

Statement of Accounts 2020/21

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date:	22 September 2021
Agenda Item:	4
Contact Officer:	Anthony Thomas
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Key Decision?	No
Local Ward Members	Full Council



Audit and Member Standards Committee

1. Executive Summary

- 1.1 The Statement of Accounts has been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. The Accounts and Audit (England) Regulations require a Local Authority to certify its set of Accounts by 31 May and publish an Audited set of its accounts by 31 July each year.
- 1.2 However, because of the potential impact of the Covid-19 virus on local authorities' ability to have prepared their draft statement of accounts by the end of May, the requirement has been amended for both 2020 and 2021, such that for 2021, the deadline to publish its unaudited accounts was moved from 31 May 2021 to 31 August 2021, with the deadline for publishing audited statements being pushed back from 31 July 2021 to 30 November 2021.
- 1.3 There has been an increasing trend even before Covid-19 for audit deadlines to be missed due to a combination of factors explained more fully in the Local Audit Update Report elsewhere on this agenda.
- 1.4 As an illustration of this trend, in 2017/18 87% of audit opinions were issued by the deadline, 57% were issued in 2018/19 and 45% were issued in 2019/20. This Council has historically produced its draft Statement of Accounts by the deadline and received an audit opinion by deadline.
- 1.5 In terms of 2020/21, the draft Statement of Accounts was signed by the Head of Finance and Procurement (Section 151) on 21 June 2021.
- 1.6 A copy of the Unaudited Statement of Accounts was placed on the Council's website on 21 June 2021. The period of inspection and elector's right to question the External Auditor also commenced on 21 June 2021 for 30 working days.
- 1.7 There were no requests from electors to inspect the draft Statement of Accounts and no questions were raised of the External Auditor during this period.
- 1.8 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 9**).
 - Approves the Letter of Representation at **APPENDIX A**.
 - Approves the Councils Statement of Accounts for 2020/21 (attached at **APPENDIX B**).
 - Approves the delegation of authority to the Chairman of Audit and Member Standards Committee to approve any changes and potentially resign the accounts once we have received assurance

from Staffordshire County Council's external auditors in relation to the Staffordshire Pension Fund.

3. Background

- 3.1. The External Auditor's Audit Findings report will be discussed at Agenda Item 9. This details the findings from the final accounts audit. It is likely that the Value for Money conclusion will not be provided until 30 November 2021 due to an extension of up to three months being granted by the National Audit Office (up to 31 December 2021) due in part to new more extensive requirements in this area.
- 3.2. The only issue to bring to the Committee's attention relates to the Pension Fund. Whilst the External Auditors have concluded the vast majority of their work on the accounts, we have been advised that assurance from Staffordshire County Council's external auditors in relation to the Staffordshire Pension Fund is not yet available. For this reason it is proposed to delegate authority to the Chairman to sign the accounts once this assurance is provided and the audit can be concluded. Members of Audit and Member Standards Committee will be advised of any significant changes at the earliest available opportunity.
- 3.3. 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**.
- 3.4. The Council is annually required to produce and certify a Statement of Accounts in line with the Code of Practice on Local Authority Accounting.
- 3.5. 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 27 April 2021)	30
Expenditure and Funding Analysis	This statement reconciles the Narrative Report & Money Matters financial performance to the Comprehensive Income and Expenditure Statement.	48
Comprehensive Income and Expenditure	This records all of the Council's income and expenditure for the year based on accounting requirements.	49
Movement in Reserves Statement	This is a summary of the changes to the Council's reserves over the course of the year.	50
Balance Sheet	This Statement is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves.	51
Cash Flow Statement	This shows the reason for changes in the Council's cash balances during the year.	52
Notes to the Accounts	More detail about the Council's accounting policies. These were approved by Audit and Member Standards Committee on 25 March 2021.	54

Section	Description	Page
Collection Fund and Notes	This summarises the year end position for Council Tax and Business Rates.	116
Glossary of Terms	This provides an explanation of the terms used in the Statement of Accounts.	119
Independent Auditor's Report	The External Auditor's opinion.	123

3.6. There were no material items identified in the Statement of Accounts in 2020/21.

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

The Comprehensive Income and Expenditure Statement

3.8. 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.

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

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

3.11. The Expenditure and Funding Analysis on page 48 and supplementary information on pages 74 and 75, reconcile the General Fund surplus and transfer to General Reserves (shown in the Narrative Report on page 13 and in Money Matters Reports) to the Comprehensive Income and Expenditure Statement (shown on page 49).

3.12. The table below summarises the Expenditure and Funding Analysis (EFA) and shows the main reasons why the General Fund **surplus** of (£322,000) becomes a **surplus** on Provision of Services in the Comprehensive Income and Expenditure Statement of (£906,000).

Where expenditure exceeds income this is shown in red	2019/20 £000	2020/21 £000
Financial Performance - Statutory requirements (page 13)	(1,081)	(322)
Transfers to Earmarked Reserves – consolidated into General Fund Reserve (non Covid-19)	(601)	(54)
Transfers to Earmarked Reserves – consolidated into General Fund Reserve (Covid-19)	0	(8,304)
<u>Removal of Statutory Entries and replace with Accounting Entries (page 75):</u>		
Debt repayment & revenue funding of capital spend	1,373	2,482
Depreciation, valuation changes and capital grants	(100)	(2,864)
Full cost of employer pensions in excess of the statutory amount paid	2,097	812
(Higher) or lower Council Tax and Business Rates compared to the statutory estimate contained in the NNDR1	(992)	7,344
Financial Performance - Generally Accepted Accounting Practices (page 49)	695	(906)

3.13. The reasons for the **surplus** of (£906,000) are:

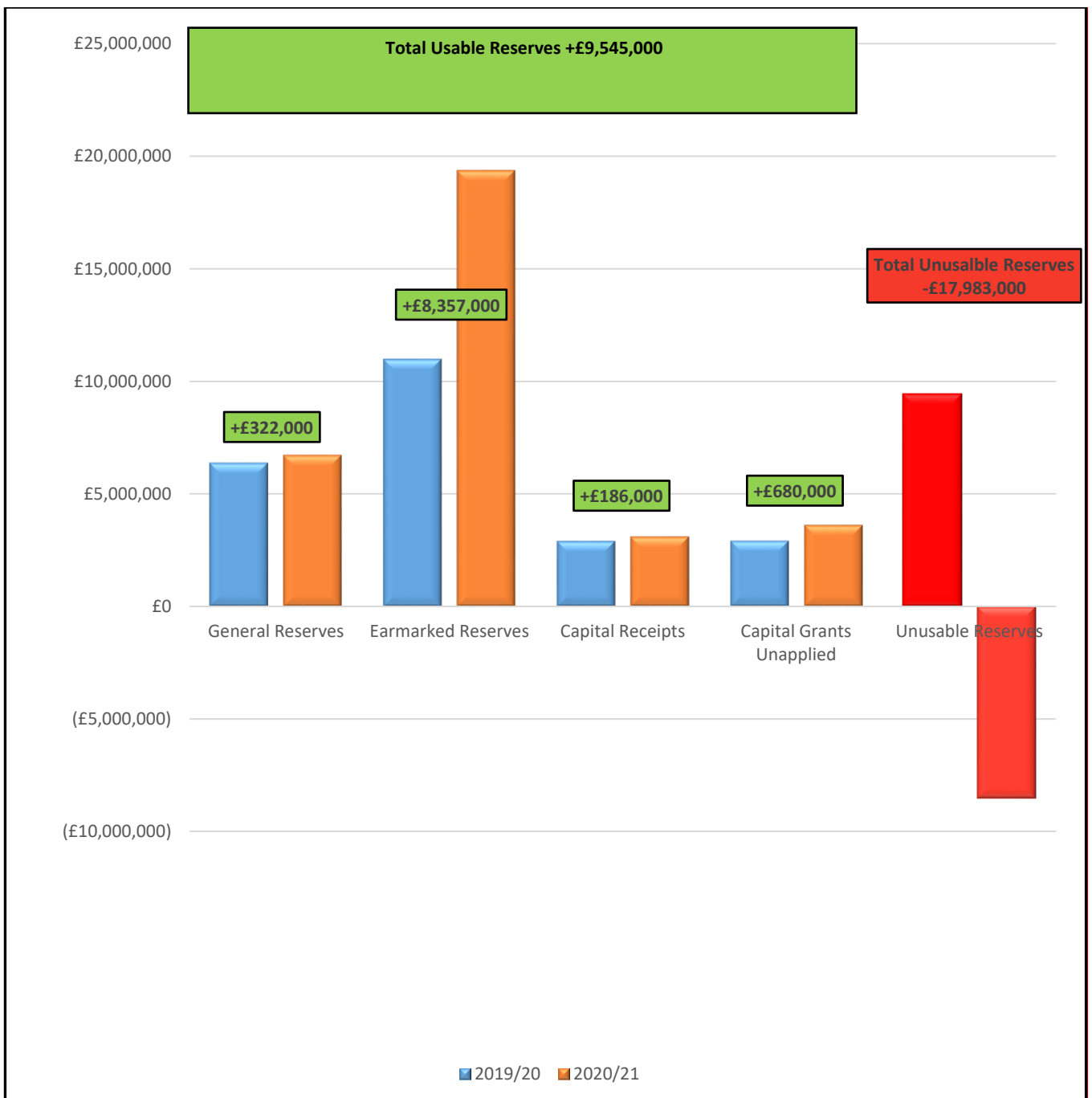
- The removal of transfers to Earmarked Reserves (including those specifically related to Covid-19 of £8,340) because under accounting requirements these are considered to form part of the General Fund Reserve – **this increases the surplus by (£8,358,000)**.
- The removal of entries related to debt repayment and capital financing (these are replaced by

depreciation etc.) – **this decreases the surplus by £2,482,000.**

- The inclusion of capital accounting entries for depreciation, valuation changes and capital grants and contributions to be compliant with accounting requirements – **this increases the surplus by (£2,864,000).**
- The inclusion of a sum in addition to pension payments in the year to reflect the full accounting based cost of employer pensions – **this decreases the surplus by £812,000.**
- The inclusion the Council’s share of the actual income for Council Tax and Business Rates (compared to the NNDR 1 estimate) – **this decreases the surplus by £7,344,000** due to the award of COVID-19 Business Rates reliefs in 2020/21 that reduced the income payable by businesses. (The cost of these reliefs has been offset by Section 31 grants that have been transferred to earmarked reserves).

The Movement in Reserves Statement

3.14. The movement in usable and unusable reserves during 2020/21 is summarised in the graph below:

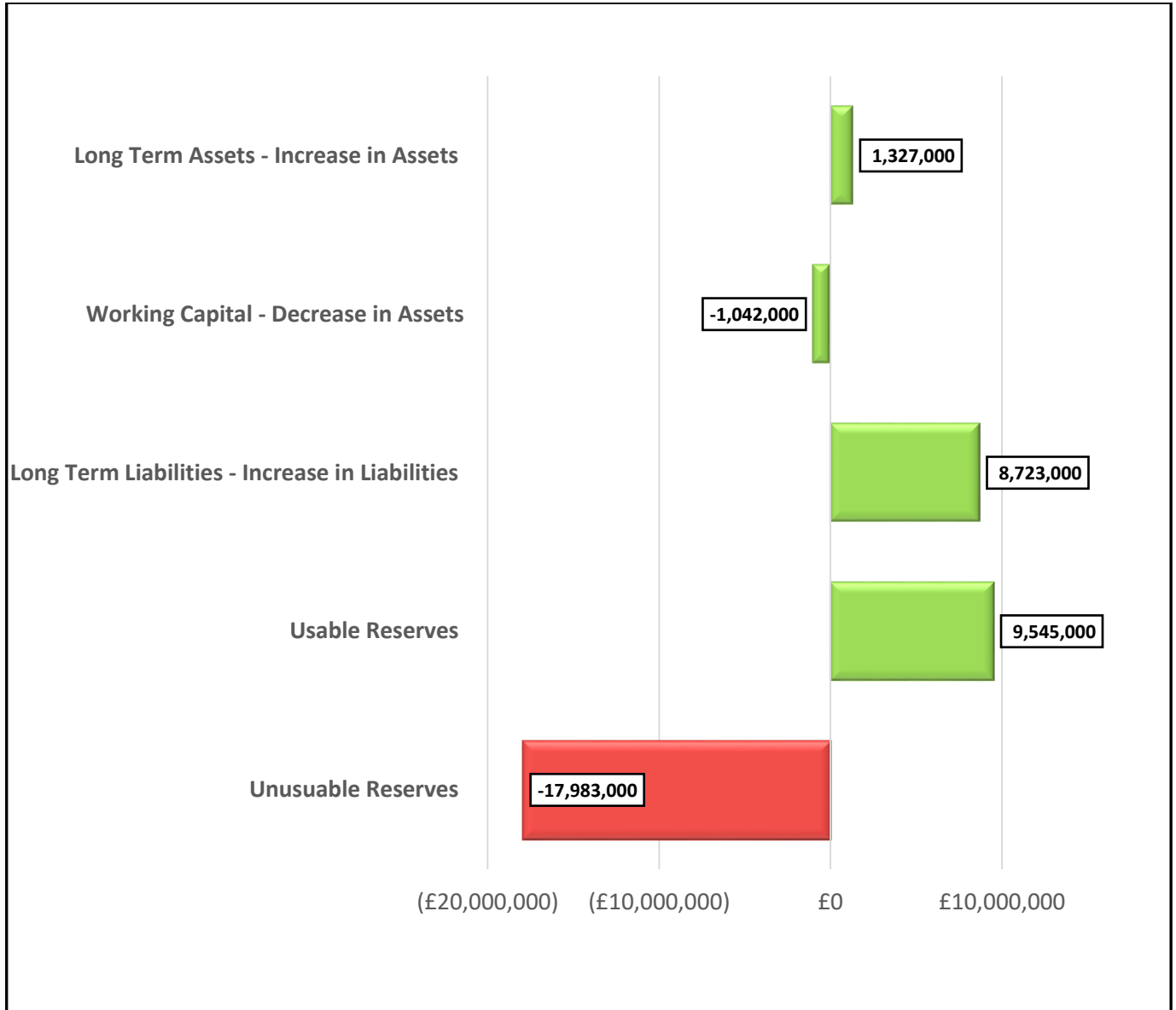


3.15. The movement in reserves during 2020/21 is explained below:

- **General Reserves** - there was a General Fund **surplus** of revenue income over expenditure and therefore **£322,000** was transferred to General Reserves (Movement in Reserves on page 50).
- **Earmarked Reserves** - **additional** contributions of **£8,357,000** were made of which £8,304,000 relates to Covid-19 grants being set aside to meet future financial burdens related to the pandemic. (Note 8 on page 76).
- **Capital receipts** – these have **increased** by **£186,000**. There were receipts generated of **(£449,000)** from the Council's share of Bromford Right to Buy. Capital receipts of **£263,000** were used to fund capital investment during the year (Movement in Reserves on page 50).
- **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 **£680,000** during 2020/21 due primarily to receipts from Community Infrastructure Levy of £438,000 and S106 of £209,000 that have not yet been utilised (Movement in Reserves on page 50).
- **Unusable reserves** – these have **decreased** by **(£17,983,000)** 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 50):
 - A **decrease** in the negative pension reserve of **£11,103,000** following reassessment by the Actuary.
 - A **decrease** in the negative pooled fund adjustment account of **£503,000** where asset values have increased.
 - A **decrease** in the Collection Fund Adjustment Account of **(£7,344,000)**. 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.
 - A **decrease** in the Capital Adjustment account of **(£616,000)**. 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.
 - A net **increase** in the Revaluation Reserve and Accumulated Absences Reserves of **£578,000**.

The Balance Sheet

3.16. The changes in the Balance Sheet during 2020/21 are shown below:



3.17. The decrease in the 'bottom half' of the Balance Sheet represented by usable and unusable reserves is **(£8,438,000)**. There is also a corresponding **reduction** in net assets in the 'top half' of the Balance Sheet of **(£8,438,000)**.

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

- **Long Term Assets** – have **increased** by **£1,327,000** mainly due to an **increase** in long term investments of **£2,503,000** and a **decrease** in property, plant and equipment of **(£1,292,000)**.
- **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 2020/21 there has been a **decrease** of **(£1,042,000)** related mainly to an **increase** in short term debtors of **£4,606,000**, and an **increase** in short term creditors of **(£5,156,000)**.
- **Long Term Liabilities** – have **increased** by **£8,723,000** due to mainly to reassessment of the Pension liability by the scheme Actuary **£8,836,000**.
- **Usable Reserves** - These changes are explained in paragraph 3.15.
- **Unusable Reserves** – These changes are explained in paragraph 3.15.

The Cash Flow Statement

3.19. The Cash Flow Statement shows why the level of cash and cash equivalents has increased during the financial year. The sources and use of **cash** that have resulted in an **increase** of **£872,000** in cash and cash equivalents are shown below:

	Receipts £000	Payments £000	Balance £000
Opening Balance			13,199
Sale of assets	326		13,525
Net Council Tax and Business Rates cash		(8,431)	5,094
Capital grants and contributions	2,860		7,954
Net additional investments		(2,225)	5,729
Capital expenditure related to assets		(1,403)	4,326
Debt repayments for borrowing and finance leases		(754)	3,572
Operating activities cash income more than cash expenditure	10,499		14,071
Closing Balance			14,071

3.20. 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.
- Capital grants and contributions received such as Community Infrastructure Levy and Disabled Facilities Grant.
- Day to day revenue operating activities (including COVID-19 grants to offset reductions in income from Council Tax and Business Rates due to the award of various reliefs).

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

- Lower Council Tax and Business Rate cash flows (income is lower due to the award of various COVID-19 reliefs that have been offset by COVID-19 grants included under day to day revenue operating activities).
- Additional investments
- Capital investment in non-current assets.
- The repayment of external borrowing and finance leases.

Alternative Options	There are no alternative options.
Consultation	<p>Leadership Team are consulted on the Statement of Accounts including detailed involvement in the content of the Narrative Report and the Annual Governance Statement.</p> <p>The Audit and Member Standards Committee was consulted on and approved the Accounting Policies and the Council's approach to Critical Accounting Judgements and Key Sources of Estimation Uncertainty at its meeting on 25 March 2021.</p> <p>The Audit and Member Standards Committee was consulted on and approved the content of the Annual Governance Statement at its meeting on 27 April 2021.</p>

Financial Implications	The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility for the production and certification of the Statement of Accounts.
Approved by Section 151 Officer	
Legal Implications	There are no specific legal implications.
Approved by Monitoring Officer	
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 127 in eight different languages. There are no Human Rights issues.
Crime & Safety Issues	There are no Crime and Community Safety Issues.
Environmental Impact	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
GDPR/Privacy Impact Assessment	There are no specific implications.

	Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Statement of Accounts is not completed in line with the Statutory requirement for certification and publication.	Likelihood : Green Impact : Red Severity of Risk : Yellow	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 the statutory deadline. The draft 2020/21 Statement of Accounts was completed and signed by the Head of Finance and Procurement on 21 June 2021.	Likelihood : Green Impact : Green Severity of Risk : Green
B	The Statement of Accounts is not completed to the required quality, in line with Statutory and Accounting requirements or has a qualified opinion	Likelihood : Green Impact : Red Severity of Risk : Yellow	The Finance Team contains experienced qualified Accountants, Part Qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in	Likelihood : Green Impact : Green Severity of Risk : Green

	issued by the External Auditor.		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.	
C	Issues are highlighted as part of the Staffordshire County Council's Pension Fund Audit that has yet to be concluded and that could impact on Lichfield District Council's Statement of Accounts.	Likelihood : Yellow Impact : Red Severity of Risk : Red	For this reason it is proposed to delegate authority to the Chairman to sign the accounts once this assurance is provided and the audit can be concluded. Members of Audit and Member Standards Committee will be advised of any significant changes at the earliest available opportunity. In addition, we used the later Pension Report that contains actual rather than estimated data at 31 March 2021 to complete the draft Accounts in order to minimize the risk of material adjustments during audit.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

Background documents	Statement of Accounts working papers 2020/21 The Accounts and Audit (England) Regulations
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Relevant web links	
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APPENDIX A

Your ref
Our ref
Ask for
Email



**District Council House, Frog Lane
Lichfield, Staffordshire WS13 6YU**

Direct Line 01543 308000
Customer Services 01543 308000

Grant Thornton UK LLP
The Colmore Building,
Colmore Circus Queensway,
Birmingham,
B4 6AT

22 September 2021

Dear Sirs

**Lichfield District Council
Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Lichfield District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of net pension fund liability, valuation of land & buildings (in the context of property, plant and equipment, surplus assets and investment properties) and material provisions. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for the aforementioned estimates. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates

and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- 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.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's 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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.



- xvii. 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.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. 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.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. 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

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit & Member Standards Committee at its meeting on 22 September 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council





Statement of Accounts 2020/21

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If you have any comments on this **Statement of Accounts 2020/21** 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 2021.

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 2021 and its income and expenditure for the year.

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

The Statement of Accounts for 2020/21 has been approved by Audit (and Member Standards) Committee on 22 September 2021. The Audit Findings Report was reported to Audit (and Member Standards) Committee on 22 September 2021.

Chair of Audit (and Member Standards) Committee Date: 22 September 2021

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2021, 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 2020/21. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts, therefore, aims to provide information so that for the 2020/21 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 and the impact of Covid-19
- 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
- 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 non-financial Performance of Lichfield District Council in 2020/21
- A Summary of the Financial Performance of Lichfield District Council in 2020/21
- 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.

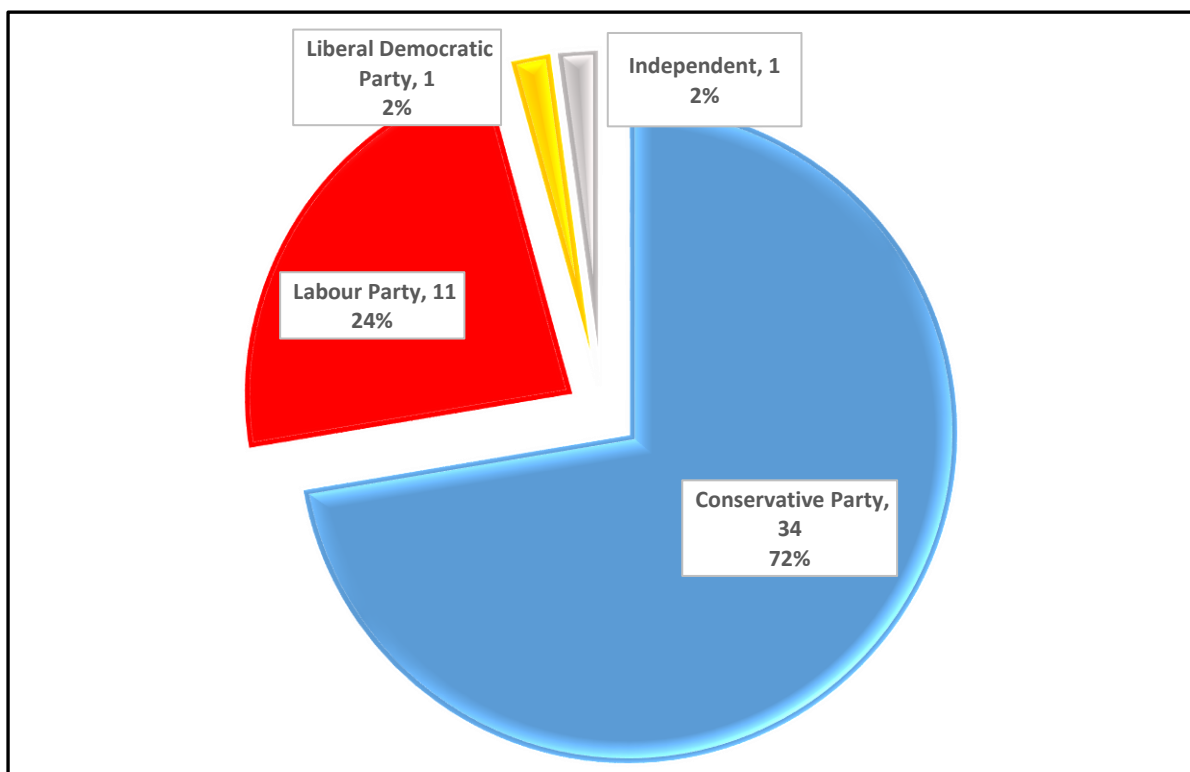
Tourism is a significant part of the local economy based on the heritage, character and environment of the area, with Lichfield City being a particular focal point. There are a number of important visitor attractions within the District. These include Drayton Manor Park, which lies in the Green Belt 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.

An Introduction to Lichfield District Council

Lichfield District Council was formed in 1974, from Lichfield City Council and Lichfield Rural District Council. The Council has **26** wards with **47** elected Members. At 31 March the political composition of seats was as shown in the graph below:



The policies of the Council are directed by Cabinet and Council and implemented by the Leadership Team supported by officers. The Council currently employs approximately **330** people of which **94%** 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 **105,000** 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*

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- *Compiling and maintaining the electoral register and administering elections*
- *Providing advice on environmental health*
- *Inspecting food and drink premises to make sure they are safe and hygienic*
- *Providing support for people who are homeless, and home adaptations to help people live independently*
- *Providing a tourist information service, support to arts and culture, events and festivals, and promoting tourism*
- *Working in partnership to promote community safety*
- *Carrying out conservation and wildlife management at protected sites*
- *Encouraging economic regeneration and creating plans for the future development of the District, for example the Local Plan*
- *Providing support and guidance to businesses*

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

The operational delivery of the Council's leisure centres in Burntwood and Lichfield since 1 February 2018 has been undertaken by Freedom Leisure in partnership with the Council.

The Council's non-Financial Performance

The Council has a clear vision in the form of the **Strategic Plan 2020-24** which was produced following extensive consultation and review by Member, staff, stakeholder and resident focus groups.

The Strategic Plan 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 key priority outcomes that the Plan aims to achieve are:

- **Enabling people** - to help themselves and others; to collaborate and engage with us; to live healthy and active lives
- **Shaping place** - to keep it clean, green and safe; to protect our most valuable assets; to make sure sustainability and infrastructure needs are balanced
- **Developing prosperity** - to encourage growth; to enhance the District for visitors; to invest in the future
- **A good Council** - that is financially sound, transparent and accountable; is innovative and customer focussed; has respect for everyone

This Strategic Plan was approved by Full Council on 18 February 2020, and came into operation on 1 April 2020.




Leadership Team and Cabinet have identified the top priority issues that needed to be addressed to ensure these are achieved over the 12 - 18 months after 1 April 2020. These priorities have formed the basis of the **Delivery Plan** for 2020/21 and the annual **Service Plans**. The Delivery Plan captures the performance the Council has delivered so far against the aspirations set out in the Strategic Plan, then maps out the activity that will take place over the period 2020-24. For the 18 month period 2020/21 there are **15** commitments and **37** actions.

Actions are mapped directly back to commitments and aspirations in each of the Council's priorities in the Strategic Plan. They are also linked to each Head of Service and team service plans in addition to individual staff members' Performance Development Review (PDR) targets. It is the actions that are therefore monitored.

Officers responsible for the Delivery Plan and Service Plan actions update the Pentana system to ensure that the latest performance on each individual action is registered in a central location, ensuring that the Council's officers and Members can access real-time performance monitoring.

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

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

	Behind target	Slightly behind target	On target	Completed	Not started
Delivery Plan actions – total					
37	2	0	26	9	0

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Of the **9** actions in the Delivery Plan that were **completed**, some of the key achievements were:

- The **Housing Register** has been brought **in-house** and a finalised revised allocations scheme agreed that will enable those in housing need to be able to continue to apply for rented properties to suit their needs
- The **Events and Festivals Policy** was completed and **implemented** at the end of 2020
- A **Procurement Team** has been **recruited** and they have been providing valuable support across all services. The **Procurement Strategy** has been **approved** and the **Contract Procedure Rules** are **being reviewed** to ensure they are reflective of our requirements
- The **MTFS 2020-25** was **approved** at Full Council on 16 February 2021
- The 2019/20 **Audited Statement of Accounts** was **approved** by Audit and Member Standard Committee on 30 November 2020

26 actions are currently **in progress** and expected to **meet their set targets**. Examples of these were:

- The **Housing, Homelessness, and Rough Sleeping Strategy 2019-2024** was **approved** by Full Council in July 2020 and is now on the website. It contains a **5 year delivery plan** that is **being monitored**
- The **People Strategy** is **being implemented** including the launch of the West Midlands Employees Management Development Programme, and the creation of the new career website
- A new **Digital Strategy** has been **designed and approved** by Cabinet and this has clearly defined actions for year one that will be **monitored**
- A **Feasibility Study** on the **Birmingham Road Site** has been undertaken and the next step will be the development of options for the site that will be considered by the Project Board ahead of the stakeholder engagement process
- Progress has been made in developing a **Strategy** to set out a programme of projects that will ensure **Lichfield's open space, landscaping and environment** is kept at the heart of future regeneration and development projects. So far a draft brief has been developed and shared with Project Board members, Council officers and external bodies (Lichfield City Council and Staffordshire County Council)
- A detailed **Public Realm Strategy** is **being prepared** that will consider the Public Realm Priority Projects developed in the Lichfield City Centre Masterplan
- Progress has been made on the development of a **Car Parking Strategy** for provision within Lichfield City Centre
- Work is progressing on the **Economic Development Strategy** such that stakeholder and business consultation is planned in order to steer the direction of the Strategy as the economy emerges from the pandemic
- Good progress has been made with the **Local Plan Review** with the Publication version being approved by Cabinet in February 2021. Work remains to be done on transport modelling and air quality assessment

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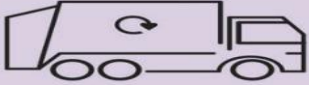

























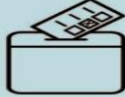

- Work has been ongoing for the Council's **Climate Change pledge**. A cross council working group has been created and cross county training workshops have taken place. The carbon footprint for the Council and the District has been established and we have received **£1.3m in funding** to carry out works to the District Council House and Burntwood Leisure Centre **to reduce carbon emissions**. The next step is to establish a Decarbonisation Plan and ensure it is implemented
- **Local Governance Reviews** – work is scheduled to commence in July 2021

The **two** Delivery Plan actions are **behind target** relate to:

- Plans for **coach park provision** in Lichfield – legal teams currently being engaged by both parties to progress this during 2021/22
- **Review of the Elections Service** - to commence after the May elections and completed by March 2022

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A summary of the Council's key achievements in 2020/21

 <p>One of only 10% of local authorities that continued full collection of refuse, recycling, garden waste and bulky waste, during the first lockdown.</p>	 <p>Collected 38,000 tonnes of general waste, recycling and garden waste.</p>	<p>Streetscene and Grounds Maintenance teams delivered business as usual throughout the year maintaining the district to its usual high standards.</p> 	 <p>Fly-tipping doubled in 2020 putting additional pressure on our teams who worked closely with County Council colleagues to tackle the issue.</p>	<p>All rough sleepers and those in danger of rough sleeping were found accommodation, and we provided alternative accommodation for occupants of a women's refuge after it closed due to a coronavirus outbreak.</p> 
 <p>Supported Ridware House residents who had to move out for over three weeks following a flat fire in November.</p>	<p>Launched Lichfield District Street Aid, an alternative way of giving that supports people to leave the streets behind.</p> 	 <p>Launched Lichfield Community Lottery to raise money for good causes across the district and to give players a chance to win a £25,000 jackpot.</p>	 <p>Pioneered a shopping service in partnership with the CO-OP and made 891 essential shopping deliveries between March and July.</p>	<p>Raised £25,000 through the LDC Coronavirus 'Just Giving' fund for local groups supporting people and communities across the district affected by COVID 19.</p> 
 <p>Paid over 100 people the £500 grant payment when test and trace isolation impacted on their income.</p>	<p>Issued over 3,300 people with council tax hardship funding amounting to £475,000.</p> 	<p>Offered free and reduced car parking for key workers in the first lockdown and free parking for shoppers at Christmas.</p> 	<p>Building Control handled an increase in applications with over 2300 received.</p> 	<p>Over 1500 planning applications handled during the year.</p> 
<p>Our Connects team were kept busy supporting the public over the phone and online since our reception was closed in March.</p> 	<p>#LOVE LOCAL</p> <p>Love Local supported the safe return of high street shopping through our Information Officer and 350 information packs to businesses.</p>	<p>Provided bespoke advice on COVID 19 controls and legislation to nearly 400 businesses, dealt with 260 complaints, responded to 220 reported cases in workplaces and carried out compliance checks at nearly 200 businesses.</p> 	<p>Launched the Visit Lichfield Card to encourage local people and visitors to use shops, accommodation, restaurants and attractions across the District.</p> 	<p>Distributed over £26 million in grants to local businesses.</p> 
 <p>Economic development, finance, IT and revenues teams worked in collaboration to handle 4500 grant applications.</p>	<p>Completed the Statement of Accounts by the deadline, recruited a new Procurement Team, completed multiple COVID-19 assurance 'flash audits' and extended our partnership working with Tamworth Borough Council for internal audit.</p> 	<p>Delivered over 300 face to face and on-line sessions through our Active Lichfield Team.</p> 	<p>Completed essential repairs at Friary Grange Leisure Centre meaning that the centre is ready to re-open in April.</p> 	<p>Over 4000 views of live-streamed council meetings allowing many more people to attend, giving an insight into local democracy and how decisions are made.</p> 
<p>Installed new outdoor gyms in Redwood, Chase Terrace and Shortbutts parks, a new playground Stowe Fields and a Bark Park in Darnford Park.</p> 	 <p>Sent over 1100 Twitter messages and reached over 500,000 people on Facebook as we updated residents and businesses on COVID 19 and other council news.</p>	 <p>Health and Safety and Facilities Management Teams worked in partnership to keep our buildings safe and open for business.</p>	 <p>Started planning for our first ever covid-safe election day and vote count in May.</p>	<p>Community Safety have been proactively working with partners to support individuals with complex needs.</p> 

Financial Performance

The Medium Term Financial Strategy and Monitoring Financial Performance

The ability to deliver the outcomes set out in the Strategic Plan 2020-24 is dependent on the revenue and capital resources available over the life of the plan. Therefore, the Council prepares a **Medium Term Financial Strategy (MTFS)** that covers the current and next four financial years. The MTFS is monitored during each financial year through Money Matters Reports to Cabinet.

Revenue Financial Performance in 2020/21

Revenue spending represents the day to day cost of the services provided by the Council. The revenue spend together with details of how this spend was funded for 2020/21 is shown below:

Original Budget £000		Approved Budget £000	Actual Outturn £000	Variance £000	Amount per Person £	Amount per Band D Property £
6,330	A Good Council	6,198	6,359	161	£61.15	£162.92
(1,184)	Developing Prosperity	(772)	(719)	53	(£6.91)	(£18.42)
3,470	Shaping Place	3,237	3,159	(78)	£30.37	£80.93
1,580	Enabling People	1,581	1,568	(13)	£15.08	£40.17
0	Covid-19	1,709	1,399	(310)	£13.45	£35.84
10,196	Net Cost of Services	11,953	11,765	(188)	£113.13	£301.43
304	Capital & earmarked reserves	304	304	0	£2.92	£7.79
152	Interest receipts/payments	(157)	(155)	2	(£1.49)	(£3.97)
1,633	Transfer (from) or to General Reserves	183	322	139	£3.10	£8.26
12,285	Net Expenditure	12,283	12,236	(47)	£117.66	£313.50
(3,020)	Business Rates	(3,020)	(3,020)	0	(£29.04)	(£77.37)
0	Revenue Support Grant	0	0	0	£0.00	£0.00
(1,771)	New Homes Bonus	(1,771)	(1,771)	0	(£17.03)	(£45.37)
(134)	Other Grants	(134)	(102)	32	(£0.98)	(£2.61)
(330)	(Surplus) on the collection of Council Tax and Business Rates from the previous year	(330)	(315)	15	(£3.03)	(£8.07)
(7,029)	Amount to be raised from Council Tax	(7,029)	(7,029)	0	£67.58	£180.07

How Councils are funded has changed significantly since 2010 with Council Tax budgeted to fund **57%** of net expenditure compared to **47%** in 2010. We are among the lowest charging district councils in the country and an average home paid **£180** for the services provided. The information in Money Matters Reports and the table above is based on the statutory funding basis and shows income exceeding expenditure by **£322,000** and therefore a transfer to General Reserves.

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The increase in the amount transferred to reserves compared with Approved Budget was assisted by a better than forecast Covid-19 impact as can be seen in the table below:

	Gross Impact £000	Government Support £000	Other Income £000	Total Financial Impact £000	Total Financial Impact	
					Impact in	Impact in
					2020/21 £000	Later Years £000
Cabinet 7 July 2020	-	-	-	-		
Initial scenario A	£2,342	(£1,061)	£0	£1,281	£1,096	£185
Initial scenario B	£3,989	(£1,061)	£0	£2,928	£2,003	£925
Initial scenario C	£5,602	(£1,061)	£0	£4,541	£2,692	£1,849
Cabinet 9 February 2021						
Updated projection	£4,616	(£1,976)	£0	£2,640	£1,709	£931
Cabinet 8 June 2021						
Assessed actual impact	£4,241	(£2,542)	(£47)	£1,652	£1,399	£253

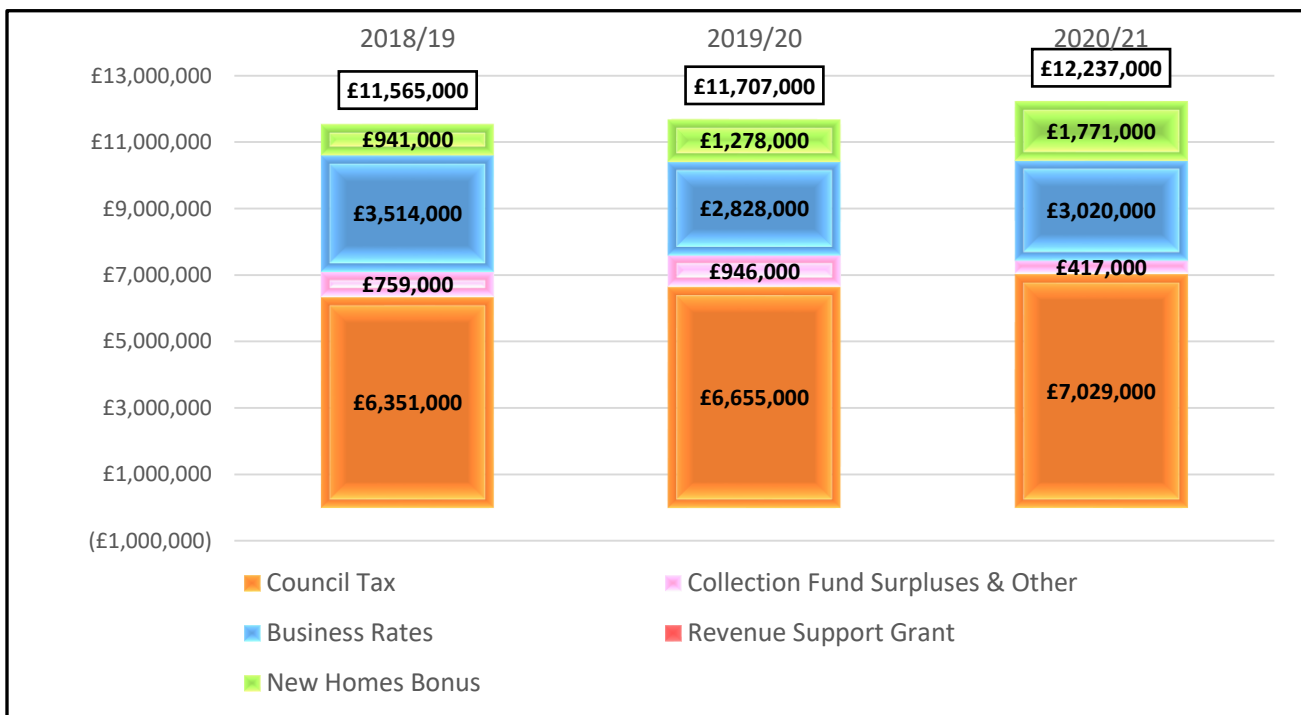
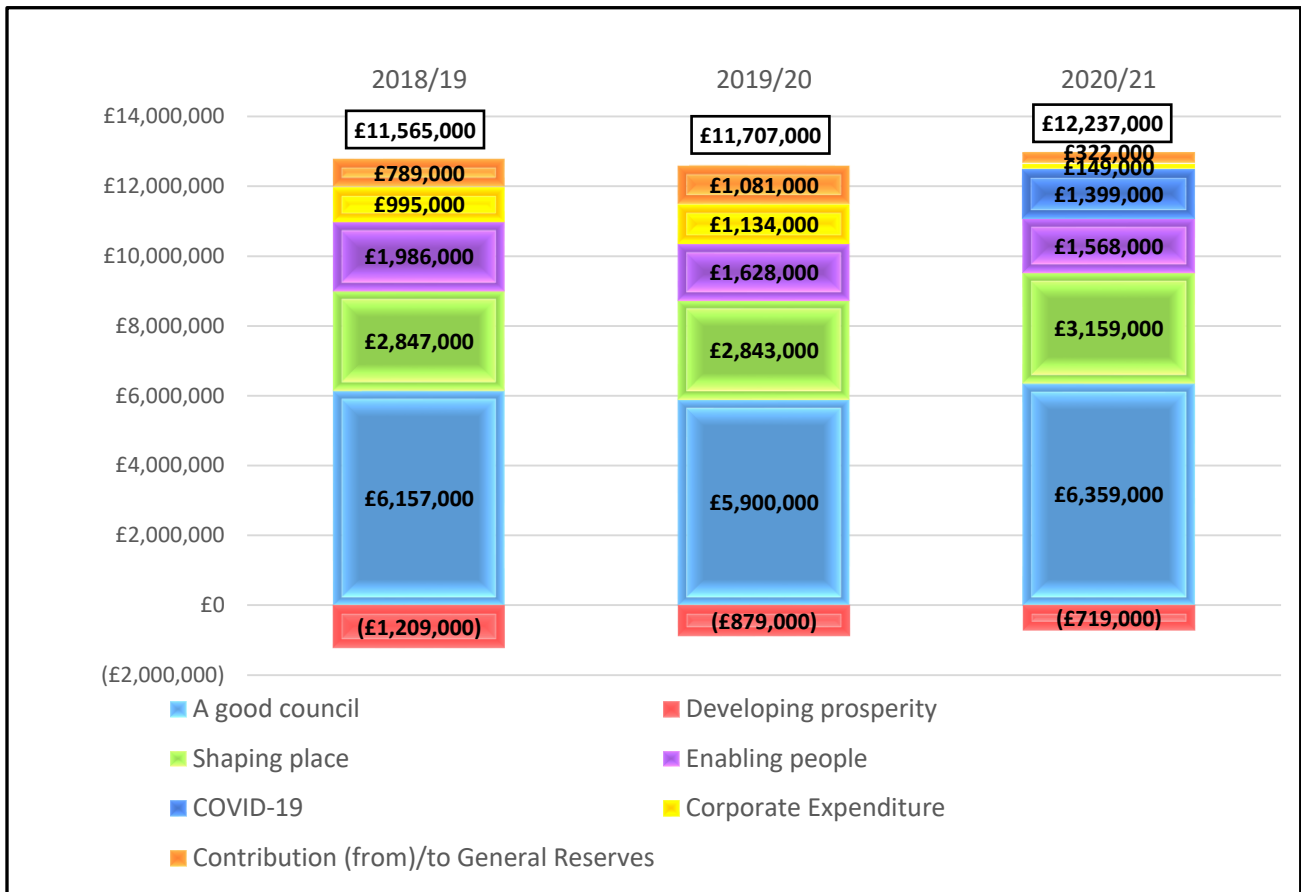
The Statement of Accounts also provides a Comprehensive Income and Expenditure Statement (CIES) that shows financial performance based on generally accepted accounting practices with a surplus of income over expenditure of **£906,000**.

The **Expenditure and Funding Analysis (EFA)** also within the Statement of Accounts, reconciles financial performance under the statutory funding basis to the accounting basis:

		2019/20 £000	2020/21 £000
Money Matters Financial Performance	Page 75	(1,081)	(322)
Earmarked Reserves (including those in the Net Cost of Services)	Page 75	(601)	(8,358)
Financial Performance on a Funding Basis shown in the EFA	Page 75	(1,682)	(8,680)
Adjustments between Funding and Accounting Basis	Page 48	2,377	7,773
Financial Performance on an Accounting Basis shown in the CIES	Page 49	695	(906)

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A comparison of revenue spend and funding for the last three financial years is also shown below:



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Capital Financial Performance in 2020/21

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 capital spend together with details of how this spend was funded for 2020/21 is shown below:

Original Budget £'000		Approved Budget £'000	Actual Outturn £'000	Variance £'000	Actual amount per Person £	Actual amount per Band D Property £
12,657	A Good Council	564	218	(346)	£2.10	£5.59
625	Developing Prosperity	522	204	(318)	£1.97	£5.24
1,045	Shaping Place	670	684	14	£6.58	£17.53
3,424	Enabling People	2,223	2,181	(42)	£20.97	£55.88
17,751	Total Expenditure	3,979	3,288	(691)	£31.61	£84.23
1,402	Capital Receipts	522	104	(418)	£1.00	£2.67
182	Corporate Revenue	182	182	0	£1.75	£4.66
11,664	Borrowing and Finance Leases	106	(542)	(648)	(£5.21)	(£13.88)
3,287	Capital Grants and Contributions	1,754	1,831	77	£17.60	£46.91
1,216	Reserves, Existing Revenue Budgets and Sinking Funds	1,415	1,712	297	£16.47	£43.87
17,751	Total Funding	3,979¹	3,288	(691)	£31.61	£84.23

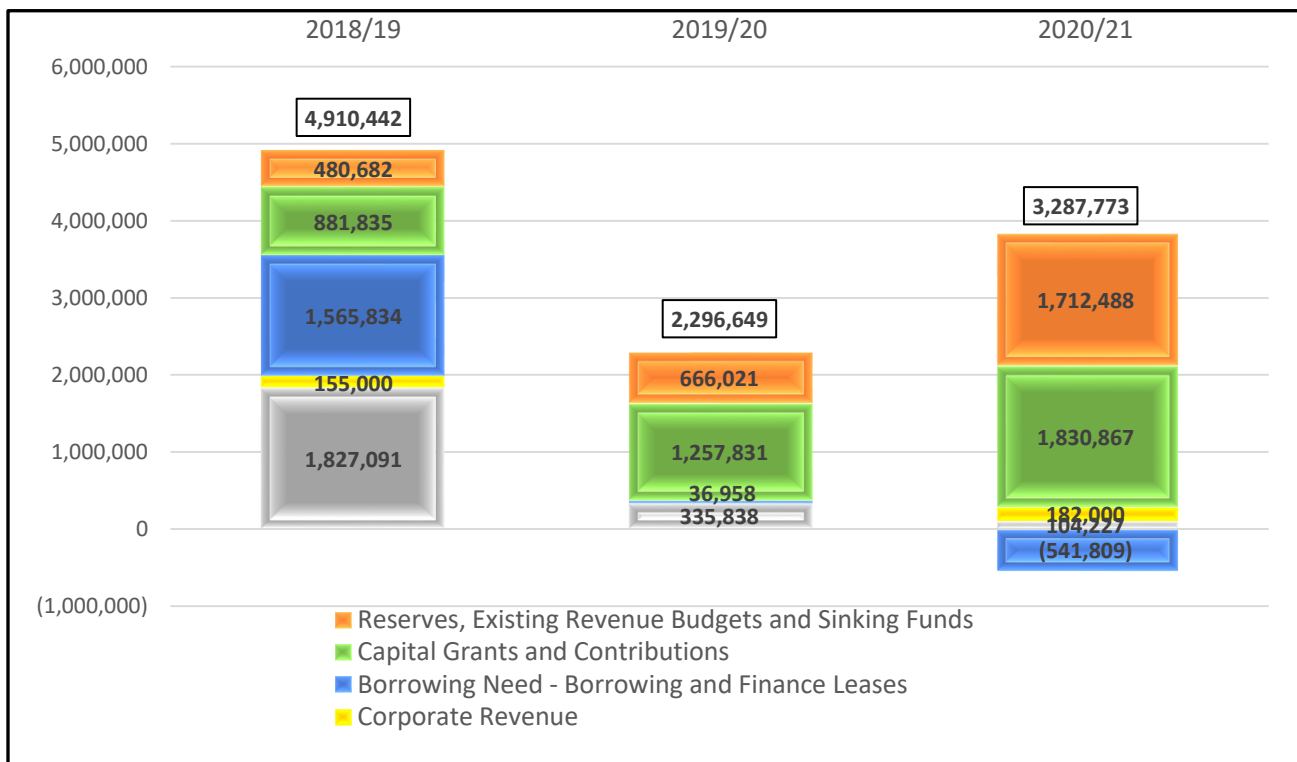
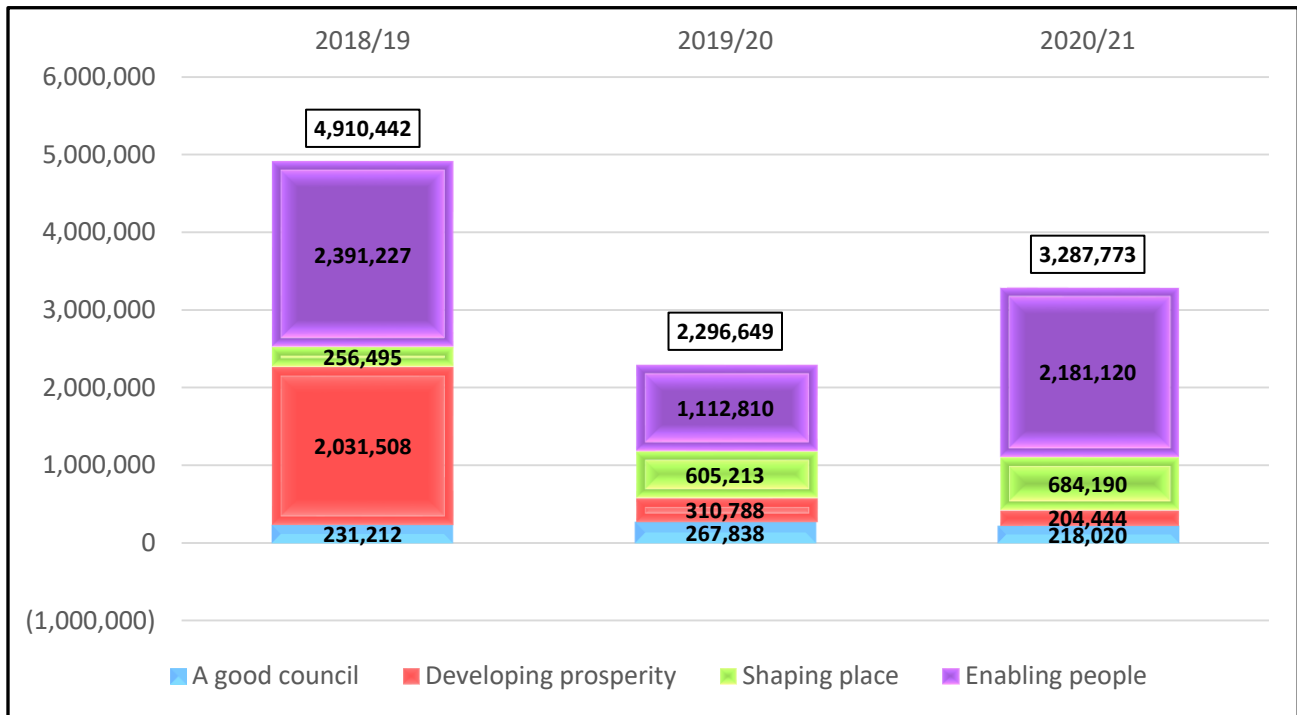
The below budget performance compared to the Approved Budget is the result of:

- **A Good Council - Equipment Storage at Beacon Park (£100,000)** — project delayed due to pandemic.
- **Developing Prosperity - Birmingham Road Site - Coach Park (£255,000)** –acquisition was not completed and therefore the enhancement works did not take place
- **Enabling People - Unallocated S106 Affordable Housing Monies (£177,000)** – acquisitions have not been completed during the financial year as planned

¹ The reduction in budget between the Original and Approved Budget is mainly related to the removal of the Investment in Property project (£11,500,000).

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A comparison of capital spend and funding for the last three financial years is also shown below:²



² The negative borrowing need in 2020/21, is the result of the Council repaying capital investment funded by borrowing at Burntwood Leisure Centre as planned, in order to release additional savings to help the revenue funding gap.

NARRATIVE REPORT

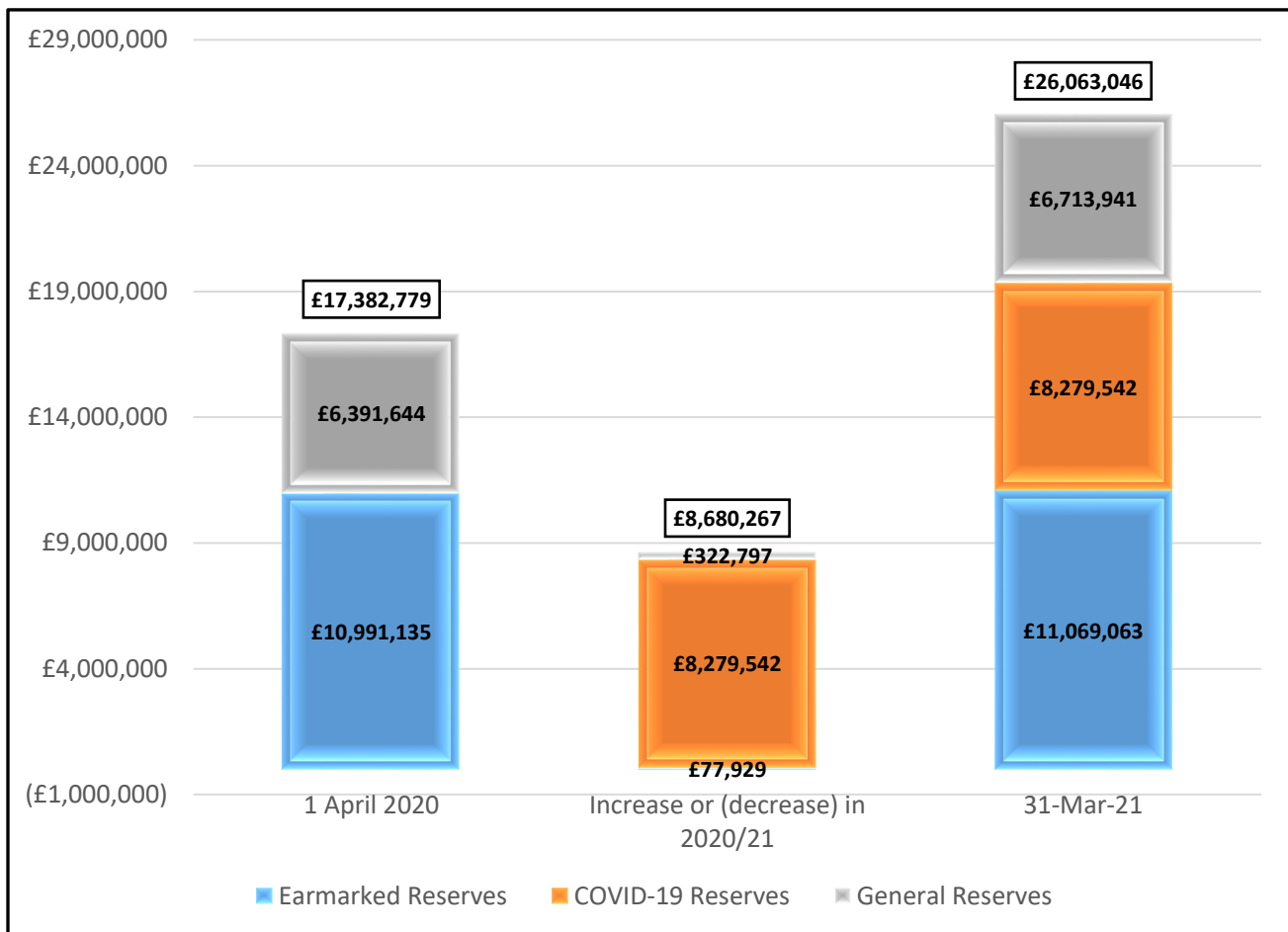
Revenue Reserves

A General Reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risks. In 2020/21 **£322,797** was transferred to General Reserves compared to an Approved Budget of **£183,180**, this is an increase of **£150,617**.

The total level of General Reserves at 31 March 2021 was **£6,713,941** and has set a risk assessed Minimum Level at **£1,600,000**. This means that there are available reserves of **£5,113,941** over and above the Minimum Level available to support the revenue budget or fund Council priorities.

In addition to General Reserves, 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 total level of Revenue General and Earmarked Reserves is shown below:



The COVID-19 Earmarked Reserves have been established in relation to:

- Section 31 grants received in compensation for additional reliefs for retail, hospitality, leisure and nurseries that will be used to offset the deficit in business rate income over the next three years.
- Other grants received related to Hardship Funding, Council Tax Compensation, Test and Trace and Additional Restrictions grant that will be spent primarily in 2021/22.
- To manage the risks related to Hardship, Housing and Operational Services contracts.

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Looking Forward to the Next Four Years and Beyond

The Medium Term Financial Strategy (MTFS) provides budgets for the four financial years **2021/22** (funding assumptions are known and therefore the assessment is low risk), **2022/23**, **2023/24** and **2024/25** (funding assumptions are not known and therefore the assessment is high risk).

The Revenue Budget

The **Revenue Budget** with a balanced budget in 2021/22 and Funding Gaps in later years is shown below:

	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Approved Budget £000	£000	£000	£000	£000
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	HIGH	HIGH	HIGH	HIGH
Enabling people	1,580	1,581	1,469	1,478	1,510	1,538
Shaping place	3,470	3,237	3,402	4,015	4,269	4,362
Developing prosperity	(1,184)	(772)	(621)	(557)	(442)	(371)
A good council	6,330	6,198	7,472	6,810	6,863	7,022
Corporate Expenditure	1,627	1,318	229	81	0	77
Revenue Expenditure (including transfers to or from general reserves)	11,822	11,563	11,951	11,827	12,200	12,628
Revenue Funding	(12,284)	(12,284)	(11,951)	(10,503)	(10,196)	(10,507)
Central Scenario Funding Gap / (transfer to General Reserves)	(462)	(721)	0	1,324	2,005	2,121
More Optimistic scenario	(462)	(721)	(396)	465	805	868
More Pessimistic scenario	(462)	(721)	1,211	2,116	2,817	2,938

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The Capital Programme

The Capital Programme is summarised below:

	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Revised Budget £000				
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	HIGH	HIGH	HIGH	HIGH
Enabling people	3,424	2,223	3,375	3,684	3,576	1,315
Shaping place	1,045	670	1,102	3,674	270	293
Developing prosperity	625	522	935	557	43	0
A good Council	12,657	564	1,118	515	389	0
Capital Expenditure	17,751	3,979	6,530	8,430	4,278	1,608
Capital Funding	6,087	3,873	6,252	6,081	2,018	1,608
Borrowing Need	11,664	106	278	2,349	2,260	0

Usable Capital Receipts	(1,394)	(1,652)	(888)	(294)	(86)	(95)
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General Reserves

The total projected level of general reserves are shown below using the central scenario together with projections using more optimistic and pessimistic scenarios:

	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Revised Budget £000				
LEVEL OF UNCERTAINTY / RISK	LOW	MEDIUM	HIGH	HIGH	HIGH	HIGH
Available General Reserves Year Start	4,792	4,792	4,975	5,386	4,342	2,338
(Funding Gap) / transfer to General Reserves	462	721	0	(1,324)	(2,005)	(2,121)
COVID-19 Revenue Impact		(1,709)				
New Homes Bonus in excess of the 'Cap'	1,171	1,171	411	280	0	0
Available General Reserves Year End	6,425	4,975	5,386	4,342	2,338	217
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
Central Scenario Total General Reserves	8,025	6,575	6,986	5,942	3,938	1,817
More Optimistic scenario	8,025	6,575	7,382	7,197	6,392	5,524
More Pessimistic scenario	8,025	6,575	5,775	3,939	1,122	(1,816)

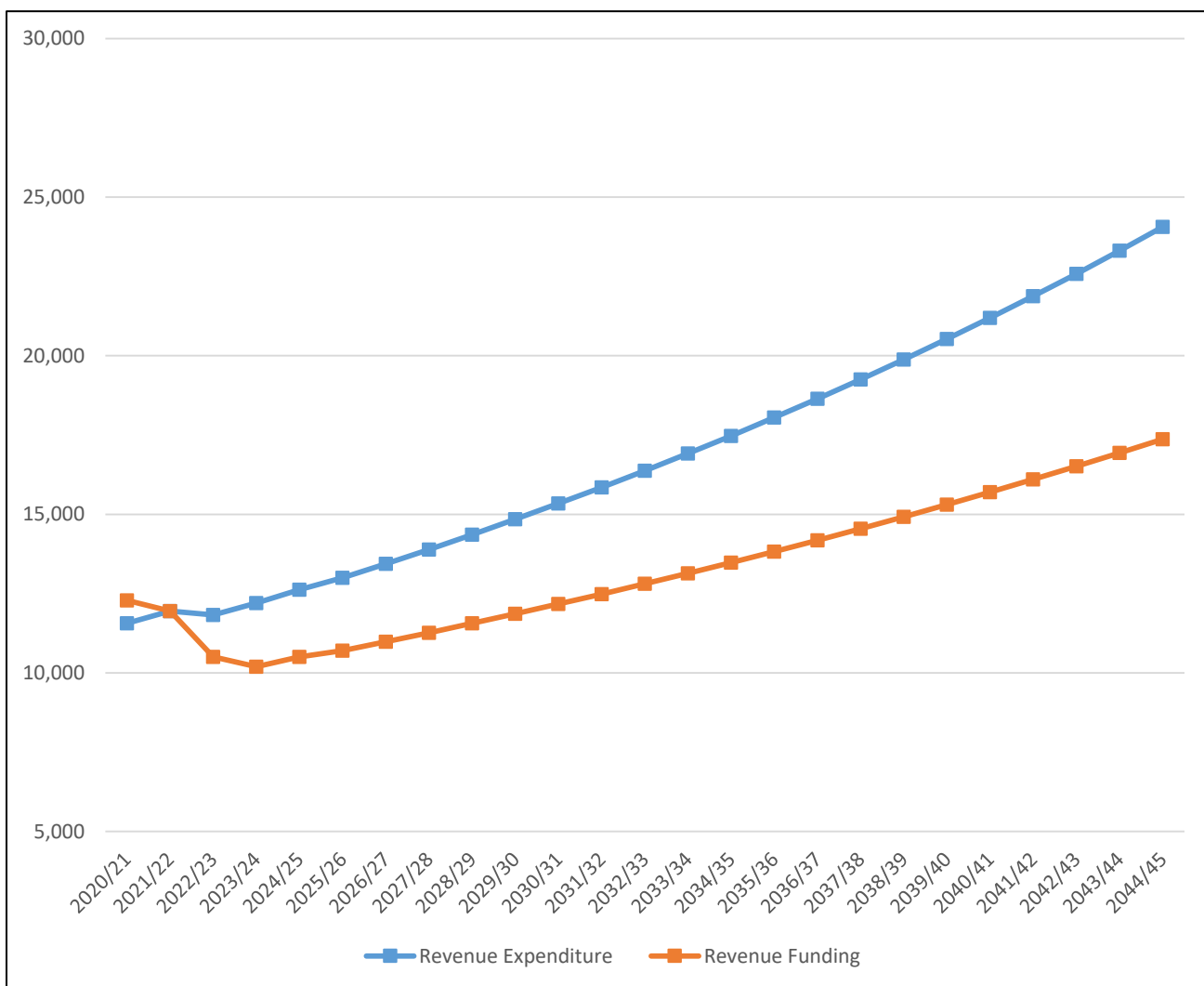
NARRATIVE REPORT

Longer Term Financial Planning

The MTFS covers a relatively short period of time (current financial year plus the next four years) and given the potential significant changes to the Local Government Financing Regime, and the more commercial approach being adopted by the Council, it is prudent to begin producing financial plans that cover a longer financial planning horizon such as 25 years.

A direction of travel with different sustainable options for closing the projected funding gap needs to be identified and agreed. Once the outcome of the Spending Review 2021 and subsequent Local Government Settlement are known and the funding gap can be more accurately projected, the Council will then be able to quickly select the most appropriate options to address the financial position.

The longer term financial plan shows a funding gap that is projected to increase throughout the 25 years because expenditure increases at a faster rate than funding is shown below:



The Council will need to identify initiatives (including Invest to Save projects) to close the projected funding gap from 2022/23 onwards.

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Covid-19 Impact on the Council's MTFS

The ongoing Covid-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary expenditure and reduced income from fees and charges, Council Tax and Business Rates. The impact varies by area and is dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However, to a large extent it will depend on how quickly the national and local economies return to normal levels of activity.

To offset the additional financial pressures being faced by Local Government and the community the Government provided the following support:

COVID Grant Description	Corporate Grants	Pass Ported Grants	Other Grants
Additional Restrictions Grant		(2,095,120)	
Additional Restrictions Grant		(930,553)	
LA Discretionary Grant		(951,000)	
Business Support Grants		(19,020,000)	
Self-Isolating Grant		(180,500)	
Local Restrictions Support Grant - Wet Led Pubs		(57,600)	
Closed Business Lockdown Payment		(4,410,000)	
Local Restrictions Support Grant - Closed		(1,470,384)	
Local Restrictions Support Grant - Closed		(528,264)	
Local Restrictions Support Grant - Closed		(208,570)	
Local Restrictions Support Grant - Closed		(2,205,576)	
Local Restrictions Support Grant - Closed		(2,310,603)	
LA Discretionary Grant		(130,000)	
Local Restrictions Support Grant - Open		(66,079)	
Local Restrictions Support Grant - Open		(13,802)	
Local Restrictions Support Grant - Open		(19,554)	
Self-Isolating Grant Administration			(24,910)
Self-Isolating Grant Administration			(22,362)
Local Restrictions Support Grant - Administration			(58,500)
Business Support Grants - Administration			(166,800)
Unringfenced Covid-19 Funding	(1,276,426)		
BID Support Grant		(9,650)	
Council Tax Hardship Fund		(562,910)	
National Leisure Recovery Fund	(224,418)		
Sales, Fees & Charges Compensation Scheme	(1,040,963)		
Local Authority Compliance and Enforcement			(39,942)
Test & Trace			(130,103)
Rough Sleeping Contingency Fund			(1,650)
Total as Per Money Matters Report	(£2,541,807)³	(£35,170,165)	(£444,267)
Grants Re-categorised in the CIES	(230,317)	229,435	882
Total as Per CIES	(£2,772,124)	(£34,940,730)	(£443,385)

It is unclear at this stage whether the funding received by the Council will be sufficient to fully offset all of the financial pressures and Local Government continues to lobby for further funding to be made available.

³ In addition, the Council received £34,227 in Council Tax Compensation grant that has been transferred to earmarked reserves.

NARRATIVE REPORT

The Potential longer term impact on the Council's Financial Position

It is essential that the Council continues to focus on the likely impact that the crisis, and its aftermath including recovery, will have on income levels both now and potentially into the future.

The Covid-19 crisis is likely to be long-lasting and far reaching affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.

This means that the assumptions underlying later years in the MTFS will almost certainly need to change and are likely to include:

- Strategic partnerships where the funding levels agreed by the Council were based on assumptions made prior to the Covid-19 pandemic
- Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs
- Council Tax income projections due to collection rates, growth and Local Council Tax Support
- Income projections for sales, fees and charges including car parking and property rentals
- Transformation and savings projects especially where they are focussed on income generation

The Medium Term Financial Strategy central scenario includes a number of specific assumptions in relation to the ongoing impact of Covid-19:

- Reductions in sales, fees and charges using a risk based approach.
- Reductions in property rentals.
- An assumed increase in working age Council Tax support claimants reducing Council Tax income.
- An assumed increase in bad debts and empty property relief reducing Business Rate income.

The Medium Term Financial Strategy also includes a specific risk and recovery contingency budget of **£1,141,380**. This investment will be utilised to support recovery from Covid-19 in areas such as economic growth, health and wellbeing.

Impact on business as usual in the delivery of services

Over the last 12 months the Council's housing team has worked closely with accommodation providers in both the social and private housing sectors, to ensure that we had sufficient capacity to accommodate anyone who needed assistance with accommodation.

Since the start of the first lockdown in March 2020, the Council has worked closely with the Voluntary and Community Sector to identify community support needs and how these can be met. The Council has also shared good practice and learning and participated in a Digital Engagement - Celebrating Successes and Learning event where organisations shared what they have been doing to adapt their service offer and make good use of digital options.

Covid-19 regulatory advice to businesses has been dealt with by Environmental Health, with pressure being brought to bear on traditional work streams. Covid-19 enforcement work has also been undertaken, protecting the public and ensuring a more level playing field for all businesses affected by the pandemic.

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Maintaining front line services has been a focus for Operational Services. The Joint Waste Service was able to continue to deliver a complete service across both Lichfield and Tamworth, throughout 2020. It was one of fewer than **10%** of collection authorities able to continue the collection of refuse, recycling, garden waste and bulky waste, along with the delivery of new bins.

Social distancing measures have had a significant impact on the Council's governance arrangements. MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public.

The Council, therefore, put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation. From May 2020 until recently, all of our Council meetings have been broadcast live and then made available on our YouTube Channel. Overall attendance at meetings is higher via zoom which enables members to balance their role with other responsibilities.

Mobile and flexible working has now become business as usual for many of our staff. This transition was achieved relatively early on during the first lockdown where all staff who could work from home were equipped to do so within the first few weeks.

To keep staff and residents safe, our reception area has not been reopened to the general public yet. All key services have remained available through a variety of other channels. Where essential, home visits and business inspections are still carried out under Covid-19 secure protocols.

For our customers we have worked hard to ensure they feel comfortable in using the new ways of accessing our services and website. Dedicated webpages have been developed and continue to be updated with relevant information to support residents and businesses throughout the pandemic.

Since March 2020, messages have been issued by the Chief Executive and Leadership Team, sometimes on a daily basis, to ensure all staff and Members have the most up to date information to pass on to residents and stakeholders. Over the pandemic period, Managers Briefings (our internal staff cascade) have continued via zoom.

The Council has also ensured that the local residents are regularly updated and kept informed. Social media output/impact has increased significantly since the start of the first lockdown highlighting both the increase in output from the Council and the demand from the local community for on-going information about local and national developments.

NARRATIVE REPORT

Principal Risks and Uncertainties

A **Risk Management Policy** is in place to identify and evaluate risks. This Policy was reviewed and refreshed during 2019/20, and approved by Audit and Member Standards Committee in November 2019.

A **Strategic Risk Register** is produced by assessing the risk factors that could potentially impact on the Council’s ability to deliver its Strategic Plan. Risks are judged on their likelihood of occurrence and their potential impact. The Strategic Risks are monitored by Members and Senior Officers and reported on three times a year to Audit and Member Standards Committee.

At 31 March 2021, **nine risks** were identified as having a potential impact on the ability to deliver the Strategic Plan:

- **SR1:** Pressures on the **availability of finance** may mean the Council is not able to deliver the key priorities of the strategic plan
- **SR2:** The **resilience of teams** to effectively respond to further serious disruption to services
- **SR3:** **Capacity and capability** to deliver/adapt the new Strategic Plan to the emerging landscape
- **Updated SR4:** Failure to meet **governance and/or statutory obligations** e.g. breach of the law
- **SR5:** Failure to adequately respond to the wider **socio-economic environment** over which the Council may have little control, but which may impact on the growth and prosperity of the local area
- **SR6:** Failure to **innovate and build** on positives/opportunities/learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions
- **SR7:** Threat to the Council’s **ICT systems** of a cyber-attack
- **New SR8:** Failure to safely, securely and legislatively compliantly deliver **the May 2021 elections**
- **New SR9:** Change in **Chief Executive**

The Council’s current **nine** strategic risks in terms of their current score for likelihood and impact are summarised below:

		SR9	SR1	SR2
			SR4	
likelihood		SR5, SR6	SR3, SR8	
		SR7		
		Impact		

The full Strategic Risk Register was reviewed by Audit and Member Standards Committee in April 2021.

The potential impact and the management of the four ‘red’ strategic risks are discussed further on the following pages.

NARRATIVE REPORT

SR1: Availability of Finance

Risk to the Council

The risk is influenced by:

- The spending review
- Local Government Finance Reform including New Homes Bonus, Business Rates and the Fair Funding Review
- The financial impact of the Covid-19 pandemic in the current year and beyond
- Other Government Policy announcements impacting on Local Government such as the Call for Evidence on Business Rates and Procurement Policy

Mitigation Controls

These include:

- Prudent estimates for Business Rates and New Homes Bonus based on modelling provided by Local Government Finance experts
- Risk assessed minimum level of reserves set at £1.6m
- Routine budget monitoring reported to Leadership Team, Cabinet and Strategic (OS) Committee
- Requirements of the new CIPFA Financial Management Code, information contained in the CIPFA Resilience Index and benchmarking reports from LG Futures
- In terms of the Covid-19 pandemic – introduction of enhanced monthly income monitoring and receipt of financial assistance from Government

Three Lines of Assurance

First Line

- Approved MTFs including the Capital Strategy covering five years plus a 25 year capital investment model
- A longer term financial plan covering a 25 year horizon for revenue budgets
- Approved Treasury Management Strategy
- Production of monthly budget reports to Managers
- The Procurement Strategy

Second Line

- Leadership Team review of three, six, eight and 12 month reports to Cabinet and Strategic Overview & Scrutiny Committee
- Mid-year and outturn Treasury Management reports to Audit and Member Standards Committee
- Initial assessment of the Council's level of compliance with the Financial Management code to Audit and Member Standards Committee
- CIPFA Resilience Index with comparative information to nearest statistical neighbours and all district councils
- Work of Cabinet and Leadership Team looking at options to address the Funding Gap

Third Line

- External Audit – going concern test, sign off of Financial Statements 2019/20, unqualified Value for Money assessment
- Internal Audits: Accountancy and Budgetary Control 2018/19 - substantial assurance; Capital Strategy 2020/21 – reasonable assurance; Capital Accounting 2020/21 – substantial assurance; Income Management 2020/21 – reasonable assurance; Procurement 2020/21 - limited assurance

NARRATIVE REPORT

SR2: Resilience of Teams

Risk to the Council

This risk includes multiple layer disruption arising from flooding, in addition to a local outbreak/subsequent waves of Covid-19 (including the increased risk of transmission of new variants), other pressures such as seasonal flu

Mitigation Controls

These include:

- Mutual aid assistance
- Local Resilience Forum (LRF)
- Tested business continuity arrangements in place
- Strong links with the Staffordshire CCU and wider LRF
- Actively engagement in ongoing LRF response and recovery work streams
- Experienced (from previous waves/national lockdowns re Covid-19) Leadership Team and supporting teams in place to respond
- Clear structure and plan in place for Covid-19 waves
- Ongoing dialogue with CCU re D20 'BREXIT' risks
- Strategic and tactical flood planning work across LRF, to assist in our response and the multi-agency response to such events. This includes identifying 'at risk' areas in the District and specific actions required

Three Lines of Assurance

First Line

- Day to day business continuity plans are in place
- Training programme

Second Line

- Annual Report to Leadership Team
- Testing and feedback by CCU of arrangements in place
- Response and learning from a recent incident in Lichfield
- Report on Recovery Plan and Climate Change to Overview & Scrutiny
- Internal Audits: Business Continuity 2019/20 – reasonable assurance; ICT Remote Working 2020/21 – reasonable assurance

Third Line

- Internal Audits: Business Continuity 2019/20 – reasonable assurance; ICT Remote Working 2020/21 – reasonable assurance
- Flash Internal Audit Covid-19 Risk Assurance: Business Continuity, Emergency Planning and Recovery 2020/21 – substantial assurance

NARRATIVE REPORT

SR4: Governance/Statutory Obligations

Risk to the Council

This risk covers:

- Health & Safety
- GDPR
- Procurement
- Safeguarding
- Lack of openness/transparency in decision making
- Breach of the Constitution
- Failure to comply could lead to fines as well as reputational damage.

Mitigation Controls

These include:

- Regularly reviewed Constitution, policies and procedures
- Meta compliance policy training, testing and acceptance systems
- Training and awareness for all staff and Members
- Effective Overview and Scrutiny and Audit & Member Standards Committee oversight
- Codes of Conduct
- Internal Audit
- Roles of Section 151 Officer and Monitoring Officer
- Shared legal services
- New procurement team
- New Governance Team with additional capacity

Three Lines of Assurance

First Line

- Day to day processes and Local Code of Governance
- Forward plans/committee work plans/ Delivery Plan and service planning
- Use of Mod Gov and publication scheme

Second Line

- Annual reports to Audit and Member Standards Committee
- Regular reports to Leadership Team
- Transparency data publication

Third Line

- RIPA, ICO and Ombudsman reports/returns
- External audit of Annual Governance Statement as part of the Financial Statements
- Internal Audits: Ethics 2019/20 - adequate assurance; Health and Safety 2019/20 - adequate assurance; GDPR follow up 2019/20 - limited assurance; Transparency Code follow up 2019/20 - reasonable assurance; Safeguarding including Modern Slavery 2019/20 - reasonable assurance; Committee Reporting 2019/20 - substantial assurance; Legal Compliance (shared service agreement) 2019/20 - reasonable assurance; Equalities 2019/20 - substantial assurance; Management of Property (LA Trading Company) 2020/21 - substantial assurance; Procurement 2020/21 - limited assurance
- External investigations and lessons learnt exercises to address internal control weaknesses

NARRATIVE REPORT

SR9: Change in Chief Executive

Risk to the Council

This is the risk that the Council's strategic leadership is compromised by the change in Chief Executive, including the potential loss of corporate knowledge.

Mitigation Controls

These include:

- As at 31 March 2021, an interim appointment was underway
- Recruitment activity progressed urgently
- Relevant documents will be left for the incoming Chief Executive
- Contingency plan for failure to recruit or delay in new incumbent taking up post

Three Lines of Assurance

First Line

- Leadership Team involvement in the recruitment process

Second Line

- Monitoring Officer and Section 151 Officer, Cabinet and Full Council

Third Line

- External Audit, including Value for Money assessment

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 2021. 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 2020/21, 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)

ANNUAL GOVERNANCE STATEMENT

Section 1	Scope of Responsibility
Section 2	Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Annual Review of the Effectiveness of the Governance Framework
Section 5	Update on Significant Governance Issues 2019/20
Section 6	Reflecting the Challenges from Coronavirus

Section 1: Scope of Responsibility

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 Code was circulated and agreed by Audit and Member Standards Committee in May 2020.

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 2021 and up to the date of approval of the Statement of Accounts.

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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

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

The Council’s Monitoring Officer reports any complaints and their outcomes to the Audit and Member Standards Committee.

The Council has adopted arrangements under which allegations of misconduct are investigated and under which decisions on allegations can be made. They arrangements are regularly reviewed, and any amendments made by the Council are reflected in the Council’s Constitution. The number of complaints in 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend
Member Complaints		3	3	➔

The relatively low number of complaints regarding behaviour demonstrates that the standards are understood and adhered to. Of the three, one was resolved by other action and the other two, following initial investigation, were resolved informally

Communication on standards of behaviour is also facilitated through the Council’s Employee Liaison Group, with regular meetings with representatives of employees through which we have built sound management-employee relationships.

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

Communicating the expected standards to employees is undertaken through leading by example by managers from the top (which is a specific requirement in the job description of the Chief Executive and Heads of Service), a competency framework, reinforced through 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 in February 2017, Full Council in 21 February 2017 and updated in February 2018. 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 Code is supported and reinforced by our three core organisational values that all our staff and Members work towards. These are:

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

They have been embedded into the Strategic Plan 2020-24 that took effect from 1 April 2020 (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 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
- Performance Management Policy and Procedure
- Managing Relationships at Work Policy.

In August 2019, the Council agreed a People Strategy and Competency Framework to underpin and support its Strategic Plan over the next four years. The People Strategy sets out how the Council as a business plans to attract, engage, empower and reward its staff so that it will continually have a workforce that can successfully deliver its ambitions, meet new challenges and drive opportunities to enable business growth. Its aim is to ensure that the Council has a skilled and aligned workforce which is crucial to delivering its priorities, objectives and the Strategic Plan.

The Strategy will be regularly reviewed to ensure that it remains 'fit for purpose', and that the priorities it sets out are the right ones for the Council, its employees and most importantly the people of Lichfield District. As part of the People Strategy, the Council has developed a Workforce Development Plan. Workforce Planning is about:

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

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

Within the People Strategy the Council has also adopted an Employee Wellbeing Policy that demonstrates the Council's commitment to supporting staff and the types of support that are available. There is, in addition, a Mental Health Action Plan to support our employees' ability to 'thrive' at work. It has also been raising awareness of mental health issues for all employees and providing training sessions and resources for managers to undertake 'wellness action plan' discussions with all staff, training sessions for staff to help build resilience and creating a team of mental health first aiders. These roles have proved invaluable during the pandemic in supporting our workforce.

Throughout the pandemic we have continued to review our approach and the support available to staff and managers in dealing with the sudden shift to home working for office based staff.

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In November 2020, Internal Audit carried out a review of the sufficiency and adequacy of controls in place to mitigate against key risks to our operations arising from the pandemic relating to staff wellbeing. The audit covered the time period April 2020 to October 2020. The overall result of the audit was Substantial Assurance and this was reported to Audit and Member Standards Committee.

The Council continues to work to ensure that all its policies around managing attendance, behaviour and respect support its aims to promote a positive culture for wellbeing.

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

Under the 2015 Care Act, the Council has a legal responsibility to safeguard, promote well-being and protect children and vulnerable adults. The Authority has a Safeguarding Policy which sets out specific responsibilities and how to spot potential abuse and report concerns. In addition, each Service Area has a safeguarding lead, and training and awareness sessions are carried out for all staff, not just those who come into contact with children and vulnerable adults as part of their role.

The number of referrals in 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend
	Concerns Raised	19	13	↓
	<i>Related to:</i>			
	<i>Children</i>	4	2	↓
	<i>Adults</i>	15	11	↓
	Formal Referrals	5	5	→

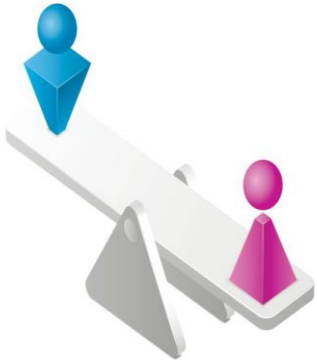
The reduction in concerns raised reflects the reduced contact with children during the lockdown. However it is recognised that once lockdown ends there may be an increase in concerns being raised and the need to make more referrals.

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 2021 and can be found on the Council's website.

The Council has an Equality and Diversity Policy which was approved by Full Council in 2018. There is also a 'handy' guide on the Council's intranet to help both Members and officers to understand equality, diversity and inclusion and how these apply in the workplace.

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The Council publishes a gender pay gap report in line with a new legal requirement for all public sector bodies. This report shows the difference between the average earnings of men and women expressed as a percentage of men’s earnings. Used to its full potential, gender pay gap reporting may identify the levels of equality in the workplace, female and male participation, and how effectively talent is being maximised. The gender pay gap figures for 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend	
	Gender Pay Gap (Mean)				
	Lichfield	5.62%	2.15%	↓	
	National	12.00%	N/a		
	Gender Pay Gap (Median)				
	Lichfield	0%	-3.94%	↓	
National	9.70%	N/a			

The National figures are taken from the base data on the ‘.gov.uk’ website. For 2020/21, as a result of Covid-19, these will not be available until October 2021

The reduction shows at the Council of women are paid more than men. Some of this is due to the reduced number of casuals we have used as a result of the Coronavirus pandemic. These have previously skewed the figures compared to the salaried staff.

The level of the gap in previous years is because a significant number of our female staff are working part time, resulting in lower pay overall. However full time female staff are paid on average more per hour than their male full time counterparts. In addition, the waste service traditionally attracts a larger percentage of male employees, hence we employ a higher number of men in the middle quartile displacing more women in the lower and lower middle quartiles which otherwise would have been balanced. Possible routes to encourage more recruitment to employ more female staff in this service have been considered to even out the gender mix in our workforce. However, this is a traditionally male dominated profession due to the hours and conditions of work. Gender Pay Gap reporting supports our equal pay framework and provides a litmus of areas that may need further investigation in our workforce.

We have a legal duty as a first responder to participate and actively play a role in the response to and recovery from any emergency situation that impacts on the District and its community. This includes having in place a number of response and recovery plans, business continuity plans, and a requirement to participate in the collective activities that are sponsored on behalf of our Local resilience Forum, by the Civil Contingencies Unit (CCU), a body which is funded and owned by the members, such as Lichfield District Council. If there is an incident the local council concerned will work with the CCU to determine if partners need to be involved and whether an emergency should be declared and the requisite structures put in place.

In March 2020, these measures were put in place for the management of the Covid-19 pandemic. The group, known as the Strategic Coordinating group (SCG), was established to implement an effective response to Covid-19 in Staffordshire. At the same time, a Tactical Coordinating Group (or local response and recovery group) was established within Lichfield District Council. The SCG together with its tactical support groups has worked and continues to work together to prioritise the continued delivery of essential services in order to support our communities, businesses, staff, elected members and other key stakeholders. It will also manage the ongoing response to preserve life, minimise disruption to communities, businesses and services and inspire trust and confidence of all.

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Locally, a number of initiatives have been taking including provision of a shopping service, information, support and enforcement work with businesses, support to open up the economy when we have not been in lockdown, payment of grants to businesses through a number of statutory and discretionary schemes, and support to those that are self-isolating. Monitoring of infection rates, testing and vaccination programmes and joint working on all other initiatives have been required.

In addition, another cross county SCG was established to manage the potential impact of departure from the European Union and a more local group was established to manage the response and recovery to a fire at Ridware House in Lichfield where 20 families were evacuated and had to be rehomed for three weeks.

B Ensuring Openness and Comprehensive Stakeholder Engagement

The Council is part of a number of external partnerships which provide support to its strategic agenda. These include the Stoke and Staffordshire and the Greater Birmingham and Solihull Local Enterprise Partnerships (LEP), county and regional waste partnerships, and housing and community safety partnerships.

A national review of LEP did recommend that councils should only be members of one LEP. This issue has not yet been resolved, having been overtaken by Covid-19 recovery activity, and we still await further guidance. Until we are told otherwise we feel, given the economic geography of the District, that it is most beneficial for our community and businesses that we remain in both LEPs. This will enable us to maximise the economic growth in our District, which will be even more key following the economic impact of Covid-19.

Since 2019/20 we have also been a part of the Staffordshire and Stoke on Trent Business Rate Pool.

We are committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for our District. We also work closely and support the voluntary, business and community sectors, to maximise the huge contribution they make to the quality of life of local communities and residents.

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 2020/21, the Council appointed Max Associates to produce a Sport England Strategic Outcomes Planning Model and a strategic options appraisal to develop a clear approach to the future provision of effective and sustainable physical activity and sports opportunities for the District. The research undertaken by Max Associates was to understand the sport and active recreation needs of Lichfield District and its residents. #

The work followed a clear process set out in Sport England's Strategic Outcomes Planning Guidance (SOPG), which seeks to engage with local communities to understand barriers to participation and opportunities for behaviour change. The research was community focused, delivering **500** face-to-face interviews and an online survey garnering **386** responses. In-depth focus groups were also held with **4** cohorts who frequently struggle to access recreational opportunities: inactive adults, people with disabilities, young people and older adults.

Whilst the online survey could be accessed by groups and clubs as well as individuals, consultation with organised sport focused on National Governing Bodies of Sport (NGBs). The initial NGB consultation took place during the first national lockdown and as such the response was disappointing and is currently being re-run.

Consultation also took place during 2020/21 on the Council's draft events and festivals policy and procedure, and associated draft guide to organising an event in Lichfield District. Both documents were created to facilitate the continued delivery of high quality, well run events and festivals in the District, to ensure that these are well managed, add to the economic growth of the District and are enjoyable for all.

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The Council undertook a Budget Consultation exercise between 22 October 2020 and 31 December 2020. The questionnaire was accessible on-line through the Council's website and promoted through the media and social media. The budget consultation was also promoted in the printed LDC news magazine distributed to **44,000** homes in November 2020 and through a newly launched e-news that was sent to **6,000** subscribers. **150** responses were received.

The Council also consults with its Members. For example, in November 2020, Strategic Overview and Scrutiny created a Task Group to review committee structures and make recommendations for improvements. Strategic Overview and Scrutiny accepted the findings in January 2021, and Cabinet will review the proposals in early April for Council to then consider.

In addition, the Council consulted with its officers during 2020/21 via its home working survey that took place in May 2020. The responses provided a wealth of information, including about the numbers happily working at home, how productive they were, about their workspace and their feelings of their work home balance.

The Council carried out further consultation with its officers via its Wellbeing survey that took place in July 2020. This survey focussed on the impact of the Covid-19 pandemic on the workforce and their families. This gave a good insight as to how some of the staff were feeling and the sort of support needed going forward. A response plan was then developed with the support of the internal Health and Wellbeing Group and this was communicated to all staff.

The Council endeavours to be open and transparent about its decisions. To ensure maximum transparency, reports containing confidential information are split into confidential and non-confidential sections.

However, the Council also needs to ensure that it gets the balance right between transparency and maintaining appropriate levels of confidentiality. A report on the Rules of Confidentiality was approved by Audit and Member Standards Committee in November 2019. This outlined the Council's legal obligations in ensuring that what must, or ought to, remain private is kept private, and what must be disclosed. It also outlined the approach to determining whether information should be kept private.

The Council maintains a website for customers. In May 2019, a more modern version was launched that works from the same software package as our digital forms to make it easier to manage the digital platforms and interactions with customers.

The Council 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 Staffordshire Building Control.

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.

The Council distributed its printed LDC News publication in November 2020 and in January 2021 launched a monthly e-news version. It also has several other newsletters, for example, for the Historic Parks, available to communicate news to stakeholders.

With its commitment to being open and transparent the Council has increased the amount of data that is made available publicly so that residents are able to hold us to account better. This data has been published under the INSPIRE and Transparency regulations.

The Council uses 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

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

The Council has signed up to the local digital declaration, which provides us with access to national projects and support and will ensure that we:

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


Data protection laws were strengthened in May 2018 with the introduction of the General Data Protection Regulations (GDPR) which replaced and built on the principles contained in the 1998 Data Protection Act.

Following awareness being raised by the Audit and Member Standards Committee, particular focus was given to ensure that the Council complies with GDPR. Various work streams have been completed by the ICT team including: reviewing and auditing current practice; checking consents and privacy notices; reviewing contractual terms with suppliers; meeting with all officers who process personal data to undertake an information audit; creating a policy for GDPR; updating subject access requests procedures; training staff. This has seen a success of the internal control mechanisms to support effective governance as the issue was identified, taken seriously and resolved as soon as was practicable.

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 provide advice in relation to the law. The Governance Director at South Staffordshire District Council acts as this Council's DPO, working closely with Lichfield's Head of Governance and Performance, who is the Council's Senior Information Risk Owner (SIRO).

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. Members are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee.

The number of complaints and compliments for 2020/21 compared with 2019/20 are shown below:

	Area	2019/20	2020/21	Trend
Complaints	77	60	↓	
Compliments	113	152	↑	
Ombudsman Complaints	5	4	↓	
Ombudsman Complaints Upheld	1	0	↓	
Whistleblowing Reports	0	0	→	

Members are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee.

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

Lichfield District Council has a clear vision in the form of the Strategic Plan 2020-24 which was produced following extensive consultation and review by Member, staff, stakeholder and resident focus groups.

The Strategic Plan 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 key priority outcomes that the Plan aims to achieve are:

- **Enabling people** - to help themselves and others; to collaborate and engage with us; to live healthy and active lives
- **Shaping place** - to keep it clean, green and safe; to protect our most valuable assets; to make sure sustainability and infrastructure needs are balanced
- **Developing prosperity** – to encourage growth; to enhance the District for visitors; to invest in the future
- **A good Council** – that is financially sound, transparent and accountable; is innovative and customer focussed; has respect for everyone.

This Strategic Plan was approved by Full Council on 18 February 2020, and came into operation on 1 April 2020. It can be found on the Council's website.

Leadership Team and Cabinet have identified the top priority issues that needed to be addressed to ensure these are achieved over the next 12 - 18 months. These priorities have formed the basis of the Delivery Plan for 2020/21 and the annual Service Plans. The Delivery Plan captures the performance the Council has delivered so far against the aspirations set out in the Strategic Plan, then maps out the activity that will take place over the period 2020-24.

Actions are mapped directly back to commitments and aspirations in each of the Council's priorities in the Strategic Plan. They are also linked to each Head of Service and team service plans in addition to individual staff members' PDR targets.

Officers responsible for the Delivery Plan and Service Plan actions update the Pentana system to ensure that the latest performance on each individual action is registered in a central location, ensuring that the Council's officers and Members can access real-time performance monitoring.

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

Performance reporting takes place in line with reporting on the Council's Medium Term Financial Strategy to allow informed discussions around the impact of budgetary pressures on performance to take place.

The Council has a Local Plan that covers the period 2008-29, that seeks to encourage sustainable development within the Lichfield District area, and includes policies on a number of key themes, including sustainable communities, infrastructure, homes for the future, economic development and enterprise, and healthy and safe communities. The Plan will therefore help to make sure the District is developed in the right way, including building the right number and types of houses, developing the right kind of shopping and recreational facilities, getting the right office and industrial spaces, creating opportunities for local jobs to be nurtured and protecting our wildlife, landscapes and heritage.

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Progress reports on the implementation of the Local Plan are presented to Overview and Scrutiny Committee in addition to Cabinet.

The Planning and Compulsory Purchase Act 2004 introduced the requirement for local planning authorities to prepare and maintain a Local Development Scheme (LDS). The LDS is a project plan that sets out a timetable for the production of a new or revised Development Plan Documents (such as the Local Plan and any other supporting documents, such as supplementary planning documents) by the publishing council.

The Council updated its LDS in July 2020 to identify a revised timetable for preparing the Local Plan that shapes how the District will be developed up to 2040 (to be adopted in February 2022). This updated version was considered by Economic Growth, Environment and Development (Overview and Scrutiny) Committee in March 2020 and approved by Cabinet in May 2020.

From December 2020, authorities are required to prepare and publish an Infrastructure Funding Statement (IFS) covering the previous reporting year. These statements will explain how the spending of any forecasted income from both CIL and Section 106 planning obligations over a five year period will be prioritised. The District Council published its first IFS in December 2020 which covered the 2019/20 reporting year.

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 2020/21, as a result of the Covid-19 pandemic, no Neighbourhood Plan referendums were able to take place.

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

The Strategic Plan 2020-24 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 2020/21 is the MTFS 2019-24. This was approved by Cabinet and Full Council in February 2020.

The Revised Budget for 2020/21 was approved by Full Council in February 2021 as part of the MTFS for 2020/21.

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

Lichfield District Council has a statutory duty to set a balanced budget in the first year of the five year MTFS, and to set out proposals to balance the further financial years 2021-24. The Chief Finance Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. The Council is also required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

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

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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.

As a result of these ongoing changes, the Council has implemented plans and strategies to manage these financial risks, for example the Fit for the Future Programme introduced in May 2013 and which ran until 2020. This transformation programme has been used 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. It has also supported the delivery of the outcomes described within the Strategic Plan 2016-20 and helped to prepare for the 2020-24 Strategic Plan.


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

The Council has a Constitution which can be found on our website. This sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution went through a thorough review during 2017/18 in order to reflect recent changes in legislation and also to make it easier to navigate. As a result an updated Constitution was approved by Full Council in May 2018.

The document 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. 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 Legal and Regulatory submitting recommendations to Full Council.

The Council has a training plan for Members which is developed and monitored by the Employment Committee. The number of training events during 2020/21 compared with 2019/20 is shown below:

	Area	2019/20	2020/21	Trend
	Member Training Events	15	6	↓

The areas covered included safeguarding, planning enforcement, Code of Conduct and governance, the local plan, press and social media, and equality and diversity. The pressures of Covid-19 contributed to fewer sessions during 2020/21, although there would normally only be around 8 or so training sessions in a normal Council year.


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In 2019/20, training included the induction of all new members and committees that would only be held once per Council term, making this year's figures exceptionally high. Member training has become a key issue as a result of the review of committees, which highlighted the importance of having informed and well-trained members and chairs. Future reports will examine the impact of training on member performance and this will be captured after each training session going forward.

The Chief Executive and Heads of Service are set their performance targets annually. These are based on the delivery of the Delivery Plan and the business risks anticipated for the year. Senior politicians appraise the Chief Executive's performance against these targets and the Chief Executive appraises the Heads of Service.

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 2020/21 remained fairly consistent with the previous year.

The figures are shown below:

	Area	2019/20	2020/21	Trend
	Performance Development Reviews (September)	12.4%	18.12%	↑
	Performance Development Reviews (March)	52.0%	55.98%	↑

There was a slight increase in completed PDRs compared with 2019/20. However, the numbers still remain lower than the Council would like, and for 2020/21 can be explained partly by the impact of Covid-19, together with the issues faced in 2020/21, which included resourcing gaps as a result of illness and vacant posts in senior roles and management positions.

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 and equalities.

The Council has recently invested in a programme of training for all its managers and which will be delivered by West Midlands Employers in the coming months. All managers are expected to attend one of the sessions and there will be four cohorts, the first cohort beginning in March 2020 and the programme running throughout 2020/21. There are eight modules including communication, motivation of self and others and leadership in a virtual world, linking closely to our competencies.

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 weekly emails from the Chief Executive and Leadership team as well as regular Managers' Briefings which is designed to feed out key messages to individual team meetings.

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

The Council has a Risk Management Policy and managers are trained in the assessment, management and monitoring of risks. This Policy was reviewed and refreshed during 2019/20, and approved by Audit and Member Standards Committee in November 2019.

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The Strategic Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Plan. Risks are judged on their likelihood of occurrence and their potential impact. These are monitored by Members and Senior Officers and reported on three times a year to Audit and Member Standards Committee.

There are currently seven risks that have been identified as having a potential impact on the ability to deliver the Strategic Plan. Of these risks, two have been identified as significant and are currently outside of the Council's risk appetite: the resilience of teams to effectively respond to further serious disruption to services (following the pandemic) and pressures on the availability of finance. The Council is continually working to mitigate and reduce these risks, accepting that much of the cause is outside of the Council's direct control.

All reports requiring a decision include a risk assessment section.

The Council continues to manage and monitor the effectiveness of its health, safety and insurance management system. Each year, 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.

The Council has an 'Acceptable Use Policy' for IT (adopted during 2018/19). Its purpose is to ensure that all computer systems and networks owned or managed by the Council are updated in an effective, safe, ethical and lawful manner, and it is the responsibility of every computer user to know these requirements and to comply with them. The Policy applies to every person authorised to access the Council's IT equipment, systems or networks.

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.

Both are currently being reviewed and updated. They will be approved by Audit and Member Standards Committee and Full Council in due course. A copy of both documents as they currently stand can be found within the Constitution.

The Head of Finance and Procurement is designated as the Chief Financial 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. The Chief Financial Officer is:

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

During 2020/21, the Chief Financial Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

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Maintenance of an effective system of both internal and more detailed financial control is the agreed responsibility of 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 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 produced at three, six and eight months and are reviewed by Leadership Team and reported to Overview and Scrutiny, Cabinet and Full Council.

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Financial Management Code is to be applied from 1 April 2020, with the first year, 2020/21, being a shadow year where local authorities should be able to demonstrate they are working towards full implementation for the first full year of compliance in 2021/22.

The Council took a report on the Financial Management Code to Leadership Team and then to Audit and Member Standards Committee in November 2020. This report included an appendix detailing CFO's assessed level of compliance with the Code at October 2020. This assessment did not highlight any areas of concern.

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 2020/21 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.

During 2020/21, the Audit and Member Standards Committee approved the Counter Fraud Framework.

Over the last couple of years changes have been made to the way our Overview and Scrutiny function operates. Examples of these changes include the greater use of briefing papers and lighter agendas. Various Task and Finish Groups with commencement dates throughout the year have also been established (see earlier comments in Section B). 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. These structures have been subject to a review following a member task group set up in late 2020 and further changes are proposed to bring in a single Overview and Scrutiny Committee in 2021 if approved by Council.

During 2020/21, the Council appointed its own Procurement Team having previously bought in to services from other councils. A procurement Strategy has since been produced and approved by Cabinet.

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

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 2020/21, 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 Shared Head of Audit based on the Public Sector Internal Audit Standards and using feedback from Heads of Service, the Section 151 Officer, Managers and External Audit.

The review of Internal Audit for 2020/21 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 Shared Head of Audit 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 2020/21.

Section 4: Annual Review of the Effectiveness of the Governance Framework

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

The review is informed by:

- The views of Internal Audit, reported to Audit and Member Standards Committee through regular progress reports, and the Annual Internal Audit Opinion
- An annual review, carried out by the Audit Manager, of the effectiveness of Internal Audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2015)
- The views of our External Auditors, regularly reported to Audit and Member Standards Committee through regular progress reports, the Annual Audit Letter, the Informing the Audit Risk Assessment document, the Audit Findings Report and the Audit Plan
- The views of the Head of Paid Service (Chief Executive), Monitoring Officer, Section 151 Officer
- The activities and operations of Council Service Areas whose Heads provide written assurance statements using an Internal Control Checklist
- The views of Members (Chairmen and Vice Chairmen and Leader of the Minority Group) using a Members' Questionnaire
- The Risk Management Process, particularly the Corporate Risk Register
- Performance information reported to Cabinet, Council and Overview and Scrutiny Committees

Conclusion of the Review

For 2020/21 one significant weaknesses in Governance or Internal Control was highlighted in relation to the proposed disposal of an area of Public Open Space. An independent investigation has been commissioned and the findings and proposed actions to address any control weaknesses will be reported to the Audit and Member Standards Committee.

With the exception of the issue above, we consider the Governance Framework and Internal Control environment operating during 2020/21 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 2020/21 no additional significant weaknesses in Governance or Internal Control were highlighted.

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Section 5: Update on Significant Governance Issues 2019/20

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 2019/20.

Section 6: Reflecting the Challenges from COVID-19

This section considers the impact of Covid-19 on and a second conclusion on the adequacy of governance arrangements during this period will be included to make clear the impact.

The impact on governance can be seen under the following broad categories:

Impact on business as usual in the delivery of services

Social distancing measures have had a significant impact on the Council's governance arrangements. MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public.

The Council, therefore, put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation. Since May 2020, all of our Council meetings have been broadcast live and then made available on our YouTube Channel. Overall attendance at meetings is higher via zoom which enables members to balance their role with other responsibilities.

Mobile and flexible working has now become business as usual for many of our staff. This transition was achieved relatively early on during the first lockdown where all staff who could work from home were equipped to do so within the first few weeks.

To keep staff and residents safe, our reception area has not been reopened to the general public yet. All key services have remained available through a variety of other channels. Where essential, home visits and business inspections are still carried out under Covid-19 secure protocols.

For our customers we have worked hard to ensure they feel comfortable in using the new ways of accessing our services and website. Dedicated webpages have been developed and continue to be updated with relevant information to support residents and businesses throughout the pandemic.

Since March 2020, messages have been issued by the Chief Executive and Leadership Team, sometimes on a daily basis, to ensure all staff and Members have the most up to date information to pass on to residents and stakeholders. Over the pandemic period, Managers Briefings (our internal staff cascade) have continued via zoom.

The Council has also ensured that the local residents are regularly updated and kept informed. Social media output/impact has increased significantly since the start of the first lockdown highlighting both the increase in output from the Council and the demand from the local community for on-going information about local and national developments.

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Areas of activity as part of the national response to coronavirus and any governance issues arising

Over the last nine months the Council's housing team has worked closely with accommodation providers in both the social and private housing sectors, to ensure that we had sufficient capacity to accommodate anyone who needed assistance with accommodation.

Since the start of the first lockdown in March 2020, the Council has worked closely with the Voluntary and Community Sector to identify community support needs and how these can be met. The Council has also shared good practice and learning and participated in a Digital Engagement - Celebrating Successes and Learning event where organisations shared what they have been doing to adapt their service offer and make good use of digital options.

Covid-19 regulatory advice to businesses has been dealt with by Environmental Health, with pressure being brought to bear on traditional work streams. Covid-19 enforcement work has also been undertaken, protecting the public and ensuring a more level playing field for all businesses affected by the pandemic.

Maintaining front line services has been a focus for Operational Services. The Joint Waste Service was able to continue to deliver a complete service across both Lichfield and Tamworth, throughout 2020. It was one of fewer than **10%** of collection authorities able to continue the collection of refuse, recycling, garden waste and bulky waste, along with the delivery of new bins.

The funding and logistical consequences of delivering the local government response

The ongoing Covid-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary, expenditure and reduced income from fees and charges, Council Tax and Business Rates.

The impact varies by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on how quickly the national and local economies return to normal levels of activity.

To offset the additional financial pressures being faced by Local Government, the Government has provided the following support:

- **Additional grant funding** - funding has been provided in five tranches during 2019/20, 2020/21 and 2021/22
- **Sales, fees and charges scheme** - compensation for reductions in income in 2020/21 and the first three months of 2021/22
- **Council Tax and Business Rates Losses** - to fund 75% of irrecoverable losses in council tax and business rates
- **Local Council Tax Support Grant** - a new grant for 2021/22 to compensate authorities for the expected additional cost of Local Council Tax Support schemes in 2021/22
- **National Leisure Recovery Scheme** - to support leisure facilities

It is unclear at this stage whether this funding will be sufficient to offset all of the financial pressures and Local Government continues to lobby for further funding to be made available.

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Assessment of the longer term disruption and consequences arising from the coronavirus pandemic

It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and potentially into the future.

The Covid-19 crisis is likely to be long-lasting and far reaching, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.

This means that the assumptions underlying later years in the MTFS will almost certainly need to change, making the 'funding gap' for 2021/22 and beyond larger.

Some Positive Outcomes for the Council

The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further developed in the future to adapt and deliver change across the Council and its communities
- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely
- The pandemic has highlighted the current position in regards to the resilience and integrity of our ICT infrastructure, whilst also demonstrating areas for future attention in order to optimise the new normal
- It has shown the need for a modern office design, providing the catalyst to make changes which people are accepting of, without the normal change curve and inherent tensions

Once the crisis is over, the Council will conduct a review of the lessons to be learned from its response. If this takes place before the Annual Governance Statement is approved, its findings will be included within the Statement.

Simon Fletcher
Chief Executive

Councillor Douglas Pullen
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.

2019/20						2020/21				
Narrative Report	Presentation and Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the CIES		Narrative Report	Presentation and Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the CIES
5,900	783	6,683	606	7,289	A Good Council	6,359	(120)	6,239	(637)	5,602
(879)	511	(368)	1,510	1,142	Developing Prosperity	(719)	136	(583)	3,925	3,342
2,843	225	3,068	(456)	2,612	Shaping Place	3,159	(348)	2,811	(407)	2,404
1,628	(179)	1,449	540	1,989	Enabling People	1,568	216	1,784	303	2,087
0	(25)	(25)	37	12	COVID-19	1,403	(1,324)	79	1,277	1,356
0	0	0	0	0	COVID Community Support	(4)	(688)	(692)	288	(404)
9,492	1,315	10,807	2,237	13,044	Cost of Services	11,765	(2,128)	9,638	4,749	14,387
(9,492)	(2,997)	(12,489)	140	(12,349)	Other Income and Expenditure	(11,765)	(6,552)	(18,317)	3,024	(15,293)
0	(1,682)	(1,682)	2,377	695	(Surplus) or deficit on Provision of Services (cash flow)	0	(8,680)	(8,679)	7,773	(906)
		(15,701)			Opening General Fund			(17,383)		
		(1,682)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year			(8,679)		
		(17,383)			Closing General Fund			(26,062)		

31 March 2020		31 March 2021
£000		£000
6,392	General Fund Balance	6,714
10,991	Earmarked Reserves Balance	19,348
17,383	Total	26,062

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.

2019/20 ⁴				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,112	(823)	7,289	A Good Council	6,605	(1,003)	5,602
6,342	(5,200)	1,142	Developing Prosperity	7,477	(4,135)	3,342
24,456	(21,844)	2,612	Shaping Place	22,761	(20,357)	2,404
3,124	(1,135)	1,989	Enabling People	3,226	(1,139)	2,087
12	0	12	COVID-19	1,403	(47)	1,356
0	0	0	COVID Community Support	3,573	(3,977)	(404)
42,046	(29,002)	13,044	Cost of Services	45,045	(30,658)	14,387
2,095	(1,011)	1,084	Other Operating Expenditure (note 9)	1,999	(449)	1,550
2,676	(879)	1,797	Financing and Investment Income and Expenditure (note 10)	468	(740)	(272)
11,445	(26,675)	(15,230)	Taxation and Non-Specific Grant Income (note 11)	11,701	(25,500)	(13,799)
0	0	0	COVID-19 Non-Specific Government Funding (Note 45)	0	(2,772)	(2,772)
58,262	(57,567)	695	(Surplus) or deficit on Provision of Services (cash flow)	59,213	(60,119)	(906)
		(390)	(Surplus) or deficit on revaluation of non-current assets			(947)
		(13,000)	Re-measurement of the net defined benefit liability			10,291
		(13,390)	Other Comprehensive Income and Expenditure			9,344
		(12,695)	Total Comprehensive Income and Expenditure			8,438

⁴ The title of the categories under Cost of Services changed marginally in 2020/2. The impact on 2019/20 was immaterial so the figures have not been restated.

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 2019	15,700	2,264	2,194	20,158	(157)	20,001
Total Comprehensive Income and Expenditure	(695)	0	0	(695)	13,390	12,695
Adjustments between accounting basis and funding basis	2,378	657	744	3,779	(3,779)	0
Increase/(Decrease) in Year	1,683	657	744	3,084	9,611	12,695
Balance at 31 March 2020	17,383	2,921	2,938	23,242	9,454	32,696

	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 2020	17,383	2,921	2,938	23,242	9,454	32,696
Total Comprehensive Income and Expenditure	906	0	0	906	(9,344)	(8,438)
Adjustments between accounting basis and funding basis	7,773	186	680	8,639	(8,639)	0
Increase/(Decrease) in Year	8,679	186	680	9,545	(17,983)	(8,438)
Balance at 31 March 2021	26,062	3,107	3,618	32,787	(8,529)	24,258

31 March 2020 £000		31 March 2021 £000
6,392	General Fund Balance	6,714
10,991	Earmarked Reserves Balance	19,348
17,383	Total	26,062

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'.

2019/20 £000		Notes	2020/21 £000
41,434	Property, Plant & Equipment	12	40,142
425	Heritage Assets	13	425
4,075	Investment Property	14	3,948
66	Intangible Assets		60
0	Investment in Associates and Joint Ventures	44	225
5,456	Long Term Investments	15	7,959
141	Long Term Debtors	15	165
51,597	Long Term Assets		52,924
35	Inventories		39
5,130	Short Term Debtors	16	9,736
16,082	Short Term Investments	15	16,051
13,199	Cash and Cash Equivalents	17	14,071
34,446	Current Assets		39,897
(193)	Short Term Borrowing	15	(196)
(13,850)	Short Term Creditors	19	(19,006)
(295)	Short Term Provisions	20	(942)
(550)	Short Term Liabilities: Finance Leases	37	(566)
(1,077)	Capital Grants Receipts in Advance	34	(1,748)
(15,965)	Current Liabilities		(22,458)
(2,255)	Long Term Borrowing	15	(2,060)
(52)	Long Term Creditors	15	(35)
(1,046)	Long Term Provisions	20	(1,788)
(592)	Long Term Liabilities: Finance Leases	37	(40)
(32,718)	Long Term Liabilities: Defined Benefit Pension	39	(41,554)
(719)	Capital Grants Receipts in Advance (LT)	34	(628)
(37,382)	Long Term Liabilities		(46,105)
32,696	Net Assets		24,258
23,242	Usable Reserves	21	32,787
9,454	Unusable Reserves	22	(8,529)
32,696	Total Reserves		24,258

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. Lessors) to the Council.

2019/20 £000		2020/21 £000
(695)	Net surplus or (deficit) on the provision of services	906
10,371	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements (Note 23)	4,510
(6,250)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities (Note 24)	5,083
3,426	Net cash flows from Operating Activities	10,499
2,445	Investing Activities (Note 25)	(442)
2,522	Financing Activities (Note 26)	(9,185)
8,393	Net increase or (decrease) in cash and cash equivalents	872
4,806	Cash and cash equivalents at the beginning of the reporting period	13,199
13,199	Cash and cash equivalents at the end of the reporting period (Note 17)	14,071

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NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21 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 property, plant and equipment 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 assets attributable to the service.

NOTES TO THE ACCOUNTS

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 2020/21 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 2021. 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.

NOTES TO THE ACCOUNTS

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 (e.g. 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, e.g. 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 i.e. 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:

NOTES TO THE ACCOUNTS

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), i.e. 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.

NOTES TO THE ACCOUNTS

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

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

NOTES TO THE ACCOUNTS

and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

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

The Code allows for three classes of financial assets:

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

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

Financial Assets Measured at Amortised Cost

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

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

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

Financial Assets at Fair Value through Other Comprehensive Income

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

NOTES TO THE ACCOUNTS

On de-recognition, the associated balance in the Financial Instruments Revaluation Reserve FIRR representing the accumulated fair values gain or loss is recycled to Finance Income and Expenditure.

Financial Assets at Fair Value through Profit and Loss

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

On de-recognition, the financial asset is derecognised with any surplus or deficit recognised financing and investment income in the CIES. A statutory mitigation is in place until 2023/24 so that unrealised gains and losses on pooled investment funds are taken to the Pooled Investment Fund Adjustment Account instead of the General Fund and so have no impact on revenue resources available to fund service expenditure.

Impairment

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

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12 month expected credit losses.

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

Government Grants and Contributions

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

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

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

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

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

NOTES TO THE ACCOUNTS

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 Valuer's and with reference to the appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Other Items:

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

Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets e.g. where an item has suffered physical deterioration or breakage or where doubts arise over its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see page 108 (Impairment) and pages 81 to 84 (Property, Plant and Equipment) in this Summary of Accounting Policies. Any disposals are accounted for in accordance with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see pages 81 to 84 (Property, Plant and Equipment) in this Summary of Accounting Policies).

Interests in Companies and Other Entities

The Council has a wholly-owned subsidiary, Lichfield Housing Ltd. The financial transactions are not currently considered to be material to require the Council to prepare group accounts. In the Council's own single-entity accounts, the interest is recorded as a financial asset at cost, less any provision for losses.

NOTES TO THE ACCOUNTS

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 Council 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 Council 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

NOTES TO THE ACCOUNTS

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 (e.g. 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 (i.e. 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

NOTES TO THE ACCOUNTS

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 (e.g. 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 service segments in accordance with the Council's arrangements for accountability and financial performance. This means effectively that the cost of the overheads are shown in total within 'A Good Council' in the Comprehensive Income and Expenditure Statement.

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 (i.e. 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).

NOTES TO THE ACCOUNTS

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).

All historical cost based assets with short lives, land and investment properties will be excluded from our Component Accounting Policy.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.

Policy for Componentisation

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be grouped together for depreciation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a carrying value of **£500,000** and over will be considered for componentisation.
- Of those assets, for the purpose of determining a ‘significant’ component of an asset, components with a value of **15%** in relation to the overall value of the asset or over **£500,000** will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

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

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

- (i) Have a carrying value of at least **£500,000**, or
- (ii) Have been acquired, or
- (iii) Have undergone revaluation, or
- (iv) Undergo a change in category classification

A component must:

- (v) Have a cost of at least **£100,000**, or
- (vi) Cost at least **15%** of the overall asset (whichever is higher), and
- (vii) Have a useful life which is at least **plus or minus five years** from other components of the overall asset.

NOTES TO THE ACCOUNTS

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

Valuation

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

In addition in each financial year, a list of assets that have had capital expenditure incurred will be considered in terms of this component accounting policy and enhancement spend (at cost) will be added to the relevant assets. These assets will then be subject to revaluation as part of our normal revaluation cycle.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where a revaluation takes place all accumulated depreciation and impairment is eliminated because these are accounting estimates of changes in value whose value is confirmed by a formal valuation reflecting the actual condition of the property at the valuation date.

Impairment

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

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

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

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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

NOTES TO THE ACCOUNTS

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 (i.e. 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.

Surplus Assets

Surplus Assets are those assets within property, plant and equipment that are not used to supply goods and services and that do not meet the criteria of assets held for sale. These assets are measured at fair value as a current value base and not existing use value.

NOTES TO THE ACCOUNTS

Provisions and Contingent Liabilities

Provisions

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

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

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

Contingent Liabilities

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCuS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet 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. For 2021/22, there are no changes in accounting requirements that are anticipated to have a material impact on the Council's financial performance or financial position.

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. 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 2021 the Net Book Value of the assets was **£108,000** and the value of the finance lease obligation was **£516,000**. 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 **58.30%** Lichfield and **41.70%** Tamworth.
2. 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 2020/21, the risk is very difficult to quantify after Covid-19, but has been assessed at moderate, between **5%** or **£363,424** and **30%** or **£2,288,699**. This is based on the operating environment nationally, the overall financial position of Freedom Leisure, the contract between Freedom and the Council, and the support provided both by the Government and Lichfield District Council.
3. 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 **£207,000** for the 2010 list and **£600,000** for the 2017 list. 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.

NOTES TO THE ACCOUNTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2021, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Property, Plant and Equipment and Investment Properties</p>	<p>The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and “lockdowns” applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks are possible until the vaccines are fully deployed.</p> <p>The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date most property markets had started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p><u>Property, Plant and Equipment</u></p> <p>A number of asset classes are valued by the Valuer using different valuation basis. These valuations use a combination of transactional activity and replacement costs. It is recognised therefore that valuations include a degree of uncertainty.</p> <p>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.</p> <p><u>Investment Properties</u></p> <p>Due to the impact of the Covid 19 pandemic on business activity and investor sentiment, the commercial property market has witnessed a significant decline in levels of transactional activity, with some elements of the market effectively entering a state of suspended animation. Where directly relevant comparable evidence is not available, it has been necessary to use Valuer judgement in assessing values.</p>	<p><u>Property, Plant and Equipment (Other Land & Buildings)</u></p> <p><u>Valuations</u></p> <p>The potential impact of the valuation of Plant, Property and Equipment (Other Land & Buildings), should they differ by 1% or 10% from that included in the Statement of Accounts would be:</p> <ul style="list-style-type: none"> • 1% = +/- £326,000 • 10% = +/- £3,256,000 <p>It should be noted that adjustment (were it to prove necessary in future years) would be offset by an equivalent movement in the Revaluation Reserve of the Council which is currently held at £10.131m and would have no impact on the funds available to the Council</p> <p><u>Useful Lives</u></p> <p>If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. The potential impact of the useful lives of Plant, Property and Equipment, should they differ by +/- 1 year from that included in the Statement of Accounts would be:</p> <ul style="list-style-type: none"> • Buildings : +/- £42,000 • Vehicles, plant and equipment : +/- £103,000 <p>(Note that depreciation charges are indicative figures to show the value of the resources consumed by the Council in the year in using assets. The charges do not impact on the council tax that the Council raises to cover its expenditure).</p> <p><u>Investment Properties</u></p> <p><u>Valuations</u></p> <p>The potential impact of the valuation of Investment Property, should they differ by 1% or 10% from that included in the Statement of Accounts would be:</p> <ul style="list-style-type: none"> • 1% = +/- £39,480 • 10% = +/- £394,800 <p>It should be noted that adjustment (were it to prove necessary in future years) would be offset by an equivalent movement in the Capital Adjustment Account of the Council which is currently held at £31.653m and would have no impact on the funds available to the Council</p>
<p>Business Rate Appeals</p>	<p>Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2020/21 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 2021.</p> <p><u>2010 List</u></p> <p>The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date:</p> <ul style="list-style-type: none"> • Average success rate 29.14% • Average reduction in RV 10.56% • Combined 3.07% <p>Rateable Value of Appeals Outstanding = £38.28m</p>	<p><u>2010 List</u></p> <p>Each 1% increase in the overall Combined figure would increase the provision by £517,000. The Council’s share of this increase at 40% would be £207,000.</p> <p><u>2017 List</u></p> <p>Each 1% increase in the overall Combined figure would increase the provision by £1,500,000. The Council’s share of this increase at 40% would be £600,000.</p>

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>2017 List</p> <p>The Check, Challenge and Appeal process has resulted in much lower appeals being submitted related to the 2017 list. Therefor the calculation is based on net rates payable and the MHCLG 4.7% allowance.</p>	
Pensions Liability	<p>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.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £14,488,000 • a 0.5% increase in the salary rate would amount to £1,497,000 • a 0.5% increase in the pension rate would amount to £12,680,000.
Sundry Income and Housing Benefit Overpayment Debtors	<p>At 31 March 2021, the Council had a balance of sundry income debtors of £1,326,000. A review of arrears suggested that an impairment of doubtful debts of 52% (£683,000) was appropriate and an additional allowance of 13% (based on the impact on GDP of previous similar pandemics) was added to reflect the added risk presented by the pandemic. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>The element of debtors not covered by the Bad Debt Provision is £643,000 (48%).</p> <p>Each 1% increase in the percentages used to calculate the Bad Debt provision would increase the provision by £13,000.</p>

This list does not include assets and liabilities that have been carried at fair value (other than Investment Properties) 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 22 September 2021.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2021 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- **Covid-19 Business Rates Support Grants** – the Council received £4.908m in April 2021 from Central Government in relation to the Restart Business Support Grants due to the impact of Covid-19. These grants are being administered by local authorities during 2021/22 in line with Government Guidance.
- **Covid-19 Impact on Income Streams** – the Covid-19 pandemic and related lockdown is continuing to have a significant impact on the income of the Council receives during 2021/22 that is used to support the delivery of services to residents. Whilst the Government has already provided funding to local authorities to support these pressures (mainly up to the end of June 2021), our current forecasts indicate that this funding is unlikely to be sufficient to meet the pressures. Nevertheless, the Council's underlying financial position is robust and the level of reserves provides capacity for resilience. Further information on the impact of Covid-19 is set out in the Narrative Report and the Annual Governance Statement.

6. Adjustments between accounting basis and funding basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It is detailed overleaf:

NOTES TO THE ACCOUNTS

	2019/20				2020/21			
	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	1,867			(1,867)	1,781			(1,781)
Revaluation (gains) / losses on Property, Plant and Equipment	809			(809)	2,212			(2,212)
Movements in the market value of investment properties	792			(792)	127			(127)
Amortisation of intangible assets	7			(7)	7			(7)
Capital grants and contributions applied	(1,065)			1,065	(1,465)			1,465
Revenue expenditure funded from capital under statute	1,361			(1,361)	1,307			(1,307)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	228			(228)	1			(1)
Insertion of Items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(719)			719	(747)			747
Capital Expenditure charged to the General Fund	(654)			654	(1,735)			1,735
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES	(937)		937		(1,047)		1,047	
Application of grants to capital financing transferred to the Capital Adjustment Account			(193)	193			(367)	367
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(369)	369			0	0		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(636)	636			(449)	449		
Use of the Capital Receipts Reserve to finance new capital expenditure		(348)		348		(263)		263
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	4,809			(4,809)	3,376			(3,376)
Employers pension contributions and direct payments to pensioners payable in the year	(2,712)			2,712	(2,564)			2,564
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	(992)			992	7,344			(7,344)
Adjustments related to the pooled fund adjustment account								
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements	476			(476)	(503)			503
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	113			(113)	128			(128)
Total Adjustments	2,378	657	744	(3,779)	7,773	186	680	(8,639)

NOTES TO THE ACCOUNTS

7. Expenditure and Funding Analysis Notes

2019/20

Presentation and Earmarked Reserves

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

	Actual Outturn £000	Earmarked Reserves £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A Good Council	5,900	783	0	783	6,683
Developing Prosperity	(879)	511	0	511	(368)
Shaping Place	2,843	225	0	225	3,068
Enabling People	1,628	(179)	0	(179)	1,449
COVID-19	0	(25)	0	(25)	(25)
COVID Community Support	0	0	0	0	0
Net Cost of Services	9,492	1,315	0	1,315	10,807
Other Income and Expenditure	(9,492)	(1,916)	(1,081)	(2,997)	(12,489)
(Surplus) or deficit on Provision of Services (cash flow)	0	(601)	(1,081)	(1,682)	(1,682)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 73 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 Good Council	345	1,077	(816)	606
Developing Prosperity	1,318	193	(1)	1,510
Shaping Place	(157)	518	(817)	(456)
Enabling People	536	135	(131)	540
COVID-19	0	0	37	37
Cost of Services	2,042	1,923	(1,728)	2,237
Other Income and Expenditure	14	1,050	(924)	140
(Surplus) or deficit on Provision of Services (cash flow)	2,056	2,973	(2,652)	2,377

NOTES TO THE ACCOUNTS

2020/21

Presentation and Earmarked Reserves

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

	Actual Outturn £000	Earmarked Reserves £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A Good Council	6,359	(120)	0	(120)	6,239
Developing Prosperity	(719)	136	0	136	(583)
Shaping Place	3,159	(348)	0	(348)	2,811
Enabling People	1,568	216	0	216	1,784
COVID-19	1,403	(694)	(630)	(1,324)	79
COVID Community Support	(4)	(688)	0	(688)	(692)
Net Cost of Services	11,766	(1,498)	(630)	(2,128)	9,638
Other Income and Expenditure	(11,766)	(6,860)	308	(6,552)	(18,318)
(Surplus) or deficit on Provision of Services (cash flow)	0	(8,358)	(322)	(8,680)	(8,680)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 73 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 Good Council	182	175	(994)	(637)
Developing Prosperity	2,764	236	925	3,925
Developing Prosperity (Material Item)	0	0	0	0
Shaping Place	(306)	585	(686)	(407)
Enabling People	916	143	(756)	303
COVID-19	0	0	1,277	1,277
COVID Community Support	0	0	288	288
Cost of Services	3,556	1,139	54	4,749
Other Income and Expenditure	(1,081)	715	3,390	3,024
(Surplus) or deficit on Provision of Services (cash flow)	2,475	1,854	3,444	7,773

NOTES TO THE ACCOUNTS

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

2019/20 £000		2020/21 £000
(13,293)	Fees, charges and other service income	(12,989)
(435)	Interest and investment income	(360)
(8,704)	Income from council tax	(8,917)
(21,613)	Government Grants	(25,067)
(44,045)	Total Income	(47,333)
14,792	Employee Expenses	13,956
23,396	Other Service Expenses	25,799
3,770	Depreciation, amortisation and impairment	4,730
174	Interest Payments	112
1,048	Pension interest and expected return on Assets	716
1,861	Precepts and Levies	2,066
(141)	Gain or Loss on Disposal of Fixed Assets	1
476	Gain or Loss on Fair Value of Pooled Funds	(503)
(636)	Capital Grants & Contributions	(449)
44,740	Total Expenditure	46,427
695	(Surplus)/Deficit on the provision of services	(906)

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 2020/21. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000
General Reserve	(6,345)	2,040	(2,349)	(6,654)	1,723	(1,761)	(6,692)
Earmarked Reserve-Restricted	(353)	0	(277)	(630)	17	(260)	(873)
Election Reserve	(222)	107	0	(115)	0	(28)	(143)
COVID-19 Reserve	0	0	(25)	(25)	25	(8,304)	(8,304)
Public Open Space Reserve-Restricted	(439)	19	0	(420)	27	(35)	(428)
Joint Waste Shared Service Reserve-Restricted	(644)	63	(30)	(611)	17	(11)	(605)
Building Regulations Reserve-Restricted	(135)	0	(16)	(151)	0	(170)	(321)
Development Grant Aid Reserve	(25)	25	0	0	0	(5)	(5)
Birmingham Road Car Park Capital Reserve-Restricted	(2,227)	0	(158)	(2,385)	530	(122)	(1,977)
TOTAL	(10,390)	2,254	(2,855)	(10,991)	2,339	(10,696)	(19,348)

NOTES TO THE ACCOUNTS

The **General Reserve** has been provided to fund expenditure items in 2020/21 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 2023.

The **COVID-19 Reserve** has been set up to meet future burdens related to the pandemic.

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 Central 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 works in line with the legal agreement.

9. Other Operating Expenditure

2019/20 £000		2020/21 £000
1,861	Parish Council Precepts	1,998
(141)	(Gains)/Losses on the disposal of non-current assets	1
(636)	Unattached Capital Receipts	(449)
1,084	TOTAL	1,550

10. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
174	Interest payable and similar charges	112
1,048	Pensions interest cost and expected return on pensions assets	715
(435)	Interest receivable and similar income	(360)
534	Income and expenditure in relation to investment properties and changes in their fair value	(236)
476	Other Investment Income	(503)
1,797	TOTAL	(272)

*Other investment income relates to (profit)/loss on pooled investment funds.

NOTES TO THE ACCOUNTS

11. Taxation and Non-Specific Grant Income

2019/20 £000		2020/21 £000
(8,704)	Council Tax Income	(8,917)
	<u>Business Rates</u>	
(14,421)	Council Share of Retained Business Rates	(6,927)
11,446	Less: Business Rates Tariff	11,632
0	Less: Business Rates Levy	69
0	Add: Business Rates Levy Repayable	(27)
(589)	Add: Business Rates Pilot	(22)
(2,962)	Non-ring fenced government grants	(8,847)
0	Capital grants and contributions	(760)
(15,230)	TOTAL	(13,799)

Non-ring fenced Government Grants are comprised of:

2019/20 £000		2020/21 £000
(1,278)	New Homes Bonus	(1,771)
(94)	New Burdens Grants	(25)
(1,149)	Small Business Rates Relief	(1,236)
(299)	Retail Relief Grant	(1)
(1)	Rural Rate Relief	(1)
(15)	Supporting Small Business Relief	(15)
(21)	Discretionary Rate Relief	(2)
(98)	Business Rate Inflation Cap	188
(7)	Levy Account Surplus	0
0	Nursery Relief	(104)
0	Expanded Retail Relief	(5,801)
0	Flooding Relief	(79)
(2,962)	TOTAL	(8,847)

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment

Movements in 2020/21:

	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 2020	33,060	10,809	346	4,078	1,782	334	50,409
Additions	1,049	638			18	50	1,755
Revaluation increases/(decreases) recognised in the revaluation reserve	190				(172)		18
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(1,928)	(85)			(550)		(2,563)
De-recognition – disposals	0	(46)					(46)
Other movements in cost or valuation	229				22	(251)	0
At 31 March 2021	32,600	11,316	346	4,078	1,100	132	49,572

Accumulated Depreciation and Impairment							
At 1 April 2020	(389)	(8,524)	(55)	(7)	0	0	(8,975)
Depreciation charge	(852)	(927)	(2)				(1,781)
Depreciation written out to the revaluation reserve	930				0		930
Depreciation written out to the surplus/deficit on the provision of services	266	85			0		351
Impairment losses/(reversals) recognised in the revaluation reserve							0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						0	0
De-recognition – disposals	0	45					45
Assets reclassified (to)/from held for sale	0						0
Other movements in cost or valuation	0	0		0	0		0
At 31 March 2021	(45)	(9,321)	(57)	(7)	0	0	(9,430)

Net Book Value							
At 31 March 2021	32,555	1,995	289	4,071	1,100	132	40,142
At 31 March 2020	32,671	2,285	291	4,071	1,782	334	41,434

NOTES TO THE ACCOUNTS

Comparative Movements in 2019/20:

	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 2019	33,433	10,352	346	4,078	2,515	64	50,788
Additions	43	623		0	0	270	936
Revaluation increases/(decreases) recognised in the revaluation reserve	158				(431)		(273)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(468)			0	(380)		(848)
De-recognition – disposals	(28)	(166)					(194)
Other movements in cost or valuation	(78)	0		0	78	0	0
At 31 March 2020	33,060	10,809	346	4,078	1,782	334	50,409

Accumulated Depreciation and Impairment							
At 1 April 2019	(324)	(7,619)	(52)	(7)	0	0	(8,002)
Depreciation charge	(793)	(1,071)	(3)				(1,867)
Depreciation written out to the revaluation reserve	616				73		689
Depreciation written out to the surplus/deficit on the provision of services	39				0		39
Impairment losses/(reversals) recognised in the revaluation reserve							0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						0	0
De-recognition – disposals	0	166					166
Other movements in cost or valuation	73	0		0	(73)		0
At 31 March 2020	(389)	(8,524)	(55)	(7)	0	0	(8,975)

Net Book Value							
At 31 March 2020	32,671	2,285	291	4,071	1,782	334	41,434
At 31 March 2019	33,109	2,733	294	4,071	2,515	64	42,786

NOTES TO THE ACCOUNTS

Other Land & Buildings Breakdown

2019/20 £000		2020/21 £000
7,870	Arts Facility	8,150
325	Bus Station	375
951	Depot	1,180
0	Dwelling	77
11,940	Leisure Centre	11,870
2,427	Multi Storey Car Park	1,735
2,032	Offices	1,930
519	Other land & Buildings	519
441	Parks and Sports Grounds	580
1,041	Pavilions	1,067
259	Public Conveniences	248
2,666	Retail	1,700
2,200	Surface Car Park	3,124
32,671	Total	32,555

Depreciation

The following useful lives (established by the 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 2021, the Council had **£266,000** capital commitments (31 March 2020: **£162,000**).

Effects of Changes in Estimates

In 2020/21, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

NOTES TO THE ACCOUNTS

Revaluations

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

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

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Total
	£000	£000	£000
Carried at historical cost	0	1,995	1,995
Valued at fair value as at:			
- 31 March 2021	32,032		32,032
- 31 March 2020	275		275
- 31 March 2019	123		123
- 31 March 2018	110		110
- 31 March 2017	15		15
Total Cost or Valuation	32,555	1,995	34,550

13. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the authority now requires heritage assets to be carried in the Balance Sheet at valuation.

	Statues	Art Collection	Other Items	Total Assets
	£000	£000	£000	£000
<u>Cost or Valuation</u>				
At 1 April 2020	285	70	70	425
At 31 March 2021	285	70	70	425
<u>Cost or Valuation</u>				
At 1 April 2019	305	80	65	450
Revaluations	(20)	(10)	5	(25)
At 31 March 2020	285	70	70	425

NOTES TO THE ACCOUNTS

Statues

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

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

Art Collection

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

Other Items

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

Preservation and Management

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

The Tourism Manager maintains a Museum Artefacts Inventory that consists of a description of the asset, its location, an assessment of its current condition and an indicative value.

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

14. Investment Properties

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

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

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

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2019/20 £000		2020/21 £000
443	Rental income from investment property	380
(185)	Direct operating expenses	(196)
258	Net income from Investment Property	184
(792)	Revaluation gains / (losses)	(127)
(534)	Net gain / (loss)	57

NOTES TO THE ACCOUNTS

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following tables summarise the movement in the fair value of investment properties over the year and identifies their fair values split by their level in the fair value hierarchy:

2019/20 £000		2020/21 £000
4,867	Balance at Start of Year	4,075
(792)	Net Gains/(losses) from fair value adjustments	(127)
4,075	Balance at End of Year	3,948

	2019/20			2020/21		
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Fair Value as at 31 March 2020 £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 2021 £000
Residential Properties	0	90	90	0	81	81
Office Units	0	725	725	0	715	715
Commercial Units	0	3,260	3,260	0	3,152	3,152
Total	0	4,075	4,075	0	3,948	3,948

15. Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

- Two long term loans with the Public Works Loans Board
- Finance leases detailed at note 37
- Trade payables for goods and services received

NOTES TO THE ACCOUNTS

Financial Assets

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

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

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

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

- money market funds
- property funds managed by CCLA held as strategic investments
- diversified income funds managed by CCLA, Ninety One and Aegon held as strategic investments

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

Financial Assets	Long Term		Short Term	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
<u>At amortised cost:</u>				
- Principal			16,000	16,000
- Accrued interest			40	9
<u>At fair value through profit & loss:</u>				
- Equity Investments (Diversified income and property funds)	5,456	7,959	0	0
- Equity Investments (Associates and joint ventures)	0	225		
- Accrued interest			42	42
Total Investments	5,456	8,184	16,082	16,051
<u>At amortised cost:</u>				
- Cash (including bank accounts)			645	741
<u>At fair value through profit & loss:</u>				
- Cash equivalents at fair value			12,550	13,330
- Accrued interest			4	0
Total Cash and Cash Equivalents			13,199	14,071
<u>Debtors</u>				
Trade receivables	141	165	4,381	4,039
Total included in Debtors	141	165	4,381	4,039
Total Financial Assets	5,597	8,349	33,662	34,161

NOTES TO THE ACCOUNTS

Financial Liabilities	Long Term		Short Term	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
<u>Loans at amortised cost:</u>				
Principal sum borrowed	(2,255)	(2,060)	(193)	(196)
Total Borrowing	(2,255)	(2,060)	(193)	(196)
<u>Liabilities at amortised cost:</u>				
Finance leases	(592)	(40)	(550)	(566)
Total Finance Leases	(592)	(40)	(550)	(566)
<u>Liabilities at amortised cost:</u>				
Trade payables	(52)	(35)	(7,835)	(3,635)
Total included in Creditors	(52)	(35)	(7,835)	(3,635)
Total Financial Liabilities	(2,899)	(2,135)	(8,578)	(4,397)

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 2020			31 March 2021		
	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	384	0	384	447	0	447
Total offset financial assets	384	0	384	447	0	447
Bank overdrafts	0	0	0	0	0	0
Total offset financial liabilities	0	0	0	0	0	0

Reconciliation to Cash and Cash Equivalents

31 March 2020 £000		31 March 2021 £000
384	Main Bank Accounts Total	447
257	Total Reconciling Differences (Unpresented Cheques and Cash in Transit)	290
641	Cash & Cash Equivalents - Bank Accounts	737

NOTES TO THE ACCOUNTS

Financial Instruments – Gains and Losses

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

2019/20		Financial Liabilities	Financial Assets			2020/21
		Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	Total
£000		£000	£000	£000	£000	£000
174	Interest Expense	112				112
174	Interest payable and similar charges	112	0	0	0	112
(220)	Interest Income		(57)			(57)
(215)	Dividend Income			0	(303)	(303)
(435)	Interest and Investment Income	0	(57)	0	(303)	(360)
(261)	Net Gain / (Loss) for the Year	112	(57)	0	(303)	(248)

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

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

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

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

NOTES TO THE ACCOUNTS

	Fair Value Level	31 March 2020		31 March 2021	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		£000	£000	£000	£000
<i>Financial assets held at fair value:</i>					
Money market funds	1	12,554		13,330	
Diversified income and property funds	1	5,456		7,959	
Shares in unlisted companies	3	0		225	
Financial assets for which fair value is not disclosed:		21,248		20,996	
Total Financial Assets		39,258		42,510	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Investments		16,082		16,051	
Long Term Investments		5,456		7,959	
Investment in Associates and Joint Ventures		0		225	
Cash & Cash Equivalents		13,199		14,071	
Short Term Debtors		4,380		4,039	
Long Term Debtors		141		165	
Total Financial Assets		39,258		42,510	

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

The Council has invested £225,000 in its wholly owned subsidiary Lichfield Housing Ltd related to 225,000 shares at a nominal value of £1 each. The investment value is based on the cost of the investment as a proxy for fair value due to there being no trading activity and no material transactions during 2020/21. As a guide, a change in the investment value by +/- 1% would equate to an increase/decrease of £2,250.

	Fair Value Level	31 March 2020		31 March 2021	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		£000	£000	£000	£000
<i>Financial liabilities held at amortised cost:</i>					
Long Term loans from PWLB	2	(2,449)	(2,577)	(2,255)	(2,421)
Finance Lease liabilities	2	(1,143)	(1,103)	(606)	(604)
Total		(3,592)	(3,680)	(2,861)	(3,025)
Liabilities for which fair value is not disclosed		(7,857)		(3,670)	
Total Financial Liabilities		(11,448)		(6,531)	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Creditors		(7,805)		(3,635)	
Long Term Creditors		(52)		(35)	
Finance Lease Liabilities		(1,143)		(606)	
Short Term Borrowing		(193)		(196)	
Long Term Borrowing		(2,255)		(2,060)	
Total Financial Liabilities		(11,448)		(6,531)	

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

NOTES TO THE ACCOUNTS

16. Short Term Debtors

31 March 2020 £000		31 March 2021 £000
4,380	Trade receivables	4,039
753	Prepayments	603
1,006	Other receivable amounts	6,323
(1,009)	Bad Debt Provision	(1,229)
5,130	Total Debtors	9,736

17. Cash and Cash Equivalents

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

31 March 2020 £000		31 March 2021 £000
4	Cash held by the authority	5
641	Bank Accounts	736
12,554	Money Market Funds	13,330
13,199	Total	14,071

18. Assets Held for Sale

31 March 2020 £000		31 March 2021 £000
200	Balance outstanding at start of year	0
(200)	Assets sold	0
0	Balance outstanding at year-end	0

19. Short Term Creditors

31 March 2020 £000		31 March 2021 £000
(7,835)	Trade payables	(3,635)
(6,565)	Other payables	(15,372)
(14,400)	Total Creditors	(19,007)

NOTES TO THE ACCOUNTS

20. Provisions

The Council has four provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £000	Netherstowe & Leyfields £000	Three Spires £000	Total £000
Balance at 1 April 2020	(101)	(1,240)	0	0	(1,341)
Additional provisions made this year	0	(1,143)	(117)	(129)	(1,389)
Balance at 31 March 2021	(101)	(2,383)	(117)	(129)	(2,730)
Element categorised as current	(101)	(595)	(117)	(129)	(942)

Outstanding Legal Cases

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

- **Municipal Mutual Insurance**

In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal claims which will take many years to materialise and finalise. In the event of MMI's insolvency during this period, local authority policy holders have agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential liability if the scheme is triggered is **£104,537**. On 13 November 2012, at the Board Meeting of Municipal Mutual, the decision was made to trigger the Scheme of Arrangement. Control of the Company has been passed to the Scheme Administrators Ernst & Young LLP. Provision has been made for the amount of liability. This provision is based on those claims that the Authority is currently aware of.

Provisions

The Authority had three provisions at 31 March 2021:

- **Business Rates Appeals**

The amount of **£2,383,000** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2021.

- **Dispute in relation to the proposed disposal of public open space land at Leyfields and Netherstowe**

An independent investigation was commissioned in early 2021 and the findings reported to the Audit and Member Standards Committee in April 2021. As a result a provision of **£116,866** has been included in the accounts.

- **Three Spires**

This relates to the potential fall in income as a result of the impact of Covid-19.

NOTES TO THE ACCOUNTS

21. Usable Reserves

2019/20 £000		2020/21 £000
6,392	General Fund	6,714
2,938	Capital Grants Unapplied	3,618
2,921	Capital Receipts Reserve	3,107
10,991	Earmarked Reserves	19,348
23,242	Total	32,787

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

22. Unusable Reserves

2019/20 £000		2020/21 £000
9,425	Revaluation Reserve	10,131
32,269	Capital Adjustment Account	31,653
47	Deferred Capital Receipts	47
(32,718)	Pensions Reserve	(43,821)
1,307	Collection Fund Adjustments	(6,037)
(544)	Pooled Fund Adjustment Account	(41)
(332)	Accumulated Absence Account	(460)
9,454	Total	(8,529)

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.

2019/20 £000			2020/21 £000
9,419	Balance at 1 April		9,426
1,026	Upward revaluation of assets	2,214	
(636)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,267)	
390	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		947
(228)	Difference between fair value depreciation and historical cost depreciation	(242)	
(156)	Accumulated gains on assets sold or scrapped	0	
(384)	Amount written off to the Capital Adjustment Account		(242)
9,425	Balance at 31 March		10,131

NOTES TO THE ACCOUNTS

Capital Adjustment Account

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

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

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

2019/20 £000			2020/21 £000
33,970	Balance at 1 April		32,269
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,867)	· Charges for depreciation and impairment of non-current assets	(1,781)	
(809)	· Revaluation gains/losses on Property, Plant and Equipment	(2,212)	
(7)	· Amortisation of intangible assets	(7)	
(1,361)	· Revenue expenditure funded from capital under statute	(1,307)	
(72)	· 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)	
(4,116)			(5,308)
228	Adjusting amounts written out of the Revaluation Reserve		242
30,082	Net written out amount of the cost of non-current assets consumed in the year		27,203
	Capital financing applied in the year:		
348	· Use of the Capital Receipts Reserve to finance new capital expenditure	263	
1,124	· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,582	
134	· Application of grants to capital financing from the Capital Grants Unapplied Account	250	
719	· Statutory provision for the financing of capital investment charged against the General Fund	747	
654	· Capital expenditure charged against the General Fund	1,735	
2,979			4,577
(792)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(127)
32,269	Balance at 31 March		31,653

NOTES TO THE ACCOUNTS

Pensions Reserve

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

2019/20 £000		2020/21 £000
(43,621)	Balance at 1 April	(32,718)
20,201	Actuarial gains or losses on pensions assets and liabilities	(30,061)
(7,201)	Return on Plan Assets	19,770
(4,809)	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	(3,376)
2,712	Employer's pensions contributions and direct payments to pensioners payable in the year	2,564
(32,718)	Balance at 31 March	(43,821)

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.

2019/20				2020/21		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
75	240	315	Balance at 1 April	234	1,073	1,307
159	833	992	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	(337)	(7,007)	(7,344)
234	1,073	1,307	Surplus or (Deficit) Balance at 31 March	(103)	(5,934)	(6,037)

NOTES TO THE ACCOUNTS

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

2019/20 £000		2020/21 £000
1,874	Depreciation, amortisation and impairment	1,788
1,787	Downward revaluations	2,616
(187)	Upward revaluations charged to services	(277)
228	Carrying Amount of non-current assets disposed in the year	1
77	Increase / (Decrease) in Provisions	1,389
12	(Increase) / Decrease in Stock	(3)
(1,387)	(Increase) / Decrease in Debtors	(7,654)
4,520	Increase / (Decrease) in Creditors	8,608
2,971	Movement in pension liability	(1,455)
476	Other non-cash adjustments	(503)
10,371	Adjust net surplus or deficit on the provision of services for non-cash movements	4,510

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

2019/20 £000		2020/21 £000
(1,005)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(449)
(1,999)	Capital Grants & Contributions	(2,899)
(3,246)	Any other items for which the cash effects are investing or financing activities	8,431
(6,250)	Adjust net surplus or deficit on the provision of services for investing and financing activities	5,083

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.

NOTES TO THE ACCOUNTS

25. Cash Flow Statement - Investing Activities

2019/20 £000		2020/21 £000
(798)	Purchase of property, plant and equipment, investment property and intangible assets	(1,403)
(64,300)	Purchase of short-term and long-term investments	(62,725)
1,305	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	326
64,300	Proceeds from short-term and long-term investments	60,500
1,938	Other (receipts)/payments from investing activities (including capital grants and contributions)	2,860
2,445	Net cash flows from Investing activities	(442)

26. Cash Flow Statement - Financing Activities

2019/20 £000		2020/21 £000
(533)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(561)
(191)	Repayments of short and long term borrowing	(193)
3,246	Council Tax and Business Rates Net Cash Inflows	(8,431)
2,522	Net cash flows from Financing activities	(9,185)

27. Cash Flow Statement - Operating Activities

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

2019/20 £000		2020/21 £000
422	Interest received	395
(97)	Interest paid	(114)
325	Net cash flows from Operating activities	281

28. Reconciliation of Liabilities Arising from Financing Activities

	Borrowings		Lease Liabilities	TOTAL £,000
	Long Term £'000	Short Term £'000	£'000	
1 April 2020	2,255	193	1,143	3,591
Cash-flows:				
- Repayment	0	(3,193)	(612)	(3,805)
- Proceeds from new loans	0	3,000	75	3,075
Non-cash:				
- Reclassification	(196)	196	0	0
- Other	1	0	0	1
31 March 2021	2,060	196	606	2,862

NOTES TO THE ACCOUNTS

	Borrowings		Lease	TOTAL
	Long Term £'000	Short Term £'000	Liabilities £'000	
1 April 2019	2,449	191	1,675	4,315
Cash-flows:				
- Repayment	0	(191)	(532)	(723)
Non-cash:				
- Reclassification	(193)	193	0	0
- Other	(1)	0	0	(1)
31 March 2020	2,255	193	1,143	3,591

29. Principal and Agency Services

The Southern Staffordshire Building Control Service expanded in April 2019. North Warwickshire Borough Council, Nuneaton & Bedworth Borough Council and South Derbyshire District Council joined the existing shared service of Lichfield District Council, Tamworth Borough Council and South Staffordshire District. The new service is known as 'Central Building Control'.

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

2019/20 £000		2020/21 £000
1,080	Expenditure Incurred	1,087
(896)	Income received	(1,047)
(35)	Fee payable by South Staffordshire District Council	(35)
(35)	Fee payable by Tamworth Borough Council	(35)
(35)	Fee payable by South Derbyshire District Council	(35)
(35)	Fee payable by North Warwickshire Borough Council	(35)
(35)	Fee payable by Nuneaton & Bedworth Borough Council	(35)
(35)	Contribution from Lichfield District Council	(35)
(26)	(Surplus)/Deficit Transferred (To)/From Earmarked Reserves	(170)

30. Jointly Controlled Operations

The Authority is engaged in a jointly controlled operation with Tamworth Borough Council for waste collection for both the Lichfield District and Tamworth Borough areas, known as the Joint Waste Service. The Authority provides the financial administration service for this joint operation. The Service is administered through the Lichfield and Tamworth Joint Waste Board. The assets of the operation in respect of vehicles (the waste fleet – see critical judgement 1), 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 **58.30%** from Lichfield District Council and **41.70%** 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

NOTES TO THE ACCOUNTS

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:

2019/20 £000		2020/21 £000
	Funding provided to the operation	
(1,287)	Contribution from Lichfield	(1,631)
(920)	Contribution from Tamworth	(1,166)
(2,207)	Total funding provided to the operation	(2,797)
	Expenditure met by the operation	
2,685	Pay and allowances	3,024
1,261	Transport costs	1,213
1,369	Supplies and Services	1,608
11	Third Party Payments	12
369	Support Costs	607
(3,488)	Revenue income	(3,694)
2,207	Total expenditure	2,770
0	Net (surplus)/deficit arising on the pooled budget during the year	(27)
0	Lichfield District Council's share of 58.3% of the net (surplus)/deficit arising on the operation	(16)

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.

2019/20 £000		2020/21 £000
0	Net (surplus) arising on the pooled budget during the year	(27)
1,287	Add: Lichfield's Contribution shown as expenditure in the CIES	1,631
333	Amounts not reported in the Joint Waste Service	285
1,620	Net Cost of Services in the Comprehensive Income and Expenditure Statement	1,889

31. Members' Allowances

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

2019/20 £000		2020/21 £000
289	Allowances	298
3	Expenses	4
292	Total	302

NOTES TO THE ACCOUNTS

32. Officers' Remuneration

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

Post (Dates included for part year appointments)	Salary, Fees and Allowances £	Performance Pay £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2020/21 119,532	10,490	-	-	20,908	150,930
	2019/20 105,868	10,285	-	-	18,661	134,814
Director of Place & Community (Leaving date of 30/11/2019)	2020/21 -	-	-	-	-	-
	2019/20 61,376	-	-	69,392	9,363	140,131
Director of Transformation & Resources (Leaving date of 31/12/2019)	2020/21 -	-	-	-	-	-
	2019/20 69,482	-	72	-	10,545	80,099
Assistant Chief Executive (Leaving date of 09/08/2020)	2020/21 29,690	-	-	-	3,990	33,680
	2019/20 64,011	-	-	-	10,214	74,225
Head of Governance & Performance (Titled Head of Corporate Services until 30/06/2020)	2020/21 64,211	-	-	-	10,265	74,476
	2019/20 61,193	-	-	-	9,778	70,970
Head of Corporate Services (Starting date of 01/02/2021)	2020/21 10,958	-	-	-	1,749	12,707
	2019/20 -	-	-	-	-	-
Head of Economic Growth (Post ended 30/09/2019)	2020/21 -	-	-	-	-	-
	2019/20 30,692	-	-	-	4,894	35,586
Head of Economic Growth & Development Services (Post commenced 01/10/2019)	2020/21 76,583	-	-	-	12,250	88,833
	2019/20 36,349	-	-	-	5,811	42,159
Head of Finance & Procurement	2020/21 64,782	-	-	-	10,495	75,277
	2019/20 63,048	-	-	-	10,214	73,262
Head of Legal, Property & Democratic Services (Leaving date of 14/04/2019)	2020/21 -	-	-	-	-	-
	2019/20 2,387	-	-	-	381	2,768
Head of Operational Services (Starting date of 10/02/2020)	2020/21 69,942	-	-	-	11,175	81,117
	2019/20 9,013	-	-	-	1,438	10,451
Head of Regulatory Services, Housing & Wellbeing	2020/21 64,958	-	124	-	10,367	75,449
	2019/20 61,932	-	124	-	9,877	71,933
Head of Revenues, Benefits & Customer Services	2020/21 65,070	-	-	-	10,385	75,456
	2019/20 62,041	-	-	-	9,895	71,936

NOTES TO THE ACCOUNTS

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

2019/20 Number of employees	Remuneration band	2020/21 Number of employees
3	£50,000-£54,999	1
0	£55,000-£59,999	2
1	£60,000-£64,999	0

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	0	0	2	1	2	1	£31,181	£12,105
£20,001 - £40,000	0	1	1	1	1	2	£23,128	£58,181
£60,001 - £80,000	0	0	1	0	1	0	£69,392	£0
Total	0	1	4	2	4	3	£123,701	£70,286

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

Exit Package Cost Band	2019/20			2020/21		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£23,936	£7,245	£31,181	£12,105	£0	£12,105
£20,001 - £40,000	£14,730	£8,398	£23,128	£17,286	£40,895	£58,181
£60,001 - £80,000	£22,500	£46,892	£69,392	£0	£0	£0
Total	£61,166	£62,535	£123,701	£29,391	£40,895	£70,286

33. External Audit Costs

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

2019/20 £000		2020/21 £000
47	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	58
13	Fees payable to the Grant Thornton UK LLP for the certification of grant claims and returns for the year	15
60	Total	73

NOTES TO THE ACCOUNTS

34. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2020/21:

2019/20 £000		2020/21 £000
	Credited to Taxation and Non Specific Grant Income	
0	Other Contributions	760
0	Sub Total (Capital)	760
8,704	Council Tax Income	8,917
3,564	Non-Domestic rates	(4,724)
2,962	Non Ring Fenced Government Grants	8,846
15,230	Sub Total (Revenue)	13,039
15,230	Total	13,799

2019/20 £000		2020/21 £000
	Credited to Cost of Services	
791	Disabled Facilities Grant	682
654	CIL - Various Sites	566
558	Other Contributions	502
2,003	Sub Total (Capital)	1,750
14,416	Housing and Council Tax Benefits	12,713
565	Ministry of Housing, Communities and Local Government	587
106	Other Government Departments and Agencies	106
0	Government Covid Grants	4,699
0	Other Local Authority Covid Grants	130
10	Positive Futures	27
77	Office of the Police and Crime Commissioner	51
107	Contributions from other Local Authorities	218
1,156	Contributions from other Local Authorities - Shared Services	1,403
16,437	Sub Total (Revenue)	19,934
18,440	Total	21,684

NOTES TO THE ACCOUNTS

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

2019/20 £000		2020/21 £000
	Capital Grants Receipts in Advance	
1,077	Other Contributions	1,748
1,077	Current Liabilities	1,748
719	Other Contributions	628
719	Long Term Liabilities	628
1,796	Total	2,376

2019/20 £000		2020/21 £000
	Revenue Grants Receipts in Advance	
189	Heritage Lottery Fund	94
485	Ecological Mitigation	613
674	Total (shown within Current Liabilities)	707

35. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid is shown in **Note 31**. During 2020/2021 works and services to the value of **£47,000** were commissioned from companies in which six members had an interest (**£53,000** in 2019/20). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£66,000** to voluntary organisations (**£86,000** in 2019/20) in which one member held a position of Member with 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 **£399,000** from Bromford Housing Group in 2020/21 (**£274,000** in 2019/20) in respect of the right to buy claw back on the sale of dwellings.

NOTES TO THE ACCOUNTS

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 2020/21 was **£6.529 million** (**£6.536 million** owed from the Council in 2019/20).

These include Staffordshire County Council, the Police, Fire and Rescue and Crime Commissioner (PFCC), Staffordshire Fire and Rescue Service 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 such as the civil contingencies unit. In addition the County Council provides services in relation to Environmental Health sampling, Land Search and archaeological fees.

Payment of subsidy of **£250,000** was made to the Lichfield Garrick Theatre Trust in 2020/21 (**£250,000** in 2019/20). Support services provided by the Council to the Garrick totalled **£6,000** (**£7,000** in 2019/20). Two District Councillors are members of the Board of Trustees.

The Council outsourced its Leisure Centres in February 2018 to Freedom Leisure; the management fee for 2020/21 totalled **£556,700** (**£93,600** in 2019/20). The Leisure Implementation Panel monitors performance, the panel consists of both Freedom Leisure and District Council officers.

36. Capital Expenditure and Capital Financing

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

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

NOTES TO THE ACCOUNTS

2019/20 £000		2020/21 £000
4,987	Opening Capital Financing Requirement	4,305
	<i>Capital Investment</i>	
936	Property, Plant & Equipment	1,755
0	Intangible Assets	1
0	Equity	225
1,361	Revenue Expenditure Funded from Capital under Statute	1,307
	<i>Sources of Finance</i>	
(348)	Capital receipts	(263)
(1,258)	Government grants and other contributions	(1,832)
	<i>Sums set aside from revenue:</i>	
(654)	Direct revenue contributions	(1,735)
(719)	Minimum revenue provision	(747)
4,305	Closing Capital Financing Requirement	3,016

	Explanation of movements in year	
(149)	Increase/(decrease) in underlying need to borrow (Unsupported by government financial assistance)	(752)
(532)	Net movement on Finance Leases	(537)
(681)	Increase / (decrease) in Capital Financing Requirement	(1,289)

37. Leases

Council as Lessee

Finance Leases

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

31 March 2020 £000		31 March 2021 £000
699	Vehicles, Plant, Furniture and Equipment	178
699	TOTAL	178

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.

NOTES TO THE ACCOUNTS

The minimum lease payments are made up of the following amounts:

31 March 2020 £000		31 March 2021 £000
	Finance lease liabilities (net present value of minimum lease payments)	
550	- current	566
592	- non-current	40
138	Finance costs payable in future years	76
1,280	Minimum Lease Payments	682

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
Not later than one year	612	612	550	566
Later than one year and not later than five years	668	70	592	40
Later than five years	0	0	0	0
Total	1,280	682	1,142	606

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, 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 2020 £000		31 March 2021 £000
289	Not later than one year	217
651	Later than one year and not later than five years	524
3,066	Later than five years	2,949
4,006	TOTAL	3,690

38. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2021 and no impairment was chargeable.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

NOTES TO THE ACCOUNTS

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:

2019/20 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2020/21 £000
3,421	Cost of Services: - Current service cost	2,814
340	- Past service costs	(153)
1,048	Financing and Investment Income and Expenditure - Net interest expense	715
4,809	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,376
	<i>Other Post Employment Benefit Charged to the CIES</i>	
7,201	Re-measurement of the net defined benefit comprising: - Return on plan assets (excluding the amount included in the net interest expense)	(19,770)
(4,794)	- Actuarial gains and losses arising on changes in demographic assumptions	1,623
(4,895)	- Actuarial gains and losses arising on other experience	(1,062)
(10,512)	- Actuarial gains and losses arising on changes in financial assumptions	29,500
(13,000)	Total Post Employment Benefit Charged to the CIES	10,291
	<i>Movement in Reserves Statement</i>	
10,903	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(11,103)
	Actual amount charged against the General Fund Balance for pensions in the year	
2,712	- Employers' contributions payable to scheme	2,564

Pension assets and Liabilities recognised in the Balance Sheet

The Council's obligation in respect of its defined benefit plans is as follows:

2019/20 £000	Local Government Pension Scheme	2020/21 £000
(108,874)	Present value of the defined benefit obligation	(141,633)
76,156	Net liability arising from defined benefit obligation	97,812
0	Prepayment of future years pension contributions	2,267
(32,718)	Net liability arising from defined obligation	(41,554)

NOTES TO THE ACCOUNTS

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

2019/20 £000	Local Government Pension Scheme	2020/21 £000
81,133	Opening fair value of scheme assets	76,156
1,965	Interest income	1,788
	Remeasurement gain / (loss):	
(7,201)	- The return on plan assets, excluding the amount included in the net interest expense	19,770
2,603	Contributions from employer	2,461
506	Contributions from employees into the scheme	538
109	Contributions in respect of unfunded benefits	107
(2,850)	Benefits paid	(2,901)
(109)	Unfunded benefits paid	(107)
76,156	Closing position as at 31 March	97,812

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

2019/20 £000	Local Government Pension Scheme	2020/21 £000
	Opening balance at 1 April	
122,995	- Present value of funded liabilities	107,383
1,759	- Present value of unfunded liabilities	1,491
3,421	Current service cost	2,814
340	Past Service cost (including curtailments)	(153)
3,013	Interest costs	2,503
506	Contribution from scheme participants	538
	Remeasurement (gain) / loss:	
(4,794)	- Actuarial gains/losses arising from changes in demographic assumptions	1,623
(10,512)	- Actuarial gains/losses from changes in financial assumptions	29,504
(4,895)	- Other experiences	(1,062)
(2,850)	Benefits paid	(2,901)
(109)	Unfunded benefits paid	(107)
108,874	Closing position as at 31 March	141,633

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2020				Period ended 31 March 2021			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£000	£000		£000	£000	£000	
Cash and cash equivalents	1,287.3		1,287.3	2%	1,631.3		1,631.3	2%
Equity Securities:								
- Consumer	2,823.9		2,823.9	4%	3,891.7		3,891.7	4%
- Manufacturing	3,050.3		3,050.3	4%	4,176.3		4,176.3	4%
- Energy and Utilities	1,017.9		1,017.9	1%	1,106.6		1,106.6	1%
- Financial Institutions	2,692.7		2,692.7	4%	3,532.2		3,532.2	4%
- Health and Care	2,382.1		2,382.1	3%	2,516.7		2,516.7	3%
- Information technology	1,855.8		1,855.8	2%	4,282.4		4,282.4	4%
- Other	65.7		65.7	0%	108.4		108.4	0%
Debt Securities			0.0	0%			0.0	0
- Corporate Bonds	6,128.0		6,128.0	8%	6,911.6		6,911.6	7%
Private equity:								
- All		3,172.8	3,172.8	4%		4,336.5	4,336.5	4%
Real Estate:								
- UK Property		7,505.9	7,505.9	10%		7,665.6	7,665.6	8%
Investment Funds and Unit Trusts:								
- Equities	32,480.1		32,480.1	43%	48,077.9		48,077.9	48%
- Bonds	6,400.5		6,400.5	8%	6,660.6		6,660.6	7%
- Hedge Funds		1,355.4	1,355.4	2%		378.8	378.8	0%
- Hedge Funds						40.4	40.4	0%
- Other		3,937.6	3,937.6	5%		4,762.0	4,762.0	5%
Total Assets	60,184	15,972	76,156	100%	82,896	17,183	100,079	100%
Adjust for Prepayment							(2,267)	
Total Assets			76,156				97,812	

Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2019/20 and the financial implications of this Revaluation are included in these 2020/21 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 2020.

NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

Period Ending	31 March 2020 % Per Annum	31 March 2021 % Per Annum
Financial Assumptions		
Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.25%	2.30%
Discount Rate	2.00%	2.30%
	Males	Females
Mortality Rate		
Current Pensioners	21.4 years	24.0 years
Future Pensioners	22.5 years	25.7 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 2021	Approximate % increase to employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	10%	14,488
0.5% increase in the Salary Increase Rate	1%	1,497
0.5% increase in the Pension Increase Rate (CPI)	9%	12,680

NOTES TO THE ACCOUNTS

Scheme History

Local Government Pension Scheme	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(111,789)	(111,170)	(124,754)	(108,874)	(141,633)
Net Liability arising from defined benefit obligation	75,227	75,142	81,133	76,156	97,812
Adjustment for prepayment of future years pension contributions		1,635	874		2,267
Net Liability arising from defined obligation	(36,562)	(34,393)	(42,747)	(32,718)	(41,554)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£41.554 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£24,258 million** (see page 51). 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 (i.e. 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 2022 is **£1.329 million**.

40. Contingent Liabilities

- The **Authority acting as guarantor of pension commitments** (as required by the Staffordshire County Council Pension Fund Policy) following the TUPE of employees both to Lichfield Garrick Trust and to Freedom Leisure. 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 2020/21, the risk has been assessed at low, no greater than **1%** or **£3,603**. 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. 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 2020/21, the risk is very difficult to quantify after Covid-19, but has been assessed at moderate, between **5%** or **£363,424** and **30%** or **£2,288,699**. This is based on the operating environment nationally, the overall financial position of Freedom Leisure, the contract between Freedom and the Council, and the support provided both by the Government and Lichfield District Council.
- 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.

NOTES TO THE ACCOUNTS

- 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 2021 is **£176,684**. No provision has been made for this amount as the outcomes of the claims are currently unknown.
- Covid-19 – the impact of Statute and Government guidance restricting the movement of people and effectively locking down the county is now gradually easing. Whilst the Council has prepared its 2021/22 budget to include all known Covid-19 related costs to date, there remains the possibility that further costs may arise, that were not previously identified, as the country moves out of lockdown.

41. Contingent Assets

- Under the Deed of Transfer of the Council's Housing Stock to **Bromford Housing Association** (HomeZone) on 24 March 1997, the Council is entitled to a share of any housing receipts the Association receives in relation to transferred properties.
- The critical judgement in relation to **the finance lease for the Joint Waste Service vehicles** means the finance lease liability is shown in this Council's Financial Statements. In the event that the Joint Waste Service ceases to operate, the Council would seek to recover an element of the outstanding lease obligations from Tamworth Borough Council.

42. Financial Instruments - Risks

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

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

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

Credit Risk

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

Credit Risk: Investments

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the three major ratings agencies – Fitch, Standard and Poor and Moody's. 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

NOTES TO THE ACCOUNTS

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by [131%] (2020: [365%]) to adjust for current and forecast economic conditions. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. Although at 31st March 2021 the level is not material and therefore no loss allowance has been set aside for treasury investments. The table below summarises the credit risk exposures of the Council’s Investment Portfolio (Investments and Money Market Funds) by Credit Rating:

Credit Rating	Long Term		Short Term	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
AAA	0	0	13,330	12,550
AA-	0	0	0	1,000
A+	0	0	2,000	2,000
A	0	0	0	3,000
Unrated Local Authorities	0	0	14,000	10,000
Total	0	0	29,330	28,550
Credit risk not applicable*	7,959	5,456	0	0
Total Investments	7,959	5,456	29,330	28,550
Accrued Interest	0	0	52	86
Cash in Hand and Bank Accounts	0	0	741	645
Balance Sheet Total for Short Term Investments, Long Term Investments and Cash and Cash Equivalents	7,959	5,456	30,123	29,281

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

Credit Risk: Receivables

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

31 March 2020 £000		31 March 2021 £000
1,928	Neither past due nor impaired	1,734
1,016	Less than three months	1,286
336	Three to six months	250
316	Six months to one year	251
785	More than one year	518
4,381	Total	4,039

NOTES TO THE ACCOUNTS

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

	Average range of allowances set aside	31 March 2021			31 March 2020		
		Gross receivable	Loss allowance	Total	Gross receivable	Loss allowance	Total
Public sector	0%	5,313	0	5,313	256	0	256
Trade Receivables - not yet due	0%	1,734	0	1,734	1,928	0	1,928
Council Tax Payers	51% - 100%	672	(334)	338	525	(148)	377
Business Rates Payers	46% - 100%	339	(213)	126	225	(116)	109
Trade Receivables	0% - 100%	1,792	(190)	1,602	1,802	(116)	1,686
Prepayments	0%	603	0	603	753	0	753
Housing Related	0% - 100%	513	(493)	20	651	(630)	21
		10,966	(1,230)	9,736	6,140	(1,010)	5,130

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities including the Public Works Loans Board long term loans received in April 2015 and May 2018 is as follows:

31 March 2020 £000		31 March 2021 £000
(193)	Less than one year	(196)
(196)	Between one year and two years	(198)
(601)	Between two years and five years	(608)
(820)	Between five years and ten years	(676)
(609)	Between ten years and twenty years	(578)
(30)	Between twenty years and thirty years	0
(2,449)	Total	(2,256)

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

Market Risks: Interest Rate Risk

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

NOTES TO THE ACCOUNTS

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

2019/20 £000		2020/21 £000
(202)	Increase in interest receivable on variable rate investments	(221)
50	Decrease in fair value of investments held at FVPL	121
(152)	Impact on the Surplus or Deficit on the Provision of Services	(100)
30	Decrease in fair value of loans and investments at amortised cost*	37
(158)	Decrease in fair value of fixed rate borrowing*	(212)

*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 as described above.

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 £89,998 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.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £8m. A 5% fall in share prices at 31st March 2021 would result in a £64,687 charge to the Surplus or Deficit on the Provision of Services.

43. Joint Arrangements

In 2016/17, the Council entered into a partnership arrangement with Public Sector Partnerships (PSP). The creation of the Limited Liability Partnership (LLP) with PSP will mean that group accounts will need to be prepared to consolidate the LLP's financial accounts into our accounts reflecting our position as joint owners when projects are approved. No projects or schemes were approved during 2020/21 and no material financial transactions were made. No new accounting policies are required for the preparation of the 2020/21 Statement of Accounts.

44. Local Authority Company

Lichfield Housing Limited was incorporated on 2 September 2019 to undertake small to medium sized development opportunities to provide a diverse range of homes to meet the local housing needs of Lichfield District. It is a private limited company with share capital and wholly owned by Lichfield District Council. No projects or schemes were approved during 2020/21. During 2020/21, the Council purchased £225,000 of equity in the company. There were no material financial transactions in the year. No new accounting policies are required for the preparation of the 2020/21 Statement of Accounts. It was therefore agreed that Group Accounts for the Council would not be required.

NOTES TO THE ACCOUNTS

45. Material Items of Income and Expenditure

During the year the Council processed a large number of additional payments and received a large amount of additional funding all of which related to Covid-19 support. The detail is shown in the Narrative Report on page 21 and the material items (those over the external audit materiality threshold of £840,000) are shown below:

Covid-19 Grant Description	Grant Income £	Grant Paid Out £
Additional Restrictions Grant	*(3,025,673)	*3,025,673
LA Discretionary Grant	*(951,000)	*951,000
Business Support Grants	(19,020,000)	18,065,000
Closed Business Lockdown Payment	(4,410,000)	3,364,000
Local Restrictions Support Grant - Closed	(5,986,563)	4,757,999
Total	(29,416,563)	26,186,999

- *Grants where the Council acts as Principal (i.e. the Council could determine how the money was spent within defined guidance).
- The Council also acted as an agent for the other grants (i.e. the Government prescribed how the money was spent).

The Council also incurred additional net expenditure of **£1.356m** shown separately on the Comprehensive Income and Expenditure Statement (CIES). This was offset by **(£2.772m)** of additional grant income.

COLLECTION FUND

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.

Council Tax £000	Business Rates £000	Total 2019/20 £000		Council Tax £000	Business Rates £000	Total 2020/21 £000
(68,419)		(68,419)	Income			
(13)		(13)	Council Tax	(71,350)		(71,350)
0			Transfer from / (to) general fund - Council Tax Benefit	(4)		(4)
	(36,717)	(36,717)	Transfer (from) / to general fund – Hardship Payments	(502)		(502)
	7	7	Non-Domestic Rates		(21,091)	(21,091)
			Transitional protection payments		523	523
(68,432)	(36,710)	(105,142)	Total income	(71,856)	(20,568)	(92,424)
			Expenditure			
66,996		66,996	Precepts and demands from major preceptors and the authority	71,411		71,411
	25,078	25,078	Share of non-domestic rating income to major preceptors and the authority		17,264	17,264
	8,359	8,359	Payment with respect to central share (including allowable deductions) to central government		17,264	17,264
			Impairment of Debts / Appeals			
42	428	470	· write-offs on uncollectable amounts	33	28	61
(89)	(91)	(180)	· allowance for impairment	1,520	243	1,763
	200	200	· allowance for appeals		2,858	2,858
	122	122	Allowance for collection costs		123	123
230	532	762	Contribution towards previous year's Collection Fund surplus	1,520	304	1,824
67,179	34,628	101,807	Total expenditure	74,484	38,084	112,568
(1,253)	(2,082)	(3,335)	Movement on Fund (Surplus) / Deficit	2,628	17,516	20,144
(590)	(599)	(1,189)	Balance at the beginning of year	(1,843)	(2,681)	(4,524)
(1,843)	(2,681)	(4,524)	Balance at the end of year	784	14,835	15,619

Council Tax £000	Business Rates £000	Total 2019/20 £000	Distribution of end of year (Surplus) / Deficit	Council Tax £000	Business Rates £000	Total 2020/21 £000
(234)	(1,072)	(1,306)	Lichfield District Council	99	5,934	6,033
(1,303)	(912)	(2,215)	Staffordshire County Council	554	1,335	1,889
(227)		(227)	Staffordshire Commissioner – Police and Crime	96		96
(79)	(27)	(106)	Staffordshire Commissioner - Fire and Rescue	34	148	182
	(670)	(670)	Central Government		7,418	7,418
(1,843)	(2,681)	(4,524)	(Surplus) / Deficit	784	14,835	15,619

COLLECTION FUND

Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council, Staffordshire Commissioners - Fire and Rescue Service and Staffordshire Commissioner – Police and Crime 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) **39,032** for 2020/21. This basic amount of Council Tax for a Band D property (**£1,829.53** for 2020/21) 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 2020/21 is shown below:

2019/20 £000	Council Tax	2020/21 £000
47,370	Staffordshire County Council	50,584
8,232	Staffordshire Commissioner – Police and Crime	8,786
2,879	Staffordshire Commissioner – Fire and Rescue	3,015
6,655	Lichfield District Council	7,029
	Parish Precepts :	
41	Alrewas	41
108	Armitage with Handsacre	108
319	Burntwood Town Council	349
18	Clifton Campville with Thorpe Constantine	18
14	Colton	12
6	Curborough & Elmhurst, Farewell & Chorley	7
22	Drayton Bassett	23
14	Edingale	14
14	Elford	15
61	Fazeley Town Council	67
99	Fradley and Streethay	131
26	Hammerwich	26
6	Hamstall Ridware	7
11	Harlaston	11
8	Hints and Canwell	8
16	Kings Bromley	16
757	Lichfield City Council	818
26	Longdon	29
22	Mavesyn Ridware	19
182	Shenstone	182
5	Swinfen and Packington	6
12	Wall	12
2	Weeford	2
52	Whittington and Fisherwick	55
20	Wigginton and Hopwas	22
1,861	Total Parish Precepts	1,998
66,997		71,412

COLLECTION FUND

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

Band	Band Width	2019/20 Band D Equivalent (Tax Base)			2020/21 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	99.0%	Number of Dwellings	%	99.0%
	£						
A	0 to 40,000	2,522	7	2,497	2,564	7	2,538
B	40,001 to 52,000	6,311	17	6,248	6,455	16	6,391
C	52,001 to 68,000	8,195	21	8,113	8,475	22	8,390
D	68,001 to 88,000	6,116	16	6,055	6,303	16	6,240
E	88,001 to 120,000	5,475	14	5,420	5,627	14	5,570
F	120,001 to 160,000	4,898	13	4,849	5,042	13	4,992
G	160,001 to 320,000	3,973	10	3,933	4,043	10	4,003
H	320,001 upwards	758	2	751	772	2	763
Class O		145		145	145		145
TOTAL		38,393	100	38,011	39,426	100	39,032

Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2020/21 amounting to **£1,519,680**. The total allowance for impairment of debt as at 31 March 2021 is **£2,690,101** and represents **75%** of the **£3,595,321** outstanding debt.

Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **51.2p** (2019/20 **50.4p**) and the small business non-domestic rating multiplier **49.9p** (2019/20 **49.1p**) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the business ratepayers in its area.

2019/20 £000		2020/21 £000
89,881	Non-Domestic rateable value at year end	90,016
36,717	Net rates payable by Ratepayers	21,091

In 2020/21 the Council was not part of a Business Rates Pilot Scheme and as a consequence Staffordshire retained its usual 50% of Business Rates income compared to 75% in 2019/20, which was a pilot year.

2019/20 £000	Share %	Preceptors	Share %	2020/21 £000
8,359	25	Central Share Central Government	50	17,264
11,368	34	Major Precepting Bodies Staffordshire County Council	9	3,107
334	1	Staffordshire Commissioner - Fire & Rescue	1	345
13,375	40	Lichfield District Council	40	13,811
25,077	75	Total Precepting Bodies	50	17,263

NDR Allowance for Impairment

An increase in the allowance for impairment was made during 2020/21 amounting to **£243,179**. The total allowance for impairment of debt as at 31 March 2021 is **£531,955** and represents **64%** of the **£831,395** outstanding debt.

GLOSSARY OF TERMS

Accounting Policies

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

Accrual

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

Accumulated Absences Account

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Grants Receipts in Advance

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

Capital Receipts

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

Cash Equivalents

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

Collection Fund

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

Community Assets

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

Community Infrastructure Levy

As part of sustainable development, local authorities have to introduce a planning charge known as the Community Infrastructure Levy (CIL). The CIL is designed to act as a tool for local authorities to help deliver infrastructure to support the development of their area. The CIL Charging Schedule sets out the rate of levy the Council will charge those types of development that are eligible to contribute towards infrastructure provision. The District Council's CIL was adopted on 13 June 2016.

Comprehensive Income and Expenditure Statement

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

Consistency

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

GLOSSARY OF TERMS

Creditors

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Defined Benefit Scheme

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

Depreciation

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

Debtors

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

Earmarked Reserve

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

Expenditure and Funding Analysis Statement

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

Finance Lease

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

Financial Instruments

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

General Fund

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

Government Grants

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

Gross Expenditure (Total Cost)

Gross expenditure includes employee costs, expenditure relating to premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges.

Heritage Assets

These are assets that are held by the authority principally for their contribution to knowledge or culture.

Impairment

A reduction in the value of a fixed asset resulting from either: obsolescence, physical damage or an accepted method of asset valuation (most commonly market valuation). The present economic climate has resulted in more volatile asset values and authorities are required to consider whether circumstances

GLOSSARY OF TERMS

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

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment Properties

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

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

Liabilities

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

Materiality

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

National Non-Domestic Rates (NNDR)

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

Non-Domestic Rates (NNDR)

From 1 April 2013 until 31 March 2019, the Council collected Business Rates and distributed them on the basis of 50% Central Government, 40% Lichfield District Council, 9% Staffordshire County Council and 1% Staffordshire Fire & Rescue Service. In 2019/20 the Council became part of the Staffordshire and Stoke on Trent Business Rate Pilot and as a consequence Staffordshire retained 75% of Business Rates income compared to 50% previously. The additional £25% is retained by the County Council making their share 34%. An element of the County Council's additional growth is distributed to other authorities in the pilot as an additional benefit.

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.

GLOSSARY OF TERMS

Events after the Balance Sheet Date (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

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

To be added

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

Urdu

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

Punjabi

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

Arabic

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

Cantonese

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

Bengali

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

French

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Farsi

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

Polish

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

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