendix C.
7	**Significant difficulties**	No significant difficulties were encountered during the completion of our work.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, 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. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix E.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • 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 We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	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. This work is not required for Lichfield District Council, as the Council does not exceed the threshold.
4	**Certification of the closure of the audit**	We intend to certify the closure of the 2017/18 audit of Lichfield District Council in the audit opinion, as detailed in Appendix E.

Page 183

Value for Money

Background to our VFM approach

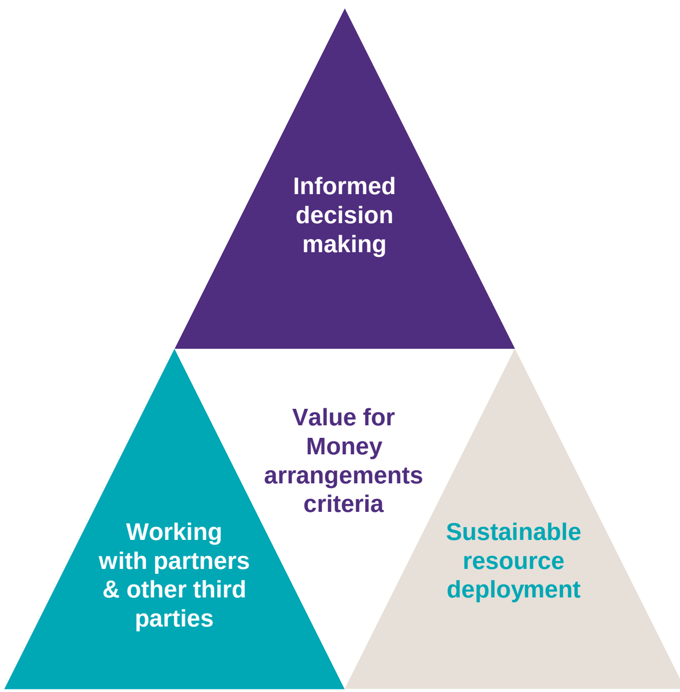
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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:

Page 184



Risk assessment

We carried out an initial risk assessment in February 2018 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Committee Update in March 2018.

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 risk we identified from our initial and ongoing risk assessment.

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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council had a clear governance and reporting structure in place for the project;
- key decisions relating to the project were clearly documented and communicated; and
- the Council's risk management procedures were appropriately followed.

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 risk, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

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

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	Work Performed	Findings
Friarsgate development		
Friarsgate was the Council's city centre regeneration project, which was intended to improve the retail and leisure offerings in the City, as well as replace existing Council infrastructure including the Bus station, Public toilets and the Multi Storey Car Park. The infrastructure requires considerable updating and investment. Projects within the programme needed to be effectively managed to ensure they are completed to time, budget and quality. During the course of 2017/18, the Council and its development partner were unable to secure funding for the project, and on 26 June 2018, the Council made the decision to walk away from the development agreement.	We reviewed the project management structure and governance structure for the project, and the processes and controls in place to monitor them. We considered how these processes and controls fed into Member scrutiny by the Environment and Development (Overview and Scrutiny) Committee. We maintained an understanding of the progress made on the project, the issues faced by the Council, and how these fed into future plans. We discussed with management how they were ensuring that the Council attained Value for Money on the development. We have reviewed key papers that were presented to decision-making bodies, and the information that they contained.	We are satisfied that the Council had a clear chain of reporting and governance structure in place regarding the Friarsgate development, led by the Environment and Development (Overview and Scrutiny) Committee. Regular updates were provided to this Committee, as well as to Audit and Member Standards, Cabinet and Council, detailing the progress on the development, the risks it faced and key decisions to be made. The Council's forward financial planning was not reliant on the success of the development, and so the decision to walk away from the agreement has no detrimental effect on the Council's financial plans. At the end of March 2018, the Council had spent approximately £4.35m on the development, of which £2.2m related to land acquisitions. We have maintained a watching brief over the events since the end of the financial year, and are satisfied that nothing has occurred that indicates that there was a weakness in arrangements in 2017/18. **We have concluded that for the 2017/18 year the risk is sufficiently mitigated and the Authority had proper arrangements in place to secure value for money.**

Independence and ethics

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 D.

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. No non-audit services were identified.

Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	●	**Consideration of a de-minimis level for manual year-end accruals and adjustments** 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.	Management might consider a de-minimis threshold for manual accruals and adjustments at year-end as part of closedown procedures. Any smaller items under this level could then be excluded from the financial statements in line with accounting policies as there would be no material impact. Thought would need to be given to the de-minimis level such that exclusion of items below this would not create a material omission. **Management response** We will consider the application of a de-minimis to manual year end accruals and adjustments in 2018/19 in terms of the potential impact to the Financial Statements, General Fund financial performance and the resources required to implement any change.

Page 188

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We made two recommendations in our 2016/17 Audit Findings report following the audit of the Council's financial statements in the previous year. We are pleased to report that management have implemented all of our recommendations.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	Officers should more explicitly evaluate the judgements made by the external valuer and satisfy themselves that where assets are not formally valued in year, their value is still fairly stated at the end of each financial year.	The Council have considered the risk of material misstatement arising from assets not formally revalued in the year and have revised the valuation programme to address this. Officers are satisfied with the assumptions and estimates used by the valuer.
2	✓	The Code requires that investment properties be held at Fair Value at the balance sheet date. These properties should be formally valued every year in order to ensure compliance with the Code.	Investment properties are now treated as a separate class of assets, and do not form part of the PPE valuation rolling program. All but one investment properties were formally revalued by the external valuer in 2017/18. The remaining property was reviewed by the valuer and was considered to be at an appropriate fair value.

Assessment
✓ Action completed
X Not yet addressed

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.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
1	During our review of the Council's provision for appeals relating to National Non-Domestic Rates (NNDR) revenues, we noted that the whole of the provision was included as 'current' in the Balance Sheet (ie expected to fall due before 31 March 2019).		
	Using information available from historic trends, and known changes to the NNDR appeals process, the Council have adjusted the face of the balance sheet as follows:		
	Dr Short Term Provisions		1,180
	Cr Long Term Provisions		(1,180)
	The prior year balances have also been amended for comparability.		
	Overall impact	**£nil**	**£nil**

Page 190

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Detail	Adjusted?
Grant Income (Note 33)	An item of grant funding for £86k was disclosed twice in the Grant Income disclosure note. The Council have amended the financial statements to correct this. We have confirmed that this misstatement only impacted on the disclosure, and there was not an error in the Council's Comprehensive Income and Expenditure Statement.	✓
Various	A number of minor disclosure amendments were proposed as a result of our review of the draft financial statements.	✓

Audit Adjustments

Error identified in sample testing

During sample testing of creditors, we identified an item of £9,850 which relates to 2018/19. This had been reversed out of the Council's 2017/18 expenditure by accruing for it as a prepayment. This resulted in the item being included in both Short Term Creditors and Short Term Debtors in the Council's Balance Sheet, when it should not have been included in the 2017/18 financial statements at all.

Our audit approach required us to extrapolate the results of this error across the relevant population and this confirmed that the projected error of £244k was well below our materiality level, and hence we were not required to do any additional testing.

Potential understatement of the Council's IAS19 liability

As discussed on page 9, the Council outsourced the provision of leisure services during the 2017/18 year, resulting in a number of staff transferring to the new provider under TUPE. The Council have not included the IAS19 liability relating to these individuals in the draft financial statements, as management do not consider that the Council has any liability for individuals who are not employees of the Council.

At the time of writing this report we have yet to conclude our work in this area, but are satisfied that the impact of any potential error in the treatment of this liability would not be material. We will provide a verbal update the Audit and Member Standards Committee on this matter.

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£45,990	£45,990
Grant Certification relating to the Housing Benefit Subsidy Claim	£6,123	TBC
Total audit fees (excluding VAT)	**£52,113**	**TBC**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Non Audit Fees

We confirm that no non-audit or audited related services have been undertaken for the Council.

Audit opinion

We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the members of Lichfield District Council

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 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including the Expenditure and Funding Analysis on page 54 and a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 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 2017/18; 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.

Who we are reporting to

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 anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer 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 Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 53 and 126 to 129, 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 course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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, the Narrative Report and the Annual Governance Statement 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements
As explained more fully in the 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 Chief Finance Officer. The Chief Finance Officer 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 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer 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 Chief Finance Officer 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 the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Member Standards Committee is Those Charged with Governance.

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 2018.

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 2018.

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 the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

grantthornton.co.uk

INTERNAL AUDIT ANNUAL REPORT & PROGRESS REPORT DECEMBER 2017 TO MARCH 2018

Report of the Audit Manager

Date:	25 July 2018
Agenda Item:	7
Contact Officer:	Angela Struthers
Tel Number:	01543 308030
Email:	Angela.struthers@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	

Lichfield district council
www.lichfielddc.gov.uk

AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

1.1 To report on the activity and performance of the Internal Audit section for the 2017/18 financial year.

1.2 To report on the outcome of Internal Audit's review of the internal control, risk management and governance framework for the period December 2017 to March 2018. To provide members with assurance of the ongoing effective operation of an internal audit function and enabling any particularly significant issues to be brought to the Committee's attention.

2. Recommendations

2.1 That the Annual Report of Internal Audit for 2017/18 is noted.

2.2 That the Committee considers the attached performance report for Internal Audit activity from December 2017 to March 2018 and raises any issue it deems appropriate.

3. Background

3.1 The Annual Report for Internal Audit details the work completed during 2017/18. The Public Sector Internal Audit Standards has deemed as proper practice under the Accounts and Audit Regulations 2015. 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 to the Annual Governance Statement, summarise the work completed by the Audit section. The Annual Report is attached as **Appendix 1**

3.2 In addition to the Annual Report, the Audit Manager's opinion statement for the period December 2017 to March 2018 is set out as **Appendix 2**, and the opinion is summarised below.

3.4 Audit 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 in my opinion, based upon the reviews performed during the 2017/18 financial year, the Authority has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during 2017/18.

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
Equality, Diversity and Human Rights Implications	1. None arising from this report.
Crime & Safety Issues	1. None arising from this report

	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

Appendix 1

ANNUAL REPORT OF INTERNAL AUDIT

2017/18

ANGELA STRUTHERS **Audit Manager**	***May 2018***

ANNUAL REPORT OF INTERNAL AUDIT 2017/18

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 2017/18 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 2017/18 was produced using a full risk assessment and was approved by the Audit & Member Standards Committee in March 2017.

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, 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 2017/18, 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 on internal audit work.

DEVELOPMENTS DURING 2017/18

During 2017/18, 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 2018/19

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 2017/18 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 2017/18.

Performance indicator	Target for 2017/18	Performance achieved at year end	Target achieved
Percentage of Annual Plan Completed	90%	96%	Yes
Number of Recommendations Made/Accepted	90%	97%	Yes
Number of Recommendations Implemented/Partially Implemented at time of follow up review.	76%	90%	Yes
Average scores achieved on customer satisfaction questionnaires	4	4.16	Yes

PROGRESS MADE AGAINST THE AUDIT PLAN

Details of the work carried out by Internal Audit during 2017/18 can be found below.

This year, the Internal Audit Section has achieved 96% of the revised Internal Audit Plan (97% in 2016/17). This is above the performance indicator included in the Services performance targets (90%). Changes in service areas has meant that we have had to postpone or cancel 6 audits in the financial year. We have completed an additional 6 areas of consultancy work (E-payments, Sharepoint mileage claims, street naming/numbering, loans, King Edwards Inventory transfer and Friary skatepark disposal) at the request of management. 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 109 recommendations during the year, 97% of which (106) 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%).

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 90% (88% in 2016/17). The target set for 2017/18 was 76%. Details of these reviews are reported as part of the progress reports. **Annex B** details the overall summary for the year.

During 2017/18 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 and will be reported to Leadership Team on a quarterly basis.

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.

Fourteen Customer Satisfaction Questionnaires were issued and returned during the year. The average score for these was 4.16 (4.42 in 2016/17). 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 2017/18 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 five 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 2017/18. 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:

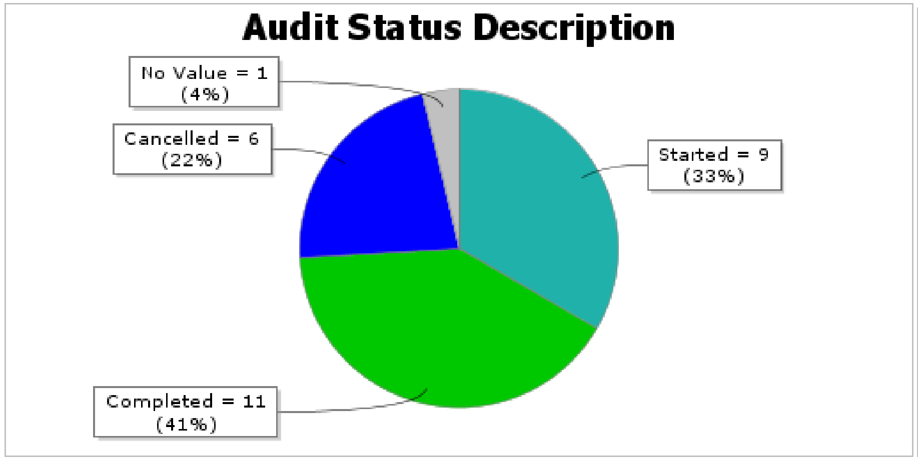
"Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.

Our review of internal audit work has not identified any weaknesses which impact on our audit approach"

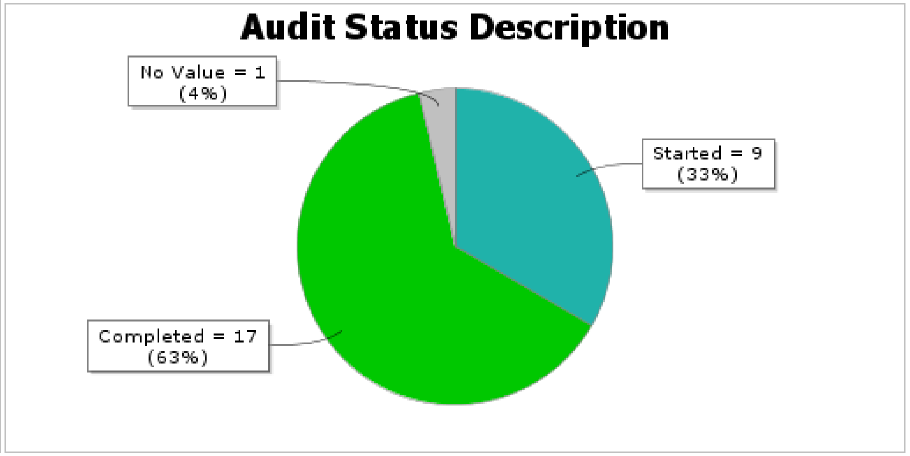
Audit Reviews Completed During 2017/18

Report Type: Audit File Report
Report Author: Angela Struthers
Generated on: 12 April 2018

Original Audit Plan



Revised Audit Plan



NB No Value = Not Started

Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Payroll	✔	Started	Main Financial system – full
Capital Accounting	✔	Started	Main Financial system – full
Creditors	✔	Completed	Main Financial system – full
Building Control	✔	Completed	System based review
Customer promise/Complaints Process	✔	Completed	System based review

Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
PR & Communications			Risk based review
Cyber Security	✔	Started	Information technology
Mobile Computing	✔	Completed	Information technology
NNDR valuation office schedules	✔	Completed	System based review
Health & Safety Enforcement	✔	Completed	System based review
Safeguarding (in relation to the Mental Capacity Health Act 2005)	✔	Started	System based review
Development Management and Enforcement	✔	Completed	System based review
Leisure Services Contract Management Process	✔	Started	System based review
Economic Development Partnership Arrangements	✔	Completed	System based review
TIC/Tourism	✔	Started	System based review
Section 106/CIL agreements	✔	Started	System based review
Corporate Policy Management	✔	Started	System based review
Project Management	✔	Started	System based review
E-Payments	✔	Completed	Additional consultancy
Pensions Assurance Work	✔	Completed	Transactional
Disabled Facilites Grants Assurance Work	✔	Completed	Transactional
HB Overpayments	✔	Completed	System based review
SharePoint Mileage claims	✔	Completed	Additional consultancy
Street naming/ numbering	✔	Completed	Additional consultancy

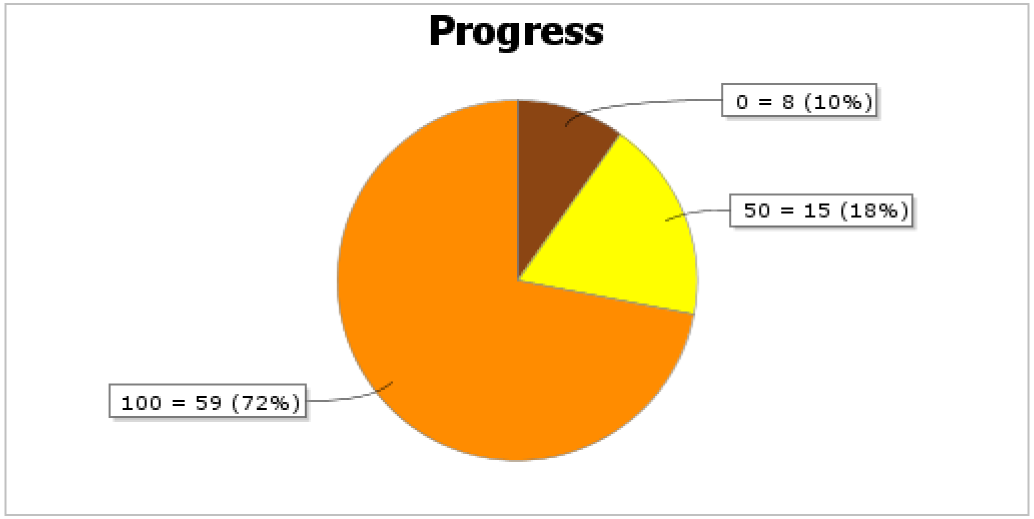
Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Loans	✓	Completed	Additional consultancy
KE inventory transfer	✓	Completed	Additional consultancy
Friary skatepark disposal	✓	Completed	Additional consultancy

Annex B

Implementation Reviews Status Total 2017/18

Report Type: Audit Recommendations Report
Report Author: Angela Struthers
Generated on: 12 April 2018

Rows are sorted by Priority



Appendix 2

REPORT ON AUDIT WORK CARRIED OUT DURING DECEMBER 2017 TO MARCH 2018

1 INTRODUCTION

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards)

Internal Audit's role is to provide independent assurance to the Council that systems are in place and are operating effectively.

Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This brief report aims to ensure that Committee members are aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of the monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

2 PERFORMANCE AND PROGRESS AGAINST THE AUDIT PLAN

The Internal Audit services aims to complete at least 90% of the applicable planned audits by the end of the financial year. This is one of the main Performance Indicators for Internal Audit. Progress at the end of the financial year 2017/18 against the plan is detailed in the Annual Report. At the end of the financial year, Internal Audit have started/completed 96% of the revised plan.

Management views are sought at the conclusion of each audit by the issue of a Customer Satisfaction Questionnaire' details of which are included in the Annual Report.

3 AUDIT REVIEWS COMPLETED DECEMBER 2017 TO MARCH 2018

Nine audits/consultancy reviews were finalised during the period December 2017 to March 2018 with a total of 19 recommendations made with all recommendations being accepted by management. **Annex 1** confirms all recommendations were accepted. The table below details the reviews finalised and their assurance levels:

Overall Audit Opinion December to March

Audit	Overall Opinion	Accepted Recommendations H	M	
Creditors	Adequate		3	System based review
NNDR VO Schedules	Substantial		2	System based review
Economic Development Partnership Arrangements	Adequate		8	System based review
HB Overpayments	Adequate		6	System based review
Sharepoint Mileage Claims				Consultancy
Street naming/numbering				Consultancy
Loans				Consultancy
KE Inventory Transfer				Consultancy
Friary Skate Park Disposal				Consultancy

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 and are detailed in **Annex 2**.

First Implementation Review Area	High			Medium		
	Fully	**Partially**	**Not**	**Fully**	**Partially**	**Not**
FG/KE Debtors	4	2		19	4	1
DFG's				1		
Ethics				1		
Civil Contingency Business Continuity				3	3	2
Total	**4**	**2**		**24**	**7**	**3**

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 no high priority actions outstanding. Due to the transfer of Leisure Services, no further implementation review will be completed for FG/KE debtors.

4 INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 of the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically states that the Audit Manager must confirm this to the Audit & Member Standards Committee at least annually. This confirmation is provided as part of the Internal Audit performance reporting.

"The Audit Manager confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work."

5 OVERALL CURRENT INTERNAL AUDIT 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 in my opinion, based upon the reviews performed during the 4th quarter of the 2017/18 financial year, the Authority has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

Specific issues:

There were no specific issues highlighted through the work to date in the 2017/18 financial year.

Angela Struthers
Audit Manager

Annex 1

Recommendations agreed between December 2017 and March 2018

Report Type: Audit Recommendations Report
Report Author: Angela Struthers
Generated on: 18 April 2018

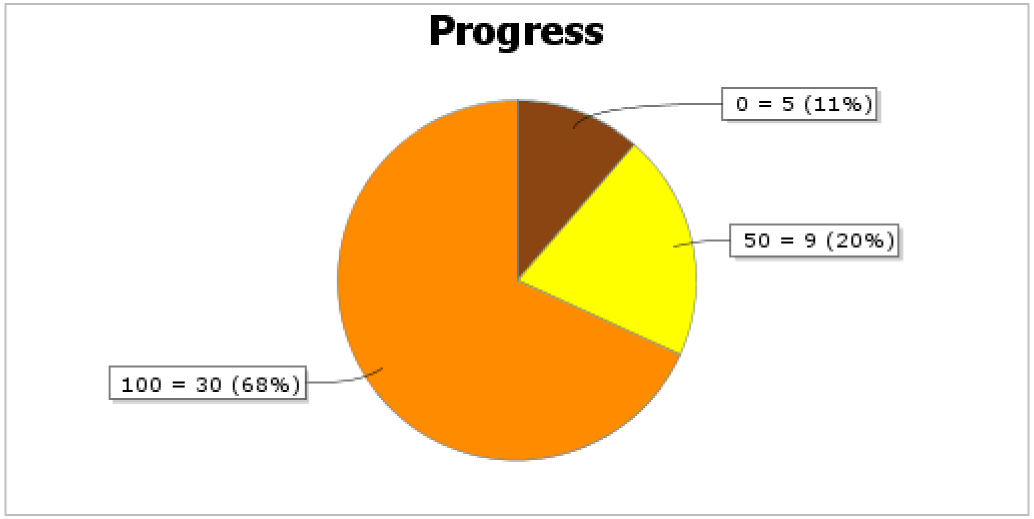
Rows are sorted by Priority

Annex 2

Implementation Reviews Completed December 2017 to March 2018

Report Type: Audit Recommendations Report
Report Author: Angela Struthers
Generated on: 12 April 2018

Rows are sorted by Priority



Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1617 07 FG/KE debtors		High	50%	1st implementation review completed
1617 17 FG/KE debtors		High	50%	1st implementation review

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
				completed
1617 18 FG/KE debtors		Medium	50%	1st implementation review completed
1617 25 FG/KE debtors		Medium	50%	1st implementation review completed
1617 26 FG/KE debtors		Medium	0%	1st implementation review completed
1617 27 FG/KE debtors		Medium	50%	1st implementation review completed
1617 30 FG/KE debtors		Medium	50%	1st implementation review completed
1617 CCBC 01 Corporate Business Continuity Plan		Medium	50%	1st implementation review completed
1617 CCBC 02 Updates following management restructure		Medium	50%	1st implementation review completed
1617 CCBC 05 Outstanding phase 2 BCM plans		Medium	50%	1st implementation review completed
1617 CCBC 09 Testing Business Continuity Plans		Medium	0%	1st implementation review completed
1617 CCBC 13 Changes to Northgate contract		Medium	0%	1st implementation review completed
1617 CCBC 14 Testing of Disaster Recovery arrangements		Medium	0%	1st implementation review completed
1617 CCBC 15 Back ups		Medium	0%	1st implementation review completed

RISK MANAGEMENT UPDATE

Councillor CJ Spruce

Date:	25 July 2018
Agenda Item:	8
Contact Officer:	Angela Struthers
Tel Number:	01543 308030
Email:	Angela.struthers@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	**Full Council**

Lichfield district council
www.lichfielddc.gov.uk

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.
- Consider the updated corporate risk register and project risk register.

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 the comprehensive review by Leadership Team of Corporate Risks, the Corporate Risk Register of those risks that could have a potential impact on the Council's ability to deliver the Strategic Plan presented to the Committee in September 2017. 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 It has also been noted that some projects carry significant risks as they could have a major impact if they are not delivered. As such, these risks need to be identified and monitored through this Committee. At this moment, there are two projects that has been identified and detailed on the risk register although neither is significant at this point in time. It should be noted that the Friarsgate Development has been removed from the project risk register. The current project risk register is at **Appendix 2**.

Alternative Options	1. None.
Consultation	1. Leadership Team have been consulted on the Corporate & Project Risk Registers.
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.

	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 and future 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

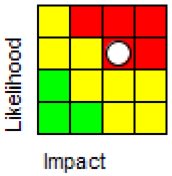
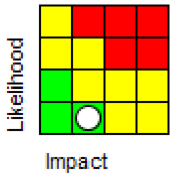
Report to Audit & Member Standards Committee September 2017 – "Risk Management Update"

Relevant web links

Appendix 1

Corporate Risk Register 2018

Report Type: Risks Report
Report Author: Angela Struthers
Generated on: 09 July 2018

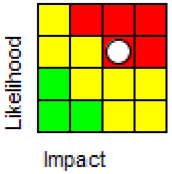
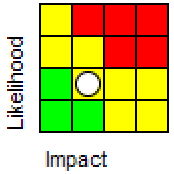
Risk Code	COR1	Risk Title	A Failure to Respond to Changing Demographics	Current Risk Status	
Description	A failure to respond to changing demographics				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	09-Jul-2018
Responsible Cabinet Member	Councillor Ian Pritchard				
Assigned To	Pat Leybourne; Neil Turner				
Risk Factors/Causes	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. 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. 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.				
Potential effects/consequences	**Risks** Growing demands from residents for support services that are provided directly by the council including:				

. Benefits – council tax support; housing benefit; extracare;
– 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

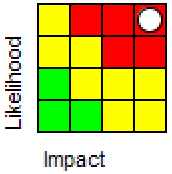
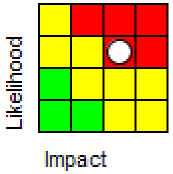
Growing opportunities for the community and the economy
– A healthier experienced skilled older population will bring different skills to the workplace and to voluntary and community groups

	– 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	

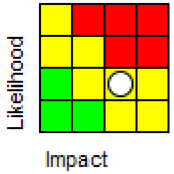
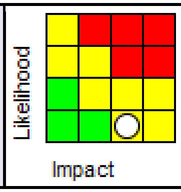
Risk Code	COR2	Risk Title	Economic Growth/Performance of the Local Economy/Integrity of the Local Plan	Current Risk Status	
Description	Economic Growth/Performance of the Local Economy/Integrity of the Local Plan				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	09-Jul-2018
Responsible Cabinet Member	Councillor Ian Pritchard				
Assigned To	Craig Jordan; Richard King				
Risk Factors/Causes	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.				
Potential effects/consequences	The effects of a poorly performing local economy can be seen in many ways including: 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 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. 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. 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. 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
Risk Treatment Measures	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. 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. 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) 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

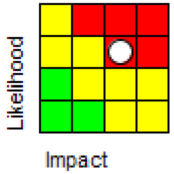
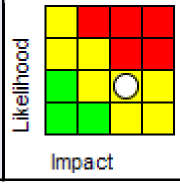
	with and oversee the outputs and outcomes of the District Council in terms of local economic development including Lichfield District Board, Staffs CC, Birmingham Chambers, Lichfield City BID, Lichfield Townsafe Partnership, Burntwood Business Community,
Latest Note	Part 2 of the Local Plan, the Land Allocations Document is in preparation and should be submitted for examination in Spring 2018. Cabinet has recently agreed amendments to the Local Development Scheme which includes a planned timetable for delivery of a full Local Plan Review commencing in 2018. The Council is keeping a watching brief over activity being carried out by the West Midlands Combined Authority and which potentially could be relevant to growth and prosperity prospects in the District. Our membership of the GBSLEP allows us an insight and some influence over the level of knowledge sharing from the CA and ability to inform the application of policy. Since September the Council has had additional dedicated resource as regards the economic growth agenda enabling the District's interests to be further acknowledged and addressed at a strategic and local level. The Council is in the process of adopting a Property Investment Strategy as part of its wider Commercialisation Strategy, identifying opportunities to intervene in and support the market in line with its strategic objectives.

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	21-May-2018
Responsible Cabinet Member	Councillor Chris Spruce				
Assigned To	Anthony Thomas				
Risk Factors/Causes	The financial risks facing the Council continue to be severe. The following are key risks: . Planned capital receipts are not received and this impacts on the financing of the Capital Programme. . The Council is unable to achieve its key priorities. . 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 including the level of the baseline. . The move to 100% retention of Business Rates. 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	The Council intends closing this funding gap via an efficiency plan with four strands: 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. **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.				

	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. 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 and Strategic (Overview and Scrutiny) Committee in the Money Matters Report.
Latest Note	The approved Medium Term Financial Strategy 2017-22 identified Funding Gaps of: . 2018/19 – **£0**. . 2019/20 – **£1,305,000**. . 2020/21 – **£2,006,360**. . 2021/22 – **£2,034,090**. The Money Matters Report for financial performance in 2017/18 to Cabinet on 12 June 2018 identified that: . In terms of the revenue budget, the Net Cost of Services was **(£72,288)** below budget, corporate accounts (treasury management and revenue contributions to the Capital Programme) was **£5,003** above budget, funding was **£522** below budget and therefore there was an additional contribution to General Reserves of **£66,763**. . The total General Reserves at 31 March 2018 were **£4,521,294** and taking account of the Minimum Level of **£1,700,000** the available General Reserves were **£2,821,294**. . In terms of the Capital Programme, the financial performance was **(£759,515)** below budget. . The Council also received **(£229,691)** more capital receipts than the budget (these have already been utilised to fund the acquisition of the Police Station).

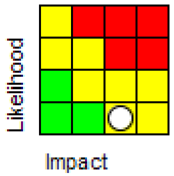
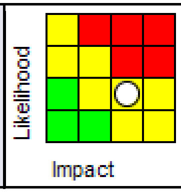
Risk Code	COR4	Risk Title	Capacity to Deliver	Current Risk Status	
Description	Capacity to deliver all of the outcomes required in the Councils Strategic Plan with the particular workforce and organisational development challenges we currently face.				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	21-May-2018
Responsible Cabinet Member	Councillor Mike Wilcox				
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 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. 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: 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. Talent and succession planning built into service plan templates. 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.
Latest Note	The Fit for the Future Programme is being relaunched in May 2018 which will coordinate the activity and outcomes required.

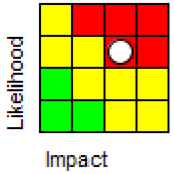
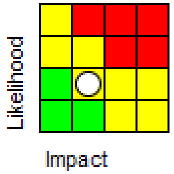
Risk Code	COR5	Risk Title	Governance & Statutory Obligations	Current Risk Status	
Description	Governance & Statutory Obligations				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	22-May-2018
Responsible Cabinet Member	Councillor Chris Spruce				
Assigned To	Bal Nahal; Neil Turner				
Risk Factors/Causes	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. 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. 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. 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.				
Potential	Decision making is poor and subject to challenge leading to reputational, financial and operational risk				

effects/consequences	There are increased opportunities for fraud or loss to the public purse People are injured or killed because of a failure to comply with health and safety Recruitment and retention of staff is difficult because of a lack of clear policies and procedures Costs rise because of failure to follow policies and procedures. Information is lost, inaccurate or inaccessible because of a breach of data protection principles.
Risk Treatment Measures	The following actions are being implemented to ensure risks are mitigated: **Decision making** The constitution has been reviewed to ensure that it is fit for purpose. The revised constitution was adopted in May 2018. 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. Appropriately skilled and authorised officers attend all constituted meetings to ensure that decisions are not taken ultra vires. 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. **Financial Probity** 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 The financial and contract procedure rules were revised as part of constitution review and training will be rolled out to all Officers. **General Data Protection Regulations** New rules on data protection come into force from 25th May 2018. A project is being implemented to ensure that we can evidence compliance by then. 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. **Health and Safety**

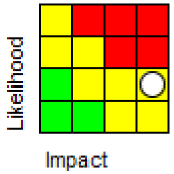
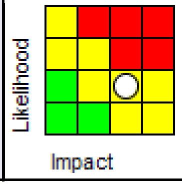
	The council maintains the appointment of a competent person. The council has a Health and Safety Policy which is reviewed and revised annually. Health and Safety performance is reported to the Employee Liaison Group, Leadership Team and Employment Committee. The Joint Waste Service supports a service 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.
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	21-May-2018
Responsible Cabinet Member	Councillor Elizabeth Little				
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	Losing sight of customers Cost/return on investment Loss of IT systems & inability to deliver services Reputational damage Fine and prosecution Potential imprisonment Loss of key management information Cost of change prohibitive to consider alternatives and develop new approaches.				
Risk Treatment Measures	Primarily these have been addressed in the development of the Digital Strategy and underpinning ICT Review for the termination of the support contract. An effective Cloud Readiness assessment has been undertaken to consider all of our future options for ICT. 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. Other measures include: Effective Project management and deployment of new systems Use of Firewalls and virus protection to manage cyber				

	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	The Digital Strategy and Cloud Readiness Assessment are due to be reviewed and adopted by Cabinet in July 2018.

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	30-Apr-2018
Responsible Cabinet Member	Councillor Mike Wilcox				
Assigned To	Diane Tilley				
Risk Factors/Causes	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				
Potential effects/consequences	These are wide and varied but as examples of current pressures: 1. Reduction in funding for Domestic violence from County and OPCC resulting in closure of refuge and LDC requirement to rehouse occupants. 2. Changes to housing associations voids policy requiring additional temporary accommodation for homelessness 3. Requirement for increased resource commitment to Prevent and community cohesions agenda 4. Changes to planning policy requiring additional resources to support or producing infrastructure pressures. 5. Changes to health provision resulting in increased DFG claims and increased demands for supported living accommodation 6. Changes to the national economic position resulting in reduced business rate receipts 7. Increased unemployment and lower wages leading to increased demand for affordable housing 8. SCC reduce payment of recycling credits 9. New legislation on Homelessness prevention				

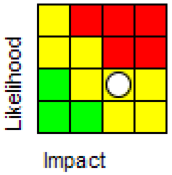
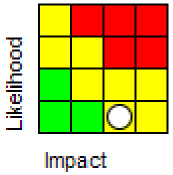
	10. The roll out of universal credit 11. SCC budget pressures
Risk Treatment Measures	Each different event which comes under this collective heading will have a range of treatment and mitigation measures that can be taken by the relevant service area as and when necessary. However corporately there are number of mitigating actions which need to be taken. These include: 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	Increased pressure on partners and stakeholder budgets will lead to increased likelihood of impact, such as with the proposals for reduction in green waste recycling credits proposed by SCC. as such likelihood has been increased from low to medium. Mitigation activities remain the same.

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	21-May-2018
Responsible Cabinet Member	Councillor Ashley Yates				
Assigned To	Gareth Davies				
Risk Factors/Causes	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. Failure to test plans Failure to undertake training Plans not activated Plans not kept up to date Plans do not accurately identify the staffing/resources required Implications of industrial action from other service providers eg Fire Service Lack of understanding both staff and members of their roles Failure to understand and monitor the needs of the community Not understanding our communities needs Lack of integrated emergency plans for significant incidents that may impact on our district in neighbouring authority's areas.				
Potential effects/consequences	Services not delivered Damage to reputation Civil Contingency Act requirements not met Death Destruction of property Damage to the environment				

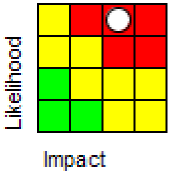
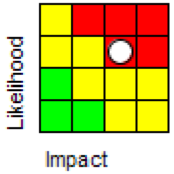
	Adverse effect on vulnerable groups Public expectations of service delivery not met Increased costs for alternative service delivery Loss of homes – temporary or permanent
Risk Treatment Measures	Emergency plan in place and tested on a regular basis Emergency planning training Business Continuity Plans at service level Insurance cover Advice and guidance on Risk Management Business continuity strategy and management handbook 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 Fire prevention controls in place and tested on a regular basis PAT testing Physical access controls in place Communications plan Membership of Staffordshire CCU & Resilience Forum Plans uploaded to Resilience Direct Learning from actual events eg IT system restores, Flooding Prevent training Chair local Safety Advisory Groups for local events Building Control enforcement – dangerous structures etc Monitor for the emergence of high risk sites on our borders and ensure adequate multi-agency response plans are in place.
Latest Note	

Corporate Projects Risk Register

Report Type: Risks Report
Report Author: Angela Struthers
Generated on: 16 July 2018

Risk Code	CORPRO2	Risk Title	End of the ICT Support Contract	Current Risk Status	
Description	The end of the current ICT Support Contract is a corporate risk that will be managed in accordance with the approach approved by Cabinet in May 2018. The existing contract has been broken down into a series of smaller projects/contractual arrangements to manage the risk and allow for a reset of our ICT support to achieve our digital ambitions in line with the strategic plan.				
Gross Risk Matrix		Current Risk Matrix		Last Review Date	21-May-2018
Responsible Cabinet Member	Councillor Elizabeth Little				
Assigned To	Christie Tims				
Risk Factors/Causes					
Potential effects/consequences	Lack of helpdesk support if contracts, recruitment and training are not in place by the transfer date of 1st October 2018. Failure of key systems/processes if contracts are not in place in good time. Business continuity impacts.				
Risk Treatment Measures	These are as outlined in the Cabinet report and include: Server and database support contracts provided by existing infrastructure supplier A fully managed transition plan to create an in-house Support Desk TUPE of staff assigned to the existing contract to provide application support Direct award of printing contracts using government frameworks				

Latest Note	The transition project is moving at pace and we hope to have secured key appointments and procurements by early August. Contingency plans are now also in place to eliminate any impact from the project on the business.

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	31-May-2018
Responsible Cabinet Member	Councillor David Leytham				
Assigned To	Chris Cook				
Risk Factors/Causes	. 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 been dissolved and this matter will now go to an initial stage of informal arbitration. . 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 roof requires replacement at a cost of £70K. . 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.				
Potential effects/consequences	. Reputational damage to the Authority . Cessation of the outsource leisure contract and associated compensatory payments relating to the contract and staff redundancy. . 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) Formal legal proceedings could commence regarding ownership of the building in the event of the Management Committee being unable to reach an agreement. 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
Risk Treatment Measures	. In May 2017 Lichfield District Council commissioned a Condition Survey to determine the level of investment required to make the facility fit for purpose for the short term. This survey identified that an investment of £1.7 million was required to enable the short term serviceability of the building. . 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. . 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. . 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. . 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 will be considered by the Leadership Team on 4th July and will potentially enable further feasibility planning to be undertaken. Study/options paper produced for consideration by Leadership team on 4th July 2018. 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.
Latest Note	

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REGULATION OF INVESTIGATORY POWERS ACT 2000

Cabinet member for Finance & Democracy

Date:	25 July 2018
Agenda Item:	9
Contact Officer:	Bal Nahal
Tel Number:	308002
Email:	bal.nahal@lichfielddc.gov.uk
Key Decision?	**NO**
Local Ward Members	Full Council

Lichfield district council
www.lichfielddc.gov.uk

AUDIT & MEMBER STANDARDS COMMITTEE

1. Executive Summary

1.1 To receive the Office of Surveillance Commissioner (OSC) inspection report in relation to the RIPA policy, procedures, documentation and training.

1.2 The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that yearly reports will be taken to the Audit & Member Standards committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

1.3 In April 2018 the Office of the Surveillance Commissioner (OSC) conducted an inspection into the RIPA policy, procedures, documentation and training utilised at the Council. It is recommended that the outcome of the inspection be reported to Council on 18 July 2018 for ratification. The Commissioner reported that the recommendations arising from the previous inspection have been implemented and accepted by the Council. RIPA awareness had been raised throughout the Council. The Policy was updated in line with the recommendations of the Commissioner. Training took place in February 2017 and there will be further training events for officers who previously had no RIPA training and forward training for RIPA has been added to the Corporate Training Programme.

1.4 The Commissioner has recommended from the current inspection that the RIPA Procedure document allows for Lichfield District Council Investigators to utilise covert surveillance powers to undertake covert observations online, utilising social media and other sites. In order to ensure this activity is subject to suitable oversight it is recommended that the Procedure document should be updated to include control and management oversight mechanisms, including: a register of covert profiles used to undertake surveillance; details of who has used these profiles and when; and a record of what information was recorded, which should be made available to the relevant Authorising Officer for review. The amended RIPA policy incorporating the Commissioners recommendation is attached for consideration by the Committee and thereafter referral to Council for ratification on 18 July 2018. The revised policy will be published. That yearly reports on the use of RIPA powers be submitted to Audit & Member Standards Committee.

2. Recommendations

2.1 That the Audit & Member Standards Committee:

1) Endorse the recommendations of the OSC (Appendix A)

2) Refer the findings of the report and changes to the RIPA policy to Council for ratification (Appendix B)

and

3) Endorse the RIPA monitoring report for the last financial year.

3. Background

The RIPA Code of Practice produced by the Home Office in April 2010 and updated in January 2016 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS). The Council has not used directed surveillance in the current financial year. In fact there have been no applications under RIPA for 7 years. There have also been no authorisations for the use of CHIS.

Alternative Options	Obligations arising under RIPA for the authority are statutory therefore the only option is compliance.
Consultation	None.
Financial Implications	Support for the RIPA obligations and functions are met from existing budget and existing staff resources.
Contribution to the Delivery of the Strategic Plan	The Council that is Fit for the Future.
Equality, Diversity and Human Rights Implications	The recording of applications, authorisations, renewals and cancellations of investigations using covert surveillance techniques or involving the acquisition of communications data is covered by the Regulation of Investigatory Powers Act 2000. The Regulation of Investigatory Powers Act was introduced to regulate existing surveillance and investigation in order to meet the requirements of Article 8 of the Human Rights Act. Article 8 states: Everyone had the right for his private and family life. His home and his correspondence, there shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the Country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others. RIPA investigations can only be authorised by a local authority where it is investigating criminal offences which (1) attract a maximum custodial sentence of six months or more or (2) relate to the sale of alcohol or tobacco products to children. There are no risk management or Health and Safety implications.
Crime & Safety Issues	The recommendation(s) will impact (positively) on our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988). The legislation requires the Authority to record and monitor all RIPA applications, keep the records up to date and report yearly to a relevant Committee.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Failure to obtain RIPA authorisation or comply with RIPA	Regular Training/Keeping Records of authorisation/Notifying staff of changes to procedure/policy	Green
B			

Background documents	
Relevant web links	

IPCO/INSP/075

Appendix A

The Rt. Hon. Sir Adrian Fulford
Investigatory Powers Commissioner
Investigatory Powers Commissioner's Office
PO Box 29105
London SW1V 1ZU

17 April 2018

OSC INSPECTION – LICHFIELD DISTRICT COUNCIL

1 Date of Inspection

A desktop review of Lichfield District Council was undertaken on Tuesday 17th April 2018.

2 Inspector

Mrs Gráinne Athorn.

3 Introduction

3.1 Lichfield District Council is a non metropolitan council in the county of Staffordshire. It was formed in 1974 and covers a population of approximately 100,000 people within Lichfield and the surrounding area.

3.2 The Leadership Team is comprised of the Chief Executive Diane Tilly, an Assistant Chief Executive and two Directors, who lead the portfolios of Place and Community and Transformation and Resources. The present Senior Responsible Officer for RIPA matters is Bal Nahal, Head of Legal, Property and Democratic Services. She is supported by Wendy Johnson the designated RIPA Co-ordinator who is a Legal Services Clerk.

3.3 Lichfield was last inspected during 2011 by HH Sir David Clarke. It was due to be inspected again in 2014 but due to illness this did not proceed.

3.4 The address for correspondence is Lichfield District Council, Frog Lane, Lichfield, Staffordshire WS13 6YU or by e mail to the Chief Executive: Diane.Tilley@lichfielddc.gov.uk

4 Inspection Approach

4.1 The purpose of the inspection was to examine policies, procedures, operations and administration in respect of directed surveillance and covert human intelligence sources (CHIS) under the Regulation of Investigatory Powers Act 2000 (RIPA). The last inspection was undertaken during 2011 by Assistant Surveillance Commissioner HH Sir David Clarke. In the period since this Inspection, Lichfield DC has declined to use RIPA powers, preferring to rely upon overt investigative tactics.

4.2 This report has been prepared without visiting Lichfield District Council, however to assess the ongoing compliance of the Council, information provided by the SRO has been reviewed which included: a copy of the Council's RIPA Procedure, training records and a copy of the current RIPA Information Request Form, as well as a brief verbal discussion with the SRO.

5 Actions Taken on Past Recommendations

5.1 In his report of 2011 Assistant Surveillance Commissioner HH Sir David Clarke made two recommendations:

5.2 Recommendation 1 - *For the purpose of any future RIPA usage, LDC establish a Central Record complying with the Codes of Practice.*

The Lichfield DC RIPA Procedure sets out the requirement to retain a central record of authorisations which is retained by the RIPA Co-ordinating Officer. However due to the fact that RIPA powers have not been used for a substantial period this record is presently empty. The Council remains ready to use RIPA powers should it become necessary. <u>Recommendation discharged</u>.

5.3 Recommendation 2 - *LDC consider reducing the number of RIPA Authorising Officers.*

The number of designated Authorising Officers has been reduced from twelve to three. <u>Recommendation discharged</u>.

6 Review of Policies and Procedures

6.1 Lichfield DC maintains a RIPA Procedure document which sets out in detail the process that should be undertaken when making an application for surveillance or a CHIS (covert human intelligence source), and is based on policies provided by partner councils. It is a comprehensive document that contains guidance concerning how to assess necessity and proportionality and clearly states what surveillance activity council officials may or may not undertake. The Procedure also sets out who is responsible for the delivery of key areas of RIPA compliance such as training and the retention of records.

6.2 It is helpful to see that Lichfield DC has also identified that it may become necessary for investigators to undertake covert observations using the internet, including social media. As a consequence council officials are permitted to conduct observations in a covert manner utilising suitable profiles, albeit with the protection of a directed surveillance authorisation. At present there are no stated control mechanisms for such activity or a formal structure for management oversight. A suggested format for this is detailed within the subsequent recommendation.

6.3 The RIPA procedure has been very recently reviewed and updated and overall its reads very well. In addition to the recommendation above concerning the use of social media the following amendments are suggested for inclusion following the next routine review of the document:

- In respect of the section concerning the internet and social media it may be helpful to include how a CHIS may operate in this context. That is by utilising a covert profile to interact with a person online rather than merely covertly and passively observing information they provide (which the document already rightly states requires a directed surveillance authorisation).
- The table detailing overt *versus* covert activity is a very helpful guide and may also benefit from the inclusion of CHIS information - for example a test purchase that requires a person to interact with a shop keeper on a repeated basis to gain their trust.
- Finally the first line of the paragraph marked ‘Duration’ is a little confusing and should clarify that a directed surveillance authorisation is extant for three months following authorisation by a magistrate. During this period it should be reviewed at least once. The duration for a CHIS is one year from authorisation and must be reviewed at a frequency set by the Authorising Officer – this should include a review of the associated risk assessment.

7 Training

7.1 With the continued ability to use RIPA powers comes an obligation to ensure preparedness by ensuring that key staff complete regular refresher training, thus ensuring their knowledge is up to date with recent developments in legislation, guidance and best practice. It is therefore pleasing to see that Lichfield DC has delivered a continued commitment to investigative training through the delivery of a RIPA awareness course by an external provider during February 2017. This training was attended by key personnel including the SRO, all Authorising Officers and a range of Investigators from across the Council.

7.2 To ensure that the Chief Executive (in her capacity as AO for confidential information) is equipped with knowledge of recent developments in the use of social media for investigative purposes and how this engages with RIPA; and the changes brought about by the Protection of Freedoms Act 2012, it would be helpful to include her within the next internal awareness raising event.

8. Reports to Members

8.1 To ensure that Members have an awareness of the Council's use of RIPA they should be informed on a regular basis how often these powers are used, even if this is to acknowledge that there has been no use. It is some time since such information was reported to Members, presumably because of the lack of RIPA activity. However a report is to be made shortly via the Audit and Members Standards Committee.

9 Liaison with the Magistrates' Court

9.1 Lichfield DC has not used RIPA powers since prior to the introduction of the Magistrate's Authorisation Mechanism. Nevertheless the RIPA Procedure sets out the process for achieving this and identifies the RIPA Coordinator as the responsible person.

10 Authorising Officers

10.1 There are presently three nominated Authorising Officers all of whom have recently completed RIPA training. The AOs are comprised of the SRO Bal Nahal, Anthony Thomas who is Head of Finance and Procurement and Gareth Davies, Head of Regulatory Services. All are sufficiently senior to fulfil the requirements of SI 2010/521 which states that AOs must be of at least Director, Head of Service or Manager level.

11 CCTV and Technical Equipment

11.1 Lichfield DC retains a town centre CCTV system which conforms to the standards set out within the Surveillance Camera Commissioner's Code of Practice. Controls for the use of this system for covert observations either directly by Council staff or police partners, is set out within the RIPA Procedure document.

11.2 The Council states that it retains a single surveillance camera, albeit this has not been used for a significant period. All other equipment is for overt use.

13 Conclusions

13.1 Despite the fact that Lichfield District Council has not been the subject of an Inspection of its surveillance powers for a long period, and the fact that it has not used these powers for an equally long time, it remains in a state of readiness. There is in place a comprehensive RIPA Procedure which provides a helpful guide for any Council Investigator considering the use of covert surveillance or CHIS.

13.2 Refresher training has been provided to key personnel including both the Senior Responsible Officer and all Authorising Officers as recently as February 2017, thus ensuring all are equipped with knowledge of how privacy rights may be engaged during online surveillance, and are aware of the legislative changes affecting them since 2012.

13.3 It is important that the Chief Executive who may be called to make the more sensitive investigative decisions regarding the use of Surveillance or CHIS is equally up to date with recent legislative developments and operational practice, and thus she should be provided with suitable internal refresher training/awareness raising at the next opportunity.

14 Recommendation

14.1 The RIPA Procedure document allows for Lichfield District Council Investigators to utilise covert surveillance powers to undertake covert observations online, utilising social media and other sites. In order to ensure this activity is subject to suitable oversight it is recommended that the Procedure document should be updated to include control and management oversight mechanisms, including: a register of covert profiles used to undertake surveillance; details of who has used these profiles and when; and a record of what information was recorded, which should be made available to the relevant Authorising Officer for review.

Gráinne Athorn
Surveillance Inspector

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APPENDIX B

CORPORATE POLICY & PROCEDURES

THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Bal Nahal (SRO)
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WS13 6YU

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Wendy Johnson - RIPA Coordinating Officer
Democratic & Legal Services Clerk

NOTE: The Regulation of Investigatory Powers Act 2000 ('RIPA') refers to 'Designated Officers'. For ease of understanding and application this Corporate Procedures Document refers to 'Authorising Officers'. For the avoidance of doubt, therefore, all references to duly certified Authorising Officers refer to 'Designated Officers' under RIPA.

Acknowledgements*:*

The Council wishes to acknowledge the work of Birmingham City Council, Stratford Upon Avon District Council and Southwark Council in this area. This procedure is based upon their precedent policies.

Version Date~~: February~~ July 2018

CONTENTS PAGE

A. INTRODUCTION AND KEY MESSAGES

1. This Corporate Policy & Procedures Document is based upon the requirements of The Regulation of Investigatory Powers Act 2000 ('RIPA') and the Home Office Codes of Practice on Covert Surveillance and Acquisition of Communications Data. The Home Office Codes of Practice can be found at: https://www.gov.uk/government/organisations/home-office/series/ripa-codes

2. Where reference is made in this document to the Senior Responsible Officer (SRO) this means the Head of Legal, Property & Democratic Services, whose duties are to:-

   (a) ensure the integrity of the Council's RIPA processes
   (b) ensure compliance with RIPA legislation and codes of practice
   (c) engage with the OSC inspector during an inspection
   (d) implement post-inspection recommendations
   (e) exercise oversight of all authorisations
   (f) ensure Authorising Officers are trained to an appropriate standard
   (g) issue regular reminders and updates on RIPA to all staff (see appendix 2)
   (h) review and report on the operation of the RIPA policy annually to the Audit and Standards Committee and to report levels of activity on a quarterly basis

3. Councillors have a role to play in reviewing the Council's use of RIPA to ensure that it is being used consistently with this procedure document. They will also ensure that the policy is fit for purpose. However, councillors will not be involved in making decisions on individual authorisations.

4. Where reference is made in this document to the RIPA Co-ordinating Officer this means the Democratic & Legal Services Clerk in the Legal, Property & Democratic Services team with responsibility for contentious matters, or an officer/officers designated by him/her to perform that role, the duties being to:-

   (a) maintain the Central Register of authorisations
   (b) collate original applications, reviews, renewals and cancellations
   (c) oversee submitted RIPA documents
   (d) raise RIPA awareness in the Council
   (e) advise applicants and issue a unique reference number
   (f) devise and implement a training programme (see Appendix 2)

5. The authoritative position on RIPA is, of course, the Act itself and any officer who is unsure about any aspect of RIPA should, if unsure, **contact, at the earliest possible opportunity the SRO or the RIPA Co-ordinating Officer.**

6. Appropriate training and development (including refresher training) will be provided or arranged by the RIPA Co-ordinating Officer for Authorising Officers and Investigating Officers.

7. The RIPA Co-ordinating Officer will maintain and check the Central Register of all RIPA Authorisations, Reviews, Renewals, Cancellations and rejections. It is the responsibility of the relevant Authorising Officer, however, to ensure the RIPA Co-ordinating Officer receives the originals of the relevant Forms within 1 week of authorisation, review, renewal, cancellation or rejection.

8. RIPA and this Policy are important for the effective and efficient operation of the Councils' actions with regard to covert investigations. This Policy will, therefore, be kept under annual review by the SRO. **Authorising Officers must bring any suggestions for continuous improvement of this Policy to the attention of the SRO at the earliest possible opportunity**. If any of the Home Office Codes of Practice change, this Policy will be amended in light of these changes.

9. In terms of internal monitoring of e-mails and internet usage, it is important to recognise the important interplay and overlaps with the relevant Council's e-mail and internet policies, the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000, the Data Protection Act 1998 and its Codes of Practice. Under normal circumstances, the Council's e-mail and internet policies should be used, as any surveillance is likely to be more relevant under the contract of employment terms as opposed to RIPA.

10. This February 2018 update includes the changes to RIPA brought about by the Protection of Freedoms Act 2012. This includes judicial approval of all covert surveillance carried out by local authorities and restricting use of directed surveillance to serious criminal offences.

11. **At no time should the Council undertake any surveillance that interferes with any private property. Placing tracking devices on a subject's vehicle or person is not authorised for local authorities and must not be used.**

12. **The Council takes seriously its statutory responsibilities and will, at all times, act in accordance with the law and take necessary and proportionate action in investigation matters.**

B. AUTHORISING OFFICER RESPONSIBILITIES

1. It is essential that Authorising Officers take personal responsibility for the effective and efficient operation of this Policy. Authorising Officers are listed in Appendix 1. They can be added to or substituted by the SRO.

2. The SRO has and will ensure that a sufficient number of Authorising Officers are, after suitable training on RIPA and this Policy, duly authorised to take action under this Policy.

3. **It will be the responsibility of the RIPA Co-Ordinating Officer to ensure that investigating officers are suitably trained as 'Applicants' so as to avoid common mistakes appearing on RIPA Forms.**

4. **Authorising Officers must ensure that staff who report to them follow this Policy and do not undertake or carry out any form of surveillance without first obtaining the relevant authorisations in compliance with this Policy.**

5. Authorising Officers must also pay particular attention to Health and Safety issues that may be raised by any proposed surveillance activity. Under no circumstances should an Authorising Officer approve any RIPA form unless, and until they are satisfied the health and safety of Council employees/agents are suitably addressed and/or risks minimised, so far as is possible, and proportionate to/with the surveillance being proposed. If an Authorising Officer is in any doubt, they should obtain prior guidance on the same from the Council's Health & Safety Manager and/or the SRO.

6. Authorising Officers must acquaint themselves with the relevant Codes of Practice issued by the Home Office regarding RIPA and ensure that the original forms are sent to the RIPA Co-ordinating Officer in a **sealed** envelope marked '**Strictly Private & Confidential'**. Forms must be provided to the RIPA co-ordinating Officer within 1 week of signing by the Authorising Officer. Any failure to comply exposes the Council to unnecessary legal risks and criticism from the Office of Surveillance Commissioners. Any cancellations must be dealt with promptly.

7. The likelihood of obtaining **confidential information** during surveillance must be given prior thought before any authorisation forms are signed, as failure to do so may invalidate the admissibility of any evidence obtained. Furthermore, thought must be given before any forms are signed to the retention and disposal of any material obtained under a RIPA Authorisation.

8. The Authorising Officer must ensure proper regard is had to **necessity and proportionality** of the surveillance before any forms are signed. 'Stock phrases' or cut and paste narrative must be avoided at all times as the use of the same may suggest that insufficient detail had been given to the particular circumstances of any person likely to be the subject of the surveillance.

Any **equipment** to be used in any approved surveillance must also be properly controlled, recorded and maintained for audit purposes.

C. GENERAL INFORMATION ON RIPA

1. The Human Rights Act 1998 requires the Council, and organisations working on its behalf, pursuant to Article 8 of the European Convention, to respect the private and family life of citizens, their home and their correspondence.

2. The European Convention did not, however, make this an absolute right, but a qualified right. Accordingly, in certain circumstances, the Council may interfere in the citizen's right mentioned above, if such interference is:-

   (a) **in accordance with the law;**

   (b) **necessary for the prevention and detection of crime or preventing disorder; and**

   (c) **proportionate** (as defined in this Policy).

3. RIPA provides a statutory mechanism (i.e. 'in accordance with the law') for authorising **covert surveillance** and the use of a **'covert human intelligence source' ('CHIS')** – e.g. undercover agents. However, this Council is reluctant to use CHIS as an investigatory tool, and if any such application is contemplated prior advice must be sought from the SRO or the RIPA Co-ordinating Officer. RIPA also permits local authorities to compel telecommunications and postal companies to obtain and release communications data to themselves, in certain circumstances. It seeks to ensure that any interference with an individual's right under Article 8 of the European Convention is **necessary** and **proportionate**. In doing so, the RIPA seeks to ensure both the public interest and the human rights of individuals are suitably balanced.

4. Directly employed Council staff and external agencies working for the Council are covered by RIPA for the time they are working for the Council. All external agencies must, therefore, comply with RIPA and the work carried out by agencies on the Council's behalf must be properly authorised by one of the Council's Authorising Officers.

5. If the correct procedures are not followed, evidence may be disallowed by the courts, a complaint of maladministration could be made to the Local Government Ombudsman, and/or the relevant Council could be ordered to pay compensation. Such action would not, of course, promote the good reputation of the Council and will, undoubtedly, be the subject of adverse press and media interest. It is essential, therefore, that all involved with covert investigations comply with this Policy and any further guidance that may be issued, from time to time, by the SRO.

6. The Council treats the powers given to it under RIPA very seriously and expects Authorising Officers and Investigating Officers to do so. Failure to adhere to this Policy by Authorising Officers or Investigating Officers may result in disciplinary action being taken against them by the Council.

7. **Social Networking Sites and Internet Sites**

   Whilst it is the responsibility of an individual to set privacy settings to protect against unsolicited access to their private information on a social networking site, and even though the data may be deemed published and no longer under the control of the author, it is unwise to regard it as 'open source' or publicly available; the author has a reasonable expectation of privacy if access controls are applied. Where privacy settings are available but not applied the data may be considered open source and an authorisation is not usually required. However, persistent access should be avoided.

   If it is necessary and proportionate for the Council to covertly breach access controls, the minimum requirement is an authorisation for directed surveillance. An authorisation for the use and conduct of a CHIS is necessary if a relationship is established or maintained by the officer (i.e. the activity is more than mere reading of the site's content). This could occur if an officer covertly asks to become a 'friend' of someone on a social networking site.

Should such "covert profiles" be used to undertake surveillance the RIPA Co-ordinating Officer should be provided with details of who has used these profiles and when; and a record of what information was recorded should be made available to the relevant Authorising Officer for review.

8. A flowchart of the procedure for Magistrates' approval of surveillance operations is at **Appendix 3**.

D. TYPES OF SURVEILLANCE

1. **'Surveillance'** includes

- monitoring, observing, listening to persons, watching or following their movements, listening to their conversations and other such activities or communications.
- recording anything mentioned above in the course of authorised surveillance.
- surveillance, by or with, the assistance of appropriate surveillance device(s).

Surveillance can be overt or covert.

2. **Overt Surveillance**

Most of the surveillance carried out by the Council will be done overtly – there will be nothing secretive, clandestine or hidden about it. In many cases, officers will be behaving in the same way as a normal member of the public (e.g. in the case of most test purchases), and/or will be going about Council business openly (e.g. parking wardens walking through town centres).

3. Similarly, surveillance will be overt if the subject has been told it will happen e.g. where a noisemaker is warned (preferably in writing) that noise will be recorded if the noise continues, or where an entertainment licence is issued subject to conditions, and the licensee is told that officers may visit without notice or identifying themselves to the owner/proprietor to check that the conditions are being met.

4. **Covert Surveillance**

Covert Surveillance is carried out in a manner calculated to ensure that the person subject to the surveillance is unaware of it taking place (Section 26(9) (a) of RIPA). It cannot, however, be "necessary" if there is reasonably available an overt means of finding out the information desired.

5. RIPA regulates three types of covert surveillance: Directed Surveillance, Intrusive Surveillance and the use of Covert Human Intelligence Sources (CHIS).

6. **Directed Surveillance** is surveillance which:-

- is covert;
- is not intrusive surveillance (see definition below – the Council must not carry out any intrusive surveillance or any interference with private property);
- is not carried out in an immediate response to events which would otherwise make seeking authorisation under the Act unreasonable, e.g. spotting something suspicious and continuing to observe it;
- is pre-planned; and
- is undertaken for the purpose of a **specific investigation** or operation in a manner **likely to obtain private information** about an individual whether or not that person is specifically targeted for purposes of an investigation (Section 26(10) of RIPA).

7. **Private information** in relation to a person includes any information relating to their private and family life, their home, their correspondence and their business relationships. The fact that covert surveillance occurs in a public place or on business premises does not mean that it cannot result in the obtaining of private information about a person. Prolonged surveillance targeted on a single person will undoubtedly result in the obtaining of private information about them and others that they come into contact, or associate, with.

8. Similarly, although overt town centre CCTV cameras do not normally require authorisation, if the camera(s) are to be directed for a specific purpose to observe particular individual(s), authorisation will be required. The way a person runs their business may also reveal information about their private life and the private lives of others.

9. **For the avoidance of doubt, Authorising Officers for the purpose of RIPA can authorise 'Directed Surveillance' if, and only if, the RIPA authorisation procedures detailed in this Policy are followed. Authorisation can only be granted if it is necessary for the purposes of investigating serious crimes (as defined in Section G – paragraph 9).**

10. **Intrusive Surveillance**

    This is when the surveillance:-

    - is covert;
    - relates to residential premises and / or private vehicles; and
    - involves the presence of a person in the premises or in the vehicle or is carried out by a surveillance device in the premises/vehicle. Surveillance equipment mounted outside the premises will not be intrusive, unless the device consistently provides information of the same quality and detail as might be expected if they were in the premises/vehicle.

    Surveillance of a place ordinarily used for legal consultation; at a time when they are being used for such consultations is also a form of intrusive surveillance.

11. Areas of a building that are readily visible and accessible to the public are not residential premises. For example, a communal stairway, canteen, reception area, driveway, front garden and so on.

12. **Intrusive Surveillance cannot be carried out or approved by the Council. Only the police and other law enforcement agencies are permitted to use such powers. Likewise, the Council has no statutory powers to interfere with private property.**

13. **"Proportionality"**

    Proportionality involves balancing the intrusiveness of the activity on the target subject and others who might be affected by it against the need for the activity in operational terms. Consider the expected benefit to the investigation of the surveillance. The activity will not be proportionate if it is excessive in the circumstances – each case will be judged and be unique on its merits – or if the information which is sought could be reasonably be obtained by other less intrusive means. All such activity must be carefully managed to meet the objective in question and must not be arbitrary or unfair. Extra care should also be taken over any publication of the product of the surveillance.

    When authorising covert surveillance, the following elements of proportionality should therefore be considered:

    - balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
    - explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;

- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result including overt methods of evidence gathering;
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

14. **Examples of different types of Surveillance**

Type of Surveillance	Examples
Overt	Police Officer or Parks Warden on patrol Signposted Town Centre CCTV cameras (in normal use). Recording noise coming from outside the premises after the occupier has been warned that this will occur if the noise persists. Most test purchases (where the officer behaves no differently from a normal member of the public).
Covert but not requiring prior authorisation	CCTV cameras providing general traffic, crime or public safety information.
Directed must be RIPA authorised	Covert CCTV cameras at a fly-tipping hotspot. Covert and targeted following of a benefit claimant who is suspected of failing to declare earnings from a job
Intrusive or interfering with private property –**the Council cannot do this!**	Planting a listening or other electronic device (bug) or camera in a person's home or in / on their private vehicle or on their person. Surveillance of a place used for legal consultations.

15. **Further Information** on different types of surveillance can be found in the Home Office Code of Practice on Covert Surveillance:
https://www.gov.uk/government/organisations/home-office/series/ripa-codes

16. **Confidential Information**

Special safeguards apply with regard to confidential information relating to legal privilege, personal information, journalistic material and confidential constituent information. Only the Chief Executive, or in his/her absence an appointed deputy, can authorise surveillance likely to involve confidential information. The Investigating Officer must understand that such information is confidential and cannot be obtained. Further guidance is available in the Home Office Codes of Practice:
https://www.gov.uk/government/organisations/home-office/series/ripa-codes

17. **Collateral Intrusion**

Before authorising surveillance, the Authorising Officer should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation (known as collateral intrusion). Measures should be taken, wherever practicable, to avoid or minimise unnecessary intrusion into the lives of those not directly connected with the investigation or operation.

18. Those carrying out the surveillance should inform the Authorising Officer if the investigation or operation unexpectedly interferes with the privacy of individuals who are not covered by the

authorisation. If the original authorisation is sufficient, consideration should be given to whether the authorisation needs to be amended and re-authorised or a new authorisation is required. Further guidance is available in the Home Office Code of Practice.

19. **Retention and destruction of product of surveillance**

Where the product of surveillance could be relevant to pending or future criminal or civil proceedings, it should be retained in accordance with established disclosure requirements for a suitable period and subject to review.

There is nothing in RIPA which prevents material obtained from properly authorised surveillance from being used in other investigations. Authorising Officers must ensure, therefore, that arrangements are in place for the handling, storage and destruction of material obtained through the use of covert surveillance. Authorising Officers must also ensure compliance with the appropriate data protection requirements and any relevant codes of practice produced by the Council relating to the handling and storage of material.

E. COVERT HUMAN INTELLIGENCE SOURCE (CHIS)

1. **Who is a CHIS?**

This is someone who establishes or maintains a personal or other relationship for the covert purpose of using that relationship to obtain information. This would include, for example, a situation where a Council officer establishes a relationship with another person through social media, even where there is no physical contact with the CHIS. However, a CHIS does not apply in circumstances where members of the public volunteer information to the Council as part of their normal civic duties, or to contact numbers set up to receive information (e.g. benefit cheat hotlines).

THE COUNCIL IS RELUCTANT TO USE CHIS, AND IF AN OFFICER IS CONTEMPLATING THE USE OF THIS TYPE OF SURVEILLANCE HE/SHE MUST OBTAIN PRIOR ADVICE FROM THE SRO OR RIPA CO-ORDINATING OFFICER. HOWEVER, THE COUNCIL DOES RECOGNISE THAT CIRCUMSTANCES MAY ARISE THAT MAKE THE USE OF A CHIS NECESSARY AS AN INVESTIGATIVE TOOL.

In order to mitigate the risk of a CHIS arising inadvertently during the course of an investigation the Council will ensure that Authorising and Investigating Officers are trained in the identification of a CHIS as part of corporate training on RIPA.

Management of a CHIS

Always seek advice from the SRO or the RIPA Co-ordinating Officer prior to authorising a CHIS. In all cases, prior to authorising a CHIS a risk assessment must be undertaken in relation to the source. A CHIS may only be authorised if there will at all times be an officer (referred to as the handler) within the Council who will have day to day responsibility for dealing with the source on behalf of the Council, in order to protect both the security of the source. The handler is normally the Investigating Officer. In addition, another officer must be appointed (known as the controller) who will have general oversight of the use made of the source. This person is normally the Investigating Officer's line manager. Lastly, an officer must be identified to maintain certain prescribed records (as specified in the codes of practice) of the use made of the source.

Special requirements apply to the use of a vulnerable individual or a juvenile as a CHIS. Before considering the authorisation of such a person the Authorising Officer must seek legal advice from the RIPA Co-ordinator or the SRO.

2. **Test Purchases**

Carrying out test purchases will not require the purchaser to establish a relationship with the supplier with the covert purpose of obtaining information and, therefore, the purchaser will not normally be a CHIS. For example, authorisation would not normally be required for test purchases carried out in the ordinary course of business (e.g. walking into a shop and purchasing a product over the counter).

By contrast, developing a relationship with a person in the shop, to obtain information about the seller's suppliers of an illegal product would require authorisation as a CHIS.

3. **Anti-social behaviour activities (e.g. noise, violence, race etc.)**

Persons who complain about anti-social behaviour, and are asked to keep a diary, will not normally be a CHIS, as they are not required to establish or maintain a relationship for a covert purpose. Recording the level of noise (e.g. the decibel level) will not normally capture private information and, therefore, does not require authorisation.

Recording sound (with a DAT recorder) on private premises could constitute intrusive surveillance, unless it is done overtly. For example, it will be possible to record if the noisemaker is warned that this will occur if the level of noise continues. Placing a stationary or mobile video camera outside a building to record anti-social behaviour on residential estates will require prior authorisation.

If the sound recording equipment is so sensitive that it can record conversations as if you were in the room, this would be intrusive surveillance and cannot be authorised under RIPA. The noisemaker shall be warned so that it can be overt surveillance.

F. ACQUISITION OF COMMUNICATIONS DATA

What is Communications Data?

1. Communication data means any traffic or any information that is or has been sent over a telecommunications system or postal system, together with information about the use of the system made by any person.

2. RIPA defines communications data in three broad categories: -

(a) **Section 21(4) (c) Information about communications service users.**
This category mainly includes personal records supplied to the Communications Service Provider (CSP) by the customer/subscriber. For example, their name and address, payment method, contact number etc.

(b) **Section 21(4) (b) Information about the use of communications services.**

This category mainly includes everyday data collected related to the customer's use of their communications system. For example, details of the dates and times they have made calls and which telephone numbers they have called.

(c) **Section 21(4) (a) Information about communications data (traffic data).**

This category mainly includes network data generated by the CSP relating to a customer's use of their communications system that the customer may not be aware of. For example, cell site data and routing information.

3. **The Council only has power to request data under Section 21(4) (b) and Section 21(4) (c) but NOT Section 21(4) (a).**

What types of communications data is available to the Council?

4. **Section 21(4)(c) - Information about communications service users**

- Name of account holder/subscriber;
- Installation and billing address;
- Method of payment/billing arrangements;

- Collection/delivery arrangements for a PO Box (i.e. whether it is collected or delivered – not where it is collected from or delivered to);
- Other customer information such as any account notes, demographic information or sign up data (not passwords or personalised access information).

5. **Section 21(4)(b) - Information about the use of communications services**

- Outgoing calls on a landline telephone or contract or prepay mobile phone
- Timing and duration of service usage;
- Itemised connection records;
- E-mail logs (sent);
- Information about the connection, disconnection and re-connection of services;
- Information about the provision of conference calling, call messaging, call waiting and call barring;
- Information about the provision and use of forwarding/redirection services (postal and telecom);
- Records of postal items, such as records of registered, recorded or special delivery postal items, records of parcel consignment, delivery and collection.

What Purpose Can Communications Data Be Accessed?

6. The Councils can only access communications data for the **prevention and detection of crime or preventing disorder** (Section 22(2) (b) of RIPA).

Applying for Communications Data

7. The Investigating Officer must complete an application form: - https://www.gov.uk/government/organisations/home-office/series/ripa-forms--2 in full with no sections omitted. (The form is subject to inspection by the Interception of Communications Commissioner and the applicant may be asked to justify their application).

8. Two forms of authorisation are possible: -

   (a) An authorisation under Section 22(3) of RIPA. This authorises the applicant to personally extract the data from the CSP's records. (This will rarely be used by the Council as its intended use is where there may be a security breach at the CSP and asking the CSP to provide the data would forewarn or alert the subject).

   (b) A notice under Section 22(4) of RIPA requiring the CSP to extract the communications data specified from its records and to send that data to the Single Point Of Contact (SPOC) (normal request).

   The applicant must indicate which authorisation they seek.

9. The application form is then submitted to the SPOC for the Council, which is the National Anti-Fraud Network (NAFN).

10. The idea of only having one point of contact for each public authority was agreed between the Home Office and the CSP's to ensure data was only supplied to those entitled to obtain the data. Only the SPOC can acquire communications data on behalf of the Council.

11. The SPOC will then assess whether the form is completed properly, that the request is lawful, the request is one to which the CSP can practically respond and that the cost and resource implications for the CSP / Council are within reason.

12. The SPOC will then submit the form to the Authorising Officer for authorisation. (As previously stated, the application form is subject to inspection by the Interception of Communications

Commissioner and therefore the Authorising Officer may be called upon to justify any decisions made).

13. The application must then be approved by a Magistrate. The Investigating Officer should liaise with the RIPA Co-ordinating Officer to obtain this authorisation.

14. The RIPA Co-ordinating Officer will arrange a hearing with the Court to seek the Magistrate's approval. They should provide the Court with the application form and supporting information. The Investigating Officer will be required to attend Court with the Council's solicitor to seek the Magistrate's approval.

15. Guidance on the procedure for seeking Magistrate's approval can be found at https://www.gov.uk/government/publications/changes-to-local-authority-use-of-ripa

16. If the application is rejected by either the SPOC or the Magistrates, the SPOC will retain the form and inform the applicant in writing of the reasons for its rejection.

17. Once authorised by the Magistrates, the SPOC will forward the application to the CSP.

18. Once the data sought is returned to the SPOC, a copy of the information will be passed to the applicant.

19. All original documents will be retained by the RIPA Co-ordinating Officer.

20. There are a number of other administrative forms that the SPOC's are obliged to complete as the application is progressed, although these will not necessarily involve the Investigating Officer.

21. Authorisations to collect communications data under s22 (3) have a life span of one month. However, they can be renewed by serving a new authorisation or notice for further months, within any time within the current life of the notice. Magistrates would need to approve any renewal.

22. If you are at all unsure about anything to do with acquiring communications data, please contact the SPOC, the SRO or the RIPA Co-ordinating Officer for advice **before** applying.

G. AUTHORISATION PROCEDURES

1. Directed surveillance can only be lawfully carried out if properly authorised, and in strict accordance with the terms of the authorisation.

2. All RIPA surveillance authorisations (i.e. Directed Surveillance and the acquisition of Communications Data) must be approved by a Magistrate before they take effect.

Authorising Officers

3. RIPA Forms can only be signed by Authorising Officers.

4. Authorisations under RIPA are separate from delegated authority to act under the relevant Council's Scheme of Delegation. All RIPA authorisations are for specific investigations only, and must be reviewed, renewed or cancelled once the specific surveillance is complete or about to expire. **The authorisations do not lapse with time! The Authorising Officer must ensure that an authorisation is cancelled as soon as it is no longer required.**

Training Records

5. Appropriate training will be given (or approved) by the RIPA Co-ordinating Officer before Authorising Officers are certified to sign any RIPA Forms.

6. If the SRO feels that an Authorising Officer has not complied fully with the requirements of this Policy, or the training provided to them, he/she is duly authorised to retract that officer's authorisation until they have undertaken further approved training.

Application Forms

7. Only the Home Office approved RIPA forms must be used. <u>Any other forms used, will be rejected by the Authorising Officer and/or the RIPA Co-ordinating Officer</u>. All the RIPA forms can be found at: https://www.gov.uk/government/organisations/home-office/series/ripa-forms--2

Grounds for Authorisation

8. Acquisition of communications data can only be authorised by the Council on the grounds of preventing/detecting crime/disorder. No other grounds are available to local authorities.

9. Directed Surveillance can only be authorised for investigating serious criminal offences. 'Serious' means criminal offences that are punishable, whether on summary conviction or on indictment, by a maximum term of at least 6 months of imprisonment. Serious criminal offences would include dangerous waste dumping and serious or serial benefit fraud. We cannot carry out Directed Surveillance for offences that would only result in a fine or less than sixth month's imprisonment, such as littering or dog fouling.

Assessing the Application Form

10. Before an Authorising Officer signs an application form, they must:-

(a) Be mindful of this Policy, the training provided or facilitated by the RIPA Co-ordinating Officer and any other guidance issued, from time to time, by the SRO or the Home Office on such matters.

(b) Satisfy themselves that the RIPA authorisation is:-

(i) **in accordance with the law**;

(ii) **necessary** in the circumstances of the particular case and on the grounds of preventing or detecting crime or preventing disorder;

(iii) for directed surveillance, it must be necessary for the investigation of a serious criminal offence; **and**

(iv) **proportionate** to what it seeks to achieve (see comments in Section D).

(c) **In considering necessity, remember that the surveillance must be necessary for the purpose of preventing or detecting crime or of preventing disorder. There should be details of the crime(s) relied upon in the application form. In addition you need to ensure that the crime attracts a custodial sentence of a maximum of 6 months or more, or involves an offence under section 146, 147 or 147A of the Licensing Act 2003. Authorising Officers also need to demonstrate that there were no other means of obtaining the same information in a less intrusive way.**

(d) In assessing whether or not the proposed surveillance is proportionate, an Authorising Officer should consider the following:-

(i) balance the size and scope of the proposed surveillance against the gravity and extent of the perceived crime or offence;

(ii) will the surveillance method to be used cause the least possible intrusion on the target and others?

(iii) is the surveillance an appropriate use of RIPA and a reasonable way, having considered all reasonable alternatives, of obtaining the evidence? and

(iv) what other methods of evidence gathering have been considered and why were they not used?

(e) Always remember that the **least intrusive method will be considered proportionate by the courts.**

(f) Take into account the risk of intrusion into the privacy of persons other then the specified subject of the surveillance (**Collateral Intrusion**). Measures must be taken wherever practicable to avoid or minimise (so far as is possible) collateral intrusion and the matter may be an aspect of determining proportionality.

(g) Set a date for review of the authorisation and review on that date using the relevant form. Authorisations for directed surveillance should be reviewed at least once a month.

(h) Ensure that the originals of all RIPA forms (applications, review, renewal and cancellation) are forwarded to the RIPA Co-ordinating Officer, **within 1 week of the relevant authorisation, review, renewal, cancellation or rejection**.

(i) In the case of notices relating to communications data, these will be kept by the RIPA Co-ordinating Officer.

(j) **If unsure on any matter, obtain advice from the SRO or the RIPA Co-ordinating Officer before signing any forms**.

Magistrate's Approval

11. After the Authorising Officer has signed the RIPA application form, it must be approved by a Magistrate before the operation can commence. The Investigating Officer should liaise with the RIPA Co-ordinating Officer to seek this authorisation.

12. The RIPA Co-ordinating Officer will arrange a hearing with the court to seek the Magistrate's approval. They should provide the court with the RIPA application form (signed by the Authorising Officer) and supporting information. The Investigating Officer and Authorising Officer will be required to attend court with the Council's Solicitor to seek the Magistrate's approval.

13. Guidance on the procedure for seeking Magistrate's approval can be found at: https://www.gov.uk/government/publications/changes-to-local-authority-use-of-ripa

Duration

14. The RIPA authorisation **must be reviewed or renewed in the time stated or cancelled** once it is no longer needed. Authorisation to carry out Directed Surveillance lasts for a maximum of 3 months from authorisation. However, whether the surveillance is carried out/conducted or not, in the relevant period, does not mean the authorisation is 'spent'. In other words, **the authorisation does not expire!** The authorisation has to be reviewed, renewed and/or cancelled once it is no longer required.

15. Magistrate's approval is required to renew an authorisation. There is no requirement for Magistrates to consider either cancellations or internal reviews.

16. Notices/Authorities issued under s22 compelling disclosure of communications data are only valid for one month, but can be renewed for subsequent periods of one month, at any time. Again, Magistrate's approval will be required for a renewal.

17. Authorisations can be renewed in writing before the maximum period in the Authorisation has expired. The Authorising Officer must consider the matter afresh, including taking into account the benefits of the surveillance to date, and any collateral intrusion that has occurred. Magistrate's approval will then be required.

18. An Authorisation cannot be renewed after it has expired. In such event, a fresh application will be necessary.

H. WORKING WITH / THROUGH OTHER AGENCIES

1. When another agency has been instructed on behalf of the Council to undertake any action under RIPA, this Policy and the Home Office approved application forms must be used (as per normal procedure) and the agency advised or kept informed, as necessary, of the various requirements. They must be explicitly made aware what they are authorised to do.

2. When another agency (e.g. Police, DWP, Trading Standards, etc):-

   (a) wish to use the Council's resources (e.g. CCTV surveillance systems), that agency must use its own RIPA procedures and, before any Officer agrees to allow the Council's resources to be used for the other agency's purposes, they must obtain a copy of that agency's RIPA form for the Council's record (a copy of which must be passed to the RIPA Co-ordinating Officer for the Central Register) or relevant extracts from the same which are sufficient for the purposes of protecting the Council and the use of its resources;

   (b) wish to use the Council's premises for their own RIPA action, and is expressly seeking assistance from the Council, the Officer should, normally, co-operate with the same, unless there are security or other good operational or managerial reasons as to why the Council's premises should not be used for the agency's activities. Suitable insurance or other appropriate indemnities may be sought, if necessary, from the other agency for the Council's co-operation in the agent's RIPA operation. In such cases, the Council does not require its own RIPA form as the Council is only 'assisting' not being 'involved' in the RIPA activity of the external agency.

3. In terms of 2(a) above, if the Police or other Agency wish to use Council resources for general surveillance, as opposed to specific RIPA operations, an appropriate letter requesting the proposed use, extent of remit, duration, who will be undertaking the general surveillance and the purpose of it must be obtained from the Police or other Agency before any Council resources are made available for the proposed use.

4. **If in doubt, please consult with the SRO or the RIPA Co-ordinating Officer at the earliest opportunity.**

I. RECORD MANAGEMENT

1. **The Council must keep a detailed record of all Authorisations, Reviews, Renewals, Cancellations and Rejections for each respective service area. A Central Register of all Authorisation Forms will be maintained and monitored by the RIPA Co-ordinating Officer. All original forms (Authorisation, Review, Renewal, Cancellation) must be sent to the RIPA Co-ordinating Officer as soon as practicable.**

2. **Records maintained in the Service Area**

   The following documents must be retained by the relevant Head of Service (or their designated administrator) for such purposes:

   - a copy of all RIPA forms together with any supplementary documentation and notification of the approval given by the Authorising Officer;
   - a record of the period over which the surveillance has taken place;
   - the frequency of reviews prescribed by the Authorising Officer;
   - a record of the result of each review of the authorisation;
   - a copy of any renewal of an authorisation, together with the supporting documentation submitted when the renewal was requested;
   - the date and time when any instruction was given by the Authorising Officer; and
   - the Unique Reference Number for the authorisation (URN).

Central Register maintained by the RIPA Co-ordinating Officer

3. Each form will have a unique reference number (URN). The RIPA Co-ordinating Officer will issue the relevant URN to Applicants. The cross-referencing of each URN takes place within the forms for audit purposes. Rejected Forms will also have URN's.

4. Authorising Officers must forward a copy of every completed RIPA form to the RIPA Co-ordinating Officer for the Central Register, within 1 week of the Authorisation, Review, Renewal, Cancellation or Rejection. The RIPA Co-ordinating Officer will monitor the same and give appropriate guidance, from time to time, as necessary.

5. The Council will retain records for a period of at least three years from the ending of the Authorisation. The Office of Surveillance Commissioners (OSC) can audit/review the Council's policies and procedures, and individual Authorisations, Reviews, Renewals, Cancellations and rejections.

J. CONCLUDING REMARKS

1. Where there is an interference with the right to respect for private life and family guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority for the interference, or if it is held not to be necessary or proportionate to the circumstances, the consequences of not obtaining or following the correct authorisation procedure set out in RIPA and this Policy, may be that the action (and the evidence obtained) will be held to be unlawful by the Courts pursuant to Section 6 of the Human Rights Act 1998.

2. Obtaining an authorisation under RIPA and following this Policy will ensure, therefore, that the action is carried out in accordance with the law and subject to stringent safeguards against abuse of anyone's human rights.

3. **Authorising Officers will be suitably trained and they must exercise their minds every time they are asked to consider a RIPA form. They must never sign or rubber stamp forms without thinking about their own personal and the Council's responsibilities.**

4. **Any boxes not needed on the form(s) must be clearly marked as being 'NOT APPLICABLE', 'N/A' or a line put through the same.** Great care must also be taken to ensure accurate information is used and is inserted in the correct boxes. Reasons for any refusal of an application must also be kept on the form and the form retained for future audits.

5. For further advice and assistance on RIPA, please contact the SRO or the RIPA Co-Ordinating Officer.

APPENDIX 1 – LIST OF AUTHORISING OFFICER POSTS

Legal, Property & Democratic Services:
Head of Legal, Property & Democratic Services

Finance, Revenues and Benefits:
Head of Finance & Procurement

Community Housing and Health:
Head of Regulatory Services, Housing & Wellbeing

APPENDIX 2 - RIPA TRAINING, UPDATES AND REMINDERS

Training for staff will take place as and when necessary

Reminders of RIPA legislation will be sent to all staff every 12 months

Updates on RIPA legislation will take place as necessary

APPENDIX 3 – Magistrate's Court Authorisation Procedure

APPENDIX3 – MAIGISTRATE'S AUTHORISATION PROCEDURE

LOCAL AUTHORITY PROCEDURE: APPLICATION TO A JUSTICE OF THE PEACE SEEKING AN ORDER TO APPROVE THE GRANT OF A RIPA AUTHORISATION OR NOTICE

Local authority investigator wants to use a RIPA technique (directed surveillance, CHIS (covert human intelligence source) or communications data).

Does investigator intend to use directed surveillance?

Yes

No

Is the local authority investigating an offence and does that offence attract a maximum custodial sentence of 6 month or more?

No

Yes

Is the offence being investigated either:
-Section 146/147/147A of the Licensing Act 2003, or
-Section 7 of the Children and Young Persons Act 1993.

No

Yes

Investigator may **not** use directed surveillance. The case should be investigated by other means. Continue to assess if threshold is met **if** further offences come to light as the case progresses.

- Complete RIPA authorisation/ notice form, and seek approval of authorising officer/designated person as per current arrangements.
- Complete application part of the judicial application/order form for JP.

Within Office Hours
Local authority investigator to contact Her Majesty's Courts & Tribunals Service (HMCTS) administration at the magistrates' court to arrange a hearing.

Attend court with:
- counter-signed RIPA authorisation/ or notice (for CD authorisations/ notices the signatures may be electronic signatures).
- the accompanying judicial application/order form.
- any other relevant reference or supporting material.

Outside usual office hours:

A JP may consider an authorisation out of hours in **exceptional** circumstances. If the authorisation is urgent and cannot be handled the next working day then you should:
- Phone the court's out of hours HMCTS legal staff contact. You will be asked about the basic facts and urgency of the authorisation. If the police are involved in the investigation you will need to address why they cannot make a RIPA authorisation.
- If urgency is agreed, then arrangements will be made for a suitable JP to consider the application. You will be told where to attend and give evidence.
- Attend hearing as directed with two copies of both the counter-signed RIPA authorisation form or notice and the accompanying judicial application/order form.

Outcome

Refuse to approve the grant or renewal and quash the authorisation or notice.

This may be appropriate if the JP considers that an application is fundamentally flawed. The local authority must be given at least 2 business days in which to make representations before the authorisation is quashed. In these circumstances a local authority cannot use the technique and will need to seek fresh authorisation internally before reapplying.

Refuse to approve the grant or re-newal of an authorisation or notice.

The grant or renewal of the RIPA authorisation or notice will not take effect and the local authority may **not** use the covert technique. Local authority may wish to address, for example, a technical error and reapply.

Approve the grant or re-newal of an authorisation or notice.

Technique may be used in this case. Investigator to resubmit to the JP any renewal or authorisation for the use of a different technique in this case.

Obtain signed order and retain original RIPA authorisation/notice.
For CD authorisations or notices, local authority investigator to provide additional copy of judicial order to the SPoC.
If out of hours, a copy of the signed order to be provided to the court the next working day.

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Grant Thornton

An instinct for growth™

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11 April 2018

Dear Anthony

Planned audit fee for 2018/19

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 has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the PSAA website.

From 2018/19 all grant work, including housing benefit certification, now 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 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the PSAA website. The Council's scale fee for 2018/19 has been set by PSAA at £35,412.

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 2018/19, 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 2018/19. 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 2018/19 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 2018	8,853
December 2018	8,853
March 2019	8,853
June 2019	8,853
Total	**35,412**

Outline audit timetable

We will undertake our audit planning and interim audit procedures between December 2018 and March 2019. 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 2019 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	December 2018 to March 2019	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 2019 to July 2019	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 2019 to July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	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 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	John Gregory	0121 232 5333	john.gregory@uk.gt.com
Engagement Manager	Laurelin Griffiths	0118 955 9166	laurelin.h.griffiths@uk.gt.com
In Charge Auditor	Kirsty Lees	0121 232 5242	kirsty.lees@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 mark.c.stocks@uk.gt.com.

Yours sincerely

John Gregory

Engagement Lead

For Grant Thornton UK LLP

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AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2018/19

Item	25 Jul 18	14 Nov 18	06 Feb 19	27 Mar 19	Deferred Reason
FINANCE					
Annual Governance Statement					Needs to be May meeting
Annual Treasury Management Report	√				
Mid-Year Treasury Management Report		√			
Review of Accounting Policies				√	
Statement of Accounts	√				
Treasury Management Statement and Prudential Indicators			√		
Overview of the Council's Constitution in respect of Financial Procedure Rules			√		
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				√	

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AUDIT & MEMBER STANDARDS COMMITTEE WORK PROGRAMME FOR 2018/19

Item	25 Jul 18	14 Nov 18	06 Feb 19	27 Mar 19	Deferred Reason
LEGAL, PROPERTY AND DEMOCRATIC					
Annual report on Exceptions and Exemptions to Procedure Rules		√			
Overview of the Council's Constitution in respect of Contract Procedure Rules			√		Done as part of Constitution update
Results of the Questionnaire relating to the Effectiveness of Audit Committee		√			
GDPR/Data Protection Policy					Approved at previous meeting and Cabinet 01/05/18
Annual Report of the Monitoring Officer - Complaints				√	
RIPA reports policy and monitoring	√				
Terms of Reference					Done as part of Constitution update
EXTERNAL AUDITOR					
Audit Findings Report for Lichfield District Council 2017/18	√				
The Annual Audit Letter for Lichfield District Council		√			
Certification Work for Lichfield District Council for Year Ended 31 March 2018		√			
Planned Audit Fee 2018/19	√				
Informing the Audit Risk Assessment - Lichfield District Council			√		
Audit Plan for Lichfield District Council 2018/19			√		
Audit Committee LDC Progress Report and Update – Year Ended 31 March 2019			√	√	