Statement of Accounts 2018/19

Cabinet Member for Finance and Procurement

Date:	24 July 2019
Agenda Item:	6
Contact Officer:	Anthony Thomas
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Key Decision?	**No**
Local Ward Members	Full Council

Lichfield district council
www.lichfielddc.gov.uk

AUDIT (AND MEMBER STANDARDS) COMMITTEE

1. Executive Summary

1.1 The Statement of Accounts has been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The Accounts and Audit (England) Regulations now require a Local Authority to certify its set of Accounts by 31 May and publish an Audited set of its accounts by 31 July each year.

1.2 The Statement of Accounts was signed by the Head of Finance and Procurement (Section 151) on 30 May 2019.

1.3 A copy of the Unaudited Statement of Accounts was placed on the Council's website on 30 May 2019. The period of inspection and elector's right to question the External Auditor also commenced on 31 May 2019 for 30 working days until 12 July 2019.

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

1.5 The Constitution assigns the responsibility for considering and approving the Annual Statement of Accounts to this Committee to enable sign off by the Chair.

2. Recommendations

2.1 The Committee:

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

3. Background

3.1. The External Auditor's Audit Findings report will be discussed at Agenda Item 7**.** This details the findings from the final accounts audit as well as providing a Value for Money conclusion.

3.2. The only issue to bring to the Committee's attention relates to changes that have been made to the valuation of the net pension fund liability.

3.3. During the preparation of the draft Statement of Accounts a sector wide issue was present because there were two legal cases in progress in relation to the Government's implementation of pension changes in 2015 (McCloud and Sargent):

- The McCloud and Sargent cases concern the transitional protections given to members of the Fire Fighters and Judges Pension schemes, who in 2012 were within 10 years of their normal retirement age, as part of public service pension's reform. These protections were challenged at an employment tribunal where they were deemed to be unlawful on grounds of age discrimination. The Government chose to appeal this decision and on 20 December 2018 the Court of Appeal also found that these protections were unlawful on the grounds of age discrimination and could not be justified. The Government then applied to the Supreme Court for a further appeal and on 27 June 2019 it was confirmed that the Supreme Court has denied the Government's request for a further appeal.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Comprehensive Income and Expenditure Statement

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

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

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

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

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

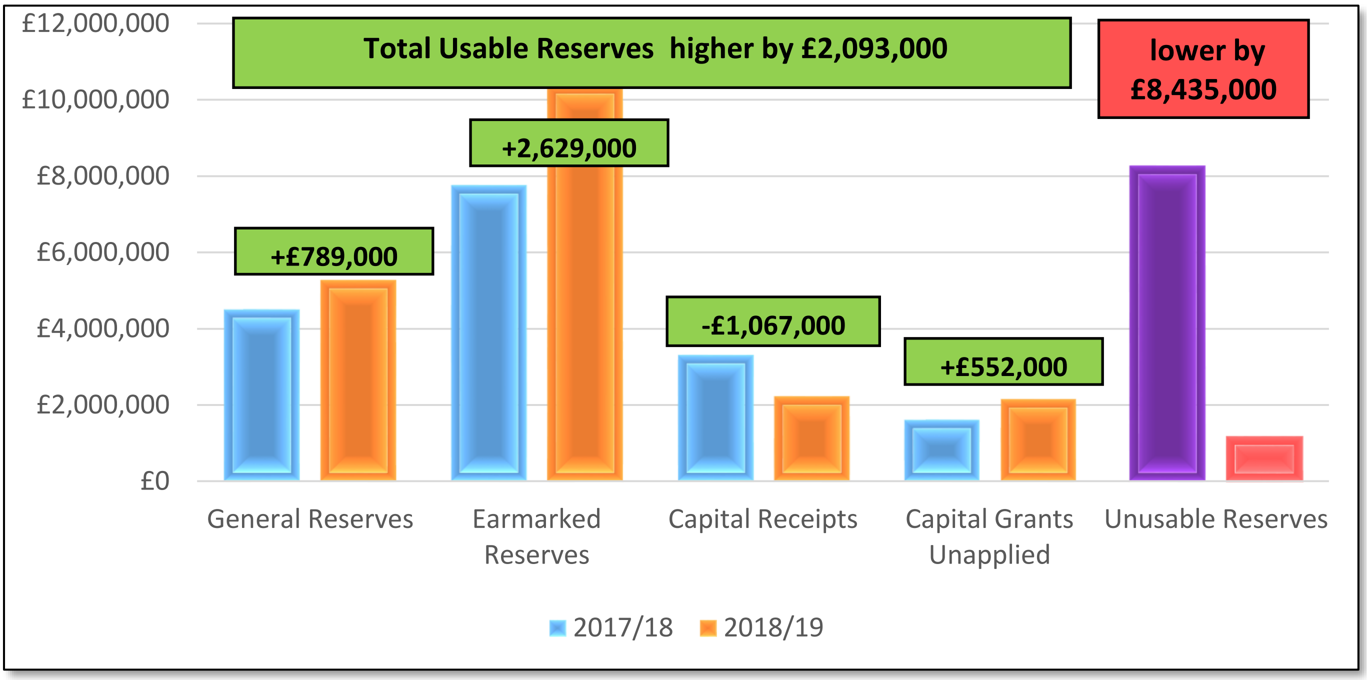
Where expenditure exceeds income this is shown in red	**2017/18 £000**	**2018/19 £000**
Financial Performance - Statutory requirements (**pages 14 to 17**)	**450**	**(789)**
Transfers to Earmarked Reserves – consolidated into General Fund Reserve	(1,519)	(2,629)
Removal of Statutory Entries and replace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

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

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

The Movement in Reserves Statement

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



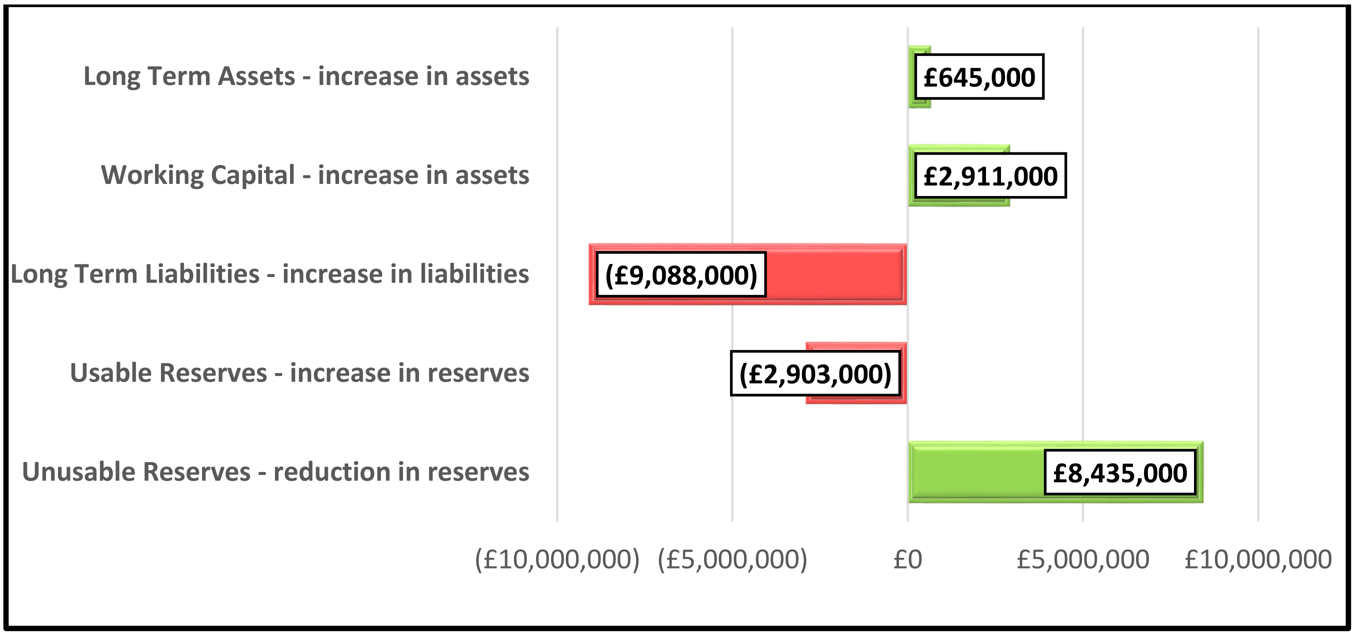
3.16. The movement in reserves during 2018/19 is explained below:

- **General Reserves** - there was a General Fund **surplus** of revenue income over expenditure and therefore **£789,000** was transferred to General Reserves (Movement in Reserves on page 51).
- **Earmarked Reserves** - **additional** contributions of **£2,629,000** were made to reflect resources being set aside for specific projects. These include the Leisure VAT claim, pension's repayment, Business Rates volatility and funding for the loan to the Property Company (note 8 on page 78).
- **Capital receipts** – these have **reduced** by **£1,067,000**. There were receipts generated of **(£760,254)** mainly from the Council's share of Bromford Right to Buy receipts of (£576,398). Capital receipts of **£1,827,091** were used to fund capital investment during the year including the acquisition of the former Police Station site (Movement in Reserves on page 51).
- **Capital grants unapplied** – these are grants and contributions received for capital investment where there are no repayment conditions (where there are repayment conditions these are treated as liabilities). The level has **increased** by **£552,000** during 2018/19 due primarily to receipts from Community Infrastructure Levy of £636,111 that have not yet been utilised (Movement in Reserves on page 51).

- **Unusable reserves** – these have **reduced** by **£8,435,000** and are accounting reserves that are not available to fund capital investment or revenue expenditure. These principally relate to the revaluation reserve, the capital adjustment account, the pension reserve and Collection Fund. The most significant changes relate to (Movement in Reserves on page 51):
    1. An **increase** in the negative pension reserve of **£8,354,000** following reassessment by the Actuary.
    2. An **increase** in the revaluation reserve of **(£403,000)** where asset values have increased following revaluations.
    3. A **decrease** in the Collection Fund Adjustment Account of **£296,000.** This is where the Council's share of any difference between the NNDR1 estimate and actual Business Rates and Council Tax income is retained until distribution takes place in later years.
    4. A **decrease** in the Capital Adjustment account of **£895,000**. This reserve absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Balance Sheet

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



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

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

- **Long Term Assets** – Property, Plant and Equipment has **increased** by **£645,000** mainly due to capital investment and increases in the value of assets assessed by the External Valuer. The Council's Valuation approach is based on a rolling programme of valuations and professional judgement in line with Valuation guidance.

- **Working Capital** – this includes both Current Assets such as debtors (amounts owed to the Council) and Current Liabilities such as creditors (amounts owed by the Council). During 2018/19 there has been an **increase** of **£2,911,000** related mainly to an increase in short term investments.

- **Long Term Liabilities** – the Pension liability has **increased** by **£8,354,000** due to reassessment by the scheme Actuary.

- **Usable Reserves** - These changes are explained in paragraphs 3.15 to 3.16.

- **Unusable Reserves** – These changes are explained in paragraphs 3.15 to 3.16.

The Cash Flow Statement

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

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

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

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

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

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

Alternative Options	There are no alternative options.
Consultation	Leadership Team are consulted on the Statement of Accounts including detailed involvement in the content of the Narrative Report and the Annual Governance Statement. The Audit and Member Standards Committee was consulted and approved the Accounting Policies to be applied at its meeting on **27 March 2019** and approved the content of the Annual Governance Statement at its meeting on **24 April 2019**.
Financial Implications	The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility for the production and certification of the Statement of Accounts.
Contribution to the Delivery of the Strategic Plan	The Statement of Accounts feeds into the Medium Term Financial Strategy enabling Members to monitor progress against the plan in a timely manner to ensure resources are allocated in line with priorities and ambitions of the Council.

Equality, Diversity and Human Rights Implications	The Statement of Accounts contains contact information for interested parties on page 130 in eight different languages. There are no Human Rights issues.
Crime & Safety Issues	There are no Crime and Community Safety Issues.
GDPR/Privacy Impact Assessment	There are no specific implications.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Statement of Accounts is not completed in line with the Statutory requirement for certification and publication.	We have a detailed project plan. Tasks are accelerated each year and alternative approaches are adopted to ensure the unaudited Statement of Accounts are certified and available for inspection by 31 May. The draft 2018/19 Statement of Accounts was completed and signed by the Head of Finance and Procurement on 30 May 2019.	Green (Tolerable)
B	The Statement of Accounts is not completed to the required quality, in line with Statutory and Accounting requirements or has a qualified opinion issued by the External Auditor	The Finance Team contains experienced qualified Accountants, Part Qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications. This training includes attendance at training and development related specifically to the production of the Statement of Accounts.	Green (Tolerable)

Background documents

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

Relevant web links

https://www.lichfielddc.gov.uk/performance-efficiency/statements-summaries-accounts-external-audit-letters-1/1

APPENDIX A

Ask for Anthony Thomas
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Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
BIRMINGHAM
B4 6AT

24 July 2019

Dear Sirs

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

This representation letter is provided in connection with the audit of the financial statements of Lichfield District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We believe that the Council’s financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

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

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

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

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

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

Yours faithfully

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

Diane Tilley
Chief Executive
Date 24 July 2019

Anthony Thomas
Section 151 Officer
Date 24 July 2019

Lichfield district council
www.lichfielddc.gov.uk

Statement of Accounts 2018/19

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

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

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

The CFO Responsibilities

The CFO is responsible for the preparation of the Authority's Financial Statements. These, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code of Practice'), are required to present the true and fair financial position of the Council at the accounting date and its Income and Expenditure for the year ended 31 March 2019.

In preparing this Statement of Accounts, the CFO has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and decisions that were reasonable and prudent; and
- Complied with the Code of Practice.

The CFO has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the CFO

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year.

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

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

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

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

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2019, has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom 2018/19. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that for the 2018/19 financial year, members of the public, including electors and residents of Lichfield District, Council Members, partners, stakeholders and other interested parties can:

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

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

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

An Introduction to Lichfield District

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

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

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

The rural parts of the District vary in their character and function. The south, south-western and south-eastern part is Green Belt, which separates the District from the West Midlands Conurbation, although one community, Little Aston, adjoins the boundary with Birmingham to the south, and another, Fazeley, is closely linked to Tamworth to the east. The southern rural areas are bisected by major road networks (A38, A5 and the M6 Toll), the West Coast Mainline and the Lichfield to Birmingham rail line, and hence villages served by these routes – in particular Shenstone – tend to have very strong commuter links to surrounding conurbations. The Green Belt character is varied, comprising farmland, historic estates, wood and heath land, canals and rivers.

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

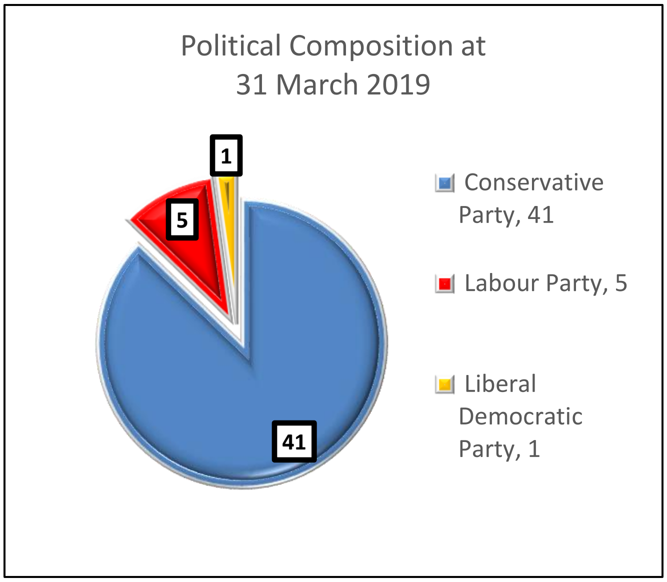
On average the District is prosperous and ranks well within the indices of deprivation (although there are areas where deprivation exists). The District performs well at all levels of education with pupils achieving above the national average. Lichfield has lower than the national average levels of unemployment.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

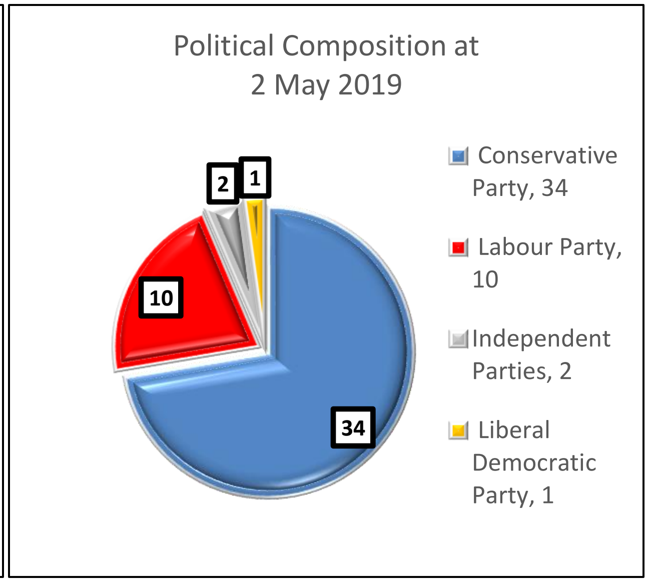
It is an attractive location for people to live and as such has been a significant destination for migrants from the West Midlands conurbation and other nearby towns. The availability of jobs, the history of inward migration to the District, and good road connections have increased accessibility and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

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

An Introduction to Lichfield District Council

Lichfield District Council was formed in 1974, from Lichfield City Council and Lichfield Rural District Council. The Council has **26** wards with **47** elected Members. At 31 March the political composition of seats was as shown in the first graph below. Following the election on 2 May 2019, the political composition changed as shown in the second graph below:





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

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

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

- *Collecting waste and recycling and keeping streets free of litter, including removal of abandoned vehicles and fly tipped waste*
- *Maintaining parks and open spaces*
- *Collecting council tax and business rates*
- *Administering housing benefit and council tax support*
- *Managing car parks*
- *Monitoring CCTV*
- *Providing and managing public toilets*
- *Dealing with planning applications and providing building control*
- *Compiling and maintaining the electoral register and administering elections*
- *Providing advice on environmental health*
- *Inspecting food and drink premises to make sure they are safe and hygienic*

- *Providing support for people who are homeless, and home adaptations to help people live independently*
- *Providing a tourist information service, support to arts and culture, events and festivals, and promoting tourism*
- *Working in partnership to promote community safety*
- *Carrying out conservation and wildlife management at protected sites*
- *Encouraging economic regeneration and creating plans for the future development of the District, for example the Local Pan*
- *Providing support and guidance to businesses*

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

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

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

The Council's Performance

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

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

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

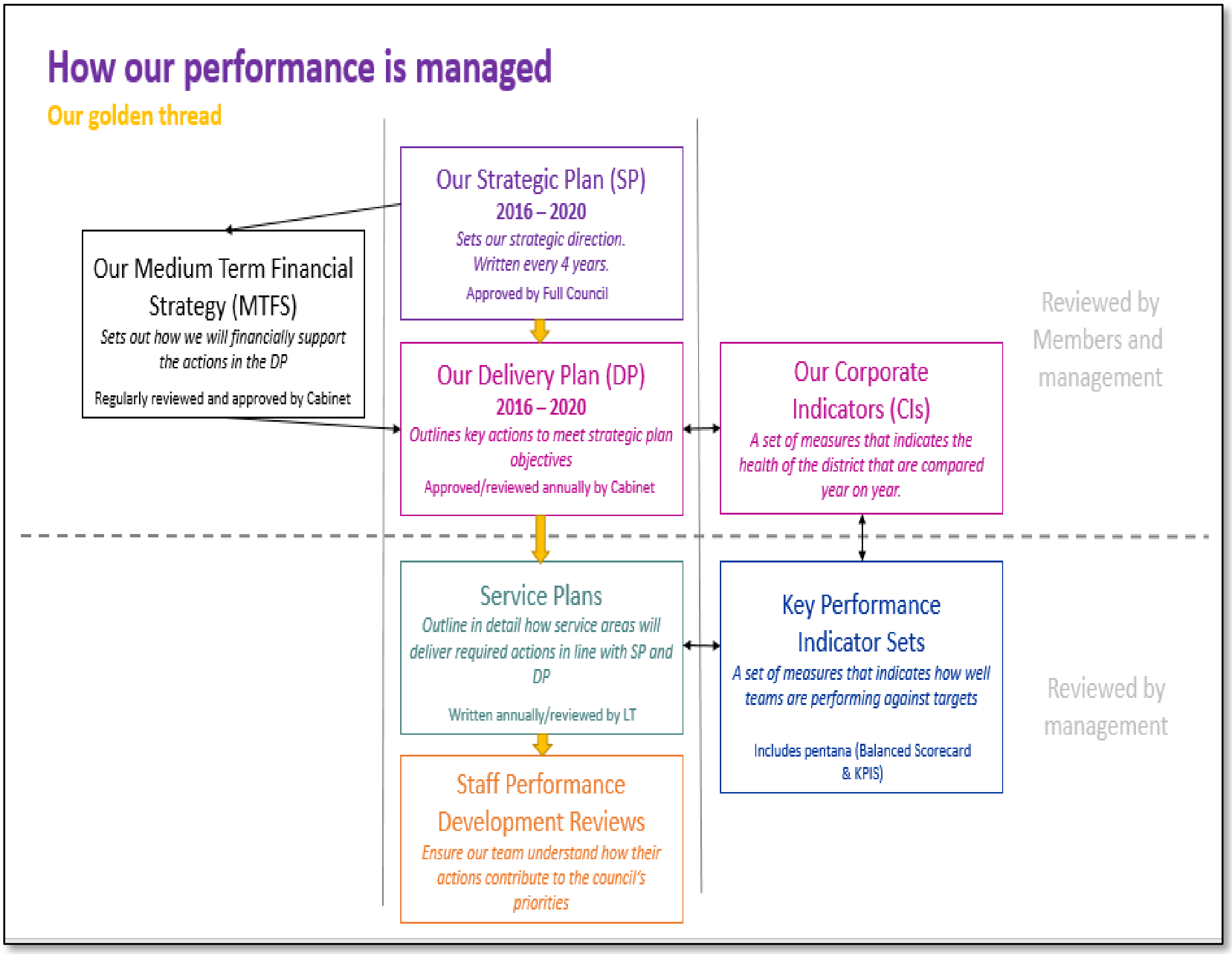
This development, in a number of guises, had been in planning stages for over 10 years. However, the changes in the retail market, the impact of Brexit and the decline in property investment for retail-led schemes meant that the final scheme proposed could not be funded.

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

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

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

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



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

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

NARRATIVE REPORT

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

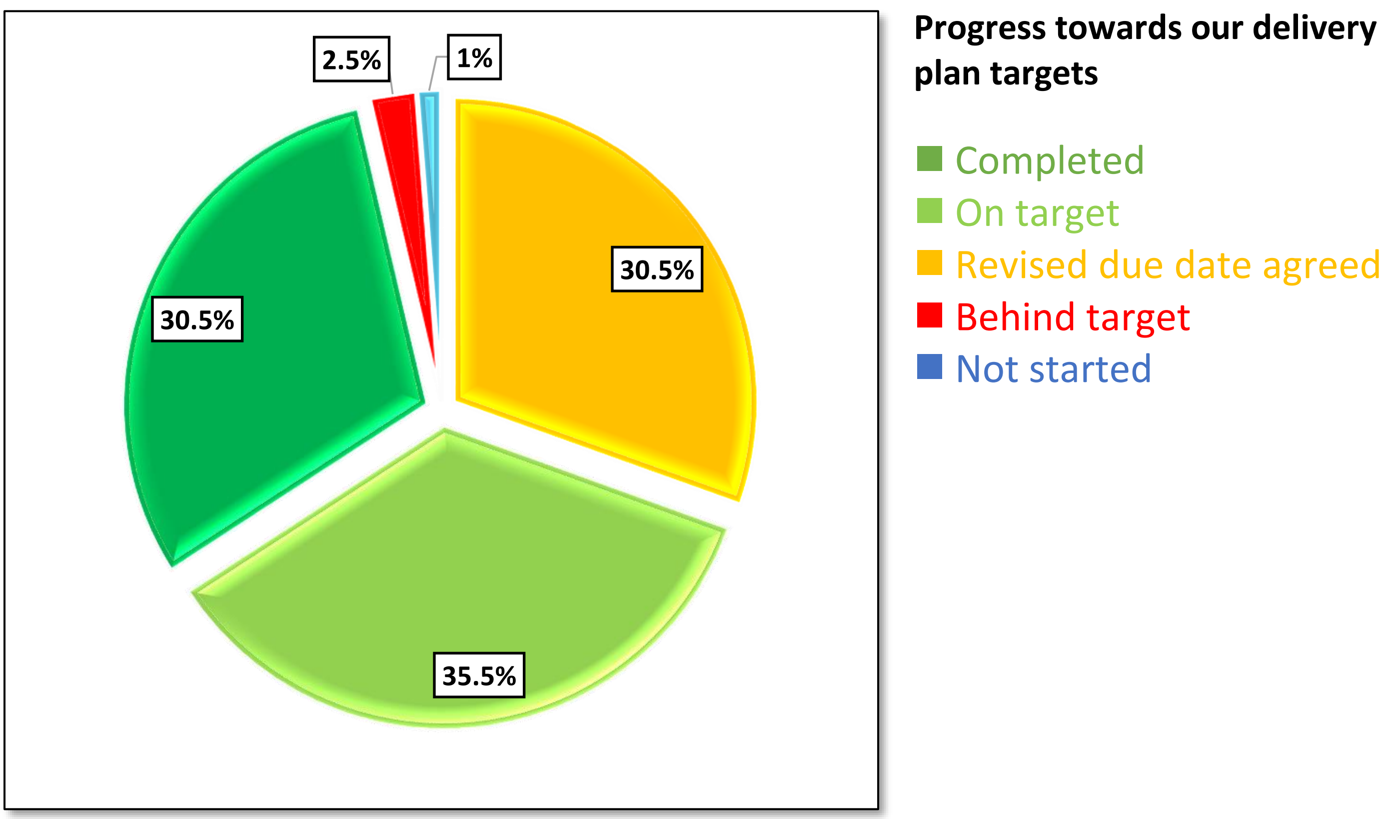
During 2018/19, a new approach to monitoring the Delivery Plan (and Service Plans) was developed using the Council's performance management system, Pentana. Officers responsible for the Delivery Plan and Service Plan actions now update Pentana to ensure that the latest performance on each individual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

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

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

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

Firstly in summary:



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

NARRATIVE REPORT

The following shows our performance in more detail:

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

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

NARRATIVE REPORT

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

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

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

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

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

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

Financial Performance

The Medium Term Financial Strategy and Monitoring Financial Performance

The ability to deliver the outcomes set out in the Strategic Plan 2016-20 is dependent on the resources available over the life of the plan. Therefore, the Council prepares a **Medium Term Financial Strategy (MTFS)**. This covers how we will use reserves, our investments, and our approach to Council Tax and how we deploy our Capital. It also looks at the medium term as the cost pressures we are likely to face and how these could be financed. The MTFS covers revenue and capital expenditure for the current financial year and the next four years.

The MTFS is monitored and reported to Strategic Overview and Scrutiny Committee, Cabinet and Full Council in the format of our Money Matters Financial Performance Reports at the end of Quarter 1, Quarter 2 and Month 8 (Revised Approved Budget). It is the latter against which the year-end outturn position is monitored both in terms of revenue and capital.

Revenue Financial Performance in 2018/19

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

Net Cost of Services

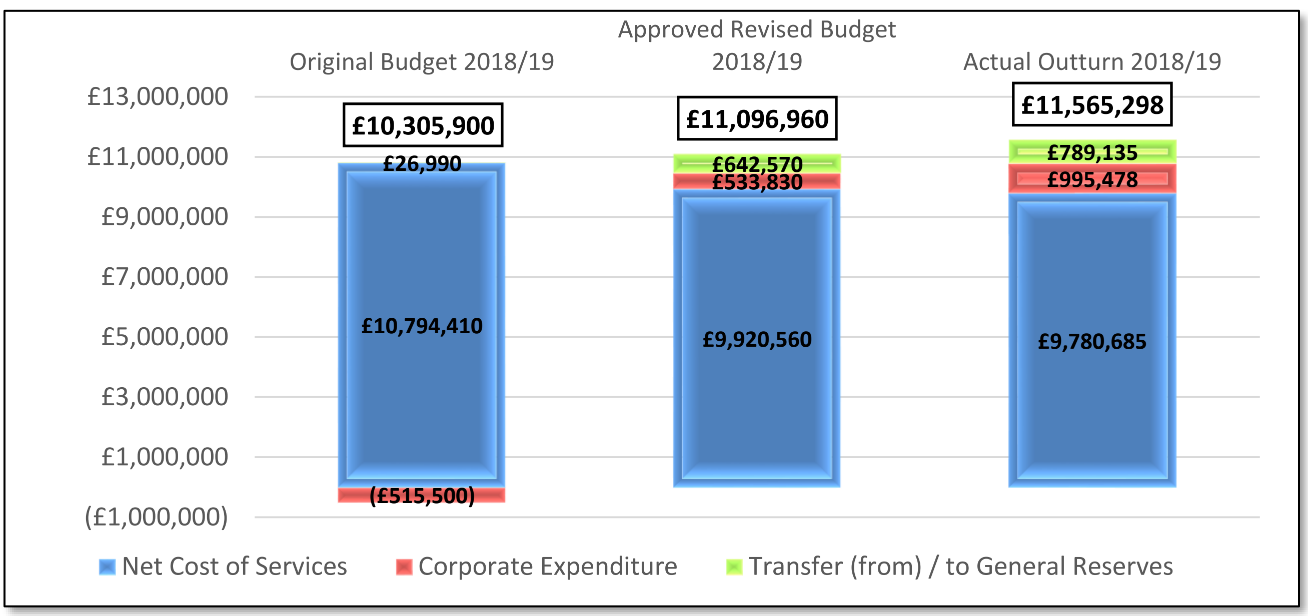
The target set by the Council is for the net expenditure incurred in delivering services (Net Cost of Services) to be within +/- **£250,000** of the Approved Budget. The actual performance was **(£139,875)** below the Approved Budget and therefore within the target range.

Corporate Expenditure (including Earmarked Reserve transfers) and Funding

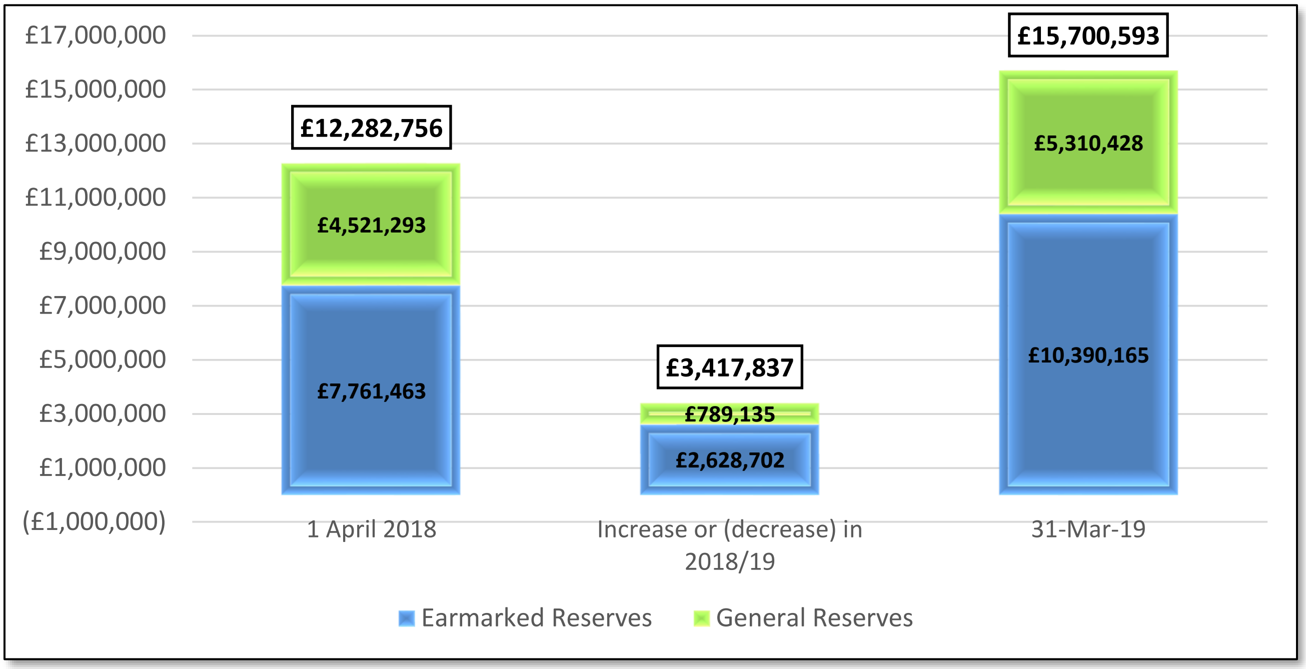
Retained Business Rates and Grants were **(£468,338)** higher than the Approved Budget, **£461,648** of this additional funding was transferred to earmarked reserves with **(£6,690)** remaining.

General Reserves

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



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



The Earmarked Reserves have been built up over time to provide funding for specific activities in line with the Council's medium term aims and objectives. The General Reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risks. The Council's Minimum Level at **£1,600,000**. This means that there is available reserves of **£3,710,428** over and above the Minimum Level.

NARRATIVE REPORT

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

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

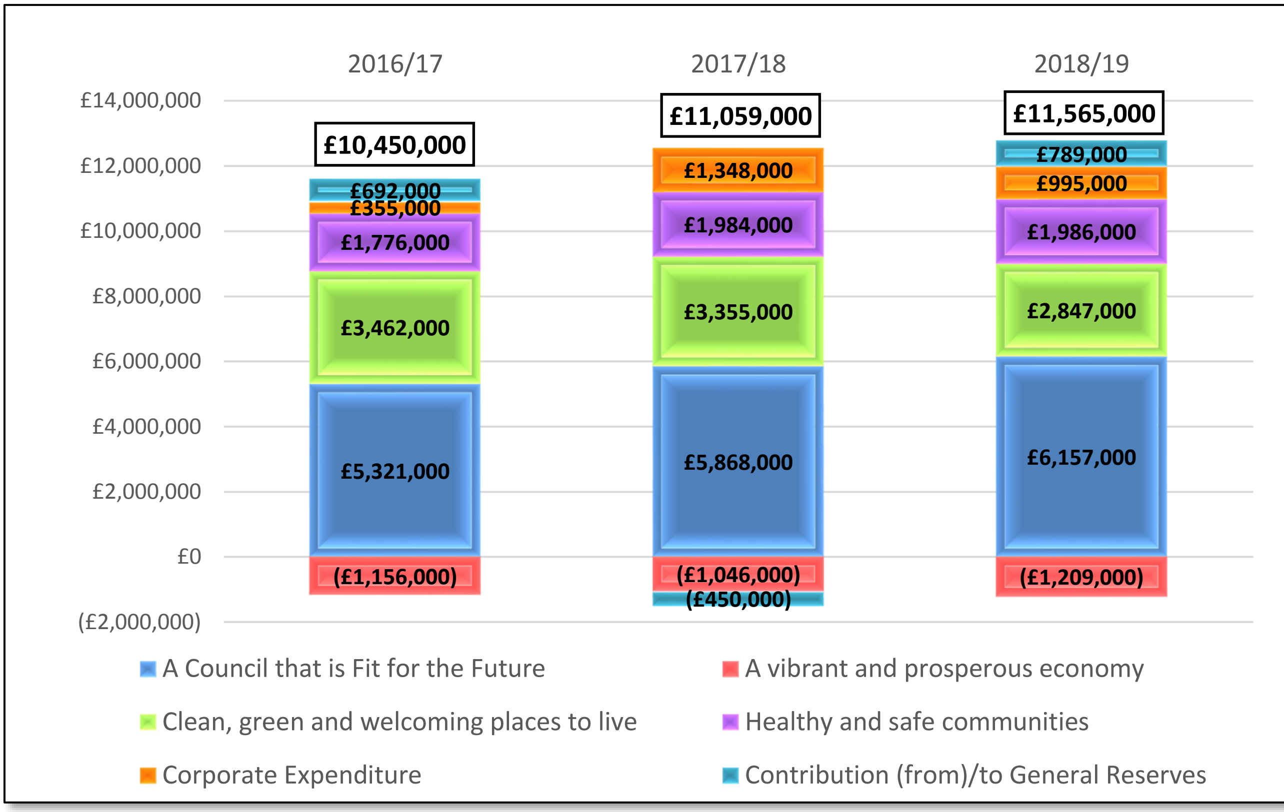
The information in the table above is based on the statutory funding basis and shows income exceeding expenditure by **£789,000** and therefore a transfer to General Reserves**.**

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

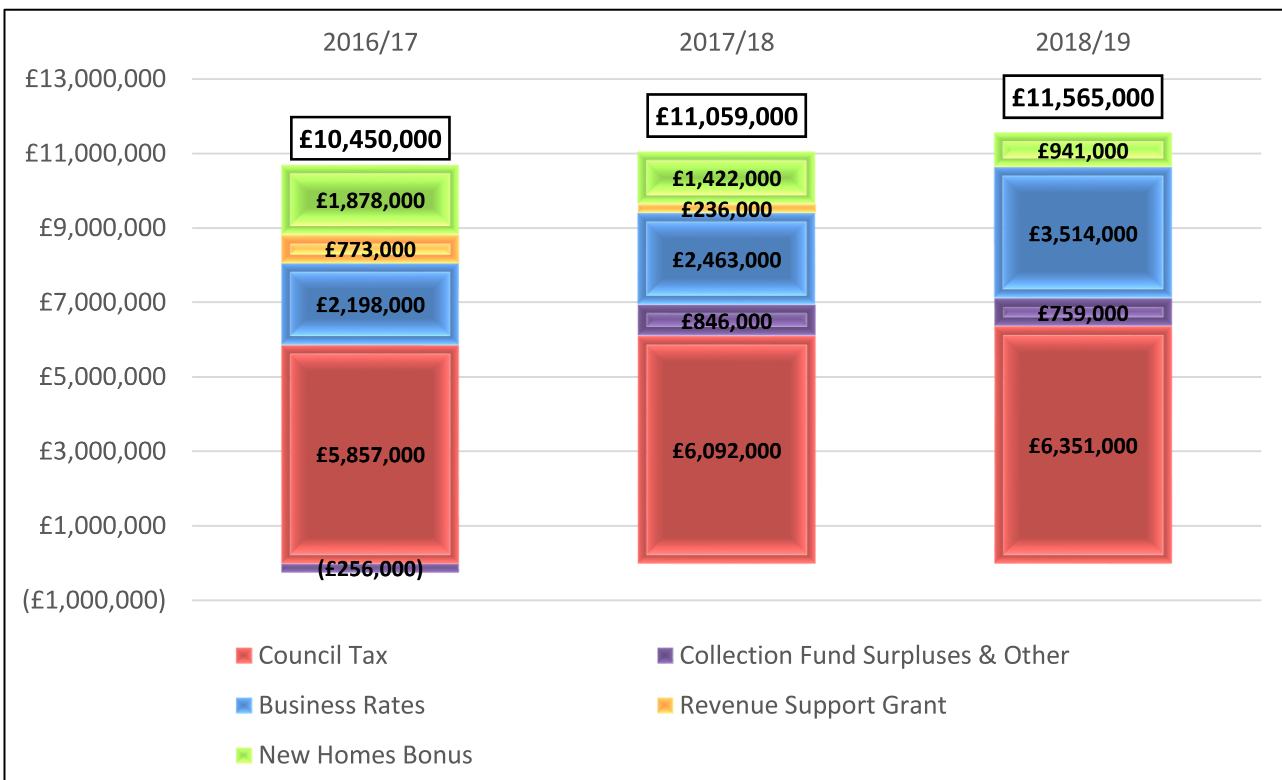
The **Expenditure and Funding Analysis (EFA)**, reconciles financial performance under the statutory funding basis to the accounting basis. The table below provides a summary:

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

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



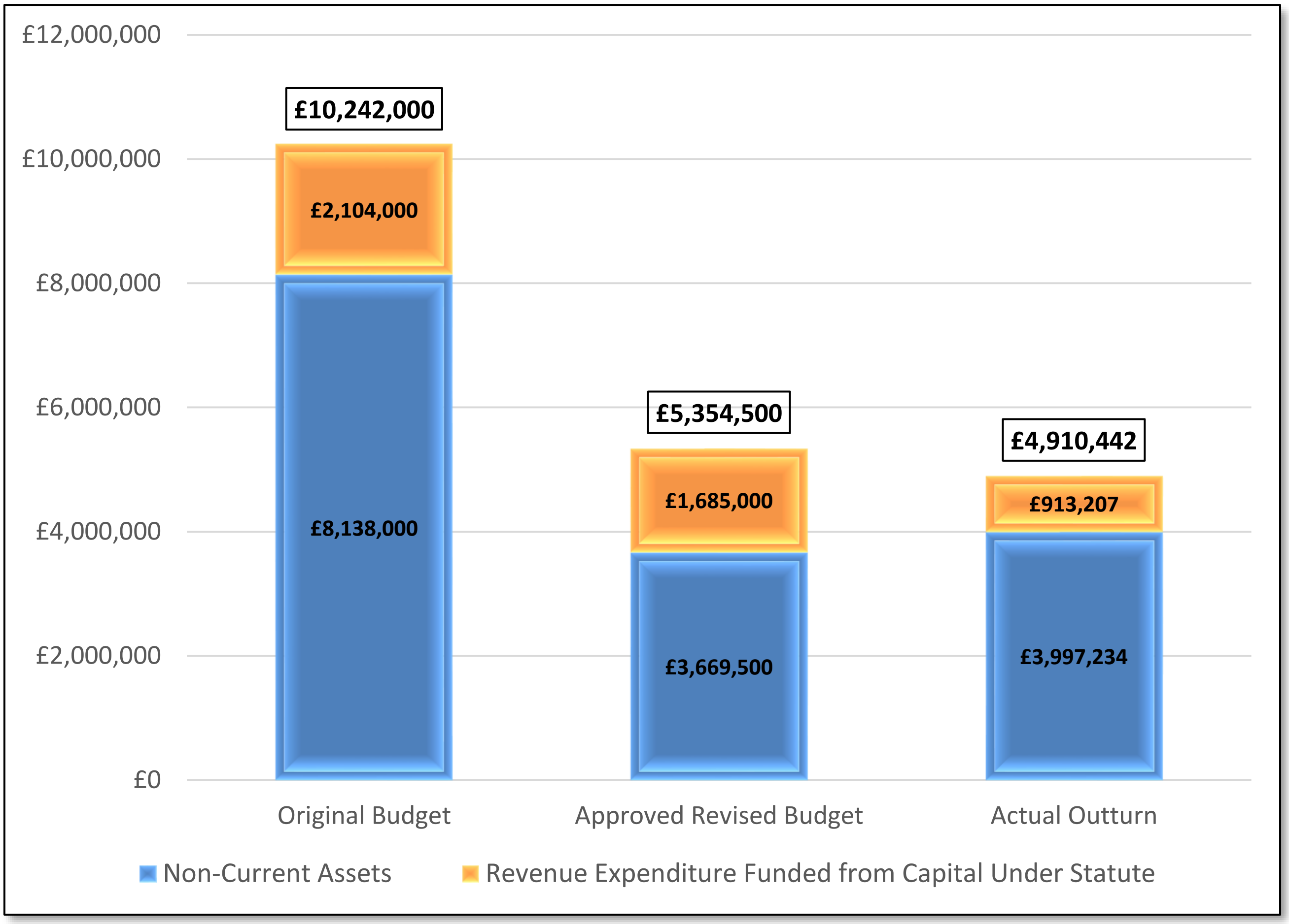
The chart below shows how our Net Expenditure for 2016/17, 2017/18 and 2018/19 was funded:



Capital Financial Performance in 2018/19

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

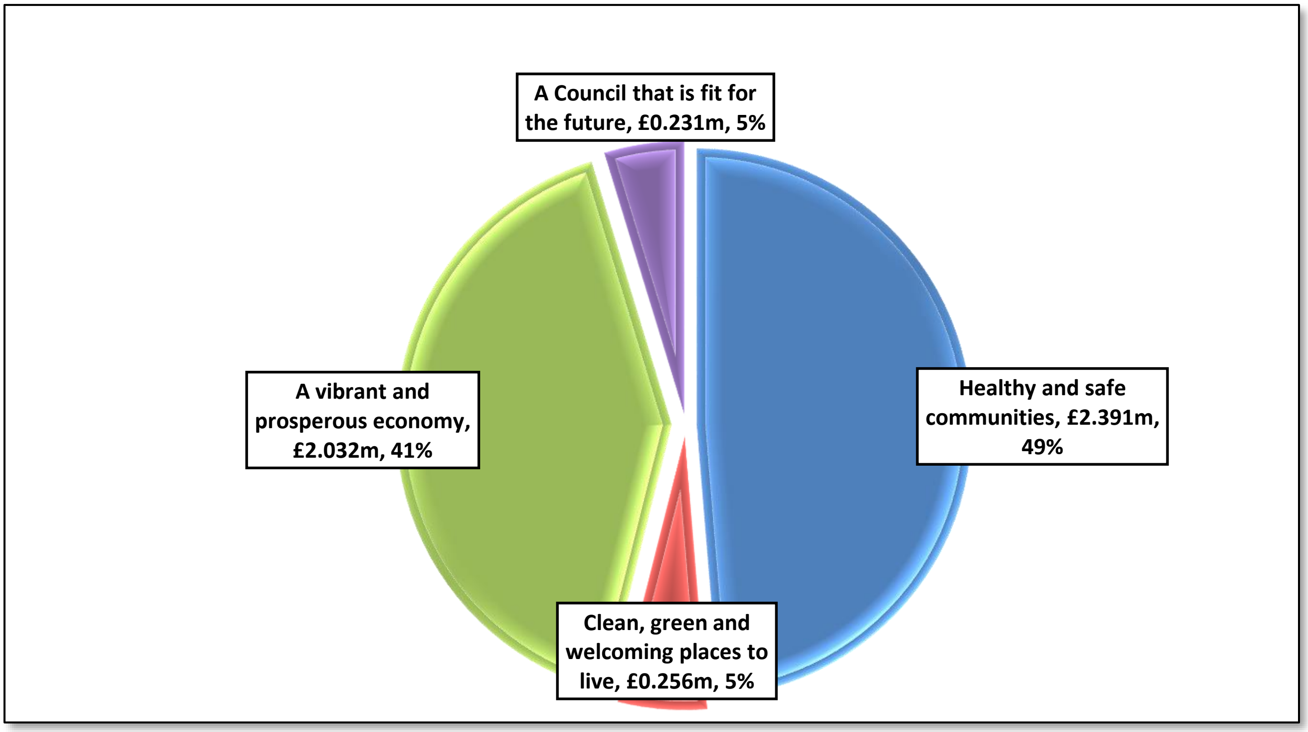
The chart below shows the final Capital financial performance for 2018/19 compared to the Original Budget (including the Property Investment Strategy budget of £6m) and the Approved Revised Budget (the Property Investment Strategy Budget had been rephased to commence in 2019/20).



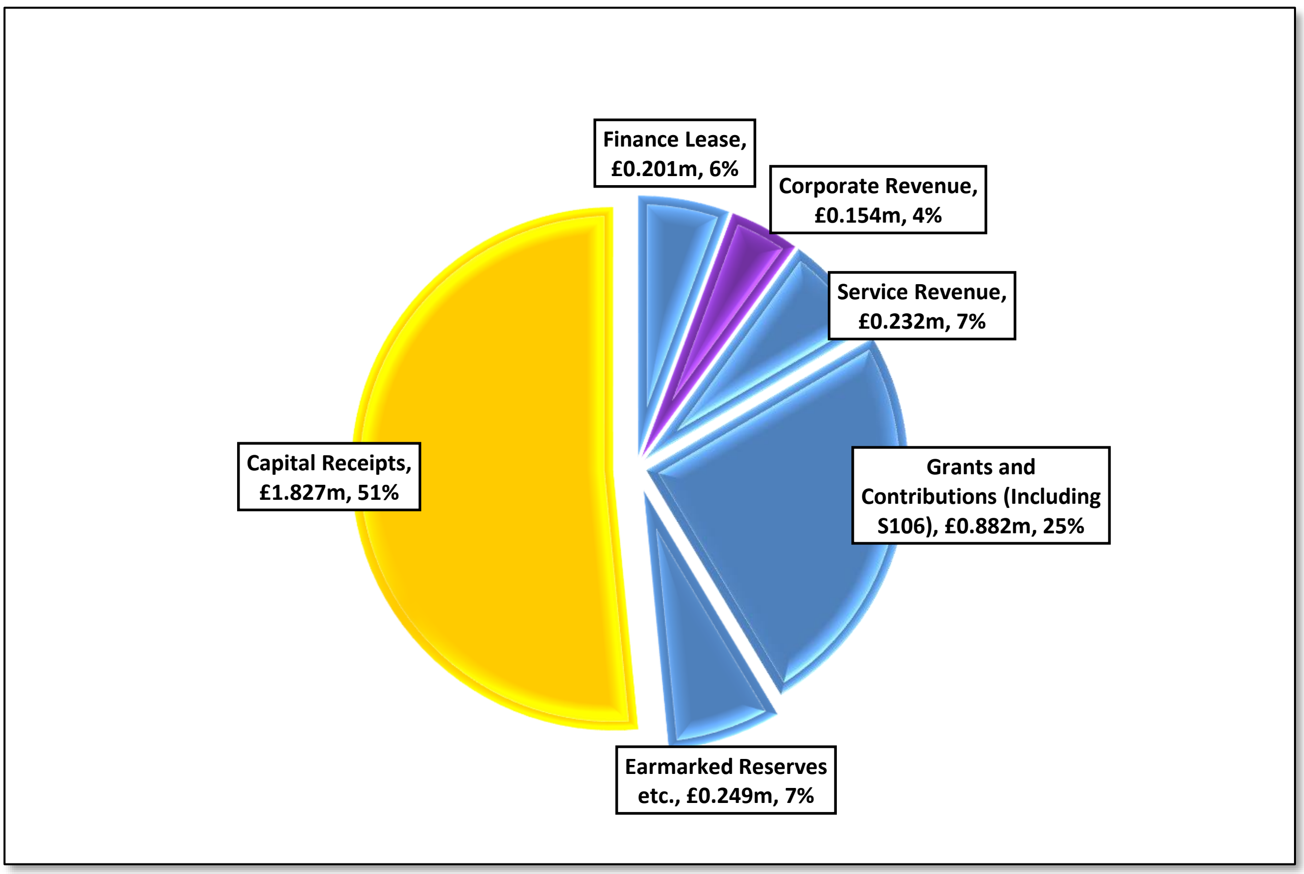
The below budget performance compared to the Approved Budget is the result of:

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

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



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

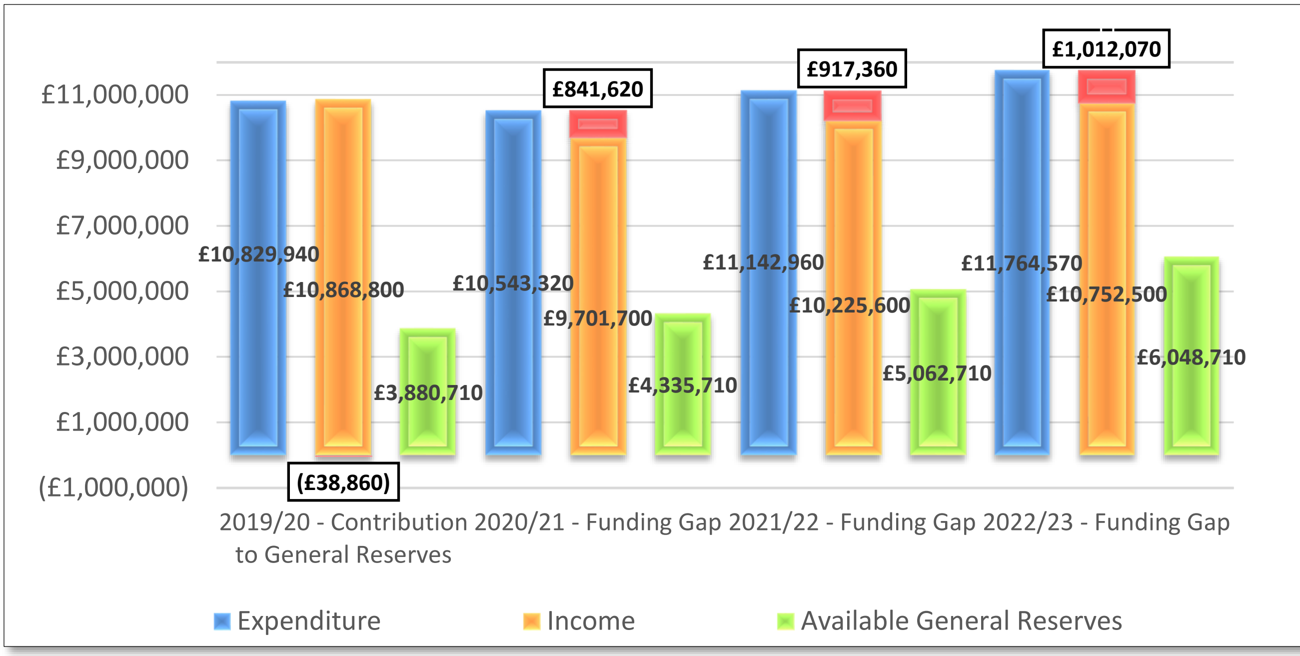


Looking Forward to the Next Four Years

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

<u>The Future Revenue Budget</u>

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



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

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

The transfers to corporate earmarked reserves are related to:

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

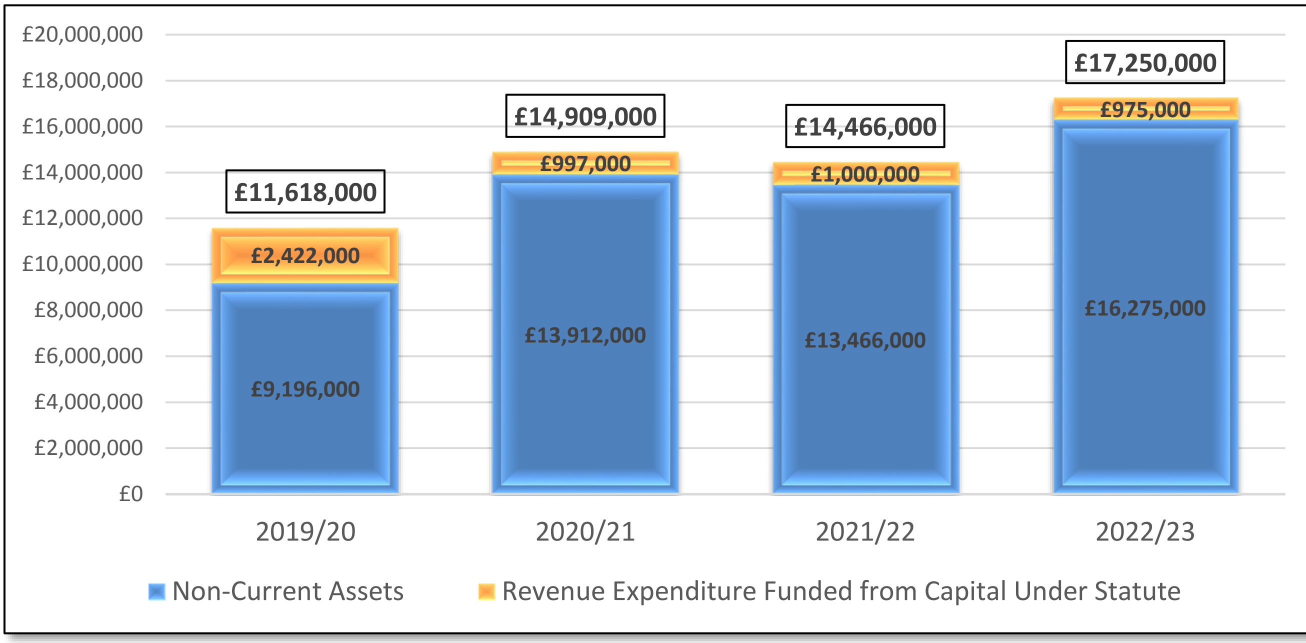
The Council will still need to identify initiatives to close the projected funding gap from 2020/21 onwards.

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

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

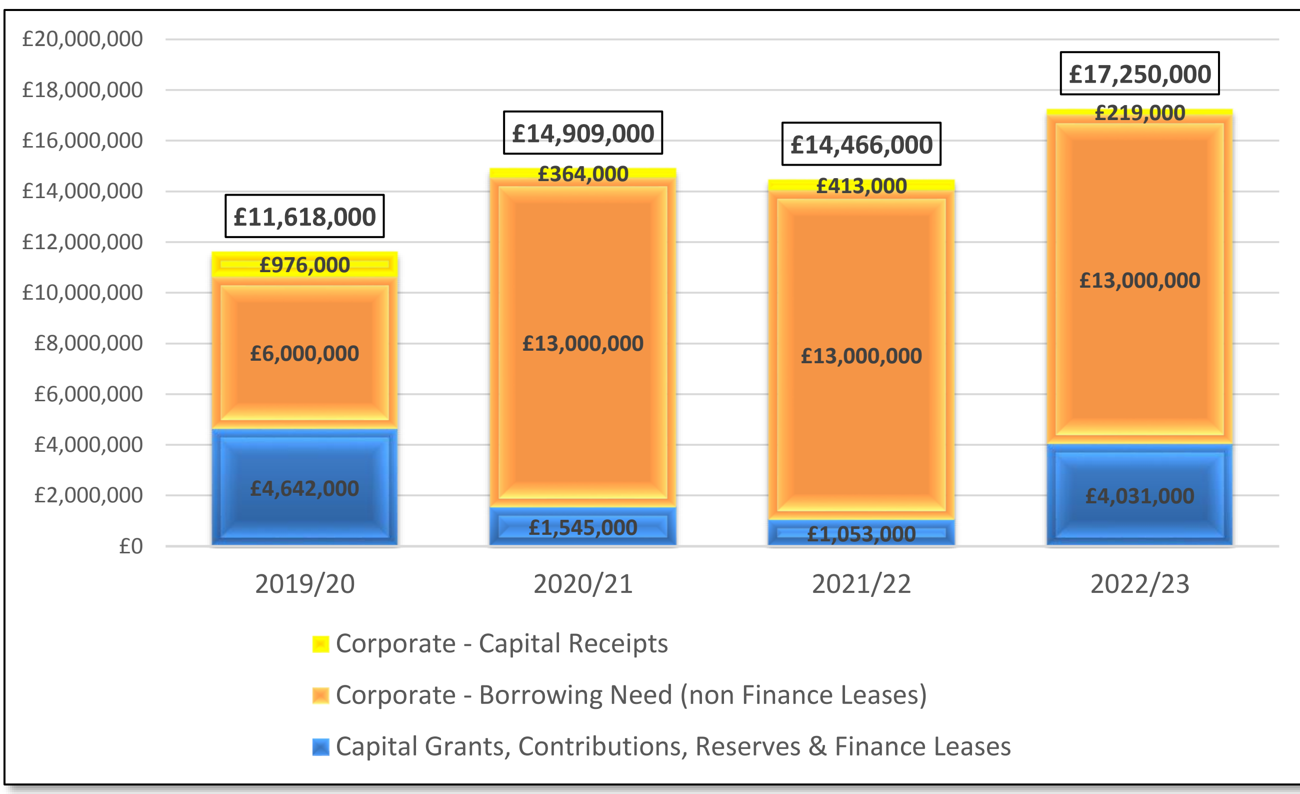
The Future Capital Programme

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



The Future Funding of the Capital Programme

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



Principal Risks and Uncertainties

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

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

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

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

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

A Failure to Respond to Changing Demographics

Risk to the Council

The population of Lichfield District is aging more quickly than other areas for a number of reasons. The young families that moved into the District during the periods of high growth in the 1970s and1980s are now older. The District tends to see its young people leave for higher education, to begin their careers and to start families, whilst the District is popular with those retiring and those developing professional careers during their middle age.

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

Management of Risk

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

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

Risk to the Council

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

Management of Risk

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

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

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

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

Financial Sustainability of the Council

Risk to the Council

The financial risks facing the Council include:

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

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

Management of Risk

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

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

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

Capacity to Deliver

Risk to the Council

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

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

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

Management of Risk

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

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

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

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

Governance and Statutory Obligations

Risk to the Council

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

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

Management of Risk

The following actions ensure risks are mitigated:

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

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

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

Information Technology

Risk to the Council

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

Management of Risk

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

The in-sourcing of IT has been successfully undertaken.

Impact of Stakeholder Strategies on our Strategic Plan

Risk to the Council

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

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

Management of Risk

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

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

Failure to Manage a Major Incident

Risk to the Council

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

Management of Risk

The following actions will help to mitigate the risk:

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

Project Risk - Friary Grange Leisure Centre

Risk to the Council

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

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

Management of Risk

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

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

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

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year with an analysis by the Council's strategic priority based on Generally Accepted Accounting Practices.

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

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

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

The **Supplementary Financial Statements** are:

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

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

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

Anthony Thomas

Head of Finance and Procurement (Section 151)

ANNUAL GOVERNANCE STATEMENT

Section 1: Scope of Responsibility

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

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

The Council has adopted a Code of Corporate Governance ("the Code"), which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accountancy)/SOLACE (Society of Local Authority Chief Executives) Framework 'Delivering Good Governance in Local Government' (2016).

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

Section 2: Purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of Internal Control is a significant part of that Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at Lichfield District Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

Section 3: The Governance Framework

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

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

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

Outcomes

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

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

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

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

There is a process in place by which complaints regarding Members' Conduct are pursued. The relatively low number of complaints regarding behaviour demonstrates that the standards are understood and adhered to. During 2018/19, **3** Members' Code of Conduct complaints were received. This compares to **2** in 2017/18. Of the three, one is still outstanding, one was not accepted and the other, following investigation, no action was taken other than to recommend training.

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

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

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

Communicating the expected standards to employees is undertaken through leading by example by managers from the top (which is a specific requirement in the job description of the Chief Executive, Assistant Chief Executive, Directors and Heads of Service), discussion and training, and a supportive management environment which makes clear to customers that unacceptable behaviour towards employees will not be tolerated.

The Council has a Code of Conduct for employees which was approved by Employment Committee on 9 February 2017 and Full Council on 21 February 2017. A copy can be found on the Authority's Intranet. This Code sets out the principles, behaviours and standards expected of employees in a single document. The purpose of the Code is to:

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

The Code is supported and reinforced by our three core organisational values that all our staff and Members work towards. These are:

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

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

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

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

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

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

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

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

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

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

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

Within the People Strategy the Council is also:

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

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

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

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

The Council also has a Public Sector Equality Duty under the Equality Act 2010. As part of this we produce an annual Statement showing how we are meeting our obligations. This Statement also helps our customers, staff, the Equality and Human Rights Commission, regulators and other interested parties to assess our equality performance and our compliance with equality legislation. The latest Statement was published on 31 January 2019 and can be found on the Council's website.

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

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

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

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

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

B Ensuring Openness and Comprehensive Stakeholder Engagement

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

Outcomes

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

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

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

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

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

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

As part of our use of partnership working, from time to time partners are invited to attend Overview and Scrutiny Committee meetings to facilitate discussions about shared priorities and the impact of plans and service delivery on local residents.

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

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

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

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

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

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

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

The Council's Contact Centre is the first contact point for customers/citizens. The Centre is a significant component in the distribution of information to residents and visitors, and for capturing information from customers to inform service development.

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

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

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

We are committed to being open and transparent about how we work, our decision-making processes and the services we provide. As part of this commitment we are increasing the amount of data that we make available publicly so that residents are able to hold us to account better. This data has been published under the INSPIRE and Transparency regulations.

We have used the Government's Code of Recommended Practice for Local Authorities on Data Transparency, which recommends the datasets councils should make available as a minimum, as a starting point for deciding what information we should make available. We have so far released **143** data sets on the Government's Data website which are maintained and updated on a daily, weekly or monthly basis depending on the dataset.

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

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

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

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

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

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

The Council has a customer feedback scheme for the public to make complaints, comments and compliments, and constructive criticism which is used to improve services. The Complaints Charter provides guidance to staff on the Council's complaints process. For 2018/19 **119** complaints were received compared with **362** in 2017/18. We received **107** compliments in 2018/19 which compares with **187** in 2017/18.

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

The reporting of complaints and compliments continued to improve during 2018/19, with regular reports considered by Leadership Team and circulated to Managers. The reports include details of what we learned from the complaints and changes implemented as a result. Members are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee. Some examples of areas that have improved in response to customer complaints are:

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

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

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

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

Outcomes

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

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

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

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

It has become increasingly important that we are clear on where we need to allocate our resources, and that we are focussing on the things that will make the biggest impact and difference. The Strategic Plan also focuses on those outcomes that are known to reduce demand and dependency on the Council's services (and the wider public purse).

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

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

Council consultation on these themes demonstrated a broad agreement to these being the areas that the Council should focus on and resulted in the following priority outcomes being identified:

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

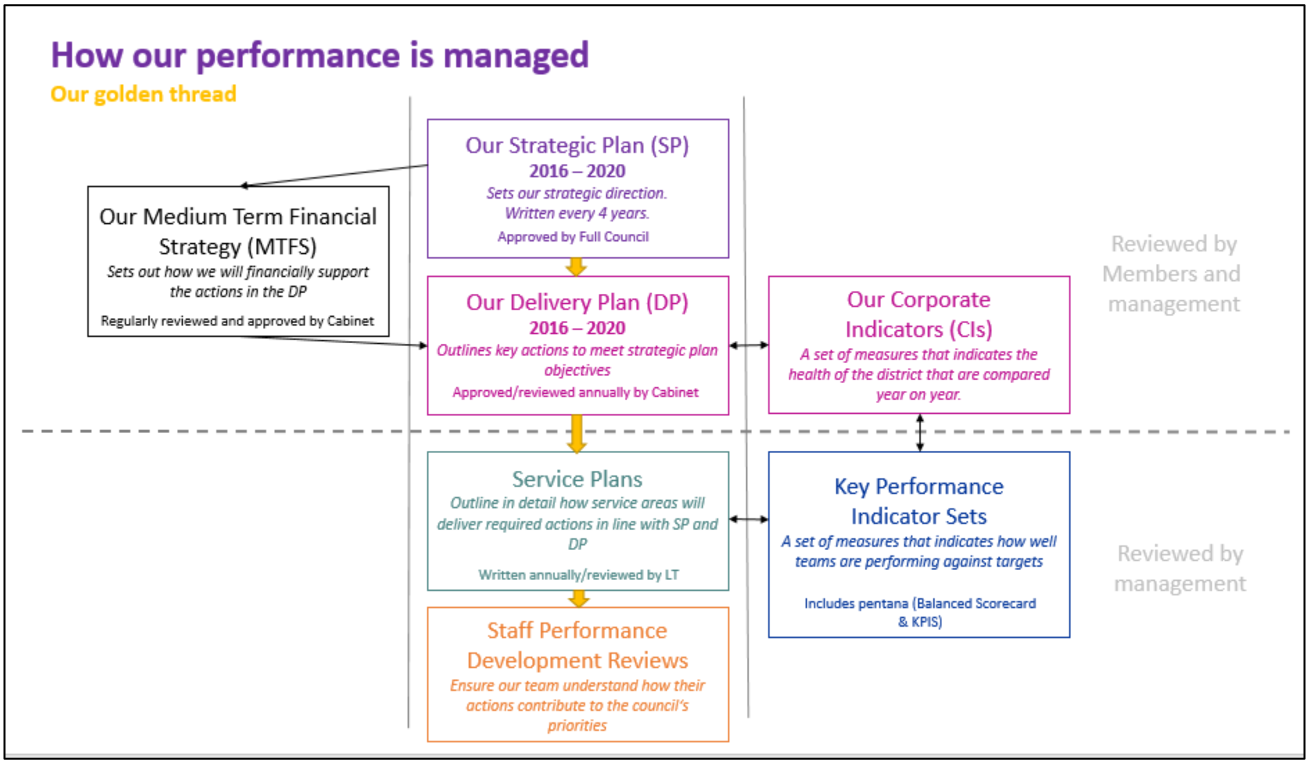
The Plan shows clearly the contribution the Council will make to the achievement of each priority outcome through its own direct delivery of services and activity. It also states where we will seek to influence and encourage partners and stakeholders to act, and how communities can help to achieve the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

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

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

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

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



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

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

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

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

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

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

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

Progress reports on the implementation of the Local Plan are presented to Overview and Scrutiny Committee in addition to Cabinet. A report on the future review of the Local Plan went to Cabinet in March 2018.

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

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

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

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

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

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

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

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

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

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

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

Outcomes

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

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

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

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

To fund the Strategic Plan, the Council prepares a Medium Term Financial Strategy (MTFS). This covers how we will use our reserves, our investments, the approach to Council Tax, and how we will deploy our capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed. The Strategic Plan must drive the Financial Strategy. The MTFS relevant for 2018/19 is the MTFS 2017-22. This was approved by Cabinet and Full Council in February 2018.

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

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

Lichfield District Council has a statutory duty to set a balanced budget in the first year of the five year MTFS, and to set out proposals to balance the further financial years 2019-22. The Chief Finance Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. The Council is also required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

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

Since 2013/14, there have been significant changes in local government finance ranging from the Localisation of Council Tax Support, wider welfare reforms and local retention of an element of Business Rates. These changes have introduced additional financial risks such as a major proportion of the Council's funding being dependent on the level of Business Rates growth or decline. These risks will continue as the majority of the Council's key income streams (Business Rates, New Homes Bonus and fair funding) will be reviewed from 2020/21. In addition, there is a new pension fund valuation applicable from 2020/21.

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

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

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

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

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

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

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

Outcomes

We ensure that the Leader and Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.
We develop the capabilities of the Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental risks by ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirement is available and encouraged.

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

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

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

The document also identifies the roles and responsibilities of Member and officer functions, with clear delegation arrangements and protocols for decision making and communication. For example, the statutory roles for the Head of Paid Service, the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer. Reference is made to the scrutiny role of the Opposition, whereby the latter is responsible for challenging and holding the Controlling Group to account. The Constitution also contains the protocol for officer/Member relations. This is reviewed and amended on a regular basis.

The Council's Constitution is updated as and when changes are needed to be made with the Cabinet Member for Finance and Democratic Services submitting recommendations to Full Council.

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

The Chief Executive and Directors are set their performance targets annually. These are based on the delivery of the Delivery Plan and the business risks anticipated for the year. Senior politicians appraise the Chief Executive's performance against these targets and the Chief Executive appraises the Directors. As part of this process development needs and solutions are identified and agreed.

Performance Development Reviews (PDRs) are carried out for employees and training needs are identified as part of this process. The importance of the PDR process for the Council continues to be highlighted by the Chief Executive. The rate of completed PDRs for 2018/19 improved marginally on the previous year. At the end of September 2018, **66.5%** (2017/18 **59.56%**) had been completed. By 31 March 2019, this rate had risen to **88.97%** compared with **88.08%** at 31 March 2018.

A structured e-learning programme is available which greatly enhances the learning and development opportunities for a large cross-section of employees. Areas covered include fraud awareness, equalities and data protection.

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

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

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

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

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

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

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

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

Outcomes

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

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

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

The Council has a Risk Management Strategy, and managers are trained in the assessment, management and monitoring of risks. The Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Plan. This assessment ensures that we have measures in place to control the potential risks to our business objectives. Risks are judged on their likelihood of occurrence and their potential impact. These are monitored by Members and Senior Officers and reported on three times a year to Audit and Member Standards Committee.

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

All reports requiring a decision include a risk assessment section.

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

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

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

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

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

In April 2016, CIPFA/SOLACE issued an updated application note on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council complies with these requirements as detailed below. The Chief Financial Officer is:

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

During 2018/19, the Chief Finance Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

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

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

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

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

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

As part of the annual Audit Plan, Internal Audit completed fraud awareness and proactive fraud work in accordance with fraud risks identified, adhering to the CIPFA Code of Practice for Managing the Risk of Fraud. The conclusion of this work for 2018/19 is that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

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

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

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

Outcomes

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

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

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

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

An annual review of the effectiveness of the system of Internal Audit is undertaken by the Internal Audit Manager based on the Public Sector Internal Audit Standards and using feedback from Directors, Heads of Service, the Section 151 Officer, Managers and External Audit. A Quality Assurance Improvement Programme was approved by Audit and Members Standards Committee in March 2019.

The review of Internal Audit for 2018/19 concluded that the Authority's Assurance Arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. The Internal Audit Manager fulfils this role and is professionally qualified.

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

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

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

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

The review is informed by:

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

Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2018/19 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

For 2018/19 no significant weaknesses in Governance or Internal Control were highlighted.

Section 5: Update on Significant Governance Issues 2017/18

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

The review highlighted no areas as representing a significant weakness in Governance or Internal Control during 2017/18.

Diane Tilley	**Councillor Doug Pullen**
Chief Executive	**Leader of the Council**

EXPENDITURE AND FUNDING ANALYSIS – NOTE TO THE ACCOUNTS

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

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

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

[1] Development costs charged to revenue following the decision to terminate the Friarsgate development, this has no impact on reserves because this was initially funded from revenue sources.
[2] Reclaim from HMRC of VAT from leisure services.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

[3] Development costs charged to revenue following the decision to terminate the Friarsgate development, this has no impact on reserves because this was initially funded from revenue sources.
[4] Reclaim from HMRC of VAT from leisure services.

MOVEMENT IN RESERVES

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

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

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

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

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Net Assets of the Council (Assets less Liabilities) are matched by the Reserves held by the Council. Reserves are reported in two categories. The first category of Reserves are Usable Reserves, i.e. those Reserves that the Council may use to provide services, subject to the need to maintain a prudent level of Reserves and any Statutory Limitations on their use (for example the Capital Receipts Reserve that may only be used to fund Capital Expenditure or repay debt). The second category of Reserves is those that the Council is not able to use to provide services. This category of Reserves includes Reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and Reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under Regulations'.

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

CASHFLOW STATEMENT

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

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

NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under Section 12 of the 2003 Local Government Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as Expenditure when the services are received rather than when payments are made.
- Interest receivable on Investments and payable on Borrowings is accounted for respectively as Income and Expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where Revenue and Expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Therefore, our policy is to treat all instant access bank accounts and money market funds as cash equivalents and all other investments for less than one year (including any investments with notice periods) are treated as short term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

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

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

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

Council Tax and Non-Domestic Rates

Accounting for Council Tax
While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR)
The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the Council from NDR payers belongs proportionately to all the major preceptors and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate for the 2005 and 2010 valuation lists have been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date. The appeals for the 2017 valuation list under the new Check, Challenge and Appeal process are based on the Government's allowance for appeals included in the multiplier of 2.1p.

Employee Benefits

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

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

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

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

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

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

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of **3.2%** (based on the indicative rate of return on high quality corporate bonds).

- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

  - Quoted securities professional estimate.
  - Unquoted securities current bid price.
  - Unitised securities current bid price.
  - Property market value.

- The change in the net pensions liability is analysed into the following components:

  Service cost comprising:

  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

  - Net interest on the net defined benefit liability (asset), ie the net interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by apply the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

  Re-measurements comprising:

  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

  - Actuarial gains or losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

  - Contributions paid to the Staffordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

<u>**Financial Instruments**</u>

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 ae 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 al lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

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

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

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

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

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

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

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

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

Statues:

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

Art Collection:

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

Other Items:

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

Heritage Assets - General

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

Inventories

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

Investment Property

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

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

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

Joint Operations

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

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

Leases

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

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

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

The Council as Lessee

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

Lease payments are apportioned between:

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

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

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

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

The Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

Property, Plant and Equipment

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

Recognition

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

De Minimis Level

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.
Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Component Accounting Policy for Property, Plant and Equipment

International Accounting Standard 16 (IAS 16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and de-recognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1 April 2010.

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

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

Policy for Componentisation

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

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

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

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

A component must:

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

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

Valuation

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

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

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

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

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Provisions and Contingent Liabilities

Provisions

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

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

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

Contingent Liabilities

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

VAT

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

2. Accounting Standards that have Been Issued but have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

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

3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts:

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

2. The Council hosts the Joint Waste Service with Tamworth Borough Council and is responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements. In February 2016 the Council procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**. A further **£680,000** of assets was added to this during 2016/17. At 31 March 2019 the Net Book Value of the assets was **£1,077,000** and the value of the finance lease obligation was **£1,494,000**. The assets of the operation in respect of vehicles, equipment, land and buildings have been assessed as being under the control of Lichfield District Council and are therefore shown on this Authority's Balance Sheet. The Joint Waste Service shares joint income and expenditure based on the ratio of properties in each area and the current ratio is **57.84%** Lichfield and **42.16%** Tamworth.

3. The Council outsourced the management of its leisure centres to Freedom Leisure on 1 February 2018. As part of the contractual arrangements, all leisure centre staff were transferred to Freedom Leisure via TUPE arrangements. Freedom Leisure has been admitted to the Staffordshire County Council pension fund and pension arrangements between Lichfield District Council, Staffordshire County Council and Freedom Leisure are managed using a pass through agreement. This agreement assigns the majority of pension risk to Lichfield District Council. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the Council acts as guarantor for the pension commitments of these former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2018/19, the risk has been assessed at low, no greater than **1%** or **£85,750**.

4. The assumptions around the outcome of appeals against NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from past experience of both the 2005 and 2010 Lists as well as appeals determinations so far as made against the 2017 List. A 1% variance in the determined appeals provision would alter the net locally retained income to the Council by **£250,000**. Due to the technical adjustment relating to the Collection Fund Adjustment Account, this would not result in any change to the level of General Reserves.

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

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by **£35,000** and for vehicles, plant and equipment would increase by **£278,000** for every year that useful lives had to be reduced.
Business Rate Appeals	Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier years in proportion to their share (40% for this Council). A provision has been recognised as the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019. <u>2005 and 2010 Lists</u> Total Rateable Value of Appeals Outstanding at 31 March 2019 (2005 and 2010 lists) = **£45.26m** Total provision = **£2.90m** (£1.526m for 2005 and 2010 lists and £1.374m for 2017 list.) Provision as a % of Appeals Outstanding (2005 and 2010 lists) = **3.37%** <u>2017 List</u> The new Check, Challenge and Appeal process has resulted in much lower appeals being submitted related to the 2017 list. Therefore a hybrid approach has been adopted for this list. This calculation uses historical appeals information. The 2005 and 2010 lists showed that by the end of the first year 74% of the opening Rateable Value had received an appeal. At 31/03/2019 this would be £65.434m (74% of £88.816m). This value is multiplied by the allowance in the Business Rates Multiplier of 2.1p to calculate the appeals provision of **£1.374m.**	The key assumptions we have made in the calculation of the provision for Business Rate Appeals using Rateable Values (RV) are summarised below for both the 2005 and 2010 lists: <u>2005 List</u> Average success rate **45.21%** Average reduction in RV **10.37%** Combined **4.70%** <u>2010 List</u> Average success rate **29.41%** Average reduction in RV **10.41%** Combined **3.06%** <u>Overall (2005 and 2010 lists)</u> Average success rate **37.29%** Average reduction in RV **10.40%** Combined **3.88%** Each **1%** increase in the overall Combined figure would increase the provision by **£626,000**. The Council's share of this increase at **40%** would be **£250,000**.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a **0.5%** decrease in the real discount rate assumption would result in an increase in the pension liability of **£13,068,000**; a **0.5%** increase in the salary rate would amount to **£2,004,000**; and a **0.5%** increase in the pension rate would amount to **£10,834,000.**
Sundry Income and Housing Benefit Overpayment Debtors	At 31 March 2019, the Council had a balance of sundry income debtors of **£1,520,000**. A review of arrears suggested that an impairment of doubtful debts of **53% (£813,000)** was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	The element of debtors not covered by the Bad Debt Provision is **£707,000 (47%)**. Each **1%** increase in the percentages used to calculate the Bad Debt provision would increase the provision by **£15,000.**

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

5. Events after the Balance Sheet Date

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

There are no events after the Balance Sheet date.

6. Adjustments between accounting basis and funding basis under Regulations

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

	2017/18				2018/19			
	Usable Reserves			Movement in Unusable Reserves £000	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):								
Charges for depreciation and impairment of non-current assets	1,741			(1,741)	1,716			(1,716)
Revaluation (gains) / losses on Property, Plant and Equipment	(165)			165	401			(401)
Movements in the market value of investment properties	373			(373)	333			(333)
Amortisation of intangible assets	7			(7)	7			(7)
Capital grants and contributions applied	(1,242)			1,242	(701)			701
Revenue expenditure funded from capital under statute	1,567			(1,567)	1,074			(1,074)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,357			(2,357)	187			(187)
Insertion of Items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(616)			616	(710)			710
Capital Expenditure charged to the General Fund	(965)			965	868			(868)
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES	(299)		299		(670)		670	
Application of grants to capital financing transferred to the Capital Adjustment Account			(117)	117			(118)	118
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	8	(8)			(117)	117		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(433)	433			(643)	643		
Use of the Capital Receipts Reserve to finance new capital expenditure		(285)		285		(1,827)		1,827
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,632			(3,632)	4,413			(4,413)
Employers pension contributions and direct payments to pensioners payable in the year	(2,126)			2,126	(2,198)			2,198
Adjustments primarily involving the Collection Fund adjustment account								
Amount by which Council Tax and Business Rate income credited to the CIES is different to that calculated for the year in accordance with statutory requirements	505			(505)	296			(296)
Adjustments primarily involving the Accumulated Absences Account								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(93)			93	87			(87)
Total Adjustments	**4,251**	**140**	**182**	**(4,573)**	**4,343**	**(1,067)**	**552**	**(3,828)**

7. Expenditure and Funding Analysis Notes

2017/18

Presentation and Earmarked Reserves

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

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

Adjustments between the Funding and Accounting Basis

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

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

2018/19

Presentation and Earmarked Reserves

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

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

Adjustments between the Funding and Accounting Basis

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

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

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

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

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

8. Transfers (to)/from Earmarked Reserves

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

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

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

The ***Earmarked Reserve (Restricted)*** represents sums set aside from grants received for use in providing specific services.

The ***Election Reserve*** has been set up to fund the cost of District Council Elections. We build up this reserve over a four year period, the next election being in 2019.

The ***Public Open Spaces Reserve (Restricted)*** has been established to meet the Council's obligations under section 106 agreements.

The ***Joint Waste Shared Service Reserve (Restricted)*** has been set up to meet our obligations under the Joint Waste Shared Service agreement.

The ***Building Regulations Reserve (Restricted)*** has been set up to meet our obligations under South Staffordshire Building Control Partnership.

The ***Development Grant Aid Reserve*** is to provide assistance to Historic Building and Nature Conservation Projects.

The ***Birmingham Road Car Park Capital Reserve (Restricted)*** represents sums set aside for future capital works in line with the legal agreement.

9. Other Operating Expenditure

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

10. Financing and Investment Income and Expenditure

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

11. Taxation and Non-Specific Grant Income

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

Non-ring fenced Government Grants are comprised of:

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

12. Property, Plant and Equipment

Movements in 2018/19:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets[6] £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2018	**33,322**	**10,199**	**346**	**4,052**	**80**	**1,544**	**49,543**
Additions	1,442	462			1,785	143	3,832
Friarsgate Reversal						(1,613)[7]	(1,613)
Revaluation increases/(decreases) recognised in the revaluation reserve	(527)				482		(45)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	30				(649)		(619)
De-recognition – disposals		(309)					(309)
Other movements in cost or valuation	(834)			26	817	(10)	(1)
At 31 March 2019	**33,433**	**10,352**	**346**	**4,078**	**2,515**	**64**	**50,788**

Accumulated Depreciation and Impairment							
At 1 April 2018	**(481)**	**(6,836)**	**(49)**	**0**	**(57)**	**(151)**	**(7,574)**
Depreciation charge	(794)	(1,070)	(3)				(1,867)
Depreciation written out to the revaluation reserve	755				28		783
Depreciation written out to the surplus/deficit on the provision of services	182				36		218
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						151	151
De-recognition – disposals		287					287
Other movements in cost or valuation	14			(7)	(7)		0
At 31 March 2019	**(324)**	**(7,619)**	**(52)**	**(7)**	**0**	**0**	**(8,002)**

Net Book Value							
At 31 March 2019	**33,109**	**2,733**	**294**	**4,071**	**2,515**	**64**	**42,786**
At 31 March 2018	**32,841**	**3,363**	**297**	**4,052**	**23**	**1,393**	**41,969**

[6] Surplus assets relates to the former Garage, former Police Station, the former retail units and the site of the two houses within the Birmingham Road Site valued at highest and best use that are not currently being used to provide services.
[7] The material item of £1,550,000 shown in the Comprehensive Income and Expenditure Statement is the £1,613,000 in this note less (£63,000) of external contributions identified in note 36.

Comparative Movements in 2017/18:

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

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

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

Other Land & Buildings Breakdown

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

Depreciation

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

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

Capital Commitments

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

Effects of Changes in Estimates

In 2018/19, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

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

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

13. Heritage Assets

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

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

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

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

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

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

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

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

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

14. Investment Properties

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

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

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

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

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

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

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

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

15. Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

- property funds managed by CCLA held as strategic investments

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

- money market funds

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

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

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

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

Equity instruments elected to fair value through other comprehensive income

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

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

Offsetting Financial Assets and Liabilities

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

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

Reconciliation to Cash and Cash Equivalents

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

Financial Instruments – Gains and Losses

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

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

Financial Instruments - Fair Values

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

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

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

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

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

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

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

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

16. Short Term Debtors

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

17. Cash and Cash Equivalents

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

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

18. Assets Held for Sale

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

19. Short Term Creditors

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

20. Provisions

The Council has two provisions:

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

Outstanding Legal Cases

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

- **Municipal Mutual Insurance**
  In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal claims which will take many years to materialise and finalise. In the event of MMI's insolvency during this period, local authority policy holders have agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential liability if the scheme is triggered is **£94,457**. On 13 November 2012, at the Board Meeting of Municipal Mutual, the decision was made to trigger the Scheme of Arrangement. Control of the Company has been passed to the Scheme Administrators Ernst & Young LLP. Provision has been made for the amount of liability. This provision is based on those claims that the Authority is currently aware of.

Business Rates Appeals

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

21. Usable Reserves

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

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

22. Unusable Reserves

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Capital Adjustment Account

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

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

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

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

Pensions Reserve

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

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

Deferred Capital Receipts Reserve

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

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

Collection Fund Adjustment Account

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

2017/18				2018/19		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
35	**1,081**	**1,116**	**Balance at 1 April**	**44**	**567**	**611**
9	(514)	(505)	Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rate income calculated for the year in accordance with statutory requirements	31	(327)	(296)
44	**567**	**611**	**Balance at 31 March**	**75**	**240**	**315**

Available for Sale Financial Instruments Reserve

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

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

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

Financial Instruments Revaluation Reserve

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

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

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

Accumulated Absence Account

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

2017/18 £000		2018/19 £000
(225)	**Balance at 1 April**	**(132)**
93	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(87)
(132)	**Balance at 31 March**	**(219)**

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

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

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

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

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

25. Cash Flow Statement - Investing Activities

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

26. Cash Flow Statement - Financing Activities

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

27. Cash Flow Statement - Operating Activities

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

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

28. Reconciliation of Liabilities Arising from Financing Activities

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

29. Principal and Agency Services

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

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

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

30. Jointly Controlled Operations

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

The assets of the operation in respect of vehicles, equipment and land and buildings are held by Lichfield District Council and are shown on this Authority's balance sheet.

The parties have an agreement in place for funding this operation with contributions to the agreed budget of **57.84%** from Lichfield District Council and **42.16%** from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

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

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

<u>Reconciliation of Joint Waste Surplus to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)</u>

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

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

31. Members' Allowances

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

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

32. Officers' Remuneration

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

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

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

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

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

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	0	1	2	2	2	3	£12,914	£20,743
£20,001 - £40,000	1	0	4	0	5	0	£170,509	£0
£40,001 - £60,000	1	0	2	0	3	0	£143,424	£0
Total	**2**	**1**	**8**	**2**	**10**	**3**	**£326,847**	**£20,743**

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

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

33. External Audit Costs

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

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

34. Grant Income

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

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

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

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

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

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

35. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid is shown in **Note 31**. During 2018/19, works and services to the value of **£283,000** were commissioned from companies in which thirty two members had an interest (**£203,000** in 2017/18). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£70,000** to voluntary organisations **(£75,000** in 2017/18) in which one member had a position on the governing body. Details of these declarations are recorded in the Register of Members' Interest, open to public inspection by appointment.

Other Public Bodies

The Council received the sum of **£571,000** from Bromford Housing Group in 2018/19 (**£416,000** in 2017/18) in respect of the right to buy claw back on the sale of dwellings.

Entities Controlled or Significantly Influenced by the Council

The net amount owed from the Council to entities controlled or significantly influenced by the Council at the end of 2018/19 was **£3.057 million** (**£4.085 million** owed from the Council in 2017/18).

These include Staffordshire County Council, the Office of Police and Crime Commissioner (OPCC), the Fire Authority and Parish Councils, all of which issue precepts on the Council shown in the Collection Fund.

Staffordshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown as a note to the accounts. Lichfield District Council works together with the County Council in a number of areas and is in receipt of funding in relation to Children's Services, Safer Community Partnership and Local Strategic Funding. In addition the County Council provides services in relation to Environmental Health sampling, Land Search and structural survey fees, hire of school premises and joint user leisure facilities.

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

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

36. Capital Expenditure and Capital Financing

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

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

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

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

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

37. Leases

Council as Lessee

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

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

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

Council as Lessor

Finance Leases

The Council only has one lease categorised as a finance lease:

- Former Arts Centre Site, Lichfield with Pergola Properties for 125 years from 25 February 2005. The Council received a single lease premium and this was treated as a usable capital receipt. Therefore, no asset or long-term debtor is shown within the Council's Financial Statements

Operating Leases

The Council leases out shops, industrial units, offices, leisure facilities and other property under operating leases to third party organisations for the following purposes:

- To provide services to the area in line with the Council's strategic priorities
- To generate income for the Council

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

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

38. Impairment Losses

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

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

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

However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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

Pension assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

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

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

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

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

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

Information about the Defined Benefit Obligation

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

Local Government Pension Scheme assets comprised:

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

Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2016/17 and the financial implications of this Revaluation are included in these 2018/19 accounts. This is undertaken every three years and liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Staffordshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and type of assumptions used in preparing the sensitivity analysis below did not change from those used in previous period.

Change in assumption at 31 March 2019	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	13,068
0.5% increase in the Salary Increase Rate	2%	2,004
0.5% increase in the Pension Increase Rate (CPI)	9%	10,834

Scheme History

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£42.747 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£20.001 million** (see page 52). However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total Employers contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is **£1.211 million.**

40. Contingent Liabilities

- Under the Deed of Transfer of the Council's Housing Stock to Bromford Housing Association (HomeZone) on 24 March 1997, the Council entered into certain limited warranties and covenants, which will terminate on the fortieth anniversary. The amount of any potential liability cannot be estimated.
- The Staffordshire County Council Pension fund policy requires a guarantor when admitting charitable body staff members. As such, Lichfield District Council is guarantor of pension commitments for employees transferred by TUPE to the Lichfield Garrick Theatre Trust. This affects nine former Lichfield District Council officers. Prior to 1 February 2013, the Lichfield Garrick Theatre traded as Lichfield District Council. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2018/19, the risk has been assessed at low, no greater than **1%** or **£4,251**.
- On 1 February 2018, Freedom Leisure took over the management of the Council's Leisure Centres. 96 staff were transferred by TUPE via a pass through agreement. The Council is guarantor of pension commitments for these former employees. An assessment has been carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2018/19, the risk has been assessed at low, no greater than **1%** or **£85,750**.
- The Council manages risk associated with insurance cover by a combination of external insurance and self-funding; the latter being limited to the policy excess. The estimated potential liability of the Council for existing claims as at 31 March 2019 is **£261,187**. No provision has been made for this amount as the outcomes of the claims are currently unknown.
- In January 2016 the Council along with other Local Authorities received a claim for backdated mandatory Business Rate Relief under s. 43(5) and (6) of the Local Government Finance Act 1988 in relation to Burton Hospitals NHS Foundation Trust and South Staffordshire and Shropshire Healthcare NHS Foundation Trust backdated for six years. The Local Government Association (LGA)

(the representative body for Local Authorities) has sought legal advice from Counsel, on our behalf, on the applications for mandatory relief from business rates, issued by GVA Grimley Ltd, on behalf of NHS trusts. Counsel advice is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

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

41. Contingent Assets

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

42. Financial Instruments - Risks

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

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

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

Credit Risk

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

Credit Risk: Investments

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

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

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

Specified Investments[10]

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

Group Limit	**£1 million**	**£1 million**
Money Market Funds Limit	**£12 million in total**	**£12 million in total**
Sovereign Limits	**No Limit**	**No Limit**

Non Specified Investments

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

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

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

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

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

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

Credit Risk: Receivables

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

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

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

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

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities including the Public Works Loans Board long term loans received in April 2015 and May 2018 is as follows:

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

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

Market Risks: Interest Rate Risk

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

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

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

measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.
If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

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

*No impact on Comprehensive Income and Expenditure.

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

Market Risks: Price Risk

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

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

43. Joint Arrangements

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

Collection Fund

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

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

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

Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and the office of the Police and Crime Commissioner Staffordshire for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted by **1.0%** to cover appeals, changes in discounts and bad debts that arise) **37,360** for 2018/19. This basic amount of Council Tax for a Band D property (**£1,693.45** for 2018/19) is multiplied by the proportion specified for the particular band to give an individual amount due.

The schedule of Authorities which made a Council Tax precept on the Collection Fund in 2018/19 is shown below:

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

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

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

Council Tax Allowance for Impairment

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

Non-Domestic Rates

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

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

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received. The Council's Share is **40%** with the remainder paid to precepting bodies.

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

NDR Allowance for Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Earmarked Reserve
A sum set aside from either external funding (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

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

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

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

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

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

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

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

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

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

National Non-Domestic Rates (NNDR)
Prior to 1 April 2013, the Council collected and paid rates collected into a national pool, which was then re-distributed on the basis of population.

Non-Domestic Rates (NNDR)
From 1 April 2013, the Council collects Business Rates and distributes them on the basis of **50%** Central Government, **40%** Lichfield District Council, **9%** Staffordshire County Council and **1%** Staffordshire Fire Authority.

Net Book Value
The amount at which Long Term Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Net Expenditure
Net expenditure is gross expenditure less fees, charges, recharges and specific grants.

Operating Leases
A lease whereby ownership of the asset remains with the lessor.

Post Balance Sheet Events
Material events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

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

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

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

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

Non-Ring-fenced Government Grant
Central Government grant towards the cost of providing services. Being non-ring-fenced, the grant can be spent on activities at the council's discretion. The main grant falling into this category is the Formula Grant, formerly known as Revenue Support Grant. The amount received is dictated by central government.

Unusable and Usable Reserves
This is the name given to a group of accounts on the face of the Balance Sheet. The individual accounts are linked by a Note and are described earlier in this glossary. Usable reserves generally represent transactions that have happened at the Balance Sheet date. Unusable reserves usually recognise the value of transactions that will actually happen in the future.

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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 ਇੰਟਰਪ੍ਰੇਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

Arabic

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

Cantonese

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Bengali

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French

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Farsi

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

Polish

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