

# Statement of Accounts 2021/22

## Cabinet Member for Finance and Commissioning

Date:	28 November 2023
Agenda Item:	7
Contact Officer:	Anthony Thomas
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Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	No
Local Ward Members	Full Council



## Audit and Member Standards Committee

## 1. Executive Summary

- 1.1 The Statement of Accounts has been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. 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 In response to the Covid-19 Pandemic, the Government has introduced 'The Accounts and Audit (Amendment) Regulations 2021'. These Regulations provide authorities with additional time to complete the audit of their accounts for 2021/22, given the impact of the Covid-19 virus on the availability of local authority staff and auditors to complete the audit process within current deadlines. These Regulations apply only in relation to annual accounts relating to the 2020/21 and 2021/22 financial years. For 2021/2022, the deadline to publish its unaudited accounts was moved from 31 May 2022 to 31 July 2022, with the deadline for publishing audited statements being pushed back from 31 July 2022 to 30 September 2022.
- 1.3 In terms of 2021/22, the draft Statement of Accounts was signed by the Assistant Director Finance and Commissioning (Section 151) on 1 July 2022.
- 1.4 A copy of the Unaudited Statement of Accounts was placed on the Council's website on 1 July 2022. The period of inspection and elector's right to question the External Auditor also commenced on 4 July 2022 for 30 working days.
- 1.5 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.
- 1.6 The Constitution assigns the responsibility for considering and approving the Annual Statement of Accounts to this Committee to enable sign off by the Chair.

## 2. Recommendations

- 2.1 The Committee:
  - Notes the External Auditor's Audit Findings Report (**Agenda Item 4**).
  - Approves the Letter of Representation at **APPENDIX A**.
  - Approves the Councils Statement of Accounts for 2021/22 (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 4. This details the findings from the final accounts audit. The Value for Money conclusion will also be discussed at Agenda Item 6. The only issue to bring to the Committee's attention relates to the Pension Fund. Whilst the External Auditors have concluded most 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.
- 3.2. The Council's External Auditor is required to obtain written representations from management in respect of matters which could affect the Council's financial position as reflected in the financial statements. Whilst the letter should be signed by the Chief Executive and Chief Financial Officer (Section 151), it has been requested, as good practice, that the Committee considers and approves the letter. The letter is attached at **APPENDIX A**.
- 3.3. The Council is annually required to produce and certify a Statement of Accounts in line with the Code of Practice on Local Authority Accounting.
- 3.4. The Statement of Accounts is included at **APPENDIX B** and is comprised of the following sections (core statements are in bold and are explained further in the paragraphs below):

Section	Description	Page
Statement of Responsibilities	The Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts.	3
Narrative Report	An analysis of Lichfield District Council through the eyes of its management.	4
Annual Governance Statement	This sets out the governance structures of the Council and its key internal controls ( <b>approved by Audit and Member Standards Committee on 20 April 2022</b> )	24
Expenditure and Funding Analysis	This statement reconciles the Narrative Report and Money Matters financial performance to the Comprehensive Income and Expenditure Statement.	39
<b>Comprehensive Income and Expenditure</b>	<b>This records all of the Council's income and expenditure for the year based on accounting requirements.</b>	<b>40</b>
<b>Movement in Reserves Statement</b>	<b>This is a summary of the changes to the Council's reserves over the course of the year.</b>	<b>41</b>
<b>Balance Sheet</b>	<b>This Statement is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves.</b>	<b>42</b>
<b>Cash Flow Statement</b>	<b>This shows the reason for changes in the Council's cash balances during the year.</b>	<b>43</b>
Notes to the Accounts	More detail about the Council's accounting policies. These were <b>approved by Audit and Member Standards Committee on 20 April 2022</b> .	45
Collection Fund and Notes	This summarises the year end position for Council Tax and Business Rates.	107
Glossary of Terms	This provides an explanation of the terms used in the Statement of Accounts.	110
Independent Auditor's Report	The External Auditor's opinion.	114

- 3.5. The only issue of a material nature identified as part of the Audit was the national issue of the retrospective effect of the 31 March 2023 triennial valuation where an audit opinion has not been issued.
- 3.6. Actuaries carry out triennial valuations in more detail than they would for the financial statements and will have been able to refine their assumptions because of new information becoming available since initial reports were produced.
- 3.7. Lichfield District Council had not received an audit opinion and therefore had to consider the impact on its Statement of Accounts. Therefore, we were advised to request further reports from the Pension Fund Actuary to assess the impact on the 2021/22 financial statements.
- 3.8. We received an updated report from the actuary for 2021/22 at the beginning of July 2023. The changes to the pension figures were sufficiently material to require an update to the 2021/22 Statement of Accounts to reflect the figures in the revised pension report.
- 3.9. The version of Statement of Accounts included at **APPENDIX B** now reflect the revised pension report.
- 3.10. The following paragraphs will provide a little more detail in relation to the core statements.

### The Comprehensive Income and Expenditure Statement

- 3.11. 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.
- 3.12. As part of its Statement of Accounts, the Council is also required to prepare a Comprehensive Income and Expenditure Statement based on accounting requirements.
- 3.13. These two statements produce different figures for financial performance because of the different bases that are used in their preparation.
- 3.14. The Expenditure and Funding Analysis on page 39 and supplementary information on pages 66 and 67, reconcile the General Fund surplus and transfer to General Reserves (shown in the Narrative Report on page 11 and in Money Matters Reports) to the Comprehensive Income and Expenditure Statement (shown on page 40).
- 3.15. The table below summarises the Expenditure and Funding Analysis (EFA) and shows the main reasons why the General Fund **surplus** of **(£132,000)** becomes a **surplus** on Provision of Services in the Comprehensive Income and Expenditure Statement of **(£1,561,000)**.

<b>Where expenditure exceeds income this is shown in red</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Financial Performance - Statutory requirements (page 11)</b>	<b>(322)</b>	<b>(132)</b>
Transfers to Earmarked Reserves – consolidated into General Fund Reserve (non Covid-19)	(54)	(1,900)
Transfers to Earmarked Reserves – consolidated into General Fund Reserve (Covid-19)	(8,304)	3,552
<u>Removal of Statutory Entries and replace with Accounting Entries (page 67):</u>		
Debt repayment and revenue funding of capital spend	2,482	1,741
Depreciation, valuation changes and capital grants	(2,864)	(4,214)
Full cost of employer pensions in excess of the statutory amount paid	812	2,566
(Higher) or lower Council Tax and Business Rates compared to the statutory estimate contained in the NNDR1	7,344	(3,174)
<b>Financial Performance - Generally Accepted Accounting Practices (page 40)</b>	<b>(906)</b>	<b>(1,561)</b>

3.16. The reasons for the increase in the **surplus of (£1,429,000)** are:

- The removal of transfers to Earmarked Reserves specifically related to Covid-19 of £3,552,000 and transfers to Earmarked Reserves for non-Covid-19 of (£1,900,000) because under accounting requirements these are considered to form part of the General Fund Reserve – **this reduces the surplus by £1,652,000.**
- The removal of entries related to debt repayment and capital financing (these are replaced by depreciation etc.) – **this reduces the surplus by £1,741,000.**
- 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 (£4,214,000).**
- 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 £2,566,000.**
- The inclusion the Council's share of the actual income for Council Tax and Business Rates (compared to the NNDR 1 estimate) – **this increases the surplus by (£3,174,000).**

### The Movement in Reserves Statement

3.17. The movement in usable and unusable reserves during 2021/22 is summarised in the graph below:

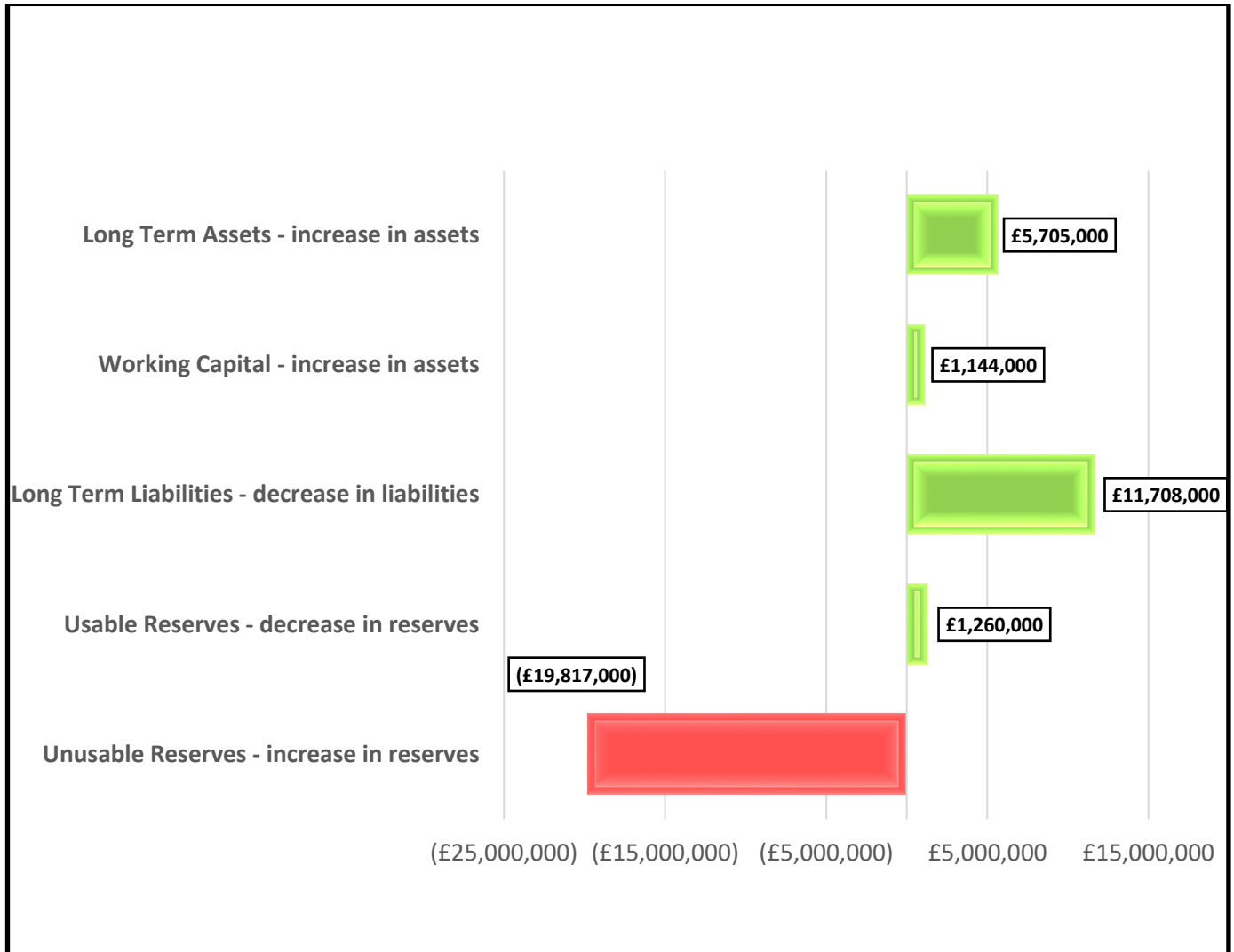


3.18. The movement in reserves during 2021/22 is explained below:

- **General Reserves** - there was a General Fund **surplus** of revenue income over expenditure and therefore **£132,000** was transferred to General Reserves (Movement in Reserves on page 41).
- **Earmarked Reserves – net transfers out** of **(£1,652,000)** were made of which (£2,561,000) relates to Covid-19 grants being utilised to meet financial burdens related to the pandemic. (Note 8 on page 68).
- **Capital receipts** – these have **decreased** by **(£179,000)**. There were receipts generated of **(£563,000)** from the Council's share of Bromford Right to Buy. Capital receipts of **£742,000** were used to fund capital investment during the year (Movement in Reserves on page 41).
- **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 **£439,000** during 2021/22 due primarily to receipts from Community Infrastructure Levy of **£817,000** and a reduction in S106 of **(£378,000)** (Movement in Reserves on page 41).
- **Unusable reserves** – these have **increased** by **£19,817,000** 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 41):
  - A **decrease** in the negative pension reserve of **£12,390,000** following reassessment by the Actuary.
  - A **decrease** in the negative pooled fund adjustment account of **£269,000** where asset values have increased.
  - A **decrease** in the Collection Fund Adjustment Account of **(£3,174,000)**. 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.
  - An **increase** in the Capital Adjustment account of **£2,166,000**. 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 **£1817,000**.

## The Balance Sheet

3.19. The changes in the Balance Sheet during 2021/22 are shown below:



3.20. The **increase** in the 'bottom half' of the Balance Sheet represented by usable and unusable reserves is **£18,557,000**. There is also a corresponding **increase** in net assets in the 'top half' of the Balance Sheet of **£18,557,000**).

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

- **Long Term Assets** – have **increased** by **£5,705,000** mainly due to an **increase** in long term investments of **£2,269,000** and property, plant and equipment of **£3,254,000**.
- **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 2021/22 there has been an **increase** of **£1,144,000** related mainly to an **increase** in short term debtors of **£5,008,000**, and an **increase** in short term creditors of **(£4,521,000)**.
- **Long Term Liabilities** – have **decreased** by **(£11,708,000)** due to mainly to reassessment of the Pension liability by the scheme Actuary **(£11,286,000)**.
- **Usable Reserves** - These changes are explained in paragraph 3.15.
- **Unusable Reserves** – These changes are explained in paragraph 3.15.

## The Cash Flow Statement

3.22. 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 £4425,000** in cash and cash equivalents are shown below:

	Receipts £000	Payments £000	Balance £000
<b>Opening Balance</b>			<b>14,071</b>
Sale of assets	520		14,591
Net lower Council Tax and Business Rates cash		(722)	13,819
Capital grants and contributions	2,572		16,391
Net additional investments		(7,000)	9,391
Capital expenditure related to assets		(2,242)	7,149
Debt repayments for borrowing and finance leases		(1,695)	5,454
Operating activities cash income more than cash expenditure	12,992		18,496
<b>Closing Balance</b>			<b>18,496</b>

3.23. 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).

3.24. 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 <b>20 April 2022</b>.</p> <p>The Audit and Member Standards Committee was consulted on and approved the content of the Annual Governance Statement at its meeting on <b>20 April 2022</b>.</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 (may update when the audit opinion is included) in eight different languages. There are no Human Rights issues.
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Crime & Safety Issues	There are no Crime and Community Safety Issues.
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Data assessment	The ability to deliver the outcomes set out in the <b>Lichfield District Council Strategic Plan</b> , and beyond, is dependent on the resources available in the MTFS. The MTFS identifies the level of resources available and spend necessary to deliver the outcomes across the entire District. However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.
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Environmental Impact (including Climate Change and Biodiversity).	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan.
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GDPR/Privacy Impact Assessment	There are no specific implications.
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	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 2021/22 Statement of Accounts was completed and signed by the Head of Finance and Procurement on 1 July 2022.	Likelihood : Green Impact : Green Severity of Risk : Green



B	<p>The Statement of Accounts is not completed to the required quality, in line with Statutory and Accounting requirements or has a qualified opinion issued by the External Auditor.</p>	<p>Likelihood : Green Impact : Red Severity of Risk : Yellow</p>	<p>The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications.</p> <p>This training includes attendance at training and development related specifically to the production of the Statement of Accounts.</p>	<p>Likelihood : Green Impact : Green Severity of Risk : Green</p>
C	<p>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.</p>	<p>Likelihood : Yellow Impact : Red Severity of Risk : Red</p>	<p>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.</p> <p>In addition, we used the later Pension Report that contains actual rather than estimated data at 31 March 2022, updated to reflect the impact of the actuarial triennial valuation of 31 March 2023, to complete the draft Accounts in order to minimize the risk of material adjustments during audit.</p>	<p>Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow</p>

Background documents	Statement of Accounts working papers 2021/22 The Accounts and Audit (England) Regulations
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Relevant web links	
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Your ref LDC  
 Our ref Letter of Representation  
 Ask for Anthony Thomas  
 Email Anthony.thomas@lichfielddc.gov.uk



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

Grant Thornton UK LLP  
 17<sup>th</sup> Floor, 103 Colmore Row  
 Birmingham B3 3AG

Direct Line 01543 308000  
 Customer Services 01543 308000

TBCXXXX

Dear Grant Thornton UK LLP

**Lichfield District Council**  
**Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Lichfield District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 2021/22 ("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 valuation of land and buildings and pension fund liability. 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. 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. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and 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. 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 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

- xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvi. Any other matters that the auditor may consider appropriate.

### Information Provided

- xvii. 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 from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.



- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. 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**

- xxvi. 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**

- xxvii. 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 and Member Standards Committee at its meeting on 28 November 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council





# Statement of Accounts 2021/22

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If you have any comments on this **Statement of Accounts 2021/22** 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](mailto:jane.irving@lichfielddc.gov.uk)

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

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## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the Chief Finance Officer (CFO) is the Assistant Director - Finance and Commissioning (Section 151) 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 2022.

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 2022 and its income and expenditure for the year.

**Anthony Thomas, CPFA, MAAT**  
**Assistant Director – Finance & Commissioning (Section 151)**

The Statement of Accounts for 2021/22 has been approved by Audit and Member Standards Committee on **28 November 2022**. The Audit Findings Report was reported to Audit and Member Standards Committee on **28 November 2022**.

Chair of Audit (and Member Standards) Committee Date: **XX 2022**

# Narrative Report

## Introduction

The Statement of Accounts for the year ended 31 March 2022, 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 2021/22. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts, therefore, aims to provide information so that for the 2021/22 financial year members of the public, including electors and residents of Lichfield District, Council Members, partners, stakeholders and other interested parties can:

- See the performance of the Council including progress against its strategic objectives
- Understand the overarching financial position of the Council
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner
- 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 2021/22
- A Summary of the Financial Performance of Lichfield District Council in 2021/22
- 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.

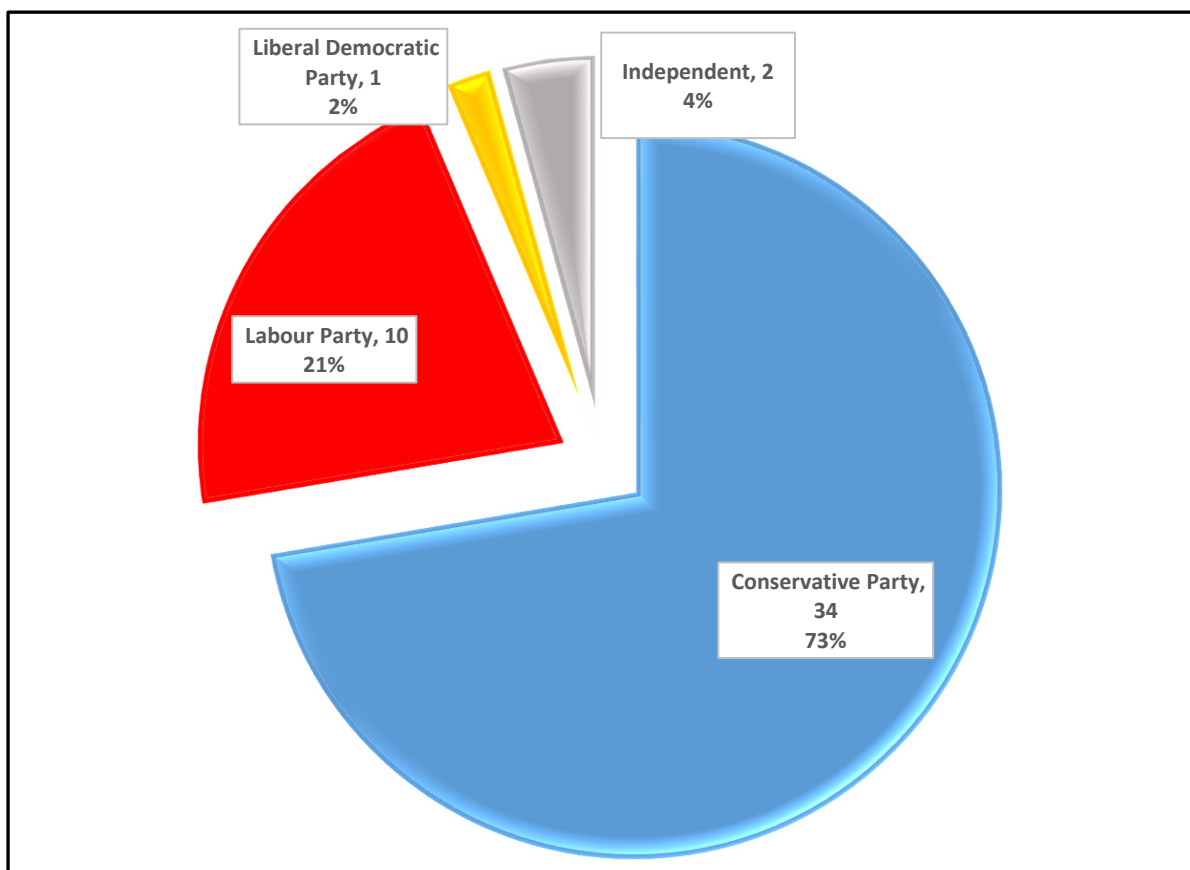
Tourism is a significant part of the local economy based on the heritage, character and environment of the area, with Lichfield City being a particular focal point. There are a number of important visitor attractions within the district. These include Drayton Manor Park, which lies in the Green Belt 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 2022, 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 **297** people of which **93%** 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 **106,400** people (2021 census released 28 June 2022). 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*

## NARRATIVE REPORT

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- *Providing and managing public toilets*
- *Dealing with planning applications and providing building control*
- *Compiling and maintaining the electoral register and administering elections*
- *Providing advice on environmental health*
- *Inspecting food and drink premises to make sure they are safe and hygienic*
- *Providing support for people who are homeless, and home adaptations to help people live independently*
- *Providing a tourist information service, support to arts and culture, events and festivals, and promoting tourism*
- *Working in partnership to promote community safety*
- *Carrying out conservation and wildlife management at protected sites*
- *Encouraging economic regeneration and creating plans for the future development of the district, for example the Local 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; governance and electoral 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 during the four years after 1 April 2020. These priorities have formed the basis of the **Delivery Plan** for 2021/22 and **Service Plans** for the remainder of the plan period. 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 period up to 31 March 22, there were **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. It is also shared with the Chair of the Council's Overview and Scrutiny Committee.

## NARRATIVE REPORT

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

	Behind target	Slightly behind target	On target	Completed	Cancelled
Delivery Plan actions – total 37	 2	 0	 17	 18	 0

Of the **18** actions in the Delivery Plan that were **completed**, some of the key achievements were:

- The **Housing Register** has been brought **in-house**. Lichfield District Homes is operational. At the end of the first six months there were 316 applications 'live', 396 with proofs outstanding, 129 incomplete applications and another 59 pending assessment.
- **Dry Recycling Contract** - The work has been completed on the procurement of the new recycling contract. The call off order has been placed. This has now been rolled out to all households improving the quality of recycling.
- A **Car Parking Strategy** for provision within Lichfield City Centre has been developed. This together with an action plan and prioritisation of projects was approved by Cabinet in November 2021. The Council is rolling out pay on exit and variable messaging as priorities.
- A detailed **Public Realm Strategy** has been **prepared** that will consider the Public Realm Priority Projects developed in the Lichfield City Centre Masterplan. This was approved by Cabinet in November 2021 together with an initial list and prioritisation of projects.
- A **Feasibility Study** on the **Birmingham Road Site** has been undertaken, options developed for the site that were considered by the Project Board followed by the stakeholder engagement process. Cabinet in February 2022 agreed a multi-phased/multi zoned approach to delivering this.
- The **MTFS 2021-26** was **approved** at Full Council on 22 February 2021.
- The 2020/21 **Statement of Accounts** was completed to statutory deadline and received a clean audit opinion from the External Auditors.
- **Local Governance Reviews** – work commenced in July 2021 and concluded by the Full Community Governance Review being approved by Full Council in December 2021.

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

- 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**. So far 5 properties have been purchased and are in the process of being converted.
- Work has been ongoing for the Council's **Climate Change pledge** - Lichfield District Council's Organisational Carbon Reduction Plan demonstrates how we will achieve net zero carbon emissions for the Council by 2035. An initial climate change workshop was held for key managers across the organisation in March 2022. Next steps include developing an internal network and staff training to promote and communicate the Organisational Carbon Reduction Plan and development of a strategy for achieving net zero district wide by 2050. The Nature Recovery Declaration was made in June 2022.

## NARRATIVE REPORT

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- Good progress has been made with the **Local Plan Review** - It is anticipated that the plan will now be submitted to the Planning Inspectorate (PINS) for independent assessment following consideration by Cabinet in May 2022.
- Work is progressing on the **Economic Development Strategy** - a draft Economic Prosperity action plan has been shared at a Cabinet Workshop in March 2022. The Strategy will now be a 12 month action plan that will be discussed with the Lichfield Sounding Board.
- Renewal of the **Garrick Agreement** – the fine detail of the legal agreement is currently being finalised.

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

- Plans for **coach park provision** in Lichfield – draft Heads of Terms have been agreed between both parties for the acquisition of the site. A legal firm has been appointed to provide legal advice on the removal of restrictive covenants.
- Develop a **strategy** to set out a **programme of projects** which will ensure **Lichfield’s open space, landscaping and environment is kept at the heart of future regeneration and development** projects - a draft brief has been developed ready to go to tender for the development of a Green Infrastructure Strategy with input from Staffordshire County Council.

## NARRATIVE REPORT

### Financial Performance

#### The Medium Term Financial Strategy and Monitoring Financial Performance

The ability to deliver the outcomes set out in the Strategic Plan 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 2021/22

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 2021/22 is shown below:

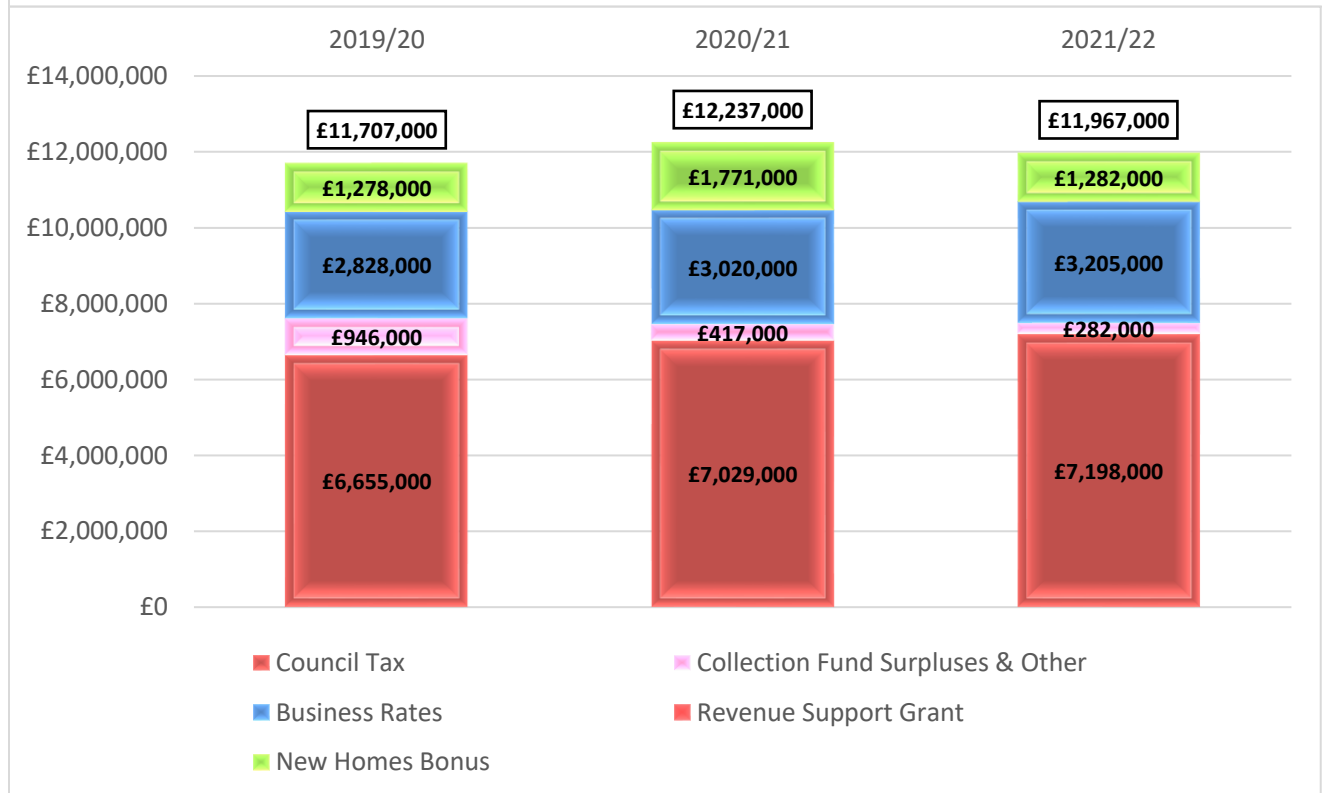
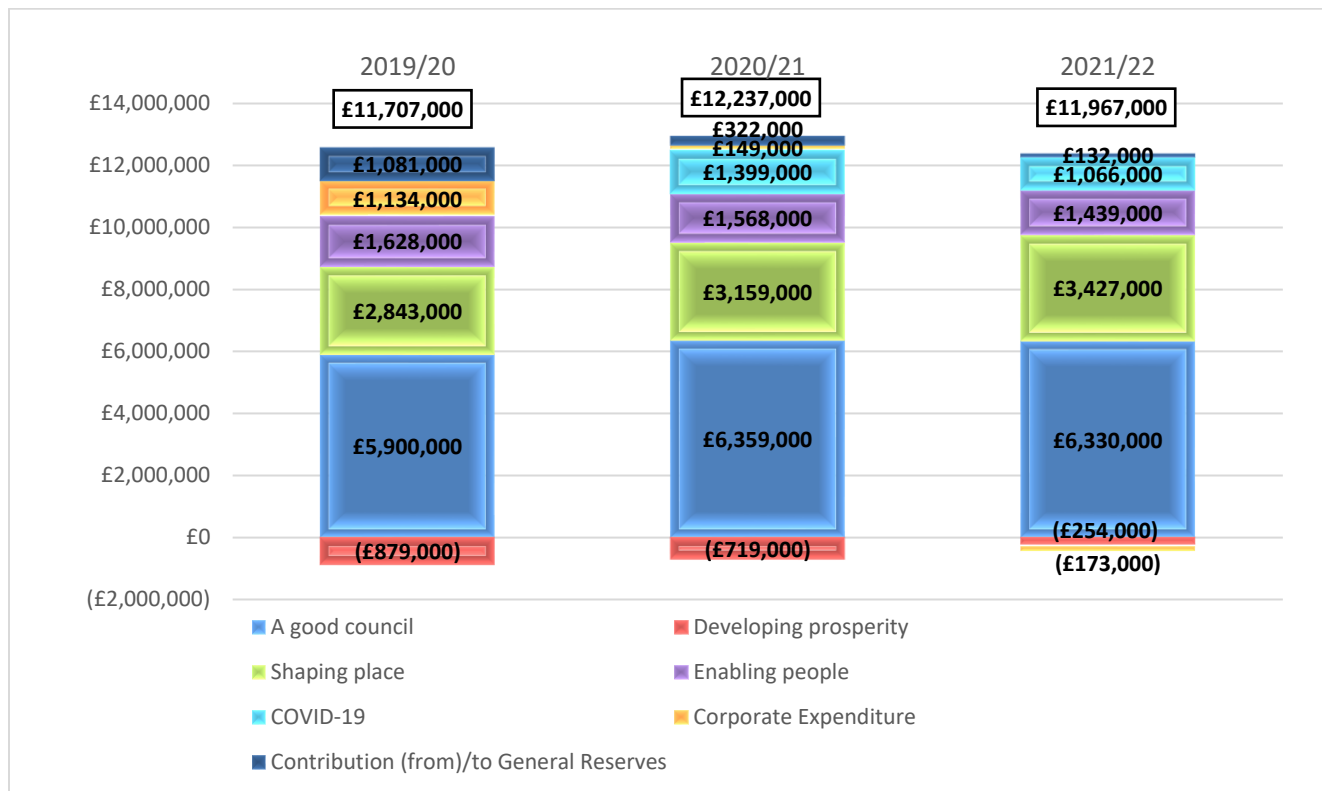
2020/21		2021/22				
Actual Outturn £000		Original Budget £000	Approved Budget £000	Actual Outturn £000	Amount per Person £	Amount per Band D Property £
6,359	A Good Council	6,321	6,292	6,330	£59.92	£162.77
(719)	Developing Prosperity	(621)	(311)	(254)	(£2.41)	(£6.54)
3,159	Shaping Place	3,402	3,515	3,427	£32.44	£88.12
1,568	Enabling People	1,483	1,453	1,439	£13.62	£37.01
1,403	COVID-19 - General Recovery	(4)	(129)	(75)	(£0.72)	(£1.95)
(4)	COVID-19 - Specific Risks	1,141	1,141	1,141	£10.80	£29.35
<b>11,766</b>	<b>Net Cost of Services</b>	<b>11,722</b>	<b>11,961</b>	<b>12,008</b>	<b>£113.67</b>	<b>£308.76</b>
304	Capital & earmarked reserves	0	0	0	£0.00	£0.00
(155)	Interest receipts/payments	(182)	(173)	(173)	(£1.64)	(£4.45)
322	Transfer (from) or to General Reserves	411	174	132	£1.25	£3.38
<b>12,237</b>	<b>Net Expenditure</b>	<b>11,951</b>	<b>11,962</b>	<b>11,967</b>	<b>£113.28</b>	<b>£307.69</b>
(3,020)	Business Rates	(3,122)	(3,122)	(3,205)	(£30.34)	(£82.42)
0	Revenue Support Grant	0	0	0	£0.00	£0.00
(1,771)	New Homes Bonus	(1,282)	(1,282)	(1,282)	(£12.14)	(£32.97)
(102)	Other Grants	(387)	(387)	(308)	(£2.92)	(£7.93)
(315)	(Surplus) or Deficit on the collection of Council Tax and Business Rates from the previous year	38	27	27	£0.26	£0.70
<b>(7,029)</b>	<b>Amount to be raised from Council Tax</b>	<b>(7,198)</b>	<b>(7,198)</b>	<b>(7,198)</b>	<b>£68.14</b>	<b>£185.07</b>

How Councils are funded has changed significantly since 2010 with Council Tax budgeted to fund **60%** of net expenditure compared to **47%** in 2010. We are among the lowest charging district councils in the country and an average home paid **£185** 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 **£131,639** and therefore a transfer to General Reserves. 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 **£1,561,000**. The **Expenditure and Funding Analysis (EFA)** also within the Statement of Accounts, reconciles financial performance under the statutory funding basis to the accounting basis:

		2020/21 £000	2021/22 £000
<b>Money Matters Financial Performance</b>	Page 67	<b>(322)</b>	<b>(132)</b>
Earmarked Reserves (including those in the Net Cost of Services)	Page 67	(8,358)	1,652
<b>Financial Performance on a Funding Basis shown in the EFA</b>	Page 67	<b>(8,680)</b>	<b>1,520</b>
Adjustments between Funding and Accounting Basis	Page 39	<b>7,773</b>	<b>(3,081)</b>
<b>Financial Performance on an Accounting Basis shown in the CIES</b>	Page 40	<b>(906)</b>	<b>(1,561)</b>

# NARRATIVE REPORT

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





## NARRATIVE REPORT

### Capital Financial Performance in 2021/22

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 2021/22 is shown below:

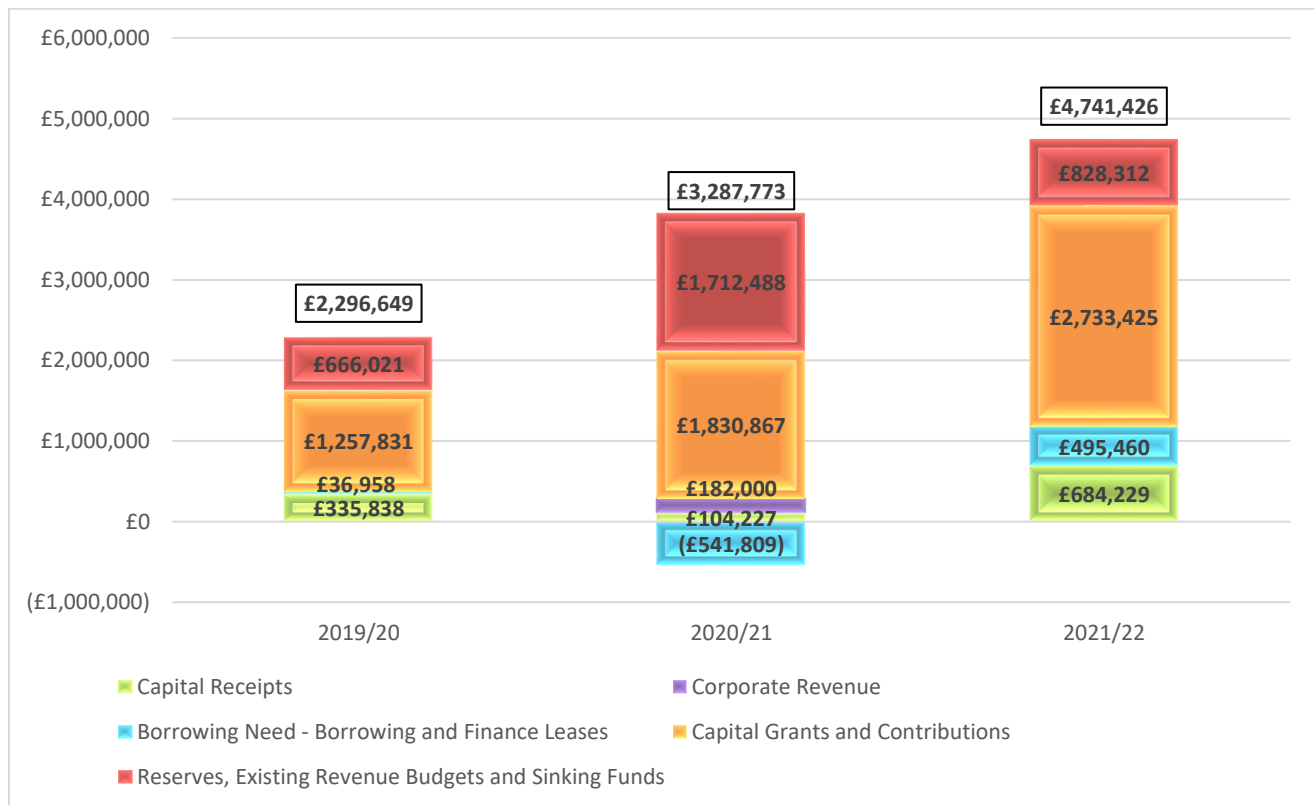
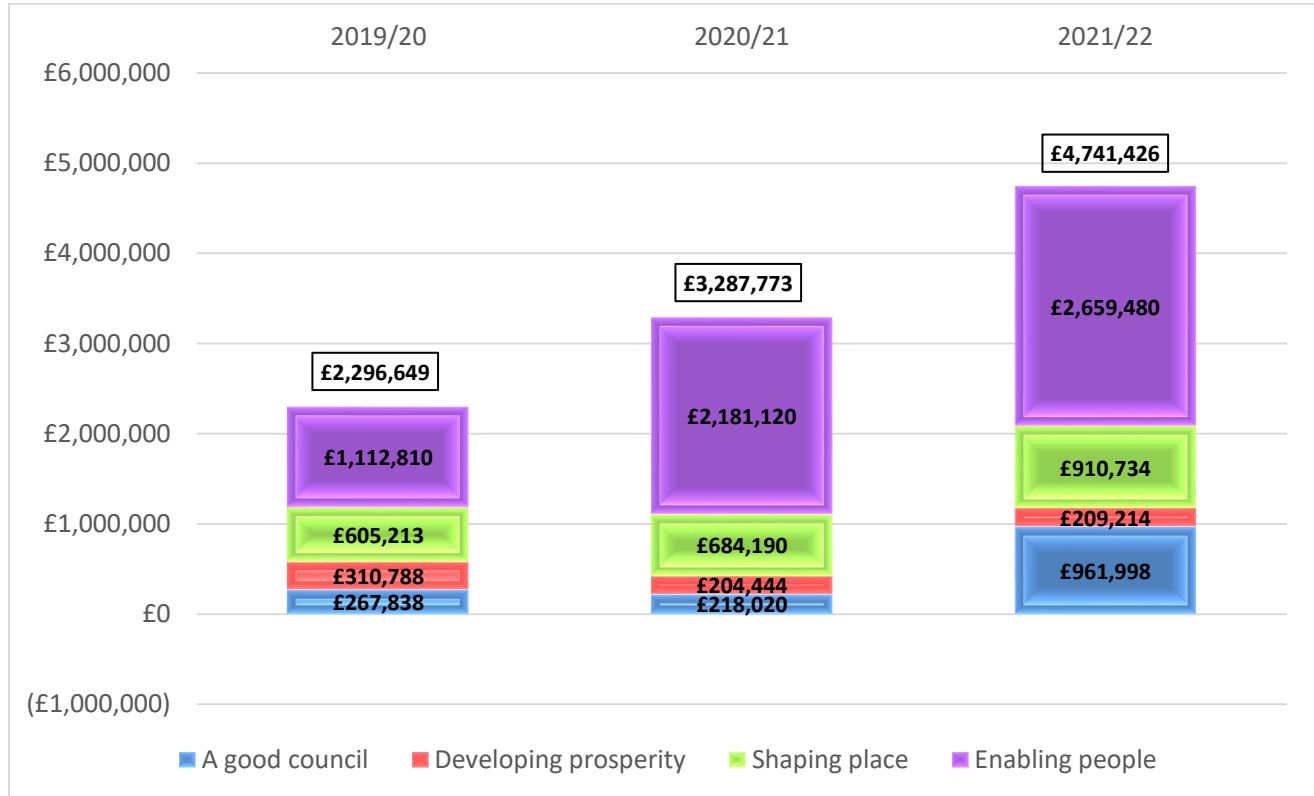
Original Budget £000		Approved Budget £000	Actual Outturn £000	Variance £000	Amount per Person £	Amount per Band D Property £
£1,118	A Good Council	£1,056	£962	(£94)	£9.11	£24.74
£935	Developing Prosperity	£577	£209	(£368)	£1.98	£5.37
£1,102	Shaping Place	£2,029	£911	(£1,118)	£8.62	£23.42
£3,375	Enabling People	£2,749	£2,659	(£90)	£25.17	£68.37
<b>£6,530</b>	<b>Total Expenditure</b>	<b>£6,411</b>	<b>£4,741</b>	<b>(£1,670)</b>	<b>£44.88</b>	<b>£121.90</b>
£1,301	Capital Receipts	£914	£684	(£230)	£6.48	£17.59
£278	Borrowing and Finance Leases	£700	£495	(£205)	£4.69	£12.73
£3,071	Capital Grants and Contributions	£2,385	£2,734	£349	£25.88	£70.30
£1,880	Reserves, Existing Revenue Budgets and Sinking Funds	£2,412	£828	(£1,584)	£7.84	£21.29
<b>£6,530</b>	<b>Total Funding</b>	<b>£6,411</b>	<b>£4,741</b>	<b>(£1,670)</b>	<b>£44.88</b>	<b>£121.90</b>

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

- **Shaping Place – Loan to Council’s development company (£675,000)** - delayed until 2022/23 and **Dual Stream Recycling** – bags not received until April (**£267,000**)
- **Developing Prosperity - Birmingham Road Site - Coach Park (£293,000)** –acquisition was not completed and therefore the enhancement works did not take place

# NARRATIVE REPORT

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



## NARRATIVE REPORT

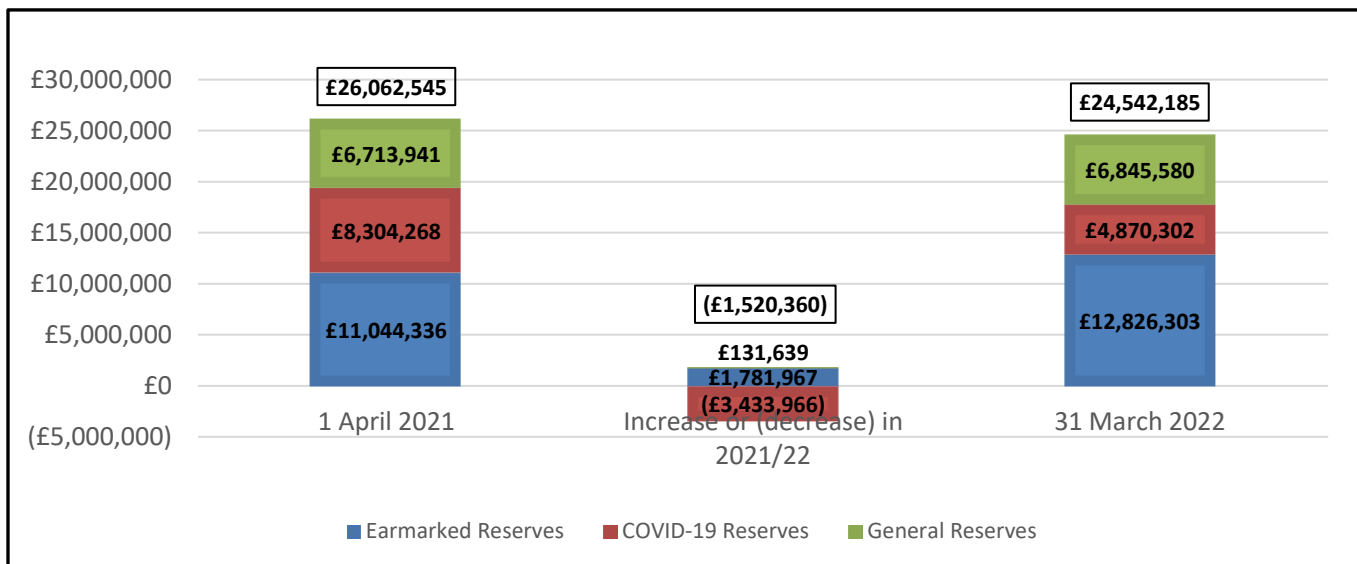
### Revenue Reserves

A General Reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risks. In 2021/22 **£131,639** was transferred to General Reserves compared to an Approved Budget of **£173,670**, this is a decrease of **£42,031**.

The total level of General Reserves at 31 March 2022 was **£6,845,580** and has set a risk assessed Minimum Level at **£1,600,000**. This means that there are available reserves of **£5,245,580** 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 Reserve was established in 2020/21 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 three years 2021/22, 2022/23 and 2023/24
- Other grants received related to Hardship Funding, Council Tax Compensation, Test and Trace and Additional Restrictions grant that were spent primarily in 2021/22
- To manage the risks related to Hardship and Housing

## NARRATIVE REPORT

### Looking Forward to the Next Four Years and Beyond

The Medium Term Financial Strategy (MTFS) provides budgets for the four financial years 2022/23, 2023/24, 2024/25 and 2025/26 It was approved by Full Council on 22 February 2022.

#### The Revenue Budget

The **Revenue Budget** with a balanced budget in 2022/23 and Funding Gaps in later years is shown below:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000				
<b>LEVEL OF UNCERTAINTY / RISK</b>	<b>HIGH</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>HIGH</b>	<b>HIGH</b>	<b>HIGH</b>
Enabling people	1,483	1,453	1,513	1,547	1,579	1,538
Shaping place	3,402	3,515	4,083	4,348	4,449	4,580
Developing prosperity	(621)	(311)	(436)	(373)	(346)	(290)
A good council	6,321	6,291	6,463	6,697	6,991	7,310
Windfall Income allocated to Strategic Priorities	0	0	1,993	0	0	0
MTFS Savings and Bids	0	0	(1,523)	(1,702)	(1,760)	(1,844)
COVID-19 Impacts	1,137	1,012	377	189	189	189
Corporate Expenditure (inc. New Homes Bonus)	229	238	82	1	78	68
<b>Revenue Expenditure</b>	<b>11,951</b>	<b>12,199</b>	<b>12,551</b>	<b>10,708</b>	<b>11,180</b>	<b>11,550</b>
Revenue Funding	(11,951)	(11,962)	(12,551)	(9,982)	(10,415)	(10,818)
<b>Central Scenario Funding Gap</b>	<b>0</b>	<b>237</b>	<b>0</b>	<b>726</b>	<b>765</b>	<b>732</b>

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000				
<b>LEVEL OF UNCERTAINTY / RISK</b>	<b>HIGH</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>HIGH</b>	<b>HIGH</b>	<b>HIGH</b>
Employees	13,916	14,006	14,713	15,171	15,636	16,117
Premises	1,124	1,071	1,134	1,174	1,212	1,203
Transport	1,653	1,628	1,649	1,664	1,679	1,696
Supplies and Services	5,278	6,246	6,671	4,713	4,720	4,734
Third Party Payments	664	668	505	513	525	448
Transfer Payments	13,492	13,492	13,492	13,492	13,492	13,492
COVID-19 Impacts	1,430	1,012	377	189	189	189
External Income	(25,654)	(26,161)	(26,072)	(26,209)	(26,351)	(26,397)
Corporate Expenditure	(363)	(173)	(198)	1	78	68
<b>Revenue Expenditure</b>	<b>11,540</b>	<b>11,788</b>	<b>12,271</b>	<b>10,708</b>	<b>11,180</b>	<b>11,550</b>
Revenue Funding	(11,951)	(11,962)	(12,551)	(9,982)	(10,415)	(10,818)
New Homes Bonus to general reserves	411	411	280	0	0	0
<b>Central Scenario Funding Gap</b>	<b>0</b>	<b>237</b>	<b>0</b>	<b>726</b>	<b>765</b>	<b>732</b>

## NARRATIVE REPORT

### The Capital Programme

The Capital Programme is summarised below:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Revised Budget £000				
<b>LEVEL OF UNCERTAINTY / RISK</b>	<b>HIGH</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>HIGH</b>	<b>HIGH</b>	<b>HIGH</b>
Enabling people	3,375	2,749	4,792	3,596	1,315	939
Shaping place	1,102	2,029	421	3,127	280	300
Developing prosperity	935	577	1,676	193	0	0
A good Council	1,118	1,056	1,064	331	331	506
<b>Capital Expenditure</b>	<b>6,530</b>	<b>6,411</b>	<b>7,953</b>	<b>7,247</b>	<b>1,926</b>	<b>1,745</b>
Capital Funding	(6,252)	(6,083)	(5,604)	(4,987)	(1,926)	(1,745)
Borrowing Need	278	328	2,349	2,260	0	0

General Capital Receipts	(888)	(1,689)	(368)	(317)	(97)	(690)
Capital Receipts earmarked to Housing	(197)	(694)	(694)	(694)	(694)	(694)
<b>Total Capital Receipts</b>	<b>(1,085)</b>	<b>(2,383)</b>	<b>(1,062)</b>	<b>(1,011)</b>	<b>(791)</b>	<b>(1,384)</b>

### General Reserves

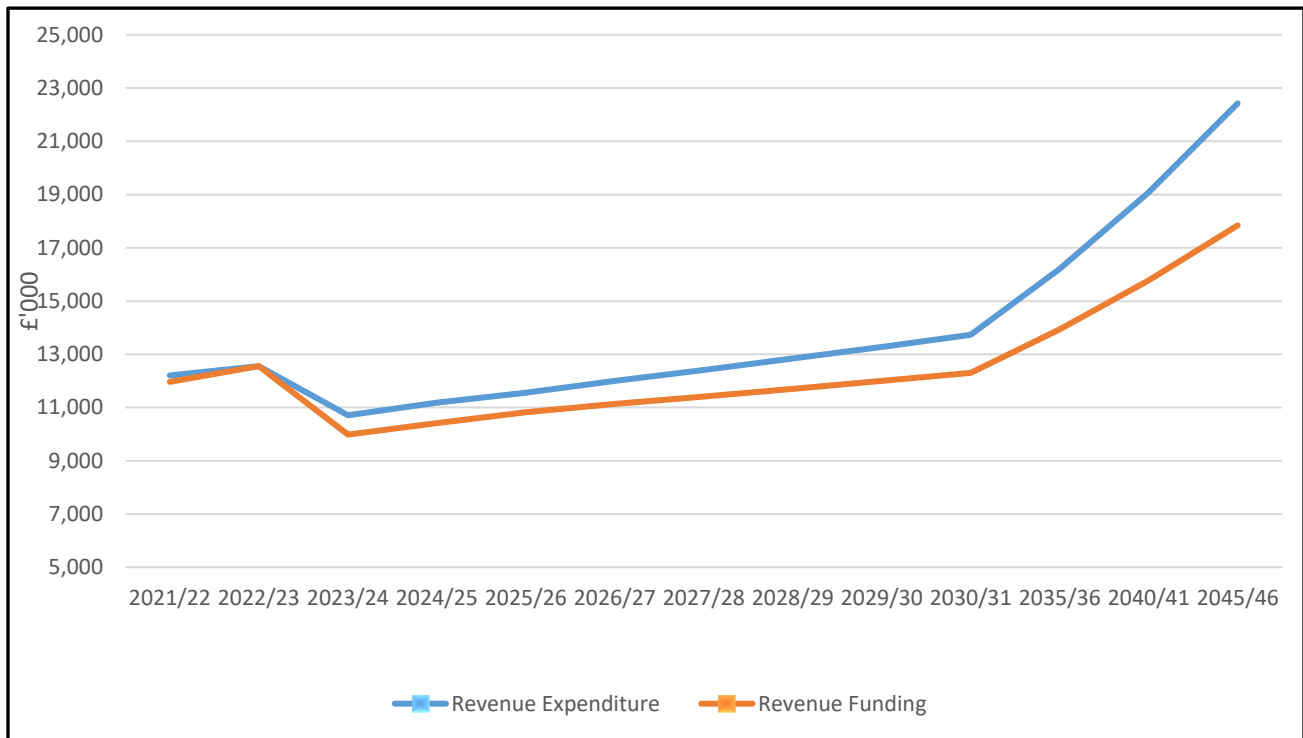
The total projected level of general reserves are shown below using the central scenario together with projections using more optimistic and pessimistic scenarios:

	2021/22		2022/23	2023/24	2024/25	2025/26
	Original Budget £000	Approved Budget £000				
<b>LEVEL OF UNCERTAINTY / RISK</b>	<b>HIGH</b>	<b>MEDIUM</b>	<b>MEDIUM</b>	<b>HIGH</b>	<b>HIGH</b>	<b>HIGH</b>
<b>Available General Reserves Year Start</b>	<b>5,114</b>	<b>5,114</b>	<b>5,288</b>	<b>5,568</b>	<b>4,842</b>	<b>4,077</b>
(Funding Gap)	0	(237)	(0)	(726)	(765)	(732)
New Homes Bonus in excess of the 'Cap'	411	411	280	0	0	0
<b>Available General Reserves Year End</b>	<b>5,525</b>	<b>5,288</b>	<b>5,568</b>	<b>4,842</b>	<b>4,077</b>	<b>3,344</b>
Minimum Level	1,600	1,600	1,600	1,600	1,600	1,600
<b>Total Projected General Reserves</b>	<b>7,125</b>	<b>6,888</b>	<b>7,168</b>	<b>6,442</b>	<b>5,677</b>	<b>4,944</b>
<b>More Optimistic scenario</b>	<b>7,125</b>	<b>6,888</b>	<b>7,726</b>	<b>8,036</b>	<b>8,421</b>	<b>8,938</b>
<b>More Pessimistic scenario</b>	<b>7,125</b>	<b>6,888</b>	<b>6,299</b>	<b>4,877</b>	<b>3,392</b>	<b>1,697</b>

## NARRATIVE REPORT

### Longer Term Financial Planning

The updated longer term financial plan is shown in the chart below:



The MTFS assumes an ongoing saving from the Being a Better Council Programme of **£995,000** that will need to be identified during 2022/23.

The Being a Better Council ongoing saving along with other savings and additional income proposals totalling **£1,092,000** assumed in the MTFS may not be fully delivered in 2022/23. Therefore in the event that not all of the proposals are delivered at the start of the financial year, then general reserves may be required to balance the revenue budget in the short term.

A funding gap after the incorporation of these savings is projected from 2023/24 onwards and this will mean that subject to the outcome of the local government finance reforms, the identification of options to deliver further sustainable savings/additional income will remain necessary.

### **Covid-19 Impact on the Council's longer term Financial Position**

It is essential that the Council continues to focus on the likely impact that the aftermath of the crisis 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

## NARRATIVE REPORT

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- 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.

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### 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 2022, **eight 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
- **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
- **SR8: Being a Better Council** – the Council is not able to deliver the key priorities of the strategic plan

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

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

The full Strategic Risk Register was reviewed by Audit and Member Standards Committee in February 2022.



## NARRATIVE REPORT

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The potential impact and the management of the two 'red' strategic risks are discussed further on the following pages.

### 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
- Funding of Council's headline priorities and the shortfall of funding
- Inflationary pressures on procurement of services and replacement fleet vehicles

#### **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
- Confirmation and Implementation of financial settlement

#### **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 2020/21, and no key recommendations from the Value for Money assessment

## NARRATIVE REPORT

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- 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
- LGA Corporate Peer Challenge

### SR2: Threat to the Council's IT Systems

#### **Risk to the Council**

The risk is influenced by:

- The threat of a cyber- attack following dramatic increase in remote working which if successful could result in loss of data/loss of access to applications – which may incur fines/reputational damage
- Increased number of sophisticated 'phishing' attacks with increased time taken to investigate and remediate. Move away from purely email to other platforms such as 'Teams'
- Failure by staff to complete ICT training and the take up of MFA

#### **Mitigation Controls**

These include:

- Mutual aid assistance
- Use of firewalls and virus protection to manage cyber security, including penetration testing
- Strong access level controls (including remote access)
- Training and regular awareness raising to staff of risk.
- Digital strategy
- PSN compliance checklist
- Revision of Service Business Continuity Plans to incorporate lessons learnt from COVID-19
- IT Auditor provision resourced from August 2021
- Adoption of multi-factor authentication
- Development of monthly reports from software supplier for follow up of staff not completing mandatory ICT training

#### **Three Lines of Assurance**

##### First Line

- ICT hardware replacement programme providing the right equipment for mobile and flexible working
- Day to day operation of ICT Training programme for all staff
- Up to date versions of software and implement all IT security patches
- Awareness Training/Meta Compliance
- Maintenance of PSN Compliance

##### Second Line

- Regular monitoring and reporting on security issues to Leadership Team
- External penetration testing
- Full Council wide adoption of multi-factor authentication

##### Third Line

- Internal Audits: Business Continuity 2019/20 – reasonable assurance; ICT Remote Working 2020/21 – reasonable assurance
- Internal Audit of business continuity 2019/20 – significant assurance (DR plan noted as an action), Cyber Security 2019/20 – reasonable assurance, IT Governance 2019/20 – adequate assurance, IT Application Controls – follow up 2019/20 - reasonable assurance, ICT – remote working 2020/21 – reasonable assurance. Flash Covid-19 Business Continuity 20/21 substantial assurance

### 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 2022. 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 2021/22, 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**

**Assistant Director – Finance & Commissioning (Section 151)**

## ANNUAL GOVERNANCE STATEMENT

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### Introduction and Scope of responsibility

Lichfield District Council is responsible for ensuring that:

- business is conducted in accordance with the law and proper standards
- public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- risk is properly managed as part of the governance arrangements

To ensure effective governance the Council has adopted a Code of Corporate Governance, 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).

### Purpose of the Governance Statement

This Governance 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.

In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

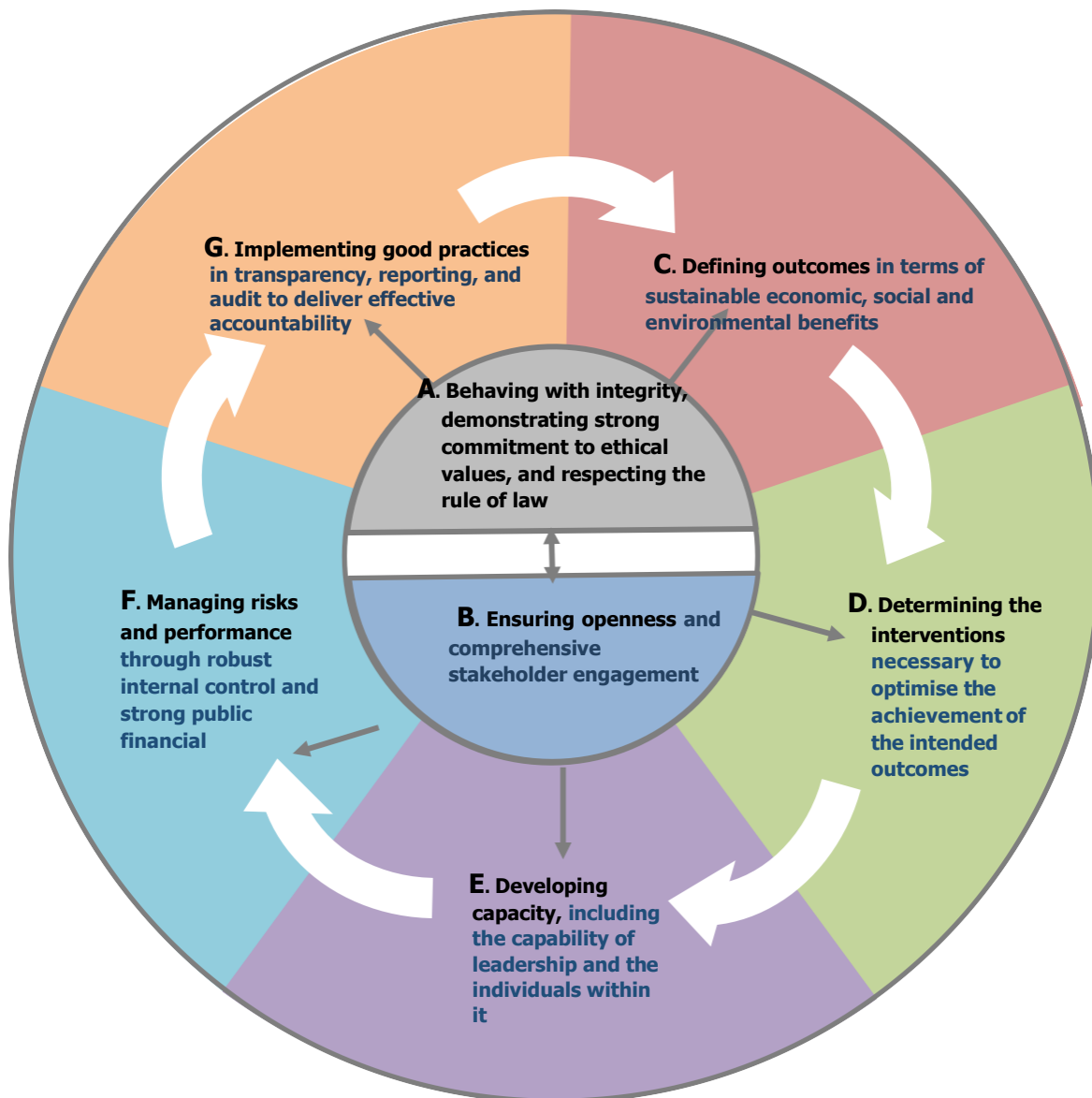
The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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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 Principles of Good Governance

The Council aims to achieve good standards of governance by adhering to the seven core principles in the diagram below, which form the basis of the Council's Code of Corporate Governance:



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The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles (A – G) and associated sub principles.

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

Supporting Principles:		
<b>Behaving with Integrity</b>	<b>Demonstrating Strong Commitment to Ethical Values</b>	<b>Respecting the Rule of Law</b>
How we do this:		
<ul style="list-style-type: none"> <li>➤ The Audit and Member Standards Committee is responsible for promoting high standards of member conduct.</li> <li>➤ All elected Members follow a code of conduct, supported by training and development.</li> <li>➤ The Monitoring Officer provides advice and reports complaints and their outcomes to the Audit and Member Standards Committee.</li> <li>➤ Officer behaviour is governed by the Employee’s Code of Conduct that sets out the standards of conduct expected of employees at work. The Code is supported and reinforced by organisational values to:               <ul style="list-style-type: none"> <li>○ Put Customers First,</li> <li>○ Improve and Innovate,</li> <li>○ Have Respect for Everyone.</li> </ul> </li> <li>➤ The Codes are regularly reviewed to ensure they are operating effectively.</li> <li>➤ Expected behaviours are embedded into performance appraisals</li> </ul>	<ul style="list-style-type: none"> <li>➤ Arrangements are in place to ensure that decisions are not influenced by prejudice, bias or conflicts of interest. These include:               <ul style="list-style-type: none"> <li>○ A register of disclosable conflicts of interest</li> <li>○ Provision on Cabinet/Council/Committee agenda’s for the declaration of interests</li> <li>○ A register of gifts and hospitality.</li> </ul> </li> <li>➤ A corporate complaints procedure exists to receive and respond to any complaints received.</li> <li>➤ A Whistleblowing Policy enables employees and others to raise concerns about any aspect of the Council’s work.</li> <li>➤ The Council is committed to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The constitution sets out:               <ul style="list-style-type: none"> <li>○ the responsibilities of the Council, the Cabinet, the Overview &amp; Scrutiny Committee and other Committees</li> <li>○ The roles, duties and delegated powers of key officers.</li> </ul> </li> <li>➤ The Council has a duty to appoint staff to three specific roles:               <ul style="list-style-type: none"> <li>○ The Head of Paid Service (Chief Executive) who has overall accountability for the governance arrangements operating within the Council.</li> <li>○ The Chief Financial Officer who is responsible for the proper administration of the Council’s financial affairs and internal controls.</li> <li>○ The Monitoring Officer who has a role in ensuring decisions are taken lawfully and that the council complies with the Constitution.</li> </ul> </li> </ul>

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## B Ensuring Openness and Comprehensive Stakeholder Engagement

Supporting Principles:		
<b>Openness</b>	<b>Engaging Comprehensively with Institutional Stakeholders</b>	<b>Engaging with Stakeholders Effectively, including Individual Citizens and Service Users</b>
How we do this:		
<ul style="list-style-type: none"> <li>➤ To ensure open and transparent decision making the following are published on the Council’s website:               <ul style="list-style-type: none"> <li>○ Council/Cabinet/Committee agendas and reports</li> <li>○ the Cabinet Forward Plan detailing upcoming key decisions</li> <li>○ Cabinet and Cabinet Member decisions</li> </ul> </li> <li>➤ To ensure maximum transparency, reports containing confidential information are split into confidential and non-confidential sections whenever possible.</li> <li>➤ When reports have to be considered in private an explanation is provided on the agenda.</li> <li>➤ Progress against the Financial Strategy is monitored and reported to Cabinet on a quarterly basis.</li> <li>➤ We comply with the code of recommended practice for local authorities on data transparency which acts as a starting point for the information we make available.</li> <li>➤ The publication scheme lists the information we make available as part of our obligations under</li> </ul>	<ul style="list-style-type: none"> <li>➤ We are committed to working collaboratively with a range of partners across the public, private and voluntary sectors.</li> <li>➤ 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.</li> <li>➤ The Council’s planning and decision making processes are designed to include consultation with stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Council has approved a Community Power Strategy. This builds on the community engagement strategy to:               <ul style="list-style-type: none"> <li>○ engage communities in local decisions</li> <li>○ work with communities to improve outcomes.</li> </ul> <p>Community power incorporates a wide range of practices, approaches and initiatives centred on the principle that communities have knowledge, skills and assets and are well placed to identify and respond to challenges.</p> </li> <li>➤ Elected Members are democratically accountable to their local area and provide a clear leadership role in building sustainable communities.</li> <li>➤ The long term vision for the Council is set out in the Strategic Plan. The outcomes have been developed through extensive consultation with staff, members, residents and stakeholders.</li> <li>➤ Budget and strategic plan consultations undertaken in line with the Engagement Strategy are used to develop the Strategic Plan and Medium Term Financial Strategy.</li> <li>➤ The Council has reviewed and improved its Overview and Scrutiny arrangements</li> </ul>



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<p>the Freedom of Information Act 2000.</p> <ul style="list-style-type: none"> <li>➤ Feedback and requests made under the Freedom of Information Act 2000 are used to identify datasets for publication.</li> </ul>		<ul style="list-style-type: none"> <li>➤ The Council manages a number of social media streams including Facebook and Twitter and maintains websites that help underpin the Council’s strategic ambitions.</li> <li>➤ The Council distributes a LDC News Publication, a monthly e-newsletter and a range of newsletters on particular themes (e.g. Historic Parks).</li> <li>➤ 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.</li> <li>➤ The Council has a customer feedback scheme for the public to make complaints, comments and compliments. The information gathered is used to improve services.</li> <li>➤ The Complaints Charter provides guidance to staff on the Council’s complaints process. A Monitoring reports is presented annually to Audit and Member Standards Committee.</li> </ul>
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# ANNUAL GOVERNANCE STATEMENT

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

Supporting Principles:	
<b>Defining Outcomes</b>	<b>Sustainable Economic, Social and Environmental Benefits</b>
How we do this:	
<ul style="list-style-type: none"> <li>➤ The Council’s long term vision and priorities are set out in the Strategic Plan 2020-2024. The document provides the basis for the Council’s overall strategy, planning and decisions.</li> <li>➤ The key priority outcomes that the Plan aims to achieve are: <ul style="list-style-type: none"> <li>○ <b>Enabling people</b> - to help themselves and others; to collaborate and engage with us; to live healthy and active lives.</li> <li>○ <b>Shaping place</b> - to keep it clean, green and safe; to protect our most valuable assets; to make sure sustainability and infrastructure needs are balanced.</li> <li>○ <b>Developing prosperity</b> – to encourage growth; to enhance the District for visitors; to invest in the future.</li> <li>○ <b>A good Council</b> – that is financially sound, transparent and accountable; is innovative and customer focussed; has respect for everyone.</li> </ul> </li> <li>➤ Cabinet and Leadership Team have identified the top priority issues that needed to be addressed to ensure these are achieved over the next 12 - 18 months. These priorities form the basis of the Medium Term Priorities Plan and Service Plans.</li> <li>➤ Officers responsible for the Delivery Plan and Service Plan actions update the Pentana system to ensure performance on each individual action is registered in a central location, enabling officers and Members to access real-time performance information.</li> <li>➤ Performance reporting takes place in line with reporting on the Council’s Medium Term Financial Strategy facilitating informed consideration of performance and budgetary pressures.</li> <li>➤ The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Local Plan encourages 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.</li> <li>➤ The Council publishes an Infrastructure Funding Statement (IFS). The statement explains how the spending of forecasted income from CIL and Section 106 planning obligations will be prioritised.</li> <li>➤ The Council is promoting Neighbourhood Plans which will guide future development, enable parish areas to receive a share of the financial benefits of development (Community Infrastructure Levy), and also allow them to set their own priorities for its investment.</li> <li>➤ The procurement strategy seeks to embed social value principles (social, economic and environmental) in procurement and contract management.</li> <li>➤ Consideration is given to the environmental impact, financial implications and social impact (equality, diversity, human rights, crime &amp; safety) of all Cabinet decisions.</li> </ul>

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<ul style="list-style-type: none"> <li>➤ The Overview &amp; Scrutiny Committee has an important role in helping to define and monitor outcomes.</li> <li>➤ Local Government Association Peer Review has been used to provide a 'health check' on core components including priority setting, financial planning and viability.</li> </ul>	
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### D Determining the Interventions necessary to Optimise the Achievement of the Intended Outcomes

Supporting Principles:	
<b>Determining and Planning Interventions</b>	<b>Optimising the Achievements of the Intended Outcomes</b>
How we do this:	
<ul style="list-style-type: none"> <li>➤ The Strategic Plan 2020 – 24 sets out the Council’s aspirations, focus and priorities. This in turn helps identify and determine any interventions that are necessary.</li> <li>➤ The Council’s decision making process ensures decision makers receive a rigorous, objective and robust analysis of options together with the risks associated with any proposed decision.</li> <li>➤ Consultation is undertaken as part of the decision making process. Reports are required to set out the consultation that has taken place.</li> <li>➤ The Strategic Plan is supported by Performance Indicators that are monitored by the Cabinet and the Overview &amp; Scrutiny Committee.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Medium Term Financial Strategy (MTFS) is driven by the Strategic Plan. The MTFS covers investments, the use of reserves, the approach to Council Tax, and the use of capital. It also considers medium term cost pressures and how these could be financed.</li> <li>➤ The Council’s 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 provides a framework for managing the Council’s capital programme and forms part of the Council’s integrated revenue, capital and balance sheet planning.</li> <li>➤ Money Matters Reports are presented at quarterly intervals to Cabinet and Briefing Notes are provided to the Overview and Scrutiny Committee. Financial projections are updated in these reports.</li> <li>➤ The Council engages with internal and external stakeholders and has approved a Community Power Strategy that builds on the existing Community Engagement Strategy.</li> <li>➤ The achievement of ‘social value’ forms part of the procurement strategy.</li> </ul>

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### E Developing Capacity, including the Capability of Leadership and the Individuals within it

#### How we do this:

- The Constitution 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 document identifies the roles and responsibilities of Member and officer functions, with clear delegation arrangements and protocols for decision making and communication. The Constitution is kept under continual review and changes are recommended to full council as appropriate.
- The Council has approved an organisational change programme – Be a Better Council 2021-2024. It will enable the Council to be:
  - Better equipped – realigning service structures and rethinking how our services are delivered, and by whom. We will bring all residents’ facing services together and support them with better use of digital technologies that are second nature to our invisible competition. Where sensible, we will merge the functional elements of services (e.g. assessment and processing) and underpin their management and delivery with stronger performance management and greater clarity over what is expected of them.
  - Better led – creating a strong ‘can do’ culture across the organisation and equipping all our managers with the right skills to do their jobs.
  - Better performing – investing in the core capacity and capabilities of our workforce, to create an officer cohort capable of increased growth and performance.
- The Council has a training plan for Members which is developed and monitored by the Employment Committee. The areas covered included safeguarding, planning enforcement, Code of Conduct and governance, the local plan, press and social media, and equality and diversity.
- The Chief Executive and Heads of Service have annual performance targets. These are based on delivery of the Strategic 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 are carried out for employees and training needs are identified as part of this process.
- 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 invested in a programme of training for all its managers delivered by West Midlands Employers. The programmes modules link closely to core competencies.
- Employees are kept up to date with issues affecting the Council through regular bi-weekly emails from the Chief Executive, an internal newsletter and regular Managers’ Briefings.
- The Council has a Workforce Development Plan which
  - Provides a link between the Council’s strategies and employee development
  - Identifies future skills and competencies needed to deliver new and improved services
  - Provides a comparison between present and future skills and competencies and identifies gaps and;
  - Develops strategies and plans to eliminate those gaps.

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- The Council has a Belonging and Wellbeing Strategy that aims:
  - to ensure all employees are supported
  - provide a positive environment that is compatible with promoting staff engagement, being an employer of choice, improving attendance, high organisational performance, resident focus and organisational performance.
- Local Government Association Peer Review has been used to provide an external ‘healthcheck’ on core components including political and managerial leadership, governance and decision making and organisational capacity

### F. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management

Supporting Principles:

#### Managing Risk

How we do this:

- The Council has a Risk Management Policy that defines the roles and responsibilities for managing risk.
- A Corporate 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 quarterly to Audit and Member Standards Committee.
- An annual Health and Safety Performance Report is presented to Leadership Team and Employment Committee. The report sets out accidents and insurance claims and provides a review of the corporate health and safety training programme, detailing changes to operating procedures and emerging challenges.
- An ‘Acceptable Use Policy’ for IT seeks to ensure that all computer systems and networks owned or managed by the Council are updated in an effective, safe, ethical and lawful manner.
- Financial Procedure Rules form part of the Constitution and set out the financial management framework for ensuring the best use of resources. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. The Rules ensure statutory powers and duties are complied with, and reflect best professional practice.
- The Council has reviewed and revised its Contract Procedure Rules.
- The Chief Financial Officer provides effective financial management in accordance with the financial procedures and rules set out in the Constitution.
- There is Clarity over the role of Head of Paid Service and Monitoring Officer.
- 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:

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- 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 quarterly intervals. These look at actual performance and provide forecasts going forward
  - Money Matters reports are produced quarterly, reviewed by Leadership Team and reported to Overview and Scrutiny, Cabinet and Full Council.
- The Financial Management Code was applied from 1 April 2020.
  - The Audit and Member Standards Committee provides independent assurance over governance, risk and internal control arrangements with a focus on financial management, financial reporting audit and assurance. The Committee is independent of the Executive and accountable to the governing body.
  - The Audit and Member Standards Committee has approved a Counter Fraud Framework.

Supporting Principles:

### Managing Performance

How we do this:

- The Strategic Plan outlines priorities.
- The Strategic Plan is supported by Performance Indicators that are monitored by Leadership Team, the Cabinet and the Overview & Scrutiny Committee.
- Service Plans set out key priorities, objectives and risks for individual services
- Performance is monitored by Leadership Team, Cabinet and the Overview and Scrutiny Committee.
- The Overview & Scrutiny function has been reviewed and improved to ensure effective oversight, constructive challenge and review.
- Reports provide clear objective analysis and advice including risk and assess financial, social and environmental implications.
- Performance on individual actions is registered on the Pentana system providing real-time performance information.
- Personal Development Reviews are used to assess performance and set goals and objectives at the individual level.

Supporting Principles:

### Robust Internal Control

How we do this:

- The Internal Audit Service provides an objective evaluation of internal controls to effectively manage risk and monitors any weaknesses identified to ensure these are addressed.
- Audit and Member Standards Committee is independent from the Executive and provides further assurance on the governance of risk management and internal control arrangements.

## ANNUAL GOVERNANCE STATEMENT

<p>➤ Fraud is taken very seriously and the Council has an anti-fraud and corruption policy and a whistleblowing policy which is reviewed annually and approved by the Audit and Member Standards Committee.</p>
Supporting Principles:
<b>Managing Data</b>
How we do this:
<p>➤ The Council is committed to complying with General Data Protection Regulations (GDPR) and the Data Protection Act 2018. It is recognised that the correct and lawful treatment of personal data maintains public confidence and trust.</p> <p>➤ Compliance with the Council's Data Protection Policy is mandatory. The policy facilitates a unified GDPR compliant framework for all Members and officers when managing and processing customer data.</p> <p>➤ In line with GDPR requirement the Council has appointed a Data Protection Officer (DPO to oversee compliance with GDPR and provide advice in relation to the law. The Council's DPO, works closely with the Chief Operating Officer, who is the Council's Senior Information Risk Owner (SIRO).</p> <p>➤ Monitoring also includes an annual reports of the Data Protection Officer to Audit and Member Standards Committee, internal/external audits and Information Commissioner reviews as appropriate.</p> <p>➤ We are registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. We have a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.</p>
Supporting Principles:
<b>Strong Public Financial Management</b>
How we do this:
<p>➤ Budget holders and Heads of Service review budgets on a monthly basis to monitor actual performance and review/update forecasts.</p> <p>➤ Formal budgetary monitoring reports are reviewed with budget holders and Heads of Service at quarterly intervals.</p> <p>➤ Money Matters reports considering financial performance against the financial strategy are produced quarterly. The reports are reviewed by Leadership Team and reported to the Overview and Scrutiny Committee and Cabinet.</p> <p>➤ The Council has implemented the Financial Management Code developed by CIPFA in consultation with senior practitioners from local authorities and associated stakeholders.</p> <p>➤ External Audit reviews the Council's financial statements (including the Annual Governance Statement) providing an opinion on the accounts and the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).</p> <p>➤ The Audit and Member Standards Committee is independent of the Executive and accountable to the governing body. It considers the external audit opinion on value for money has part of its responsibility for monitoring the effectiveness of the control environment and value for money.</p>

## ANNUAL GOVERNANCE STATEMENT

### G. Implementing Good Practices in Transparency, Reporting, and Audit to deliver Effective Accountability

Supporting Principles:		
Implementing Good Practices in Transparency	Implementing Good Practice in Reporting	Audit and Delivering Effective Accountability
How we do this:		
<ul style="list-style-type: none"> <li>➤ The Agendas and Minutes of Cabinet and Committee meetings are published on the Council's website.</li> <li>➤ Upcoming Key Decisions are Published on the Cabinet's Forward Plan.</li> <li>➤ The Council has a Freedom of Information publication scheme</li> </ul>	<ul style="list-style-type: none"> <li>➤ The published Annual Statement of Accounts is a statutory summary of the Council's financial affairs for the financial year. It provides clear information on the income and expenditure of the Council and sets out the Council's stewardship of public money.</li> <li>➤ The Annual Governance Statement and Local Code of Corporate Governance set out governance arrangements and consider their effectiveness against the seven key principles.</li> <li>➤ The Audit and Member Standards Committee reviews and approves the Annual Statement of Accounts and the Annual Governance Statement.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Accountability and decision making arrangements are clearly defined within the Council's constitution.</li> <li>➤ The Audit and Member Standards Committee provides independent assurance to the Council on the adequacy and effectiveness of governance arrangements and internal control.</li> <li>➤ Risk based internal audit, compliant with Public Sector Internal Audit Standards, provides ongoing assurance that key risks material to achieving the Council's objectives are being managed.</li> <li>➤ External Auditors carry out reviews of our internal control arrangements throughout the year. No weaknesses have been reported in their updates to Audit and Member Standards Committee during 2021/22.</li> </ul>

### Impact of COVID-19

Consideration has been given to the Impact of Covid-19 including any significant impact and adaptations including:

- (i) Adaptation to reflect new ways of working or emergency arrangements
- (ii) Changes to 'business as usual' activities
- (iii) Longer-term changes to priorities, programmes, strategies, and plans.

Covid has been a catalyst for new ways of working incorporated in the Council's current organisational change programme 'Being a Better Council'. There has been a permanent transition to modern ways of working blending open plan, home and agile-working. This is supported by the use of online and hybrid meetings where in person meetings are not required by law. The advantages include:



## ANNUAL GOVERNANCE STATEMENT

- Increased resilience with operations able to continue uninterrupted in the event that the main offices are closed
- Open plan offices and agile working have enabled more effective use of the offices at District Council House facilitating the building's use by other businesses and organisations including 'business incubator units'.

### Administration of Grants

The Government has allocated Lichfield with £1,929,747 funding to support businesses affected by the pandemic that were ineligible for existing support linked to business rates in 2021/22. The Council adopted and approved a local discretionary scheme to administer Covid-19 Additional Relief Fund support that included the retention of around £100K contingency should other businesses be identified that could be eligible for support.

Through the Covid Additional Restrictions Grant allocation (£4,063,158) the Council has provided assistance to 404 applicants throughout the pandemic.

### Annual Review of the Effectiveness of the Governance Framework

How has the Council Addressed the Governance Improvement Actions from 2020/21?

In 2020/21 one significant weaknesses in Governance/Internal Control was highlighted in relation to the proposed disposal of an area of Public Open Space.

Review Reference	Issue	Action
Land & Property	Disposal of Open Space – Consultation Process	An Independent Review was commissioned and the findings were reported to Audit & Member Standards Committee and Cabinet.  An Action Plan has been agreed and a clear policy and procedure adopted for the disposal of assets.

### Governance Review 2021/22

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.

## **ANNUAL GOVERNANCE STATEMENT**

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- 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 Auditors Annual Report, 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 Strategic Risk Register.
- Performance information reported to Cabinet, Council and Overview and Scrutiny Committees.

### **Conclusion of the Review**

We consider the Governance Framework and Internal Control environment operating during 2021/22 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.

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.

**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.

2020/21						2021/22				
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
6,359	(120)	6,239	(637)	5,602	A Good Council	6,330	114	6,444	99	6,543
(719)	136	(583)	3,925	3,342	Developing Prosperity	(254)	157	(97)	1,257	1,160
3,159	(348)	2,811	(407)	2,404	Shaping Place	3,427	(521)	2,906	(34)	2,872
1,568	216	1,784	303	2,087	Enabling People	1,439	(18)	1,421	181	1,602
1,403	(1,324)	79	1,277	1,356	COVID-19 - General Recovery	(75)	236	161	643	804
(4)	(688)	(692)	288	(404)	COVID-19 - Specific Risks	1,141	(723)	418	0	418
<b>11,765</b>	<b>(2,128)</b>	<b>9,638</b>	<b>4,749</b>	<b>14,387</b>	<b>Cost of Services</b>	<b>12,008</b>	<b>(755)</b>	<b>11,253</b>	<b>2,146</b>	<b>13,399</b>
(11,765)	(6,552)	(18,317)	3,024	(15,293)	Other Income and Expenditure	(12,008)	2,275	(9,733)	(5,227)	(14,960)
<b>0</b>	<b>(8,680)</b>	<b>(8,679)</b>	<b>7,773</b>	<b>(906)</b>	<b>(Surplus) or deficit on Provision of Services (cash flow)</b>	<b>0</b>	<b>1,520</b>	<b>1,520</b>	<b>(3,081)</b>	<b>(1,561)</b>
		<b>(17,383)</b>			<b>Opening General Fund</b>			<b>(26,062)</b>		
		(8,679)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year			1,520		
		<b>(26,062)</b>			<b>Closing General Fund</b>			<b>(24,542)</b>		

31 March 2021		31 March 2022
£000		£000
6,714	General Fund Balance	6,846
19,348	Earmarked Reserves Balance	17,696
<b>26,062</b>	<b>Total</b>	<b>24,542</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position required by statute is shown in the Movement in Reserves Statement.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
6,605	(1,003)	5,602	A Good Council	7,315	(772)	6,543
7,477	(4,135)	3,342	Developing Prosperity	6,482	(5,322)	1,160
22,761	(20,357)	2,404	Shaping Place	23,352	(20,480)	2,872
3,226	(1,139)	2,087	Enabling People	3,231	(1,629)	1,602
1,403	(47)	1,356	COVID-19 - General Recovery	804	0	804
3,573	(3,977)	(404)	COVID-19 - Specific Risks	418	0	418
<b>45,045</b>	<b>(30,658)</b>	<b>14,387</b>	<b>Cost of Services</b>	<b>41,602</b>	<b>(28,203)</b>	<b>13,399</b>
1,999	(449)	1,550	Other Operating Expenditure	2,084	(563)	1,521
468	(740)	(272)	Financing and Investment Income and Expenditure	557	(801)	(244)
11,701	(25,500)	(13,799)	Taxation and Non-Specific Grant Income	12,426	(27,962)	(15,536)
0	(2,772)	(2,772)	COVID-19 Non-Specific Government Funding	0	(701)	(701)
<b>59,213</b>	<b>(60,119)</b>	<b>(906)</b>	<b>(Surplus) or deficit on Provision of Services (cash flow)</b>	<b>56,669</b>	<b>(58,230)</b>	<b>(1,561)</b>
		(947)	(Surplus) or deficit on revaluation of non-current assets			(2,040)
		10,291	Re-measurement of the net defined benefit liability			(14,956)
		<b>9,344</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(16,996)</b>
		<b>8,438</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(18,557)</b>

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

	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 2021	26,062	3,107	3,618	32,787	(8,529)	24,258
<b>Total Comprehensive Income and Expenditure</b>	<b>1,561</b>	<b>0</b>	<b>0</b>	<b>1,561</b>	<b>16,996</b>	<b>18,557</b>
Adjustments between accounting basis and funding basis	(3,081)	(179)	439	(2,821)	2,821	0
<b>Increase/(Decrease) in Year</b>	<b>(1,520)</b>	<b>(179)</b>	<b>439</b>	<b>(1,260)</b>	<b>19,817</b>	<b>18,557</b>
<b>Balance at 31 March 2022</b>	<b>24,542</b>	<b>2,928</b>	<b>4,057</b>	<b>31,527</b>	<b>11,288</b>	<b>42,815</b>

31 March 2021 £000		31 March 2022 £000
6,714	General Fund Balance	6,846
19,348	Earmarked Reserves Balance	17,696
<b>26,062</b>	<b>Total</b>	<b>24,542</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Net Assets of the Council (Assets less Liabilities) are matched by the Reserves held by the Council. Reserves are reported in two categories. The first category of Reserves are Usable Reserves, 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'.

2020/21 £000		Notes	2021/22 £000
40,142	Property, Plant & Equipment	12	43,396
425	Heritage Assets	13	425
3,948	Investment Property	14	4,153
60	Intangible Assets		59
225	Investment in Associates and Joint Ventures	43	225
7,959	Long Term Investments	15	10,228
165	Long Term Debtors	15	143
<b>52,924</b>	<b>Long Term Assets</b>		<b>58,629</b>
39	Inventories		45
9,736	Short Term Debtors	16	4,951
16,051	Short Term Investments	15	21,059
14,071	Cash and Cash Equivalents	17	18,496
<b>39,897</b>	<b>Current Assets</b>		<b>44,551</b>
(196)	Short Term Borrowing	15	(61)
(19,006)	Short Term Creditors	18	(23,527)
(942)	Short Term Provisions	19	(801)
(566)	Short Term Liabilities: Finance Leases	36	(383)
(1,748)	Capital Grants Receipts in Advance	33	(1,196)
<b>(22,458)</b>	<b>Current Liabilities</b>		<b>(25,968)</b>
(2,060)	Long Term Borrowing	15	(1,065)
(35)	Long Term Creditors	15	(64)
(1,788)	Long Term Provisions	19	(2,172)
(40)	Long Term Liabilities: Finance Leases	36	0
(41,554)	Long Term Liabilities: Defined Benefit Pension	38	(30,268)
(628)	Capital Grants Receipts in Advance (LT)	33	(828)
<b>(46,105)</b>	<b>Long Term Liabilities</b>		<b>(34,397)</b>
<b>24,258</b>	<b>Net Assets</b>		<b>42,815</b>
32,787	Usable Reserves	20	31,527
(8,529)	Unusable Reserves	21	11,288
<b>24,258</b>	<b>Total Reserves</b>		<b>42,815</b>

## 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.

2020/21 £000		2021/22 £000
906	Net surplus or (deficit) on the provision of services	1,561
4,510	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements (Note 22)	13,821
5,083	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities (Note 23)	(2,390)
<b>10,499</b>	<b>Net cash flows from Operating Activities</b>	<b>12,992</b>
(442)	Investing Activities (Note 24)	(6,150)
(9,185)	Financing Activities (Note 25)	(2,417)
<b>872</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>4,425</b>
13,199	Cash and cash equivalents at the beginning of the reporting period	14,071
<b>14,071</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>18,496</b>

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## NOTES TO THE ACCOUNTS

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### 1. Accounting Policies

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 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.

## NOTES TO THE ACCOUNTS

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### **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.

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 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.

## NOTES TO THE ACCOUNTS

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Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2021/22 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 2022. The estimate for the 2010 valuation lists have been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date. The appeals for the 2017 valuation list under the new Check, Challenge and Appeal process are based on the Government's allowance for appeals included in the multiplier of 2.1p.

### **Employee Benefits**

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, eg. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post-Employment Benefits

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

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

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of **2.7%** (based on the indicative rate of return on high quality corporate bonds).

## NOTES TO THE ACCOUNTS

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- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities professional estimate.
  - Unquoted securities current bid price.
  - Unitised securities current bid price.
  - Property market value.
- The change in the net pensions liability is analysed into the following components:

### Service cost comprising:

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

### Re-measurements comprising:

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

## NOTES TO THE ACCOUNTS

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### Discretionary Benefits

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

### Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

### Fair Value Measurement

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

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

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

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### **Financial Instruments**

#### **Financial Liabilities**

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

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

#### **Financial Assets**

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

The Code allows for three classes of financial assets:

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

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

#### **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

## NOTES TO THE ACCOUNTS

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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.

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 derecognition, 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

## NOTES TO THE ACCOUNTS

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contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

### Heritage Assets

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

Statues:

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

Art Collection:

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

Other Items:

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

### Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration 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 96 (Impairment) and pages 71 to 74 (Property, Plant and Equipment) in this Summary of Accounting Policies. Any disposals are accounted for in accordance with the general provisions



## NOTES TO THE ACCOUNTS

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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 71 to 74 (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.

### **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.

## NOTES TO THE ACCOUNTS

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

### ***The Council as Lessee***

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements (known as Minimum Revenue Provision or MRP). Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

### ***The Council as Lessor***

#### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement and also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

## NOTES TO THE ACCOUNTS

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Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Overheads and Support Services**

The costs of overheads and support services are charged to 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 (ie. repairs and maintenance) is charged as an expense when it is incurred.

#### De Minimis Level

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

#### Measurement

Assets are initially measured at cost, comprising:

## NOTES TO THE ACCOUNTS

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- 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 – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

### Component Accounting Policy for Property, Plant and Equipment

International Accounting Standard 16 (IAS 16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and de-recognition of parts of assets (referred to as componentisation).

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 de-recognised and the new component added. Where the carrying value of the de-recognised/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:

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

A component must:

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

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

### Valuation

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

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

Assets included in the Balance Sheet at current 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).

## NOTES TO THE ACCOUNTS

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

### Disposals and Non-current Assets Held for Sale

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

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

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

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

## NOTES TO THE ACCOUNTS

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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.

### 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.

## NOTES TO THE ACCOUNTS

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### 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 the following changes in accounting requirements are anticipated to have a material impact on the Council's financial performance or financial position:

- **IFRS 16: Leases** - for the 2023/24 financial year, the Council is planning to implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2022/23 Accounting Code. These provisions would not be mandatory until 2024/25. The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires. When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – ie, that the overall charge for each year will be the rents payable in that year.
- There are a number of minor amendments but these are unlikely to have a material impact on the Council's accounts.

## 3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts:

1. 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 2022 the Net Book Value of the assets was **£0** and the value of the finance lease obligation was **£342,000**. 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



## NOTES TO THE ACCOUNTS

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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 2021/22, the risk is very difficult to quantify after Covid-19, but has been assessed at low, between **1%** or **£22,455** and **5%** or **£112,274**. 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. There may be some potential impact from the cost of living crisis that is currently affecting the country as leisure may be affected by lower disposable incomes. However this is yet to be quantified.

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 the 2010 List 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 (40%) to the Council by **£42,000** for the 2010 list and **£539,000** 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment and Investment Properties</b>	<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 &amp; Buildings)</u></p> <p><u>Valuations</u></p> <p>The potential impact of the valuation of Plant, Property and Equipment (Other Land &amp; 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"> <li>• <b>1% = +/- £348,000</b></li> <li>• <b>10% = +/- £3,482,000</b></li> </ul> <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 £11.897m 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"> <li>• Buildings : +/- <b>£59,000</b></li> <li>• Vehicles, plant and equipment : +/- <b>£149,000</b></li> </ul> <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"> <li>• <b>1% = +/- £41,530</b></li> <li>• <b>10% = +/- £415,300</b></li> </ul> <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 £33.819m and would have no impact on the funds available to the Council</p>
<b>Business Rate Appeals</b>	Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2021/22 and earlier years in proportion to their share (40%)	<b>2010 List</b>

## NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>for this Council). A provision has been recognised as the best estimate of the amount that businesses have been overcharged up to 31 March 2022.</p> <p><b>2010 List</b></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"> <li>• Average success rate <b>26.78%</b></li> <li>• Average reduction in RV <b>10.01%</b></li> <li>• Combined <b>2.67%</b></li> </ul> <p>Rateable Value of Appeals Outstanding = <b>£7.40m</b></p> <p><b>2017 List</b></p> <p>The Check, Challenge and Appeal process has resulted in much lower appeals being submitted related to the 2017 list. Therefore the calculation is based on net rates payable and the DLUHC <b>4.7%</b> allowance.</p>	<p>Each <b>1%</b> increase in the overall Combined figure would increase the provision by <b>£105,000</b>. The Council's share of this increase at <b>40%</b> would be <b>£42,000</b>.</p> <p><b>2017 List</b></p> <p>Each <b>1%</b> increase in the overall Combined figure would increase the provision by <b>£1,347,000</b>. The Council's share of this increase at <b>40%</b> would be <b>£539,000</b>.</p>
<b>Pensions Liability</b>	<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"> <li>• a <b>0.1%</b> decrease in the real discount rate assumption would result in an increase in the pension liability of <b>£2,510,000</b></li> <li>• a <b>1 year</b> increase in member life expectancy would amount to <b>£5,463,000</b></li> <li>• a <b>0.1%</b> increase in the salary rate would amount to <b>£325,000</b></li> <li>• a <b>0.1%</b> increase in the pension rate would amount to <b>£2,166,000</b></li> </ul>
<b>Sundry Income and Housing Benefit Overpayment Debtors</b>	<p>At 31 March 2022, the Council had a balance of sundry income debtors of <b>£1,856,000</b>. A review of arrears suggested that an impairment of doubtful debts of <b>37% (£680,000)</b> was appropriate and an additional allowance of <b>13%</b> (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 <b>£1,176,000 (63%)</b>.</p> <p>Each <b>1%</b> increase in the percentages used to calculate the Bad Debt provision would increase the provision by <b>£19,000</b>.</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 **XXXXXX**.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2022 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:

- **The Council on 30 March 2022 received £5,289,300 to administer a Council Tax Rebate payment to eligible households by 30 November 2022:**
  - A £150 non-repayable rebate funding of **£5,148,600** for households in England in Council Tax bands A to D, known as the 'Council Tax rebate'.

## NOTES TO THE ACCOUNTS

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- Discretionary funding of **£140,700** for billing authorities to support households who are in need but not eligible for Council Tax Rebate, known as the 'Discretionary Fund'
- **Joint Venture Arrangement**
  - The Chief Executive approved an urgent decision on 6 May 2022 that was reported to Cabinet on 10 May 2022 to implement a joint venture arrangement to understand the potential for the development of a cinema in the Three Spires Shopping Centre.
- **Triennial Pension Valuation**
  - The latest triennial valuation of the defined benefit pension scheme was on 31 March 2023.

### **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

	2020/21			2021/22				
	Usable Reserves		Movement in Unusable Reserves £000	Usable Reserves			Movement in Unusable Reserves £000	
	General Fund Balance £000	Capital Grants Unapplied £000		Capital Receipts Reserve £000	General Fund Balance £000	Capital Receipts Reserve £000		Capital Grants Unapplied £000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>								
Charges for depreciation and impairment of non-current assets	1,781		(1,781)	2,027			(2,027)	
Revaluation (gains) / losses on Property, Plant and Equipment	2,212		(2,212)	(383)			383	
Movements in the market value of investment properties	127		(127)	(205)			205	
Amortisation of intangible assets	7		(7)	27			(27)	
Capital grants and contributions applied	(1,465)		1,465	(2,109)			2,109	
Revenue expenditure funded from capital under statute	1,307		(1,307)	1,817			(1,817)	
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1		(1)	40			(40)	
<b>Insertion of items not debited or credited to the CIES</b>								
Statutory provision for the financing of capital investment	(747)		747	(616)			616	
Capital Expenditure charged to the General Fund	(1,735)		1,735	(1,125)			1,125	
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
Capital Grants and Contributions unapplied credited to the CIES	(1,047)	1,047		(1,063)	1,063			
Application of grants to capital financing transferred to the Capital Adjustment Account		(367)	367		(624)	624		
<b>Adjustments primarily involving the Capital Receipts Reserve</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0		(59)	59		0	
Unattached Capital Receipts not related to current year asset disposal to the CIES	(449)	449		(504)	504			
Use of the Capital Receipts Reserve to finance new capital expenditure		(263)	263		(742)	742		
<b>Adjustments primarily involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,376		(3,376)	5,155			(5,155)	
Employers pension contributions and direct payments to pensioners payable in the year	(2,564)		2,564	(2,589)			2,589	
<b>Adjustments primarily involving the Collection Fund adjustment account</b>								
Amount by which Council Tax and Business Rate income credited to the CIES is different to that calculated for the year in accordance with statutory requirements	7,344		(7,344)	(3,174)			3,174	
<b>Adjustments related to the pooled fund adjustment account</b>								
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	(503)		503	(269)			269	
<b>Adjustments primarily involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	128		(128)	(51)			51	
<b>Total Adjustments</b>	<b>7,773</b>	<b>186</b>	<b>680</b>	<b>(8,639)</b>	<b>(3,081)</b>	<b>(179)</b>	<b>439</b>	<b>2,821</b>

## NOTES TO THE ACCOUNTS

### 7. Expenditure and Funding Analysis Notes

**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 - General Recovery	1,403	(694)	(630)	(1,324)	79
COVID-19 - Specific Risks	(4)	(688)	0	(688)	(692)
<b>Net Cost of Services</b>	<b>11,766</b>	<b>(1,498)</b>	<b>(630)</b>	<b>(2,128)</b>	<b>9,638</b>
Other Income and Expenditure	(11,766)	(6,860)	308	(6,552)	(18,318)
<b>(Surplus) or deficit on Provision of Services (cash flow)</b>	<b>0</b>	<b>(8,358)</b>	<b>(322)</b>	<b>(8,680)</b>	<b>(8,680)</b>

#### Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail on page 65 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
Shaping Place	(306)	585	(686)	(407)
Enabling People	916	143	(756)	303
COVID-19 - General Recovery	0	0	1,277	1,277
COVID-19 - Specific Risks	0	0	288	288
<b>Cost of Services</b>	<b>3,556</b>	<b>1,139</b>	<b>54</b>	<b>4,749</b>
Other Income and Expenditure	(1,081)	715	3,390	3,024
<b>(Surplus) or deficit on Provision of Services (cash flow)</b>	<b>2,475</b>	<b>1,854</b>	<b>3,444</b>	<b>7,773</b>

## NOTES TO THE ACCOUNTS

**2021/22**

### 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	6,330	114	0	114	6,444
Developing Prosperity	(254)	157	0	157	(97)
Shaping Place	3,427	(521)	0	(521)	2,906
Enabling People	1,439	(18)	0	(18)	1,421
COVID-19 - General Recovery	(75)	236	0	236	161
COVID-19 - Specific Risks	1,141	(723)	0	(723)	418
<b>Net Cost of Services</b>	<b>12,008</b>	<b>(755)</b>	<b>0</b>	<b>(755)</b>	<b>11,253</b>
Other Income and Expenditure	(12,008)	2,407	(132)	2,275	(9,733)
<b>(Surplus) or deficit on Provision of Services (cash flow)</b>	<b>0</b>	<b>1,652</b>	<b>(132)</b>	<b>1,520</b>	<b>1,520</b>

### Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail on page 65 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	423	800	(1,124)	99
Developing Prosperity	767	502	(12)	1,257
Shaping Place	(360)	1,217	(891)	(34)
Enabling People	330	293	(442)	181
COVID-19 - General Recovery	0	0	643	643
COVID-19 - Specific Risks	0	0	0	0
<b>Cost of Services</b>	<b>1,160</b>	<b>2,812</b>	<b>(1,826)</b>	<b>2,146</b>
Other Income and Expenditure	(1,572)	858	(4,513)	(5,227)
<b>(Surplus) or deficit on Provision of Services (cash flow)</b>	<b>(412)</b>	<b>3,670</b>	<b>(6,339)</b>	<b>(3,081)</b>

## 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.

2020/21 £000		2021/22 £000
(12,989)	Fees, charges and other service income	(14,166)
(360)	Interest and investment income	(423)
(8,917)	Income from council tax	(9,337)
(25,067)	Government Grants	(20,702)
<b>(47,333)</b>	<b>Total Income</b>	<b>(44,628)</b>
13,956	Employee Expenses	15,869
25,799	Other Service Expenses	22,313
4,730	Depreciation, amortisation and impairment	1,878
112	Interest Payments	103
715	Pension interest and expected return on Assets	858
2,066	Precepts and Levies	2,838
1	Gain or Loss on Disposal of Fixed Assets	(19)
(503)	Gain or Loss on Fair Value of Pooled Funds	(269)
(449)	Capital Grants & Contributions	(504)
<b>46,427</b>	<b>Total Expenditure</b>	<b>43,067</b>
<b>(906)</b>	<b>(Surplus)/Deficit on the provision of services</b>	<b>(1,561)</b>

### 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 2021/22. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
Earmarked General Reserve	(6,654)	1,723	(1,761)	(6,692)	977	(975)	(6,690)
Earmarked Reserve-Restricted	(630)	17	(260)	(873)	10	(554)	(1,417)
Election Reserve	(115)	0	(28)	(143)	0	(62)	(205)
COVID-19	(25)	25	(8,304)	(8,304)	3,552	(991)	(5,743)
Public Open Space Reserve-Restricted	(420)	27	(35)	(428)	12	0	(416)
Joint Waste Shared Service Reserve-Restricted	(611)	17	(11)	(605)	0	(402)	(1,007)
Building Regulations Reserve-Restricted	(151)	0	(170)	(321)	7	0	(314)
Development Grant Aid Reserve	0	0	(5)	(5)	0	(10)	(15)
Birmingham Road Car Park Capital Reserve-Restricted	(2,385)	530	(122)	(1,977)	88	0	(1,889)
<b>TOTAL</b>	<b>(10,991)</b>	<b>2,339</b>	<b>(10,696)</b>	<b>(19,348)</b>	<b>4,646</b>	<b>(2,994)</b>	<b>(17,696)</b>



## NOTES TO THE ACCOUNTS

The **General Reserve** has been provided to fund expenditure items in 2021/22 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

2020/21 £000		2021/22 £000
1,998	Parish Council Precepts	2,044
1	(Gains)/Losses on the disposal of non-current assets	(19)
(449)	Unattached Capital Receipts	(504)
<b>1,550</b>	<b>TOTAL</b>	<b>1,521</b>

### 10. Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
112	Interest payable and similar charges	103
715	Pensions interest cost and expected return on pensions assets	858
(360)	Interest receivable and similar income	(423)
(236)	Income and expenditure in relation to investment properties and changes in their fair value	(513)
(503)	Other Investment Income	(269)
<b>(272)</b>	<b>TOTAL</b>	<b>(244)</b>

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

## NOTES TO THE ACCOUNTS

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

2020/21 £000		2021/22 £000
(8,917)	Council Tax Income	(9,337)
	<u>Business Rates</u>	
(6,927)	Council Share of Retained Business Rates	(11,824)
11,632	Less: Business Rates Tariff	11,632
69	Less: Business Rates Levy	794
(27)	Add: Business Rates Levy Repayable	(643)
(22)	Add: Business Rates Pilot	0
(8,847)	Non-ring fenced government grants	(5,314)
(760)	Capital grants and contributions	(844)
<b>(13,799)</b>	<b>TOTAL</b>	<b>(15,536)</b>

#### Non-Ring Fenced Government Grants

2020/21 £000		2021/22 £000
(1,771)	New Homes Bonus	(1,282)
(25)	New Burdens Grants	(29)
(1,236)	Small Business Rates Relief	(1,297)
(1)	Retail Relief Grant	0
(1)	Rural Rate Relief	(1)
(15)	Supporting Small Business Relief	(14)
(2)	Discretionary Rate Relief	0
188	Business Rate Inflation Cap	(10)
(104)	Nursery Relief	(87)
(5,801)	Expanded Retail Relief	(2,295)
(79)	Flooding Relief	0
0	Lower Tier Services Grant	(151)
0	Local Council Tax Support Grant	(127)
0	Telecomms Relief	(14)
0	Public Toilets Relief	(7)
<b>(8,847)</b>	<b>TOTAL</b>	<b>(5,314)</b>

## NOTES TO THE ACCOUNTS

### 12. Property, Plant and Equipment

Movements in 2021/22:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>32,600</b>	<b>11,316</b>	<b>346</b>	<b>4,078</b>	<b>1,100</b>	<b>132</b>	<b>49,572</b>
Additions	1,702	995		48		162	2,907
Revaluation increases/(decreases) recognised in the revaluation reserve	1,099				150		1,249
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(513)						(513)
De-recognition – disposals		(2,231)					(2,231)
<b>At 31 March 2022</b>	<b>34,888</b>	<b>10,080</b>	<b>346</b>	<b>4,126</b>	<b>1,250</b>	<b>294</b>	<b>50,984</b>

<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2021</b>	<b>(45)</b>	<b>(9,321)</b>	<b>(57)</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(9,430)</b>
Depreciation charge (Land is not depreciated)	(967)	(1,057)	(3)				(2,027)
Depreciation written out to the revaluation reserve	790						790
Depreciation written out to the surplus/deficit on the provision of services	155	732					887
De-recognition – disposals		2,192					2,192
<b>At 31 March 2022</b>	<b>(67)</b>	<b>(7,454)</b>	<b>(60)</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(7,588)</b>

<b>Net Book Value</b>							
<b>At 31 March 2022</b>	<b>34,821</b>	<b>2,626</b>	<b>286</b>	<b>4,119</b>	<b>1,250</b>	<b>294</b>	<b>43,396</b>
<b>At 31 March 2021</b>	<b>32,555</b>	<b>1,995</b>	<b>289</b>	<b>4,071</b>	<b>1,100</b>	<b>132</b>	<b>40,142</b>

## NOTES TO THE ACCOUNTS

### Comparative 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
<b>Cost or Valuation</b>							
<b>At 1 April 2020</b>	<b>33,060</b>	<b>10,809</b>	<b>346</b>	<b>4,078</b>	<b>1,782</b>	<b>333</b>	<b>50,408</b>
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		(46)					(46)
Other movements in cost or valuation	229				22	(251)	0
<b>At 31 March 2021</b>	<b>32,600</b>	<b>11,316</b>	<b>346</b>	<b>4,078</b>	<b>1,100</b>	<b>132</b>	<b>49,572</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2020</b>	<b>(390)</b>	<b>(8,524)</b>	<b>(54)</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(8,975)</b>
Depreciation charge	(851)	(927)	(3)				(1,781)
Depreciation written out to the revaluation reserve	930						930
Depreciation written out to the surplus/deficit on the provision of services	266	85					351
De-recognition – disposals		45					45
<b>At 31 March 2021</b>	<b>(45)</b>	<b>(9,321)</b>	<b>(57)</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(9,430)</b>
<b>Net Book Value</b>							
<b>At 31 March 2021</b>	<b>32,555</b>	<b>1,995</b>	<b>289</b>	<b>4,071</b>	<b>1,100</b>	<b>132</b>	<b>40,142</b>
<b>At 31 March 2020</b>	<b>32,670</b>	<b>2,285</b>	<b>292</b>	<b>4,071</b>	<b>1,782</b>	<b>333</b>	<b>41,433</b>

## NOTES TO THE ACCOUNTS

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### Other Land & Buildings Breakdown

2020/21 £000		2021/22 £000
8,150	Arts Facility	8,650
375	Bus Station	375
1,180	Depot	1,930
77	Dwelling	673
11,870	Leisure Centre	12,130
1,735	Multi Storey Car Park	1,815
1,930	Offices	1,930
519	Other land & Buildings	519
580	Parks and Sports Grounds	560
1,067	Pavilions	1,085
248	Public Conveniences	237
1,700	Retail	1,445
3,124	Surface Car Park	3,472
<b>32,555</b>	<b>Total</b>	<b>34,821</b>

### Depreciation

The following useful lives 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 2022, the Council had no material capital commitments (31 March 2021: **£266,000**).

### Effects of Changes in Estimates

In 2021/22, 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 current 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 £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Carried at historical cost	588	2,626	3,214
Valued at current value as at:			
- 31 March 2022	29,361		29,361
- 31 March 2021	4,473		4,473
- 31 March 2020	260		260
- 31 March 2019	119		119
- 31 March 2018	5		5
- 31 March 2017	15		15
<b>Total Cost or Valuation</b>	<b>34,821</b>	<b>2,626</b>	<b>37,447</b>

### 13. Heritage Assets

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

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
<b>Cost or Valuation</b>				
<b>At 1 April 2021</b>	<b>285</b>	<b>70</b>	<b>70</b>	<b>425</b>
<b>At 31 March 2022</b>	<b>285</b>	<b>70</b>	<b>70</b>	<b>425</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2020</b>	<b>285</b>	<b>70</b>	<b>70</b>	<b>425</b>
<b>At 31 March 2021</b>	<b>285</b>	<b>70</b>	<b>70</b>	<b>425</b>

## NOTES TO THE ACCOUNTS

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### 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 Executive and Civic Officer, 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:

2020/21 £000		2021/22 £000
380	Rental income from investment property	377
(196)	Direct operating expenses	(286)
<b>184</b>	<b>Net income from Investment Property</b>	<b>91</b>
(127)	Revaluation gains / (losses)	205
<b>57</b>	<b>Net gain / (loss)</b>	<b>296</b>

## NOTES TO THE ACCOUNTS

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

2020/21 £000		2021/22 £000
4,075	Balance at Start of Year	3,948
(127)	Net Gains/(losses) from fair value adjustments	205
3,948	Balance at end of year	4,153

	2020/21			2021/22		
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Fair Value as at 31 March 2021	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Fair Value as at 31 March 2022
	£000	£000	£000	£000	£000	£000
Residential Properties	0	81	81	0	148	148
Office Units	0	715	715	0	805	805
Commercial Units	0	3,152	3,152	0	3,200	3,200
<b>Total</b>	<b>0</b>	<b>3,948</b>	<b>3,948</b>	<b>0</b>	<b>4,153</b>	<b>4,153</b>

## 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 (one was paid back during this year)
- Finance leases detailed at note 36
- 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 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000
<u>At amortised cost:</u>				
- Principal			16,000	21,000
- Accrued interest			9	10
<u>At fair value through profit &amp; loss:</u>				
- Equity Investments (Diversified income and property funds)	7,959	10,228		
- Equity Investments (Associates and joint ventures)	225	225		
- Accrued interest			42	49
<b>Total Investments</b>	<b>8,184</b>	<b>10,453</b>	<b>16,051</b>	<b>21,059</b>
<u>At amortised cost:</u>				
- Cash (including bank accounts)			741	351
<u>At fair value through profit &amp; loss:</u>				
- Cash equivalents at fair value			13,330	18,140
- Accrued interest			0	5
<b>Total Cash and Cash Equivalents</b>			<b>14,071</b>	<b>18,496</b>
<u>Debtors</u>				
Trade receivables	165	143	4,039	3,770
<b>Total included in Debtors</b>	<b>165</b>	<b>143</b>	<b>4,039</b>	<b>3,770</b>
<b>Total Financial Assets</b>	<b>8,349</b>	<b>10,596</b>	<b>34,161</b>	<b>43,325</b>

## NOTES TO THE ACCOUNTS

Financial Liabilities	Long Term		Short Term	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
<u>Loans at amortised cost:</u>				
Principal sum borrowed	(2,060)	(1,065)	(196)	(61)
<b>Total Borrowing</b>	<b>(2,060)</b>	<b>(1,065)</b>	<b>(196)</b>	<b>(61)</b>
<u>Liabilities at amortised cost:</u>				
Finance leases	(40)	0		
<b>Total other Long Term Liabilities</b>	<b>(40)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Liabilities at amortised cost:</u>				
Trade payables	(35)	(64)	(3,635)	(6,398)
Finance leases			(566)	(383)
<b>Total included in Creditors</b>	<b>(35)</b>	<b>(64)</b>	<b>(4,201)</b>	<b>(6,781)</b>
<b>Total Financial Liabilities</b>	<b>(2,135)</b>	<b>(1,129)</b>	<b>(4,397)</b>	<b>(6,842)</b>

### 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 2021			31 March 2022		
	Gross assets (liabilities)	(Liabilities) assets offset	Net position on balance sheet	Gross assets (liabilities)	(Liabilities) assets offset	Net position on balance sheet
	£000	£000	£000	£000	£000	£000
Bank accounts in credit	447	0	447	82	0	82
<b>Total offset financial assets</b>	<b>447</b>	<b>0</b>	<b>447</b>	<b>82</b>	<b>0</b>	<b>82</b>
Bank overdrafts	0	0	0	0	0	0
<b>Total offset financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Reconciliation to Cash and Cash Equivalents

31 March 2021 £000		31 March 2022 £000
447	Main Bank Accounts Total	82
290	Total Reconciling Differences (Unpresented Cheques and Cash in Transit)	264
<b>737</b>	<b>Cash &amp; Cash Equivalents - Bank Accounts</b>	<b>346</b>

## 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:

2020/21		Financial Liabilities	Financial Assets			2021/22
		Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	Total
£000		£000	£000	£000	£000	£000
112	Interest Expense	103				103
<b>112</b>	<b>Interest payable and similar charges</b>	<b>103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103</b>
(57)	Interest Income		(22)			(22)
(303)	Dividend Income			0	(401)	(401)
<b>(360)</b>	<b>Interest and Investment Income</b>	<b>0</b>	<b>(22)</b>	<b>0</b>	<b>(401)</b>	<b>(423)</b>
<b>(248)</b>	<b>Net Gain / (Loss) for the Year</b>	<b>103</b>	<b>(22)</b>	<b>0</b>	<b>(401)</b>	<b>(320)</b>

### 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 2022, 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 2021		31 March 2022	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1	13,330		18,145	
Diversified income and property funds	1	7,959		10,228	
Shares in unlisted companies	3	225		225	
Financial assets for which fair value is not disclosed:		20,996		25,323	
<b>Total Financial Assets</b>		<b>42,510</b>		<b>53,921</b>	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Investments		16,051		21,059	
Long Term Investments		7,959		10,228	
Investment in Associates and Joint Ventures		225		225	
Cash & Cash Equivalents		14,071		18,496	
Short Term Debtors		4,039		3,770	
Long Term Debtors		165		143	
<b>Total Financial Assets</b>		<b>42,510</b>		<b>53,921</b>	

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 2021/22. 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 2021		31 March 2022	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long Term loans from PWLB	2	(2,255)	(2,421)	(1,126)	(1,133)
Finance Lease liabilities	2	(606)	(604)	(383)	(375)
<b>Total</b>		<b>(2,861)</b>	<b>(3,025)</b>	<b>(1,509)</b>	<b>(1,508)</b>
Liabilities for which fair value is not disclosed		(3,670)		(6,462)	
<b>Total Financial Liabilities</b>		<b>(6,531)</b>		<b>(7,971)</b>	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Creditors		(3,635)		(6,398)	
Long Term Creditors		(35)		(64)	
Finance Lease Liabilities		(606)		(383)	
Short Term Borrowing		(196)		(61)	
Long Term Borrowing		(2,060)		(1,065)	
<b>Total Financial Liabilities</b>		<b>(6,532)</b>		<b>(7,971)</b>	

## NOTES TO THE ACCOUNTS

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

### 16. Short Term Debtors

31 March 2021 £000		31 March 2022 £000
4,039	Trade receivables	3,770
603	Prepayments	617
6,323	Other receivable amounts	2,073
(1,229)	Bad Debt Provision	(1,509)
<b>9,736</b>	<b>Total Debtors</b>	<b>4,951</b>

### 17. Cash and Cash Equivalents

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

31 March 2021 £000		31 March 2022 £000
5	Cash held by the authority	5
736	Bank Accounts	346
13,330	Money Market Funds	18,145
<b>14,071</b>	<b>Total</b>	<b>18,496</b>

### 18. Short Term Creditors

31 March 2021 £000		31 March 2022 £000
(3,635)	Trade payables	(6,398)
(15,372)	Other payables	(17,129)
<b>(19,007)</b>	<b>Total Creditors</b>	<b>(23,527)</b>

## NOTES TO THE ACCOUNTS

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### 19. Provisions

The Council has three provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £000	Netherstowe & Leyfields £000	Three Spires £000	Total £000
Balance at 1 April 2021	(101)	(2,383)	(117)	(129)	(2,730)
Additional provisions made this year	(126)	(417)	0	0	(543)
Amounts used this year	0	171	0	129	300
<b>Balance at 31 March 2022</b>	<b>(227)</b>	<b>(2,629)</b>	<b>(117)</b>	<b>0</b>	<b>(2,973)</b>
<b>Element categorised as current</b>	<b>(227)</b>	<b>(457)</b>	<b>(117)</b>	<b>0</b>	<b>(801)</b>

#### 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 **£226,766**. 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 two provisions at 31 March 2022:

- **Business Rates Appeals**

The amount of **£2,629,000** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2022.

- **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. This was agreed and settled in May 2022.

## NOTES TO THE ACCOUNTS

### 20. Usable Reserves

2020/21 £000		2021/22 £000
6,714	General Fund	6,846
3,618	Capital Grants Unapplied	4,057
3,107	Capital Receipts Reserve	2,928
19,348	Earmarked Reserves	17,696
<b>32,787</b>	<b>Total</b>	<b>31,527</b>

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

### 21. Unusable Reserves

2020/21 £000		2021/22 £000
10,131	Revaluation Reserve	11,897
31,653	Capital Adjustment Account	33,819
47	Deferred Capital Receipts	47
(43,821)	Pensions Reserve	(31,431)
(6,037)	Collection Fund Adjustments	(2,863)
(41)	Pooled Fund Adjustment Account	228
(460)	Accumulated Absence Account	(409)
<b>(8,529)</b>	<b>Total</b>	<b>11,288</b>

#### 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.

2020/21 £000			2021/22 £000
<b>9,426</b>	<b>Balance at 1 April</b>		<b>10,131</b>
2,214	Upward revaluation of assets	2,257	
(1,267)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(217)	
947	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		2,040
(242)	Difference between fair value depreciation and historical cost depreciation	(274)	
(242)	Amount written off to the Capital Adjustment Account		(274)
<b>10,131</b>	<b>Balance at 31 March</b>		<b>11,897</b>

## NOTES TO THE ACCOUNTS

### Capital Adjustment Account

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

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

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

2020/21 £000			2021/22 £000
32,269	<b>Balance at 1 April</b>		31,653
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,781)	· Charges for depreciation and impairment of non-current assets	(2,027)	
(2,212)	· Revaluation gains/losses on Property, Plant and Equipment	383	
(7)	· Amortisation of intangible assets	(27)	
(1,307)	· Revenue expenditure funded from capital under statute	(1,817)	
(1)	· 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	(41)	
(5,308)			(3,529)
242	Adjusting amounts written out of the Revaluation Reserve		274
27,203	Net written out amount of the cost of non-current assets consumed in the year		28,398
	Capital financing applied in the year:		
263	· Use of the Capital Receipts Reserve to finance new capital expenditure	742	
1,582	· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,251	
250	· Application of grants to capital financing from the Capital Grants Unapplied Account	482	
747	· Statutory provision for the financing of capital investment charged against the General Fund	616	
1,735	· Capital expenditure charged against the General Fund	1,125	
4,577			5,216
(127)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		205
<b>31,653</b>	<b>Balance at 31 March</b>		<b>33,819</b>



## NOTES TO THE ACCOUNTS

### Pensions Reserve

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

2020/21 £000		2021/22 £000
(32,718)	<b>Balance at 1 April</b>	(43,821)
(30,061)	Actuarial gains or losses on pensions assets and liabilities	4,853
19,770	Return on Plan Assets	10,103
(3,376)	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	(5,155)
2,564	Employer's pensions contributions and direct payments to pensioners payable in the year	2,589
<b>(43,821)</b>	<b>Balance at 31 March</b>	<b>(31,431)</b>

### Collection Fund Adjustment Account

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

2020/21				2021/22		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
234	1,073	1,307	<b>Balance at 1 April</b>	(103)	(5,934)	(6,037)
(337)	(7,007)	(7,344)	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	133	3,041	3,174
<b>(103)</b>	<b>(5,934)</b>	<b>(6,037)</b>	<b>Balance at 31 March</b>	<b>30</b>	<b>(2,893)</b>	<b>(2,863)</b>

## NOTES TO THE ACCOUNTS

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

2020/21 £000		2021/22 £000
1,788	Depreciation, amortisation and impairment	2,055
2,616	Downward revaluations	785
(277)	Upward revaluations charged to services	(1,373)
1	Carrying Amount of non-current assets disposed in the year	40
1,389	Increase / (Decrease) in Provisions	243
(3)	(Increase) / Decrease in Stock	(7)
(3,857)	(Increase) / Decrease in Debtors	4,421
4,811	Increase / (Decrease) in Creditors	4,209
(1,455)	Movement in pension liability	3,670
(503)	Other non-cash adjustments	(222)
<b>4,510</b>	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	<b>13,821</b>

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

2020/21 £000		2021/22 £000
(449)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(563)
(2,899)	Capital Grants & Contributions	(2,549)
8,431	Any other items for which the cash effects are investing or financing activities	722
<b>5,083</b>	<b>Adjust net surplus or deficit on the provision of services for investing and financing activities</b>	<b>(2,390)</b>

These items are included in the (Surplus)/Deficit on Provision of Services and are adjusted as they relate to Investing and Financing activities. The cash flows relating to these items are presented in **Note 25** and **Note 26** after adjusting for cash flows in respect of outstanding balances at the end of the current and prior financial year.

### 24. Cash Flow Statement - Investing Activities

2020/21 £000		2021/22 £000
(1,403)	Purchase of property, plant and equipment, investment property and intangible assets	(2,242)
(62,725)	Purchase of short-term and long-term investments	(72,500)
326	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	520
60,500	Proceeds from short-term and long-term investments	65,500
2,860	Other (receipts)/payments from investing activities (including capital grants and contributions)	2,572
<b>(442)</b>	<b>Net cash flows from Investing activities</b>	<b>(6,150)</b>

## NOTES TO THE ACCOUNTS

### 25. Cash Flow Statement - Financing Activities

2020/21 £000		2021/22 £000
(561)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(566)
(193)	Repayments of short and long term borrowing	(1,129)
(8,431)	Council Tax and Business Rates Net Cash Inflows	(722)
<b>(9,185)</b>	<b>Net cash flows from Financing activities</b>	<b>(2,417)</b>

### 26. Cash Flow Statement - Operating Activities

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

2020/21 £000		2021/22 £000
395	Interest received	411
(114)	Interest paid	(110)
<b>281</b>	<b>Net cash flows from operating activities</b>	<b>301</b>

### 27. Reconciliation of Liabilities Arising from Financing Activities

	Borrowings		Lease	TOTAL
	Long Term	Short Term	Liabilities	
<b>1 April 2021</b>	2,060	196	606	2,862
<b>Cash-flows:</b>				
- Repayment	0	(1,129)	(176)	(1,305)
<b>Non-cash:</b>				
- Termination	0	0	(47)	(47)
- Reclassification	(994)	994	0	0
- Other	(1)	0	0	(1)
<b>31 March 2022</b>	<b>1,065</b>	<b>61</b>	<b>383</b>	<b>1,509</b>

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

## NOTES TO THE ACCOUNTS

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### 28. 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.

2020/21 £000		2021/22 £000
1,087	Expenditure Incurred	1,169
(1,047)	Income received	(952)
(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)
<b>(170)</b>	<b>(Surplus)/Deficit Transferred (To)/From Earmarked Reserves</b>	<b>7</b>

### 29. Jointly Controlled Operations

The Authority is engaged in a jointly controlled operation with Tamworth Borough Council for waste collection for both the Lichfield District and Tamworth Borough areas, known as the Joint Waste Service. The Authority provides the financial administration service for this joint operation. The Service is administered through the Lichfield and Tamworth Joint Waste Board. The assets of the operation in respect of vehicles (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 of each financial year.

## NOTES TO THE ACCOUNTS

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

2020/21 £000		2021/22 £000
	<b>Funding provided to the operation</b>	
(1,631)	Contribution from Lichfield	(1,773)
(1,166)	Contribution from Tamworth	(1,268)
<b>(2,797)</b>	<b>Total funding provided to the operation</b>	<b>(3,041)</b>
	<b>Expenditure met by the operation</b>	
3,024	Pay and allowances	3,004
0	Premises costs	0
1,213	Transport costs	1,308
1,608	Supplies and Services	1,942
12	Third Party Payments	9
607	Support Costs	607
(3,694)	Revenue income	(3,829)
<b>2,770</b>	<b>Total expenditure</b>	<b>3,041</b>
<b>(27)</b>	<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>0</b>
<b>(16)</b>	<b>Lichfield District Council's share of 58.3% of the net (surplus)/deficit arising on the operation</b>	<b>0</b>

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

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

2020/21 £000		2021/22 £000
<b>(27)</b>	<b>Net (surplus) arising on the pooled budget during the year</b>	<b>0</b>
1,631	Add: Lichfield's Contribution shown as expenditure in the CIES	1,773
285	Amounts not reported in the Joint Waste Service	85
<b>1,889</b>	<b>Net Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>1,858</b>

## 30. Members' Allowances

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

2020/21 £000		2021/22 £000
298	Allowances	286
4	Expenses	4
<b>302</b>	<b>Total</b>	<b>290</b>

## NOTES TO THE ACCOUNTS

### 31. 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 (Starting date of 10/08/2021)	2021/22 77,613	-	3,630	-	12,473	93,716
	2020/21 -	-	-	-	-	-
Chief Executive (Leaving date of 31/05/2021)	2021/22 59,448	-	-	-	5,498	64,946
	2020/21 119,532	10,490	-	-	20,908	150,930
Interim Chief Executive (Starting date 1/10/21 leaving date of 10/08/2021)	2021/22 30,467	-	-	-	3,710	34,177
	2020/21 -	-	-	-	-	-
Chief Operating Officer (Transferred from Head of Governance & Performance on 01/12/2021)	2021/22 29,122	-	163	-	4,718	34,003
	2020/21 -	-	-	-	-	-
Assistant Chief Executive (Leaving date of 09/08/2020)	2021/22 -	-	-	-	-	-
	2020/21 29,690	-	-	-	3,990	33,680
Head of Governance & Performance (Transfer date of 30/11/2021)	2021/22 45,936	-	-	-	6,986	52,921
	2020/21 64,211	-	-	-	10,265	74,476
Head of Corporate Services (Starting date of 01/02/2021)	2021/22 66,879	-	-	-	10,678	77,557
	2020/21 10,958	-	-	-	1,749	12,707
Head of Economic Growth & Development Services (Leaving date of 30/11/2021)	2021/22 50,497	-	30	64,215	8,076	122,818
	2020/21 76,583	-	-	-	12,250	88,833
Head of Finance & Procurement	2021/22 65,916	-	-	-	10,678	76,594
	2020/21 64,782	-	-	-	10,495	75,277
Head of Operational Services (Starting date of 10/02/2020)	2021/22 66,879	-	-	-	10,678	77,557
	2020/21 69,942	-	-	-	11,175	81,117
Head of Regulatory Services, Housing & Wellbeing	2021/22 66,879	-	132	-	10,678	77,689
	2020/21 64,958	-	124	-	10,367	75,449

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

2020/21 Number of employees	Remuneration band	2021/22 Number of employees
1	£50,000-£54,999	2
2	£55,000-£59,999	-
-	£60,000-£64,999	1

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

## NOTES TO THE ACCOUNTS

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	0	5	1	0	1	5	£12,105	£34,329
£20,001 - £40,000	1	0	1	0	2	0	£58,181	£0
£60,001 - £80,000	0	0	0	1	0	1	£0	£64,215
<b>Total</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>£70,286</b>	<b>£98,544</b>

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

Exit Package Cost Band	2020/21			2021/22		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£12,105	£0	£12,105	£34,329	£0	£34,329
£20,001 - £40,000	£17,286	£40,895	£58,181	£0	£0	£0
£40,001 - £60,000	£0	£0	£0	£0	£0	£0
£60,001 - £80,000	£0	£0	£0	£64,215	£0	£64,215
£80,001 - £100,000	£0	£0	£0	£0	£0	£0
£100,001 - £150,000	£0	£0	£0	£0	£0	£0
£150,001 - £200,000	£0	£0	£0	£0	£0	£0
<b>Total</b>	<b>£29,391</b>	<b>£40,895</b>	<b>£70,286</b>	<b>£98,544</b>	<b>£0</b>	<b>£98,544</b>

## 32. External Audit Costs

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

2020/21 £000		2021/22 £000
58	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	70
15	Fees payable to the Grant Thornton UK LLP for the certification of grant claims and returns for the year	20
<b>73</b>	<b>TOTAL</b>	<b>90</b>

## NOTES TO THE ACCOUNTS

### 33. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2021/22:

2020/21 £000		2021/22 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
760	Other Contributions	844
<b>760</b>	<b>Sub Total (Capital)</b>	<b>844</b>
8,917	Council Tax Income	9,337
(4,724)	Non-Domestic rates	41
8,846	Non Ring Fenced Government Grants	5,314
<b>13,039</b>	<b>Sub Total (Revenue)</b>	<b>14,692</b>
<b>13,799</b>	<b>Total</b>	<b>15,536</b>

2020/21 £000		2021/22 £000
	<b>Credited to Cost of Services</b>	
682	Disabled Facilities Grant	1,232
566	CIL - Various Sites	820
502	Other Contributions	277
<b>1,750</b>	<b>Sub Total (Capital)</b>	<b>2,329</b>
12,713	Housing and Council Tax Benefits	11,889
587	Ministry of Housing, Communities and Local Government	733
106	Other Government Departments and Agencies	138
4,699	Government Covid Grants	263
130	Other Local Authority Covid Grants	146
27	Positive Futures	4
51	Office of the Police and Crime Commissioner	55
218	Contributions from other Local Authorities	323
1,403	Contributions from other Local Authorities - Shared Services	1,563
<b>19,934</b>	<b>Sub Total (Revenue)</b>	<b>15,114</b>
<b>21,684</b>	<b>Total</b>	<b>17,443</b>

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:

2020/21 £000		2021/22 £000
	<b>Capital Grants Receipts in Advance</b>	
1,748	Other Contributions	1,196
<b>1,748</b>	<b>Current Liabilities</b>	<b>1,196</b>
628	Other Contributions	828
<b>628</b>	<b>Long Term Liabilities</b>	<b>828</b>
<b>2,376</b>	<b>Total</b>	<b>2,024</b>



## NOTES TO THE ACCOUNTS

2020/21 £000		2021/22 £000
	<b>Revenue Grants Receipts in Advance</b>	
94	Heritage Lottery Fund	0
613	Ecological Mitigation	593
<b>707</b>	<b>Total (shown within Current Liabilities)</b>	<b>593</b>

### 34. Related Parties

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

#### Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in **Note 7**. Grants received during the year are shown in **Note 33**.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid is shown in **Note 30**. During 2021/2022 works and services to the value of **£195,000** were commissioned from companies in which twelve members had an interest (**£47,000** in 2020/21). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£55,000** to voluntary organisations (**£66,000** in 2020/21) 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 **£395,000** from Bromford Housing Group in 2021/22 (**£399,000** in 2020/21) in respect of the right to buy claw back on the sale of dwellings.

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

The net amount owed from the Council to entities controlled or significantly influenced by the Council at the end of 2021/22 was **£15.689 million** (**£6.529 million** owed from the Council in 2020/21).

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

## NOTES TO THE ACCOUNTS

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 2021/22 (**£250,000** in 2020/21). Support services provided by the Council to the Garrick totalled **£6,300** (**£6,000** in 2020/21).

The Council outsourced its Leisure Centres in February 2018 to Freedom Leisure; the management fee income for 2021/22 totalled **£93,000** (**£556,700** in 2020/21). The Leisure Implementation Panel monitors performance, the panel consists of both Freedom Leisure and District Council officers.

### 35. Capital Expenditure and Capital Financing

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

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

2020/21 £000		2021/22 £000
4,305	<b>Opening Capital Financing Requirement</b>	3,016
	<i>Capital Investment</i>	
1,755	Property, Plant & Equipment	2,907
1	Intangible Assets	18
225	Equity	0
1,307	Revenue Expenditure Funded from Capital under Statute	1,817
	<i>Sources of Finance</i>	
(263)	Capital receipts	(742)
(1,832)	Government grants and other contributions	(2,733)
	<i>Sums set aside from revenue:</i>	
(1,735)	Direct revenue contributions	(1,125)
(747)	Minimum revenue provision	(616)
<b>3,016</b>	<b>Closing Capital Financing Requirement</b>	<b>2,542</b>

	<b>Explanation of movements in year</b>	
(752)	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	(251)
(537)	Net movement on Finance Leases	(223)
<b>(1,289)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(474)</b>

## NOTES TO THE ACCOUNTS

### 36. Leases

#### Council as Lessee

##### Finance Leases

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

31 March 2021 £000		31 March 2022 £000
178	Vehicles, Plant, Furniture and Equipment	0
<b>178</b>	<b>TOTAL</b>	<b>0</b>

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

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

31 March 2021 £000		31 March 2022 £000
	Finance lease liabilities (net present value of minimum lease payments)	
566	- current	383
40	- non-current	0
76	Finance costs payable in future years	36
<b>682</b>	<b>Minimum Lease Payments</b>	<b>419</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
Not later than one year	612	419	566	383
Later than one year and not later than five years	70	0	40	0
<b>Total</b>	<b>682</b>	<b>419</b>	<b>606</b>	<b>383</b>

#### 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

## NOTES TO THE ACCOUNTS

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

31 March 2021 £000		31 March 2022 £000
217	Not later than one year	168
524	Later than one year and not later than five years	486
2,949	Later than five years	2,765
<b>3,690</b>	<b>TOTAL</b>	<b>3,419</b>

### 37. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2022 and no impairment was chargeable.

### 38. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

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

#### Transactions Relating to Post-employment Benefits

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

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

## 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:

2020/21 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2021/22 £000
	Cost of Services:	
2,814	- Current service cost	4,297
(153)	- past service costs	0
0	- settlements and curtailments	0
	Financing and Investment Income and Expenditure	
715	- net interest expense	858
<b>3,376</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,155</b>
	<i>Other Post Employment Benefit Charged to the CIES</i>	
	Re-measurement of the net defined benefit comprising:	
(19,770)	- Return on plan assets (excluding the amount included in the net interest expense)	(10,103)
1,623	- Actuarial gains and losses arising on changes in demographic assumptions	(2,106)
(1,062)	- Actuarial gains and losses arising on other experience	5,824
29,500	- Actuarial gains and losses arising on changes in financial assumptions	(8,571)
<b>10,291</b>	<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(14,956)</b>
	<i>Movement in Reserves Statement</i>	
(11,103)	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>12,390</b>
	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	
<b>2,564</b>	<b>- employers' contributions payable to scheme</b>	<b>2,589</b>

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

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

2020/21 £000	Local Government Pension Scheme	2021/22 £000
(141,633)	Present value of the defined benefit obligation	(136,581)
97,812	Present value of the defined benefit asset	105,150
2,267	Prepayment of future years pension contributions	1,163
<b>(41,554)</b>	<b>Net liability arising from defined obligation</b>	<b>(30,268)</b>

## NOTES TO THE ACCOUNTS

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

2020/21 £000	Local Government Pension Scheme	2021/22 £000
76,156	Opening fair value of scheme assets	97,812
0	Effect of Settlements	0
1,788	Interest income	1,990
	Remeasurement gain / (loss):	
19,770	- The return on plan assets, excluding the amount included in the net interest expense	10,103
0	- Other experience	(4,813)
2,461	Contributions from employer	2,482
538	Contributions from employees into the scheme	548
107	Contributions in respect of unfunded benefits	107
(2,901)	Benefits paid	(2,972)
(107)	Unfunded benefits paid	(107)
<b>97,812</b>	<b>Closing position as at 31 March</b>	<b>105,150</b>

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

2020/21 £000	Local Government Pension Scheme	2021/22 £000
	Opening balance at 1 April	
107,383	- Present value of funded liabilities	140,047
1,491	- Present value of unfunded liabilities	1,586
2,814	Current service cost	4,297
(153)	Past Service cost (including curtailments)	0
0	Effect of Settlements	0
2,503	Interest costs	2,848
538	Contribution from scheme participants	548
	Remeasurement (gain) / loss:	
1,623	- Actuarial gains/losses arising from changes in demographic assumptions	(2,106)
29,504	- Actuarial gains/losses from changes in financial assumptions	(8,571)
(1,062)	- Other experiences	1,011
(2,901)	Benefits paid	(2,972)
(107)	Unfunded benefits paid	(107)
<b>141,633</b>	<b>Closing position as at 31 March</b>	<b>136,581</b>

## NOTES TO THE ACCOUNTS

### Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2021				Period ended 31 March 2022			
	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	1,631.3		1,631.3	2%	4,167.0		4,167.0	4%
Equity Securities:								
- Consumer	3,891.7		3,891.7	4%	3,579.1		3,579.1	3%
- Manufacturing	4,176.3		4,176.3	4%	2,920.9		2,920.9	3%
- Energy and Utilities	1,106.6		1,106.6	1%	802.2		802.2	1%
- Financial Institutions	3,532.2		3,532.2	3%	3,809.8		3,809.8	4%
- Health and Care	2,516.7		2,516.7	2%	4,022.9		4,022.9	4%
- Information technology	4,282.4		4,282.4	4%	4,626.7		4,626.7	4%
- Other	108.4		108.4	0%	0.0		0.0	0%
Debt Securities				0				0
- Corporate Bonds (investment grade)	6,911.6		6,911.6	7%	6,245.4		6,245.4	6%
Private equity:								
- All		4,336.5	4,336.5	4%		5,267.6	5,267.6	5%
Real Estate:								
- UK Property		7,665.6	7,665.6	7%		8,513.7	8,513.7	8%
Investment Funds and Unit Trusts:								
- Equities	48,077.9		48,077.9	45%	50,502.9		50,502.9	48%
- Bonds	6,660.6		6,660.6	6%	6,653.6		6,653.6	6%
- Hedge Funds		378.8	378.8	0%		39.1	39.1	0%
- Infrastructure		40.4	40.4	0%		283.2	283.2	0%
- Other		4,762.0	4,762.0	4%		4,878.9	4,878.9	5%
<b>Total Assets</b>	<b>82,896</b>	<b>17,183</b>	<b>100,079</b>	<b>100%</b>	<b>87,330</b>	<b>18,983</b>	<b>106,313</b>	<b>100%</b>
Adjust for Prepayment			(2,267)				(1,163)	
<b>Total Assets Restated</b>			<b>97,812</b>				<b>105,150</b>	

### 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 2021/22 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 2023.

## NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

Period Ending	31 March 2021 % Per Annum	31 March 2022 % Per Annum
<b>Financial Assumptions</b>		
Pension Increase Rate	2.85%	3.20%
Salary Increase Rate	3.25%	3.70%
Discount Rate	2.00%	2.70%
	<b>Males</b>	<b>Females</b>
<b>Mortality Rate</b>		
Current Pensioners	21.4 years	24.3 years
Future Pensioners	22.2 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 2022	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount  £'000
0.1% decrease in Real Discount Rate	2%	2,510
1 year increase in member life expectancy	0%	5,463
0.1% increase in the Salary Increase Rate	4%	325
0.1% increase in the Pension Increase Rate (CPI)	2%	2,166



## NOTES TO THE ACCOUNTS

### Scheme History

Local Government Pension Scheme	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Present value of the defined benefit obligation	(111,170)	(124,754)	(108,874)	(141,633)	(136,581)
Net Liability arising from defined benefit obligation	75,142	81,133	76,156	97,812	105,150
Adjustment for prepayment of future years pension contributions	1,635	874		2,267	1,163
<b>Net Liability arising from defined obligation</b>	<b>(34,393)</b>	<b>(42,747)</b>	<b>(32,718)</b>	<b>(41,554)</b>	<b>(30,268)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£30.268 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£42.815 million** (see page 42). 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 2023 is **£1.261 million**.

### 39. 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 to Freedom Leisure 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 2021/22, the risk has been assessed at low between **1%** or **£22,455** and **5%** or **£112,274**. 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.
- 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 2022 is **£158,618**. No provision has been made for this amount as the outcomes of the claims are currently unknown.

### 40. Contingent Assets

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

### 41. Financial Instruments - Risks

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

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

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

#### Credit Risk

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

#### Credit Risk: Treasury Investments

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

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 67% (2021: [131%]) 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 2022 the level is not material and therefore no loss allowance has been set aside for treasury investments. The table below

## NOTES TO THE ACCOUNTS

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 2022 £000	31 March 2021 £000	31 March 2022 £000
AAA	0	0	13,330	18,140
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	0	0
A+	0	0	2,000	2,000
A	0	0	0	1,000
A-	0	0	0	0
Unrated Building Societies	0	0	0	0
Unrated Local Authorities	0	0	14,000	18,000
<b>Total Credit Risk Investments</b>	<b>0</b>	<b>0</b>	<b>29,330</b>	<b>39,140</b>
Credit risk not applicable*	7,959	10,228	0	0
<b>Total Investments</b>	<b>7,959</b>	<b>10,228</b>	<b>29,330</b>	<b>39,140</b>
Accrued Interest	0	0	52	65
Prepaid Interest	0	0	0	0
Cash in Hand and Bank Accounts	0	0	741	351
<b>Balance Sheet Total for Short Term Investments, Long Term Investments and Cash and Cash Equivalents</b>	<b>7,959</b>	<b>10,228</b>	<b>30,123</b>	<b>39,556</b>

\*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 2021 £000		31 March 2022 £000
1,734	Neither past due nor impaired	1,167
1,286	Less than three months	1,476
250	Three to six months	227
251	Six months to one year	264
518	More than one year	636
0	Individually Impaired	0
<b>4,039</b>	<b>Total</b>	<b>3,770</b>

## NOTES TO THE ACCOUNTS

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

	Average range of allowances set aside	31 March 2022			31 March 2021		
		Gross receivable	Loss allowance	Total	Gross receivable	Loss allowance	Total
Public sector	0%	824	0	824	5,313	0	5,313
Trade Receivables - not yet due	0%	1,167	0	1,167	1,734	0	1,734
Council Tax Payers	85% - 100%	704	(419)	285	672	(334)	338
Business Rates Payers	71% - 100%	545	(411)	134	339	(213)	126
Trade Receivables	0% - 100%	2,113	(239)	1,874	1,792	(190)	1,602
Prepayments	0%	617	0	617	603	0	603
Housing Related	0% - 100%	489	(441)	48	513	(493)	20
		<b>6,459</b>	<b>(1,510)</b>	<b>4,949</b>	<b>10,966</b>	<b>(1,230)</b>	<b>9,736</b>

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities including the Public Works Loans Board long term loans received in April 2015 and May 2018 (this loan was repaid early in 2021/22) is as follows:

31 March 2021 £000		31 March 2022 £000
(196)	Less than one year	(61)
(198)	Between one year and two years	(61)
(608)	Between two years and five years	(183)
(676)	Between five years and ten years	(304)
(578)	Between ten years and twenty years	(517)
0	Between twenty years and thirty years	0
<b>(2,256)</b>	<b>Total</b>	<b>(1,126)</b>

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

### Market Risks: Interest Rate Risk

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

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

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

## NOTES TO THE ACCOUNTS

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

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

2020/21 £000		2021/22 £000
(221)	Increase in interest receivable on variable rate investments	(281)
121	Decrease in fair value of investments held at FVPL	150
<b>(100)</b>	<b>Impact on the Surplus or Deficit on the Provision of Services</b>	<b>(131)</b>
31	Decrease in fair value of loans and investments at amortised cost*	69
(212)	Decrease in fair value of fixed rate borrowing*	(98)

\*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 £131k (2021 £90k) 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 31<sup>st</sup> March 2022 would result in a £137k (2021 £65k) charge to the Surplus or Deficit on the Provision of Services.

## 42. Joint Arrangements

In 2016/17, the Council entered into a partnership arrangement with Public Sector Partnerships (PSP). The creation of the Limited Liability Partnership (LLP) with PSP will mean that group accounts will need to be prepared to consolidate the LLP's financial accounts into our accounts reflecting our position as joint owners when projects are approved. No projects or schemes were approved during 2021/22 and no material financial transactions were made. No new accounting policies are required for the preparation of the 2021/22 Statement of Accounts. Since 31 March 2022 the Council has received approval to dissolve this arrangement.

## 43. 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 2021/22. There were no material financial transactions in the year. No new accounting policies are required for the preparation of the 2021/22

## NOTES TO THE ACCOUNTS

Statement of Accounts. It was therefore agreed that Group Accounts for the Council would not be required. In April 2022, the company changed its name to LWM Traded Services Ltd.

### 44. Material Items of Income and Expenditure

During 2020/21 and 2021/22, 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 material items are shown below:

#### 2020/21

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
<b>Total</b>	<b>(29,416,563)</b>	<b>26,186,999</b>

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.

#### 2021/22

Covid-19/Cost of Living Grant Description	Grant Income £	Grant Paid Out £
April Restart	(4,908,141)	4,712,047
Additional Restrictions Grant	*(1,037,485)	*1,037,485
Omicron Hospitality and Leisure Grant	(966,042)	784,036
Council Tax Rebate Grant	(5,289,300) <sup>1</sup>	0
COVID-19 Additional Relief Fund Allocation	*(1,929,747)	*0
<b>Total</b>	<b>(14,130,715)</b>	<b>6,533,568</b>

The Council also incurred additional net expenditure of **£803k** shown separately on the Comprehensive Income and Expenditure Statement (CIES). This was offset by **(£701k)** of additional grant income.

- \*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).

<sup>1</sup> The Council acts as an agent for the majority of the Council Tax Rebate Grant; however for a discretionary element of approximately £141,000 the Council acts as Principal.

## 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 2020/21 £000		Council Tax £000	Business Rates £000	Total 2021/22 £000
(71,350)		(71,350)	<b>Income</b>			
(4)		(4)	Council Tax	(75,880)		(75,880)
(502)		(502)	Transfer from / (to) general fund - Council Tax Benefit	(7)		(7)
	(21,091)	(21,091)	Transfer (from) / to general fund – Hardship Payments	(145)		(145)
0	0	0	Non-Domestic Rates		(31,024)	(31,024)
			Contribution towards previous year's Collection Fund deficit	(300)	(12,317)	(12,617)
<b>(71,856)</b>	<b>(21,091)</b>	<b>(92,947)</b>	<b>Total income</b>	<b>(76,332)</b>	<b>(43,341)</b>	<b>(119,673)</b>
			<b>Expenditure</b>			
71,411		71,411	Precepts and demands from major preceptors and the authority	74,501		74,501
	17,264	17,264	Share of non-domestic rating income to major preceptors and the authority		17,138	17,138
	17,264	17,264	Payment with respect to central share (including allowable deductions) to central government		17,138	17,138
33	28	61	Impairment of Debts / Appeals			
			· write-offs on uncollectable amounts	55	37	92
1,520	243	1,763	· allowance for impairment	732	495	1,227
	2,858	2,858	· allowance for appeals		615	615
	123	123	Allowance for collection costs		120	120
	523	523	Transitional protection payments		196	196
1,520	304	1,824	Contribution towards previous year's Collection Fund surplus	0	0	0
<b>74,484</b>	<b>38,607</b>	<b>113,091</b>	<b>Total expenditure</b>	<b>75,288</b>	<b>35,739</b>	<b>111,027</b>
<b>2,628</b>	<b>17,516</b>	<b>20,144</b>	Movement on Fund (Surplus) / Deficit	<b>(1,044)</b>	<b>(7,602)</b>	<b>(8,646)</b>
<b>(1,844)</b>	<b>(2,681)</b>	<b>(4,525)</b>	Balance at the beginning of year (Surplus)/Deficit	<b>784</b>	<b>14,835</b>	<b>15,619</b>
<b>784</b>	<b>14,835</b>	<b>15,619</b>	Balance at the end of year (Surplus)/Deficit	<b>(260)</b>	<b>7,233</b>	<b>6,973</b>

Council Tax £000	Business Rates £000	Total 2020/21 £000		Council Tax £000	Business Rates £000	Total 2021/22 £000
99	5,934	6,033	Lichfield District Council	(32)	2,893	2,861
554	1,335	1,889	Staffordshire County Council	(185)	651	466
96		96	Staffordshire OPCC	(33)		(33)
34	148	182	Staffordshire Fire and Rescue Service	(11)	72	62
	7,418	7,418	Central Government		3,617	3,617
<b>784</b>	<b>14,835</b>	<b>15,619</b>		<b>(260)</b>	<b>7,233</b>	<b>6,973</b>

## COLLECTION FUND

### Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council, Staffordshire Commissioner - 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) of **38,891** for 2021/22. This basic amount of Council Tax for a Band D property (**£1,915.61** for 2021/22) 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 2021/22 is shown below:

2020/21 £000	Council Tax	2021/22 £000
<b>50,584</b>	<b>Staffordshire County Council</b>	<b>52,916</b>
<b>8,786</b>	<b>Staffordshire Commissioner – Police and Crime</b>	<b>9,278</b>
<b>3,015</b>	<b>Staffordshire Commissioner – Fire and Rescue</b>	<b>3,064</b>
<b>7,029</b>	<b>Lichfield District Council</b>	<b>7,198</b>
	<b>Parish Precepts :</b>	
41	Alrewas	41
108	Armitage with Handsacre	113
349	Burntwood Town Council	345
18	Clifton Campville with Thorpe Constantine	19
12	Colton	12
7	Curborough & Elmhurst, Farewell & Chorley	7
23	Drayton Bassett	24
14	Edingale	14
15	Elford	16
67	Fazeley Town Council	74
131	Fradley and Streethay	162
26	Hammerwich	26
7	Hamstall Ridware	6
11	Harlaston	11
8	Hints and Canwell	8
16	Kings Bromley	16
818	Lichfield City Council	816
29	Longdon	29
19	Mavesyn Ridware	23
182	Shenstone	182
6	Swinfen and Packington	6
12	Wall	12
2	Weeford	2
55	Whittington and Fisherwick	57
22	Wigginton and Hopwas	24
<b>1,998</b>	<b>Total Parish Precepts</b>	<b>2,045</b>
<b>71,412</b>		<b>74,501</b>



## COLLECTION FUND

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

Band	Band Width	2020/21 Band D Equivalent (Tax Base)			2021/22 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	99.0%	Number of Dwellings	%	99.0%
	£						
A	0 to 40,000	2,564	7	2,538	2,504	7	2,479
B	40,001 to 52,000	6,455	16	6,391	6,376	16	6,312
C	52,001 to 68,000	8,475	22	8,390	8,464	22	8,379
D	68,001 to 88,000	6,303	16	6,240	6,306	16	6,243
E	88,001 to 120,000	5,627	14	5,570	5,566	14	5,511
F	120,001 to 160,000	5,042	13	4,992	5,093	13	5,042
G	160,001 to 320,000	4,043	10	4,003	4,058	10	4,017
H	320,001 upwards	772	2	763	771	2	763
Class O		145		145	145		145
<b>TOTAL</b>		<b>39,426</b>	<b>100</b>	<b>39,032</b>	<b>39,283</b>	<b>100</b>	<b>38,891</b>

### Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2021/22 amounting to **£732,130**. The total allowance for impairment of debt as at 31 March 2022 is **£3,422,232** and represents **93%** of the **£3,668,226** outstanding debt.

### Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **51.2p** (2020/21 **51.2p**) and the small business non-domestic rating multiplier **49.9p** (2020/21 **49.9p**) 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.

2020/21 £000		2021/22 £000
90,016	Non-Domestic rateable value at year end	91,266
21,091	Net rates payable by Ratepayers	31,024

In 2021/22 the Council was not part of a Business Rates Pilot Scheme and as a consequence Staffordshire retained its usual 50% of Business Rates income.

2020/21 £000	Share %	Preceptors	Share %	2021/22 £000
17,264	50	<b>Central Share</b> Central Government	50	17,138
3,107	9	<b>Major Precepting Bodies</b> Staffordshire County Council	9	3,085
345	1	Staffordshire Commissioner - Fire & Rescue	1	343
13,811	40	Lichfield District Council	40	13,711
<b>17,263</b>	<b>50</b>	<b>Total Precepting Bodies</b>	<b>50</b>	<b>17,139</b>

### NDR Allowance for Impairment

An increase in the allowance for impairment was made during 2021/22 amounting to **£495,025**. The total allowance for impairment of debt as at 31 March 2022 is **£1,026,981** and represents **77%** of the **£1,341,784** outstanding debt.

## GLOSSARY OF TERMS

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### **Accounting Policies**

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

### **Accrual**

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

### **Accumulated Absences Account**

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

### **Balance Sheet**

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

### **Capital Adjustment Account**

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

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

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

### **Capital Receipts**

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

### **Cash Equivalents**

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

### **Collection Fund**

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

### **Community Assets**

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

### **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

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### **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

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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.

### **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.

### **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.

## GLOSSARY OF TERMS

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### **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**

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

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#### 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

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