

Statement of Accounts 2019/20

Contents

Statement of Accounts	Page
Statement of Responsibilities for the Statement of Accounts	3
Narrative Report	4
Annual Governance Statement	29
Expenditure and Funding Analysis – Note to the Accounts	50
Comprehensive Income and Expenditure Statement	51
Movement in Reserves Statement	52
Balance Sheet	53
Cash Flow Statement	54
Index of Notes to the Accounts	55
Notes to the Accounts	56
Collection Fund and Notes	119
Glossary of Terms	122
Independent Auditor’s Report	126

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, the Chief Finance Officer (CFO) is the 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 2020.

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.

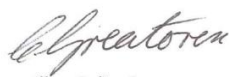
Certificate of the CFO

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year.



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

The Statement of Accounts for 2019/20 has been approved by Audit (and Member Standards) Committee on 30 November 2020. The Audit Findings Report was reported to Audit (and Member Standards) Committee on 30 November 2020.



Chair of Audit (and Member Standards) Committee Date: 30 November 2020

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2020, 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 2019/20. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that for the 2019/20 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 2019/20;
- A Summary of the Financial Performance of Lichfield District Council in 2019/20;
- A Summary of the Principal Risks and Uncertainties Facing Lichfield District Council;
- Explanation of the Financial Statements.

NARRATIVE REPORT

An Introduction to Lichfield District

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

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

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

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

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

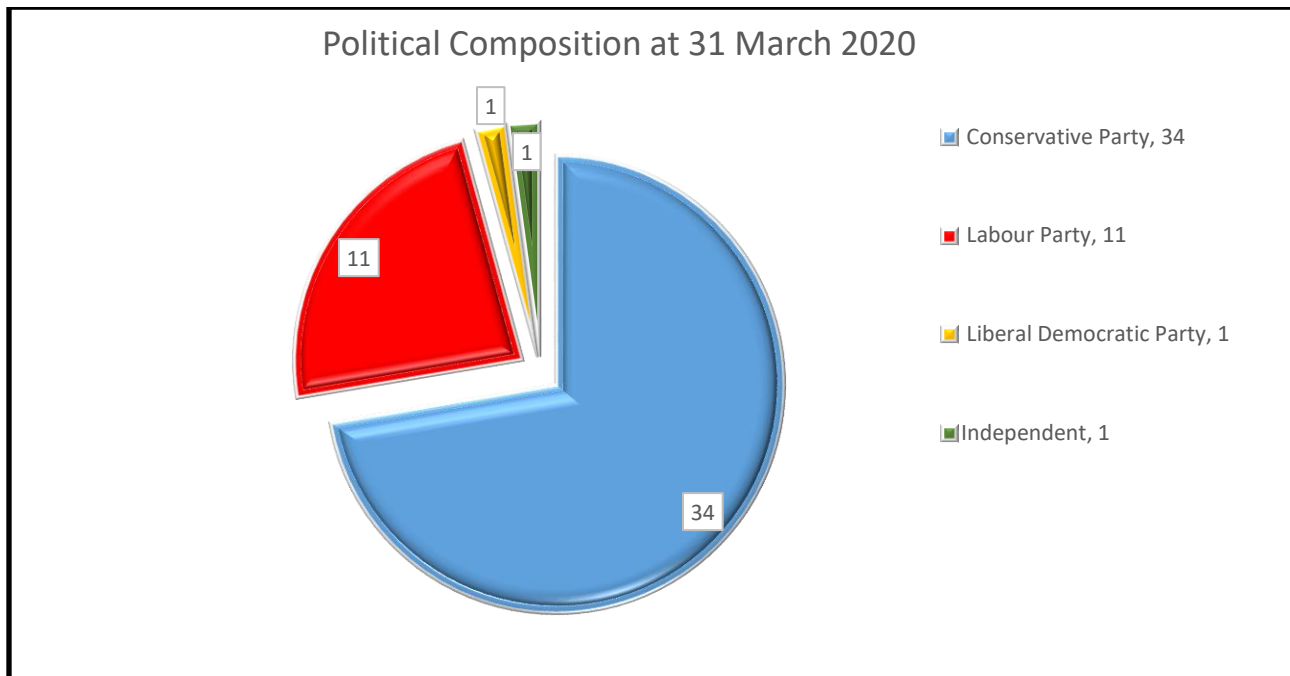
On average the District is prosperous and ranks well within the indices of deprivation (although there are areas where deprivation exists). The District performs well at all levels of education with pupils achieving above the national average. Lichfield has lower than the national average levels of unemployment.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

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

NARRATIVE REPORT

An Introduction to Lichfield District Council

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



The policies of the Council are directed by Cabinet and Council and implemented by the Leadership Team supported by officers. The Council currently employs approximately **330** people of which 94% are permanent and the remainder temporary employees.

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

Lichfield District Council provides services to a population of about **104,000** 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*

NARRATIVE REPORT

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

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

The operational delivery of the Council's leisure centres in Burntwood and Lichfield continues to be run by Freedom Leisure. The reason for using Freedom is to maximise the opportunity for people to lead healthy lives and to have access to opportunities to exercise, as well as being financially sustainable, with targets set for increased participation across our whole demography.

The 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 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.

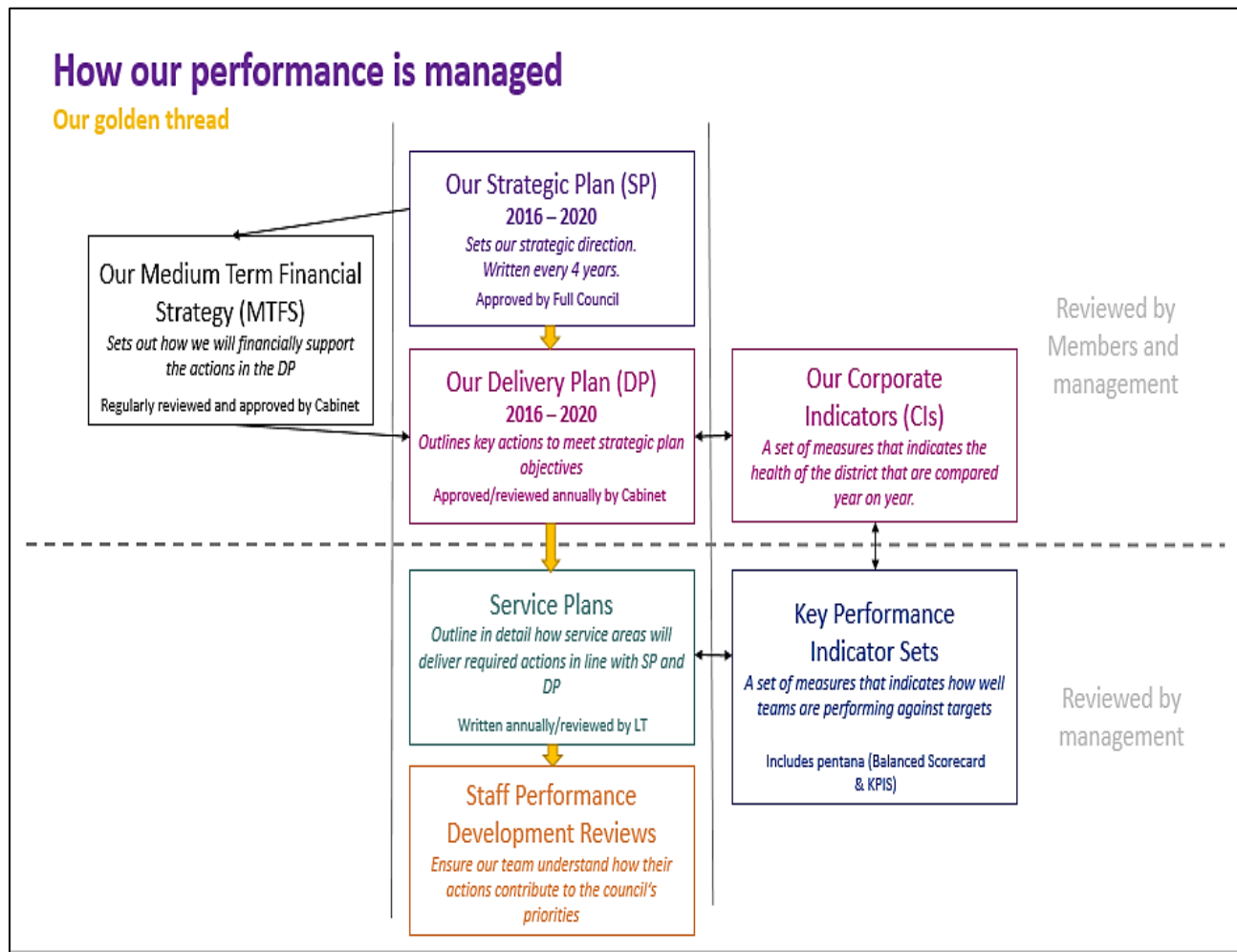
The Council's Performance

For 2019/20, the Council has 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.

NARRATIVE REPORT

The Strategic Plan not only sets out our strategic direction but also provides the context for our performance monitoring. The performance framework is shown in the diagram below:



The Council’s 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 over the period 2018-20.

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.

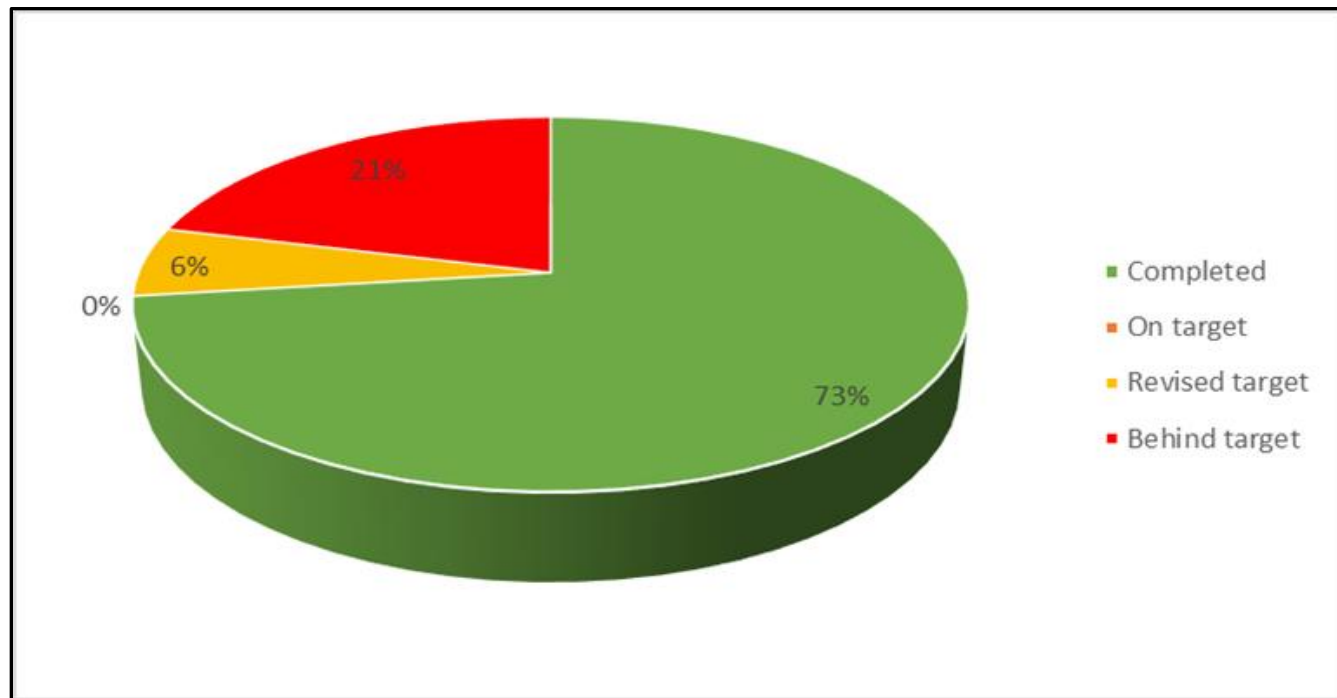
Officers responsible for the Delivery Plan and Service Plan actions update the Pentana system to ensure that the latest performance on each individual action is registered in a central location, ensuring that the Council’s officers and Members can access real-time progress and performance monitoring.

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.

NARRATIVE REPORT

Since April 2019, performance reporting has taken 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 **2019/20 Delivery Plan** are highlighted below:



	Completed	On target	Revised target	Behind target	Not started
Delivery Plan actions – total	60	0	5	17	0

Of the **60** actions in the Delivery Plan that were completed, some of the key achievements are as follows:

- **The roll out of the Jadu business account.** The work was completed in December 2019 and now customers who wish to access their council tax or business rates account information can do so via Jadu, negating the requirement to have a separate log in.
- **The development of a revised Housing and Homeless Strategy 2019-22** that sets out our plans to tackle homelessness, rough sleeping and other housing challenges over the next five years. Our three main priorities are:
 - Enable people to live in good quality homes that are suitable for their needs
 - Increase housing choice to meet the need of current and future residents
 - Prevent or relieve all forms of homelessness including rough sleeping
- **The majority of the partner actions within the Community Safety Plan have been delivered.** The Lichfield District Safer Community Partnership (Police, Local Authorities, Fire and Rescue, Probation and Clinical Commissioning Groups, and other partners) work together to protect their local communities from crime and disorder. The partnership produces an evidence based action plan each year to deliver this.

NARRATIVE REPORT

- **The Local Plan Land Allocations document was adopted on 16 July 2019.** This completes the current local plan for Lichfield District. The District Council continues to monitor a number of key deliverables from the local plan through its annual reporting procedure. Trends have demonstrated that since the adoption of the Local Plan Strategy through to the adoption of the Local Plan Allocations that housing delivery and delivery of employment space has increased in the District and this trend is predicated to continue in the coming year. The Local Plan Allocations document confirms the need for the Council to review its Local Plan over the coming years. Good progress has been made with the local plan review with consultation on two further stages of that process having taken place during 2019.
- **The annual approval of the MTFS took place in February 2020,** to ensure that the budgets necessary to deliver the new Strategic Plan are in place
- **A local list of historic buildings for Burntwood and Hammerwich has been adopted** following ratification by Council. Outcomes are dependent on us having planning applications submitted in relation to the buildings added to the local list and the fact that we can use their local list status to ensure only planning applications for works that would preserve their special local historical or architectural interest are permitted. In Burntwood it has shown that while there may be relatively few buildings of national importance (statutory listed) there is a depth of locally important buildings that previously were not recognised.
- **A new People Strategy has been drafted, consulted on and approved.** A corporate competency profile has been developed, along with the culture the organisation wishes to adopt. Learning resources and partnerships have been developed, with particular focus on mandatory training, e-learning and virtual learning. Management development, use of apprenticeships and reviews of key HR processes have also been undertaken.
- **The Modern Gov democratic system has been put into place** following the training of both Members and officers. This allows automatic publication of all Council documents and decisions as well as self-service opportunities for members to update their register of interest and contact details.
- **A new Strategic Plan for 2020-24 has been approved** and a delivery plan has been developed that will be scrutinised in June and approved by Cabinet in July 2020. This will focus on the areas of enabling people, shaping place, developing prosperity and ensuring that we are a good council.

Five actions were given a revised due date due in the main to external factors. Four of these relate to the Birmingham Road site (BRS). The latest position and original due date are included in the end of year Delivery Plan performance update 2019/20. Any revised dates will be carried through to the new Delivery Plan or relevant Service Plan:

17 actions were behind target at the end date for the plan. These have either been delivered since 31 March, are on target to be delivered shortly or will continue in the new delivery plan - these include:

- Support the development of Burntwood Town centre
- Work with Sport England to carry out a review of the Council's Physical Activity and Sports Strategy (PASS)
- Work with housing developers and housing associations to encourage the development of new affordable home and regeneration of existing housing stock
- Approve and roll-out the Digital Strategy

NARRATIVE REPORT

A new Strategic Plan for 2020-24 has been developed during 2019/20, following extensive consultation and review by Member, staff, stakeholder and resident focus groups.

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

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

This new Strategic Plan was approved by Full Council on 18 February 2020, and will come into operation on 1 April 2020. Following the agreement of the high level Strategic plan outcomes, work was undertaken by Leadership Team and Cabinet to identify the top priority issues that needed to be addressed to ensure these are achieved over the next 12 - 18 months. These priorities have formed the basis of the Delivery plan for 2020/21 and the annual service plans.

NARRATIVE REPORT

Financial Performance

The Medium Term Financial Strategy and Monitoring Financial Performance

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

Revenue Financial Performance in 2019/20

Revenue spending represents the day to day cost of the services provided by the Council. The revenue spend together with details of how this spend was funded for 2019/20 is shown below:

Original Budget		Approved Budget	Actual Outturn	Variance	Actual amount per Person	Actual amount per Band D Property
£000		£000	£000	£000	£	£
5,712	A Council that is fit for future	5,930	5,900	(30)	£57.01	£155.22
(1,125)	A vibrant and prosperous economy	(1,105)	(879)	226	(£8.49)	(£23.12)
3,455	Clean, green and welcoming places to live	3,050	2,843	(207)	£27.47	£74.79
1,529	Healthy and safe communities	1,593	1,628	35	£15.73	£42.84
9,571	Net Cost of Services	9,468	9,492	24	£91.72	£249.73
1,335	Capital & earmarked reserves	1,249	1,274	25	£12.31	£33.52
316	Interest receipts/payments	(122)	(140)	(18)	(£1.36)	(£3.70)
149	Transfer to General Reserves	1,113	1,081	(32)	£10.45	£28.44
11,371	Net Expenditure	11,708	11,707	(1)	£113.12	£308.00
(3,094)	Business Rates	(3,397)	(3,414)	(17)	(£32.98)	(£89.81)
(1,278)	New Homes Bonus	(1,278)	(1,278)	0	(£12.35)	(£33.63)
(68)	Other Grants	(136)	(119)	17	(£1.15)	(£3.12)
(277)	(Surplus) on the collection of Council Tax and Business Rates	(242)	(242)	0	(£2.34)	(£6.37)
(6,655)	Council Tax	(6,655)	(6,655)	0	£64.30	£175.07

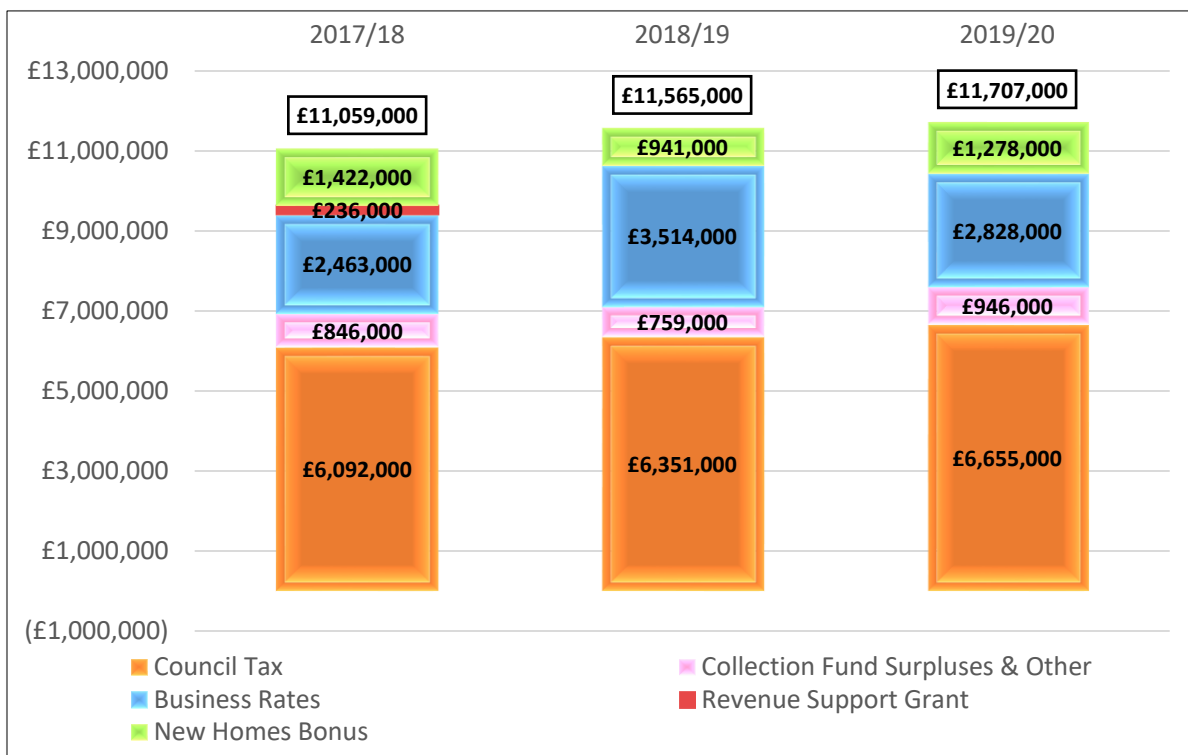
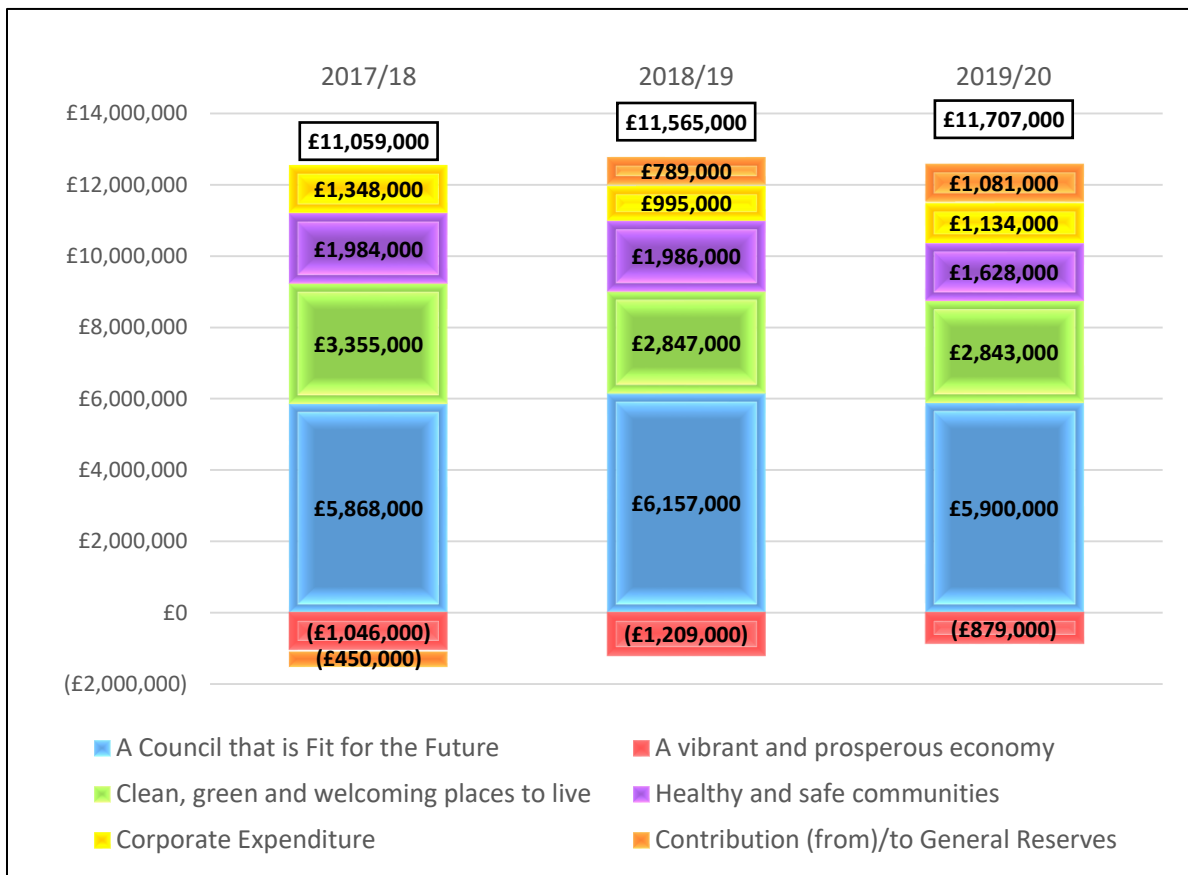
How Councils are funded has changed significantly since 2010 with Council Tax budgeted to fund **57%** of net expenditure compared to **47%** in 2010. We are among the lowest charging district councils in the country and an average home paid **£175** for the services provided. The information in Money Matters Reports and the table above is based on the statutory funding basis and shows income exceeding expenditure by **£1,081,216** and therefore a transfer to General Reserves.

The Statement of Accounts also provides a Comprehensive Income and Expenditure Statement (CIES) that shows financial performance based on generally accepted accounting practices with a deficit of income over expenditure of **£695,000**. The **Expenditure and Funding Analysis (EFA)** also within the Statement of Accounts, reconciles financial performance under the statutory funding basis to the accounting basis:

		2018/19 £000	2019/20 £000
Money Matters Financial Performance	Page 78	(789)	(1,081)
Earmarked Reserves (including those in the Net Cost of Services)	Page 78	(2,629)	(601)
Financial Performance on a Funding Basis shown in the EFA	Page 78	(3,418)	(1,682)
Adjustments between Funding and Accounting Basis	Page 50	4,310	2,378
Financial Performance on an Accounting Basis shown in the CIES	Page 51	892	695

NARRATIVE REPORT

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



NARRATIVE REPORT

Capital Financial Performance in 2019/20

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

The capital spend together with details of how this spend was funded for 2019/20 is shown below:

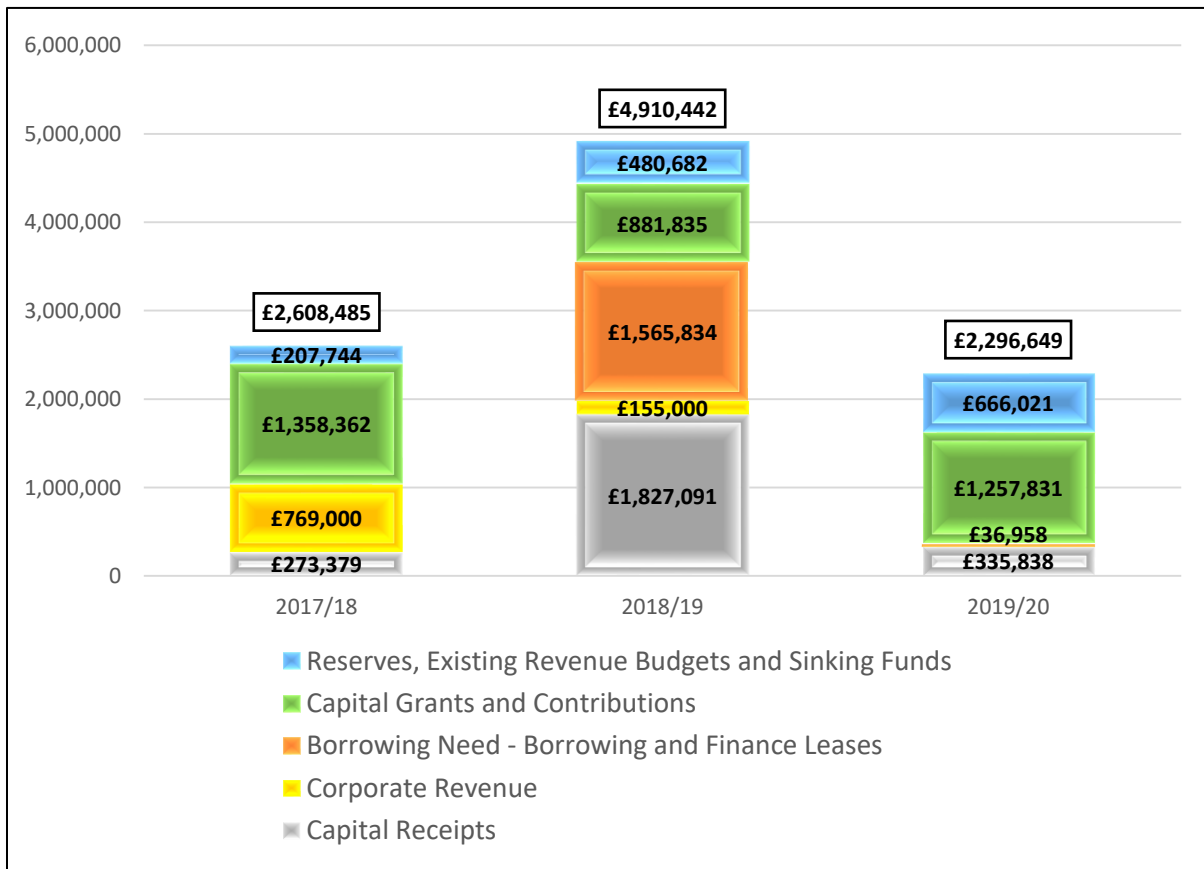
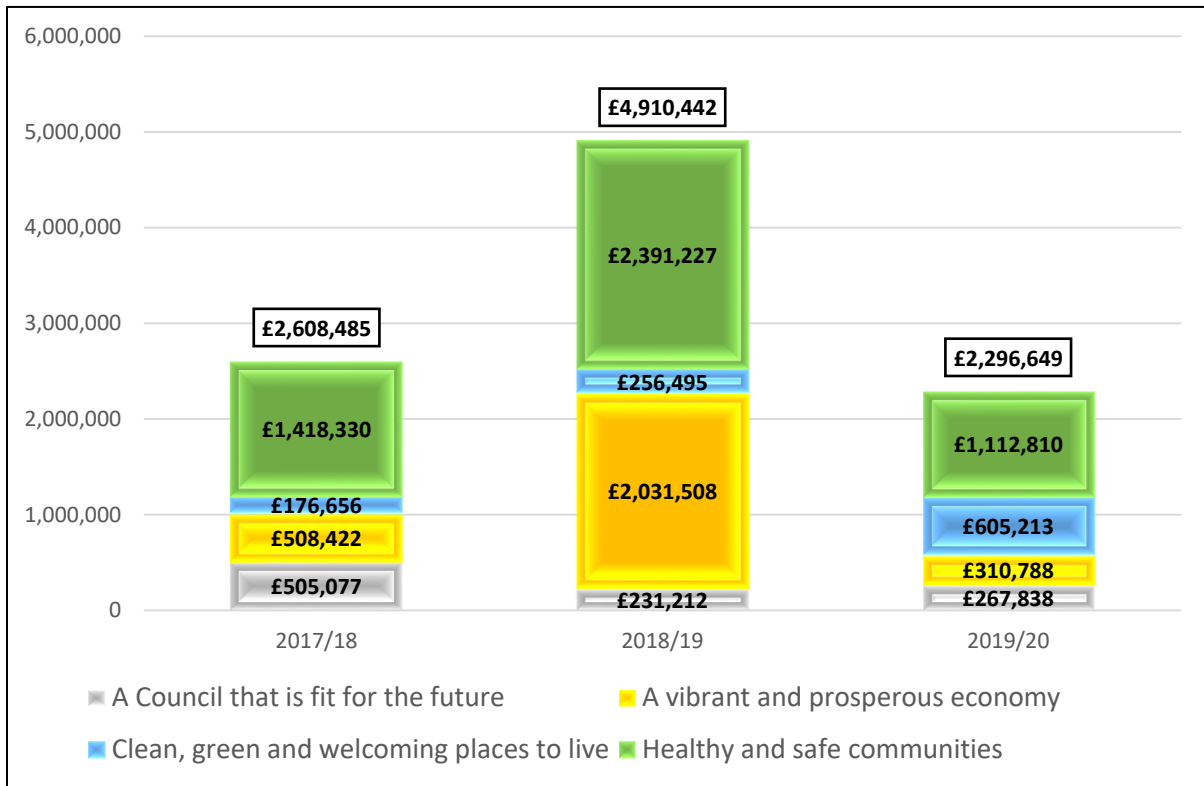
Original Budget		Approved Budget	Actual Outturn	Variance	Actual amount per Person	Actual amount per Band D Property
£'000		£'000	£'000	£'000	£	£
6,411	A Council that is fit for future	10,794	268	(10,526)	£2.59	£7.05
673	A vibrant and prosperous economy	1,732	311	(1,421)	£3.00	£8.18
2,158	Clean, green and welcoming places to live	809	605	(204)	£5.85	£15.92
2,376	Healthy and safe communities	2,324	1,113	(1,211)	£10.75	£29.28
11,618	Total Expenditure	15,659	2,297	(13,362)	£22.19	£60.42
976	Capital Receipts	600	336	(264)	£3.24	£8.84
6,140	Borrowing and Finance Leases	10,568	37	(10,531)	£0.36	£0.97
2,769	Capital Grants and Contributions	2,160	1,258	(902)	£12.15	£33.09
1,733	Reserves, Existing Revenue Budgets and Sinking Funds	2,331	666	(1,665)	£6.43	£17.52
11,618	Total Funding	15,659	2,297	(13,362)	£22.19	£60.42

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

- **Investment in Property (£10,500,000)** - planned acquisition did not take place due to PWLB consultation and subsequent CIPFA guidance
- **Birmingham Road Site - Coach Park (£850,000)** - acquisition was not completed and therefore the enhancement works did not take place
- **Multi Storey Car Park Refurbishment Project (£300,000)** - the programming of the works was adjusted to reflect the short term redevelopment works on the adjacent site
- **Birmingham Road Site - Short Term Redevelopment (£222,000)** - the commencement of the works was delayed
- **Accessible Homes - Disabled Facilities Grants (£409,000)** - reflects delivery performance on the Support for Independent Living in Staffordshire Partnership
- **Equity investment in the Council owned Company (£225,000)** - the investment has taken place in 2020/21
- **Burntwood Leisure Centre - Combined Heat and Power Unit (£223,000)** - the completion of these works has been delayed due to technical utility issues
- **Unallocated S106 Affordable Housing Monies (£270,000)** - planned acquisitions have not been completed during the financial year as planned

NARRATIVE REPORT

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



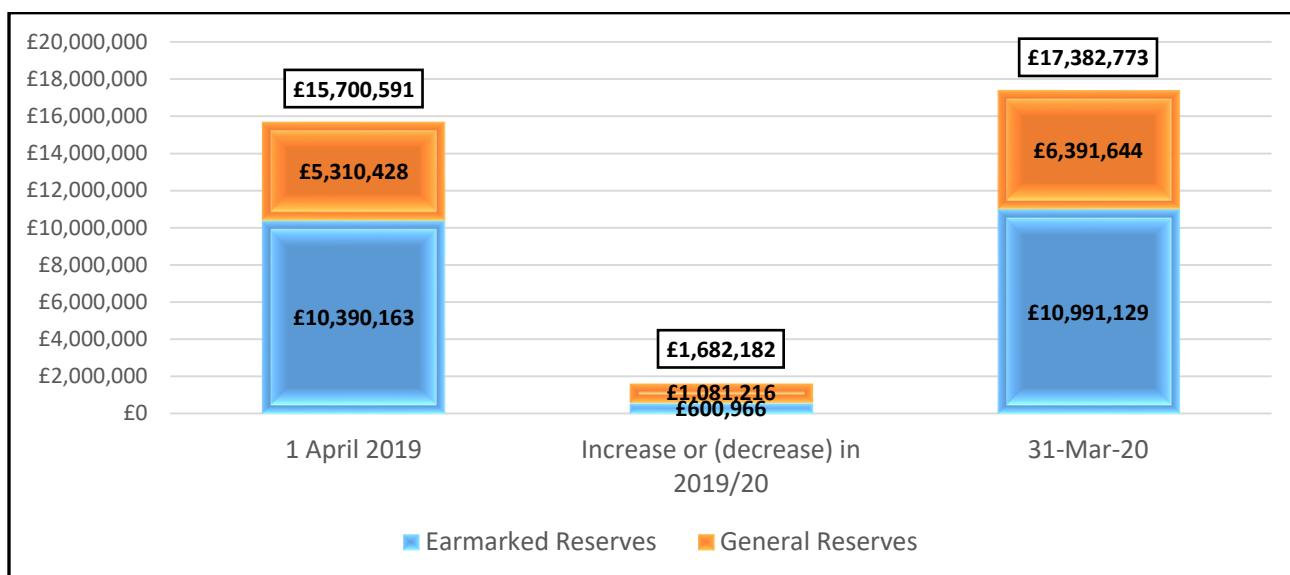
NARRATIVE REPORT

Revenue Reserves

A General Reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risks. In 2019/20 £1,081,216 was transferred to General Reserves compared to an Approved Budget of £1,113,560, this is a decrease of £32,344.

The total level of General Reserves at 31 March 2020 was £6,391,644 and has set a risk assessed Minimum Level at £1,600,000. This means that there are available reserves of £4,791,644 over and above the Minimum Level available to support the revenue budget or fund Council priorities.

In addition to General Reserves, Earmarked Reserves have been built up over time to provide funding for specific activities in line with the Council's medium term aims and objectives. The total level of Revenue General and Earmarked Reserves is shown below:



Looking Forward to the Next Four Years and Beyond

The Medium Term Financial Strategy (MTFS) provides budgets for the four financial years **2020/21** (funding assumptions are known and therefore the assessment is low risk), **2021/22**, **2022/23** and **2023/24** (funding assumptions are not known and therefore the assessment is high risk).

The Revenue Budget

The **Revenue Budget** with a transfer to general reserves in 2020/21 and Funding Gaps in later years is shown below:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
LEVEL OF UNCERTAINTY / RISK	LOW	HIGH	HIGH	HIGH
Enabling people	1,480	1,463	1,454	1,480
Shaping place	3,570	3,625	4,269	4,554
Developing prosperity	(1,234)	(2,039)	(2,811)	(3,451)
A good council	6,301	6,411	6,585	6,865
Corporate expenditure	1,705	1,280	1,809	2,359
Revenue Expenditure	11,822	10,740	11,306	11,807
Revenue Funding	(12,284)	(10,127)	(10,347)	(10,300)
Funding Gap (transfer to General Reserves)	(462)	613	959	1,507

NARRATIVE REPORT

There were key assumptions related to funding included in the MTFs, and a number of these have subsequently been delayed as a result of the COVID-19 pandemic:

- There would be a review of the New Homes Bonus during 2020/21 for implementation from 2021/22.
- There would be an increased level of the Business Rates retained by Local Government from 50% to 75% from 2021/22. However it should be noted that the additional income would be offset by reductions in other Government Grants.
- There would be a review of the level of Local Government funding and how the funding is distributed to each Local Authority through a Fair Funding Review during 2020/21 for implementation from 2021/22. Although at this stage, it is unclear whether the Business Rates reset element of this change (any growth currently retained above the Government Set Baseline by individual Councils would be redistributed within Local Government) will be implemented.

The Capital Programme

The Capital Programme and its funding is shown below:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
LEVEL OF UNCERTAINTY / RISK	LOW	HIGH	HIGH	HIGH
Enabling people	3,424	1,164	3,324	3,235
Shaping place	1,045	502	3,482	427
Developing prosperity	625	0	0	0
A good Council	12,657	11,970	12,015	389
Capital Expenditure	17,751	13,636	18,821	4,051
Capital Funding	(6,087)	(1,947)	(4,972)	(1,791)
Borrowing Need	11,664	11,689	13,849	2,260

Usable Capital Receipts	(1,394)	(890)	(341)	0
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General Reserves

The projected level of General Reserves (excluding the actual variance in 2019/20) included in the MTFs together with the level assuming no savings or additional income is received from 2021/22 is shown below:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Available General Reserves Year Start	4,823	6,456	6,867	7,147
Contributions from Revenue Budget	462	0	0	0
New Homes Bonus in excess of the 'Cap'	1,171	411	280	0
Available General Reserves Year End	6,456	6,867	7,147	7,147
Minimum Level	1,600	1,600	1,600	1,600
Total Projected General Reserves	8,056	8,467	8,747	8,747

No Savings or Income Identified from 2021/22	6,456	6,253	5,575	4,068
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NARRATIVE REPORT

Longer Term Financial Planning

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

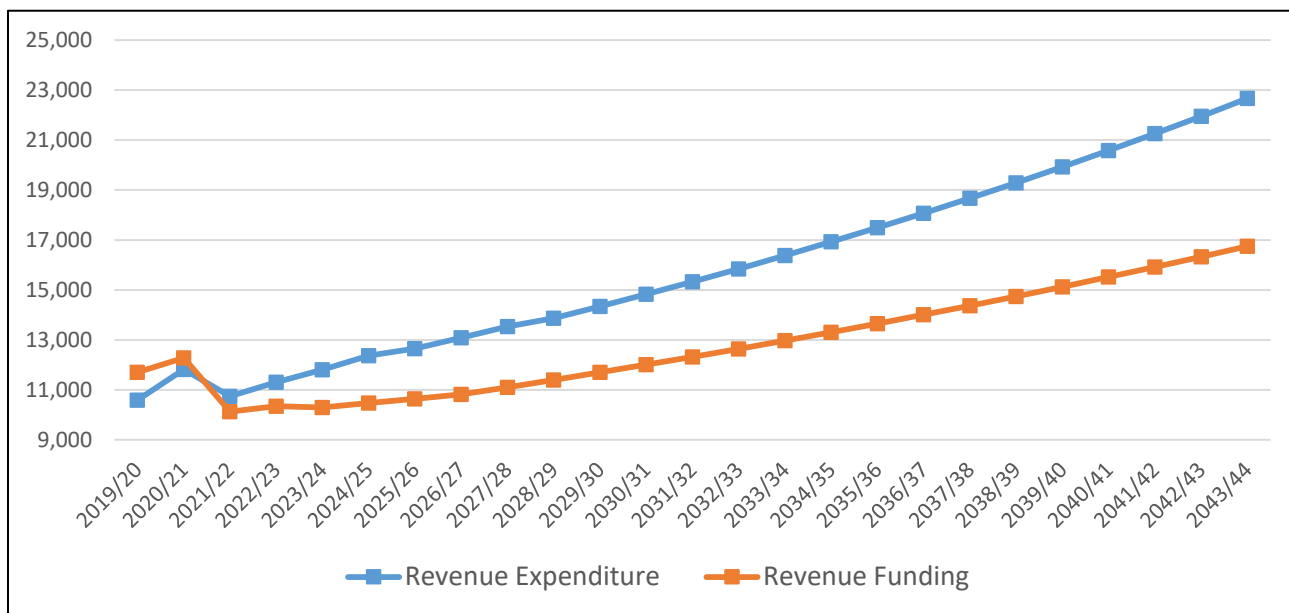
The potential significant changes to the Local Government Financing Regime mean that whilst there is significant uncertainty beyond 2020/21, there is a benefit for the Council to understand the financial challenges that it could face in the medium to long term.

The following key assumptions have been utilised in producing the longer term financial plan:

- Annual core inflation of **2.5%** and funding increases by **2%**.
- Residential growth based on **75%** of the Strategic Housing Land Availability Assessment (SHLAA) until 2024/25 and then the Local Housing Need (LHN) assessed figure of **331** per annum.
- Council Tax increases of **£5** per annum until 2023/24 and then **1.99%** per annum.
- Service delivery budgetary growth resulting from residential growth is included. The use of the LG Futures nearest neighbours highest Unit Cost for Waste and Council Tax collection of £53 per property in 2019/20 uprated by inflation to **£58** per property in 2024/25.
- The Past Service element of Pensions increases by **£100,000** per annum from 2024/25 and is also increased annually by inflation of **2%**.
- Retained Business Rates – a full reset in 2021/22 with the majority of growth above the baseline redistributed and phased resets between full resets. These resets mean growth will only be retained for relatively short periods of time. Therefore at this stage, a prudent annual allowance of **(£100,000)** retained growth is included from 2024/25 with annual inflation increases of **2%**.
- Negative Revenue Support Grant – the principles used where funding is redistributed from relatively low need authorities that are relatively more able to fund the need through Council Tax, such as Lichfield District Council, are applied in the Fair Funding Review from 2021/22.
- New Homes Bonus – legacy payments continue to 2022/23 and then the scheme is phased out.

NARRATIVE REPORT

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



The Council will need to identify initiatives (including Invest to Save projects) to close the projected funding gap from 2021/22 onwards.

Covid-19

Impact on the Council's MTFS

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

The overall impact is very difficult to predict especially identifying which financial impacts are cash flow (temporary) and which are budgetary (permanent) in nature. Therefore at this early stage, the financial impacts related to income are assumed to be those of a budgetary nature.

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

To offset the additional financial pressures being faced by Local Government, the Government has provided additional funding of **£3.8bn**. This funding has been provided in three tranches (although this Council was not eligible for tranche 3 funding because it was related to the additional costs for Social Care) during 2019/20 and 2020/21:

Details	Year funding provided	Local Government	Lichfield DC share
Tranche 1	2019/20	£1.6bn	£37,280
Tranche 2	2020/21	£1.6bn	£1,036,009
Tranche 3	2020/21	£0.6bn	£0
Total		£3.8bn	£1,073,289

NARRATIVE REPORT

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

The Council's financial impact is currently projected to be between **£3m** and **£5m** on the 2020/21 budget if the pandemic and its effect upon the economy continue for most of this financial year. However it is important to note that the situation is incredibly fluid with changes happening every week and therefore these projections will need to be carefully monitored. In the event that further Government funding is not received, and taking into account the **(c£1m)** received to date in 2020/21, the residual financial impact is projected to be between **£2m** and **£4m**. It is unrealistic to expect that management action can close all of this gap and therefore it is intended to use general reserves to fund any residual financial impact.

The government announced a significant increase in Business Rate Reliefs, and this has therefore reduced the Net Business Rates payable by **c£13m** in 2020/21.

We have also received **(£562,910)** from the government to provide hardship payments of up to £150 to all working age Council Tax Support claimants and this has reduced the amount of Collectible Council Tax.

Local unemployment figures towards the end of May 2020 saw a **64%** increase in just one month. This was repeated across Staffordshire. Universal Credit and Job Seekers Allowance claimant count for Staffordshire for March and April is shown in the table below:

	March 20 - number	April 20 - number	% change in number since last month	% of increase for Staffordshire
Staffordshire	12,050	20,875	73%	100%
Cannock Chase	1,655	3,025	83%	16%
East Staffordshire	1,720	2,790	62%	12%
Lichfield	1,320	2,290	73%	11%
Newcastle-under-Lyme	1,980	3,270	65%	15%
South Staffordshire	1,310	2,545	94%	14%
Stafford	1,655	2,835	71%	13%
Staffordshire Moorlands	920	1,760	91%	10%
Tamworth	1,490	2,360	58%	10%

The Council's Economic Development team is working with partners across the County and the Local Enterprise Geography to try to address this, but it is anticipated that these figures will continue to rise over the next few months. The long-term impact of the lockdown on the job market, the retail economy, and the housing market are very hard to predict and the Council will need to monitor them carefully over the next few months to make sure we understand the evidence and that we make the right interventions where we are able to.

Recovery and Risks

The Council continues to work on its Recovery Plan. It is difficult to predict what actions will be needed over the next months and possibly years. There are impacts that will need to be addressed, for instance the Council's role in dealing with local outbreaks of Covid-19, the Government's test, track and trace and our role in it.

Environmental Health leads are working across Staffordshire with Public Health to meet the Government's expectations on the part of the plan that will need to be addressed locally. Sufficient resources to meet these demands and support the economy to restart and carry out our usual regulatory duties is a key concern. Funding is being made available to upper tier authorities across the country to put these plans in place.

NARRATIVE REPORT

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

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

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

This means that the assumptions underlying later years in the MTFs will almost certainly need to change, making the 'funding gap' for 2021/22 and beyond larger and are likely to include:

- Strategic partnerships where the funding levels agreed by the Council were based on assumptions made prior to the COVID-19 pandemic.
- Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs.
- Council Tax income projections due to collection rates, growth and Local Council Tax Support.
- Income projections for sales, fees and charges including car parking and property rentals.
- Planning obligations (Section 106 and Community Infrastructure Levy).
- Investment returns from treasury and property.
- Transformation and savings projects especially where they are focussed on income generation.

The Resolution Foundation has projected a reduction in long run GDP compared to the trend of between **3%** (3 months) and **7%** (12 months) depending on the length of the lockdown.

The application of these scenarios to the sales, fees and charges budget in 2020/21 (excluding investment income) would result in a reduction in income of **£250,000** or **£600,000** per annum.

Some Positive Outcomes for the Council

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

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities
- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely
- The pandemic has highlighted the current position in regards to the resilience and integrity of our ICT infrastructure, whilst also demonstrating areas for future attention in order to optimise the new normal
- It has shown the need for a modern office design, providing the catalyst to make changes which people are accepting of, without the normal change curve and inherent tensions
- Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest, we have put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation
- Finally it has shown our ability to communicate with emotion and personality, and the positive impact this can have for our communities, for example, the positive response to our bin tag and social media campaign to assure our residents and businesses

NARRATIVE REPORT

Principal Risks and Uncertainties

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

A **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.

During 2019/20, **eight risks** were 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
- The Financial resources available are not sufficient to support all of the planned priorities for the Council and areas that rely on significant income generation may not achieve their targets (financial sustainability of the Council)
- Capacity to deliver all the outcomes required in the Council's Strategic Plan with the particular workforce and organisational development challenges we face (capacity to deliver)
- Governance and statutory obligations
- How IT supports business outcomes and our reliance on IT to achieve our strategic ambitions (Information technology)
- Impact of stakeholder strategies on our Strategic Plan
- Failure to manage a major incident.

One of the risks above was identified as being above the Council's risk appetite and therefore **significant** - that of **Financial Resources**. The Council is continually working to mitigate and reduce this risk. However, it is unlikely to reduce to below significant until the Government has made clear their plans for the future funding of local government and the settlement for a four year period is known.

More recently, the impact of **Covid-19** has dramatically changed the Council's risk environment and will be a major factor in the Council's risk management moving forward into 2020/21.

The potential impact and the management of each of the eight strategic risks being monitored during 2019/20 are discussed now below:

A Failure to Respond to Changing Demographics

Risk to the Council

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

NARRATIVE REPORT

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).

As the Council's services increasingly move to digital delivery, resources are allocated to support those vulnerable customers who may not be digitally enabled, including older customers who may not be able to access the internet.

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, 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 is a key strategic ambition for the Council and its 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 Investment in Property 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

NARRATIVE REPORT

- 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.

The risk is also impacted by the Local Government Finance Settlement 2020/21 that confirmed a review of New Homes Bonus and a gradual withdrawal of funding; an increase in the PWLB borrowing rate in October 2019; and the decision to refurbish Friary Grange Leisure Centre and provide a replacement facility.

Management of Risk

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

- Transformation and a more commercial approach
- 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 are being 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.

Service Plans and strategic plans have been aligned with the budget setting process and a Delivery Plan for the Strategic Plan is in operation.

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.

NARRATIVE REPORT

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 has been 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.

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:

- Reduction in funding for partner agencies putting pressure on the Council budgets

NARRATIVE REPORT

- Requirement for increased resource commitment to Prevent and community cohesions agenda
- Changes to health provision resulting in increased DFG claims and increased demands for supported living accommodation
- Changes to the national economic position resulting in reduced Business Rates receipts
- New legislation on homelessness prevention.

Management of Risk

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

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

Failure to Manage a Major Incident (including a pandemic)

Risk to the Council

This is the risk that a lack of integrated emergency arrangements would make 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.

NARRATIVE REPORT

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 2020. 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 2019/20, which in turn is underpinned by International Financial Reporting Standards.

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

The **Core Statements** are:

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

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

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


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

The **Supplementary Financial Statements** are:

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

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

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



Anthony Thomas

Head of Finance and Procurement (Section 151)

ANNUAL GOVERNANCE STATEMENT

Section 1	Scope of Responsibility
Section 2	Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Annual Review of the Effectiveness of the Governance Framework
Section 5	Update on Significant Governance Issues 2018/19
Section 6	Reflecting the Challenges from Coronavirus

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 Code was agreed by Audit and Member Standards Committee in April 2019.

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 2020 and up to the date of approval of the Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

Section 3: The Governance Framework


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

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

We have an Audit and Member Standards Committee which has responsibility for promoting and maintaining high standards of conduct by 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. Indeed, training was provided to District Councillors on the Members Code of Conduct and constitutional matters in May 2019 as part of the induction day for Members following the May election.

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

The Council has adopted arrangements under which allegations of misconduct are investigated and under which decisions on allegations can be made. They arrangements are regularly reviewed, and any amendments made by the Council are reflected in the Council’s Constitution. The number of complaints in 2019/20 compared with 2018/19 is shown below:

	Area	2018/19	2019/20	Trend
Member Complaints		3	3	➔

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

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

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

Communicating the expected standards to employees is undertaken through leading by example by managers from the top (which is a specific requirement in the job description of the Chief Executive, 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, Full Council on 21 February 2017 and updated on 8 February 2018. A copy can be found on the Authority’s Intranet. This Code sets out the principles, behaviours and standards expected of employees in a single document.

ANNUAL GOVERNANCE STATEMENT

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 Strategic Plan that took effect from 1 April 2016, and also within the new Strategic Plan 2020-24 that comes into effect on 1 April 2020 (see Core Principle C).

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

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

- Disciplinary Policy and Procedure
- Grievance Policy and Procedure (incorporating bullying and harassment)
- Attendance Management and Sickness Policy and Procedure
- Performance Management Policy and Procedure
- Managing Relationships at Work Policy.

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

The Strategy will be 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 has developed a Workforce Development Plan. Workforce Planning is about:

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

ANNUAL GOVERNANCE STATEMENT

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

Within the People Strategy the Council has also adopted an Employee Wellbeing Policy that demonstrates the Council's commitment to supporting staff and the types of support that will be available. As part of this, the beginning of 2020, saw the start of a monthly campaign of various topics relating to health and well-being, planned in line with national and international campaigns (for example, obesity, alcohol, heart and circulation, mental health, stress, healthy eating, etc). This was launched with a well-being day held in January 2020, supported by various organisations relating to mental health, cancer support, sports and physical activity and health and safety. There were also interactive activities together with awareness sessions and briefings.


The Council has also produced a Mental Health Action Plan, in line with the recommendations of the Stevenson/Farmer review, to ensure our employees' ability to 'thrive' at work. It has also been raising awareness of mental health issues for all employees and providing training sessions and resources for managers to undertake 'wellness action plan' discussions with all staff, training sessions for staff to help build resilience and creating a team of mental health first aiders.

In addition, it has pledged to the Mind 'Time for Change' initiative, with awareness sessions held in February 2020.

During 2019/20, the Council has been working to ensure that all its policies around managing attendance, behaviour and respect support its aims to promote a positive culture for wellbeing. This is still work in progress but it is hoped that this will be completed in the near future.

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

Under the 2015 Care Act, the Council has a legal responsibility to safeguard, promote well-being and protect children and vulnerable adults. The Authority has a Safeguarding Policy which sets out specific responsibilities and how to spot potential abuse and report concerns. In addition, each Service Area has a safeguarding lead, and training and awareness sessions are carried out for all staff, not just those who come into contact with children and vulnerable adults as part of their role. The number of referrals in 2019/20 compared with 2018/19 is shown below:

	Area	2018/19	2019/20	Trend
Concerns Raised	13	19	↑	
<i>Related to:</i>				
<i>Children</i>	6	4	↓	
<i>Adults</i>	7	15	↑	
Formal Referrals	7	5	↓	


The reduction in concerns raised relating to children reflects the reduced direct contact with children since transferring our leisure centres to Freedom Leisure in February 2018. In 2019/20, a number of the adult referrals related to the same individuals and in one case this was escalated. Of the 5 taken forward as formal referrals, all were passed on to other services or fell below the threshold for safeguarding concerns.

ANNUAL GOVERNANCE STATEMENT

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 2020 and can be found on the Council’s website.

The Council has an Equality and Diversity Policy which was approved by Full Council in 2018. There is also a ‘handy’ guide 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, as with the Policy, 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 gender pay gap figures for 2019/20 compared with 2018/19 are shown below:

	Area	2018/19	2019/20	Trend	
	Gender Pay Gap (Mean)				
	Lichfield	8.48%	5.62%	↓	
	National	14.05%	12.00%	↓	
	Gender Pay Gap (Median)				
	Lichfield	0%	0%	→	
National	15.88%	9.70%	↓		

The National figures are taken from the base data on the ‘.gov.uk’ website

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.

In March 2020, the Tactical Coordinating Group on Coronavirus was set up to implement an effective response to COVID 19 in Lichfield district. The Group will work together to prioritise the continued delivery of essential services in order to support our communities, businesses staff and elected members and other key stakeholders. It will also manage the ongoing response to preserve life, minimise disruption to communities businesses and services and inspire trust and confidence of all.

During 2019/20, the Council was considering investing in Imperial Retail Park, Lichfield. However, in late March, a decision was made not to go ahead with this investment. This decision was made following the Government’s budget which brought with it a review of the Public Works Loan Board (PWLb), followed closely by advice from CIFPA. Leadership Team considered all of this guidance and agreed that the changes meant that the Council would be unable to borrow, as planned, to fund this investment. Had we continued to proceed we would leave ourselves at risk from potential sanctions which, at worst, could include having our annual accounts qualified or being required to dispose of the asset. Other funding options were considered and discussed with Cabinet on 17 March, but we were unable to find a suitable solution and therefore withdrew the offer and ceased the purchase.

ANNUAL GOVERNANCE STATEMENT

B Ensuring Openness and Comprehensive Stakeholder Engagement

The Council is part of a number of external partnerships which provide support to its strategic agenda. These include the Stoke and Staffordshire and the Greater Birmingham and Solihull Local Enterprise Partnerships (LEP), county and regional waste partnerships, and housing and community safety partnerships. 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 2019/20, we were also part of the Staffordshire and Stoke on Trent Business Rate Pilot.

We are committed to working collaboratively with a range of other partners including the County Council, education, health, housing, business, police, fire and the voluntary and community sector to achieve what is needed for our District. 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 the spring of 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 and all were given the opportunity to give their views on the potential development mix. The public event followed a round table event involving the Council's cross-party Member task group and key organisations, such as Lichfield City Council and Lichfield Bid.

Further public consultation took place between 6 January and 3 February 2020 over the draft masterplan for this site and the City centre. This consultation took place using a number of mediums (including an App). We had **141** individual detailed responses to this exercise and approximately **1,000** people attended a two day exhibition held at St Mary's.

During 2019/20 there has been extensive consultation over the new Strategic Plan 2020-24. There was a stakeholder session that was attended by Lichfield BID, Chamber of Commerce, South Staffordshire College, Freedom Leisure, Sport England, the Voluntary Sector, Staffordshire County Council and the Police. Consultation also took place with residents of the District via focus groups. All feedback including that from Member task groups and staff focus groups was evaluated reviewed and contributed to the final version of the Plan.

Extensive consultation also took place over the future of Friary Grange Leisure Centre. Discussions were held with Friary school, Staffordshire County Council, Lichfield Swimming Club, Freedom Leisure and residents. Cabinet Members attended a public meeting at Curborough Community Centre with residents and users. In October 2019, a special meeting of the Cabinet was held at Lichfield Garrick Theatre in response to a petition to keep the Leisure Centre open, that received approximately 11,000 signatures.

Consultation also took place during 2019/20 over the new Local Plan that will shape how the District will be developed up to 2040. Various drop in sessions have been held for local people to see the draft 'Local Plan Preferred Options' document, meet the planners and to find out what it means for the District. At the last consultation, **1,083** individuals made **1,883** separate comments.

ANNUAL GOVERNANCE STATEMENT

The Council endeavours to be open and transparent about its decisions. The current Leader in particular has emphasised that the Council must be seen to be as open and transparent as possible in its decision making and operation. To ensure maximum transparency, reports containing confidential information are split into confidential and non-confidential sections. Furthermore, when reports have to be considered in private an explanation is provided on the agenda.

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

The Council maintains a website for customers. In May 2019, a more modern version was launched that works from the same software package as our digital forms to make it easier to manage the digital platforms and interactions with customers. The overall look of the website was not changed significantly as we know that customers find the old site easy to use – indeed the 'old' website has in previous years been rated **4** out of **4** stars in the national review of local government websites, putting us in the top **9%** of local government websites and **4%** of districts and boroughs. It has also been 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.

The Council manages a number of social media streams including Facebook and Twitter. In addition, we maintain a suite of supporting websites that help underpin the Council's strategic ambitions, including tourism destination website Visit Lichfield and service specific websites including Southern Staffs Building Control. The Council also has a 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 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 **45** 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 therefore have an online web section on our website – www.lichfield.gov.uk/foi. This section contains information that we regularly receive requests for.

ANNUAL GOVERNANCE STATEMENT

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

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

In 2020, the Council was awarded a 'Gold Award' in recognition of the way it manages its address information database. The Gold Award is only given to authorities that have consistently reached and maintained the highest standards in national tests on data excellence, and is an outstanding achievement.

The award was presented by GeoPlace LLP, which is a public sector limited liability partnership between the Local Government Association (LGA) and Ordnance Survey. GeoPlace see the awards as a reward for the impressive and extensive personal commitment to constantly improving the quality of addressing data.

This data on land, property, street and address information connects different services and gives local communities and individuals a view of the services available to them. Without this data, our nation's most essential services could not operate effectively or efficiently. This is particularly important at this time as accurate addressing enables the prompt provision of support for vulnerable people, enabling social services to see which households need help.

This is why the Gold Award is so important. It is recognition of the hard work and skill that goes into maintaining a constantly changing dataset – delivering tangible results directly back into the community.

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 have been completed including: reviewing and auditing current practice; checking consents and privacy notices; reviewing contractual terms with suppliers; meeting with all officers who process personal data; creating a policy for GDPR; updating subject access requests procedures; training staff.

One of the requirements of GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and to provide advice in relation to the law. The Assistant Director Democratic and Regulatory Services at South Staffordshire District Council acts as this Council's DPO, working closely with Lichfield's Head of Corporate Services.

The Council has a customer feedback scheme for the public to make complaints, comments and compliments, and constructive criticism which is used to improve services. The Complaints Charter provides guidance to staff on the Council's complaints process. Members are provided with monitoring reports on a six monthly basis in addition to reports being presented annually to Audit and Member Standards Committee.

ANNUAL GOVERNANCE STATEMENT

The number of complaints and compliments for 2019/20 compared with 2018/19 is shown below:



Area	2018/19	2019/20	Trend
Complaints	119	77	↓
Compliments	107	113	↑
Ombudsman Complaints	7	11	↑
Ombudsman Complaints Upheld	1	1	→
Whistleblowing Reports	0	0	→

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

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

- Joint Waste Service where new online forms to report missed bins have been introduced
- Revenues and Benefits as a result of over 80 new online forms which means more information is publicly available and customers can self-serve
- Housing Services – application for home repair assistance grants - website has been updated with improved grant and contact information now available
- Planning - training provided in validating planning applications to make the system more efficient

There were no whistleblowing reports during 2019/20 (nor during 2018/19).

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

Lichfield District Council has a clear vision in the form of the Strategic Plan 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.

ANNUAL GOVERNANCE STATEMENT

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:

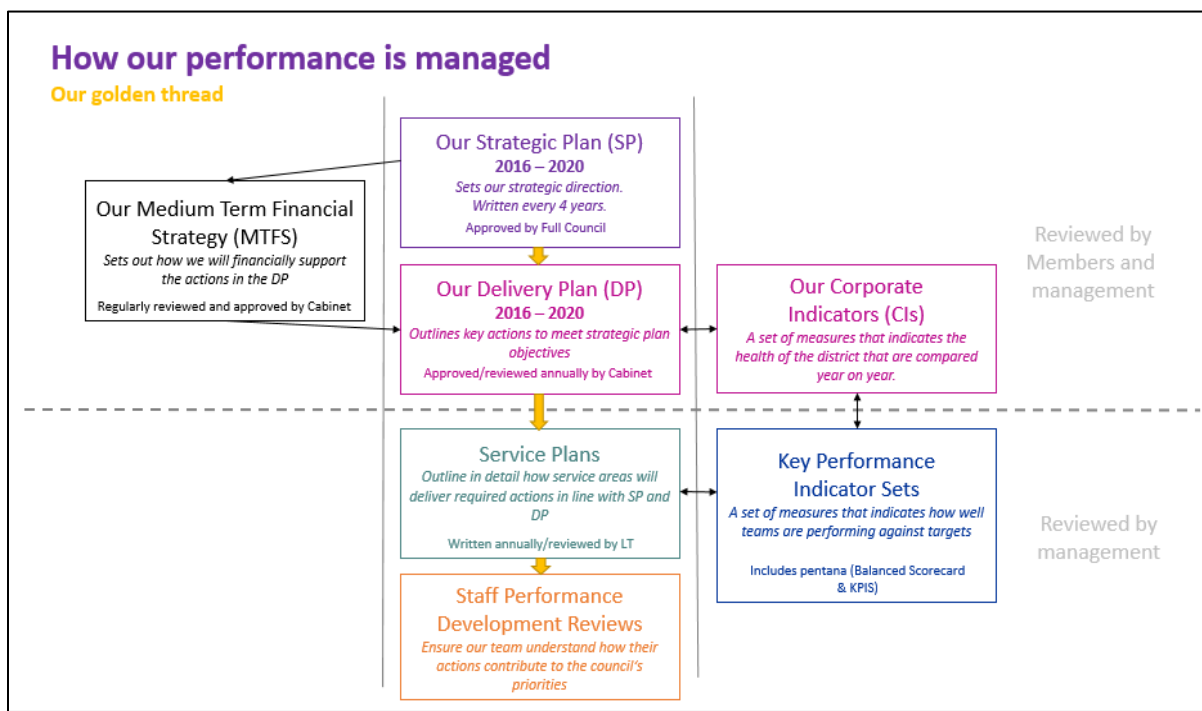
- A vibrant and prosperous economy
- Healthy and safe communities
- Clean, green and welcoming places to live.

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. The performance framework is shown in the diagram below:



The Council's Delivery Plan 2018-20 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 over the period 2018-20.

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.

ANNUAL GOVERNANCE STATEMENT

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

The Delivery Plan is reviewed on an ongoing basis by Leadership Team and progress reported on a six-monthly basis to Cabinet. A full year Delivery Plan Performance update report is taken to Cabinet in the 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.

Since April 2019, performance reporting has taken 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.

A new Strategic Plan for 2020-24 has been developed during 2019/20, following extensive consultation and review by Member, staff, stakeholder and resident focus groups.

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

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

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

Following the agreement of the high level Strategic plan outcomes, work was undertaken by Leadership Team and Cabinet to identify the top priority issues that needed to be addressed to ensure these are achieved over the next 12 - 18 months. These priorities have formed the basis of the Delivery plan for 2020/21 and the annual service plans.

The 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.

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, any made Neighbourhood Plans and any other supporting documents, such as supplementary planning documents) by the publishing council.

ANNUAL GOVERNANCE STATEMENT

The Council updated its LDS during 2019/20 to identify a revised timetable for preparing the Local Plan that shapes how the District will be developed up to 2040 (to be adopted in February 2022). This updated version was considered by Economic Growth, Environment and Development (Overview and Scrutiny) Committee in June 2019 and approved by Cabinet in September 2019.

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 Strategic CIL pot currently available for allocation stands at approximately £340,000.

A key consideration for the Council going forward is the proposed requirement for charging authorities to replace their Regulation 123 Lists with Infrastructure Funding Statements. These statements will explain how the spending of any forecasted income from both CIL and Section 106 planning obligations over a five year period will be prioritised. We are required to develop an Infrastructure Funding Statement by no later than 31 December 2020.

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 2019/20 there were no Neighbourhood Plan referendums (compared with 5 in 2018/19).

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 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

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 2019/20 is the MTFS 2018-23. This was approved by Cabinet and Full Council in February 2018.

The Revised Budget for 2019/20 was approved by Full Council in February 2020 as part of the MTFS for 2019/20.

The Council has a Capital Strategy which was approved In February 2019 by Full Council. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services together with an overview of how associated risk is managed and the

ANNUAL GOVERNANCE STATEMENT

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 2020-23. 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.

As a result of these ongoing changes, the Council has implemented plans and strategies to manage these financial risks, for example the Fit for the Future Programme introduced in May 2013. This transformation programme has been used to manage the change needed across the Council and its services in order to meet the challenges facing local government finances and to bridge the predicted revenue funding gap.

Since its introduction the Programme has helped to identify a range of service improvements and deliver significant savings through a range of measures, including reductions in non-priority areas, changes to service standards, transferring assets and introducing or increasing charges for some services. It has also supported the delivery of the outcomes described within the Strategic Plan 2016-20 and helped to prepare for the 2020-24 Strategic Plan.

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

The Council has a Constitution which can be found on our website. This sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution went through a thorough review during 2017/18 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 Legal & Regulatory submitting recommendations to Full Council.

ANNUAL GOVERNANCE STATEMENT

The Council has a training plan for Members which is developed and monitored by the Employment Committee. The number of training events during 2019/20 compared with 2018/19 is shown below:


	Area	2018/19	2019/20	Trend
	Member Training Events	6	15	↑

The areas covered included safeguarding, an introduction to the planning process, an introduction to overview and scrutiny, commercialisation, charring meetings, regularity and licensing committees, and equality and diversity.

Members were also given extensive advice regarding pre-determination in relation to petitions and also in relation to planning. A specific session was held for the District Planning Committee where the issues relating to pre-determination and dual-hatted Members (those who also sit on Planning Committee at Parish level) were clarified.

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 2019/20 decreased significantly on the previous year. The figures are shown below:

	Area	2018/19	2019/20	Trend
	Performance Development Reviews (September)	66.5%	12.4%	↓
	Performance Development Reviews (March)	89.0%	52.0%	↓

The decrease in completed PDRs compared with 2018/19 is due to a number of factors, including resourcing gaps as a result of illness and vacant posts and a delay in launching the new PDR approach following the approval of the People strategy in 2019. A new PDR approach is currently being tested and will be a focus for 2020/21 with the aim of seeing a substantial improvement in the number of PDRs promptly completed.

A structured e-learning programme is available which greatly enhances the learning and development opportunities for a large cross-section of employees. Areas covered include fraud awareness and equalities. During 2019/20, cyber security and GDPR training was added to the e-learning programme.

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

ANNUAL GOVERNANCE STATEMENT

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

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

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. Of these risks, 1 has been identified as a significant: the availability of sufficient financial resources to support the Council's planned priorities. The Council is continually working to mitigate and reduce this risk. However, it is unlikely to reduce to below significant until the Government has made clear their plans for the future funding of local government and the settlement for a four year period is known.

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.

The Council has an 'Acceptable Use Policy' for IT (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. Both documents are reviewed on an ongoing basis to ensure that they remain fit for purpose.

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

ANNUAL GOVERNANCE STATEMENT

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 2019/20, the Chief Financial 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.

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

Whilst the statutory local authority budget setting process continues to be on an annual basis, a longer term perspective is essential if local authorities are to demonstrate their financial sustainability. Hence one of the objectives of the Code is to support organisations to show that they have the leadership, capacity and knowledge to be able to plan effectively.

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

ANNUAL GOVERNANCE STATEMENT

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

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 2019/20 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.

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

We have an effective in-house Internal Audit function with direct access to Members and which reports to the Chief Finance Officer. This service provides assurance with regard to governance arrangements and its recommendations are acted upon. For 2019/20, 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.

The review of Internal Audit for 2019/20 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.

In February 2020, the Audit and Member Standards Committee approved changes to the system of Internal Audit follow up procedures in order to enable the Committee to use their time to focus on areas of highest risk. It also approved changes to the definitions of overall assurance opinion and recommendation ratings in order to improve clarity.

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 2019/20.

The more recent phase of the F4F Programme 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.

ANNUAL GOVERNANCE STATEMENT

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

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

The review is informed by:

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

Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2019/20 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 2019/20 no significant weaknesses in Governance or Internal Control were highlighted.

Section 5: Update on Significant Governance Issues 2018/19

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 2018/19.

ANNUAL GOVERNANCE STATEMENT

Section 6: Reflecting the Challenges from Coronavirus

The Annual Governance Statement assesses governance in place during 2019/20, so the majority of the year will be unaffected by coronavirus. The conclusion in Section 4 above that governance is fit for purpose during 2019/20 has been based on normal operations.

However, coronavirus will have impacted on governance during March 2020, and this section will therefore be updated before the Annual Governance Statement is published to reflect the impact of the COVID-19 pandemic on governance, and a second conclusion on the adequacy of governance arrangements during this period will be included to make clear the impact.

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

Impact on business as usual in the delivery of services

Social distancing measures have had a significant impact on the Council's governance arrangements.

MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and alter the frequency and occurrence of meetings without requirement for further notice and they also dis-apply provisions requiring local authorities to hold annual meetings.

Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest Lichfield District Council has put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation.

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

The Council has and continues to work on its Recovery Plan. It is difficult to predict what actions will be needed over the next months and possibly years. There are impacts that will need to be addressed, for instance the Council's role in dealing with local outbreaks of Covid-19, the Government's test, track and trace and our role in it.

Environmental Health leads are working across Staffordshire with Public Health to meet the Government's expectations on the part of the plan that will need to be addressed locally. Sufficient resources to meet these demands and support the economy to restart and carry out our usual regulatory duties is a key concern. Funding is being made available to upper tier authorities across the country to put these plans in place.

The Council's Economic Development team is working with partners across the County and the Local Enterprise Geography to try to address the increase in unemployment levels that have occurred as a result of Covid-19, but it is anticipated that unemployment will continue to rise over the next few months. The long-term impact of the lockdown on the job market, the retail economy, and the housing market are very hard to predict and the Council will continue to monitor them carefully over the next few months to make sure we understand the evidence and that we make the right interventions where we are able to.

ANNUAL GOVERNANCE STATEMENT

The funding and logistical consequences of delivering the local government response

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

The overall impact is very difficult to predict especially identifying which financial impacts are cash flow (temporary) and which are budgetary (permanent) in nature. Therefore at this early stage, the financial impacts related to income are assumed to be those of a budgetary nature.

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

To offset the additional financial pressures being faced by Local Government, the Government has provided additional funding of **£3.8bn**. This funding has been provided in three tranches (although this Council was not eligible for tranche 3 funding because it was related to the additional costs for Social Care) during 2019/20 and 2020/21 It is unclear at this stage whether this funding will be sufficient to offset all of the financial pressures and Local Government continues to lobby for further funding to be made available.

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

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

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

This means that the assumptions underlying later years in the MTFs will almost certainly need to change, making the 'funding gap' for 2021/22 and beyond larger and are likely to include:

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

The Resolution Foundation has projected a reduction in long run GDP compared to the trend of between **3%** (3 months) and **7%** (12 months) depending on the length of the lockdown.

The application of these scenarios to the sales, fees and charges budget in 2020/21 (excluding investment income) would result in a reduction in income of **£250,000** or **£600,000** per annum.

Some Positive Outcomes for the Council

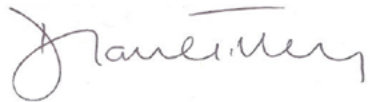
The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities

ANNUAL GOVERNANCE STATEMENT

- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely
- The pandemic has highlighted the current position in regards to the resilience and integrity of our ICT infrastructure, whilst also demonstrating areas for future attention in order to optimise the new normal
- It has shown the need for a modern office design, providing the catalyst to make changes which people are accepting of, without the normal change curve and inherent tensions
- Finally it has shown our ability to communicate with emotion and personality, and the positive impact this can have for our communities, for example, the positive response to our bin tag and social media campaign to assure our residents and businesses

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



Diane Tilley
Chief Executive



Councillor Douglas Pullen
Leader of the Council

EXPENDITURE AND FUNDING ANALYSIS – NOTE TO THE ACCOUNTS

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

2018/19 (Restated)						2019/20				
Narrative Report	Presentation and Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the CIES		Narrative Report	Presentation and Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
6,157	(193)	5,964	626	6,590	A council that is fit for the future	5,900	758	6,658	643	7,301
(1,201)	(84)	(1,285)	1,110	(175)	A vibrant and prosperous economy	(879)	511	(368)	1,510	1,142
0	0	0	1,550	1,550	A vibrant and prosperous economy (Material Item)	0	0	0	0	0
2,839	(288)	2,551	(19)	2,532	Clean, green and welcoming places to live	2,843	225	3,068	(456)	2,612
1,986	(150)	1,836	768	2,604	Healthy and safe communities	1,628	(179)	1,449	540	1,989
0	(882)	(882)	0	(882)	Healthy and safe communities (Material Item)	0	0	0	0	0
9,781	(1,597)	8,184	4,035	12,219	Cost of Services	9,492	1,315	10,807	2,237	13,044
(9,781)	(1,821)	(11,602)	275	(11,327)	Other Income and Expenditure	(9,492)	(2,997)	(12,489)	140	(12,349)
0	(3,418)	(3,418)	4,310	892	(Surplus) or deficit on Provision of Services (cash flow)	0	(1,682)	(1,682)	2,377	695
		(12,282)			Opening General Fund			(15,701)		
		(3,418)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year			(1,682)		
		(15,700)			Closing General Fund			(17,383)		

31 March 2019 £000		31 March 2020 £000
5,310	General Fund Balance	6,392
10,390	Earmarked Reserves Balance	10,991
15,700	Total	17,383

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.

2018/19 *(Restated)				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
7,066	(476)	6,590	A council that is fit for the future	8,124	(823)	7,301
4,836	(5,010)	(174)	A vibrant and prosperous economy	6,342	(5,200)	1,142
1,613	(63)	1,550	A vibrant and prosperous economy (Material Item) ¹	0	0	0
25,489	(22,958)	2,531	Clean, green and welcoming places to live	24,456	(21,844)	2,612
3,615	(1,011)	2,604	Healthy and safe communities	3,124	(1,135)	1,989
221	(1,103)	(882)	Healthy and safe communities (Material Item) ²	0	0	0
42,840	(30,621)	12,219	Cost of Services	42,046	(29,002)	13,044
1,940	(764)	1,176	Other Operating Expenditure (note 9)	2,095	(1,011)	1,084
1,537	(837)	700	Financing and Investment Income and Expenditure (note 10)	2,676	(879)	1,797
12,527	(25,730)	(13,203)	Taxation and Non-Specific Grant Income (note 11)	11,445	(26,675)	(15,230)
58,844	(57,952)	892	(Surplus) or deficit on Provision of Services (cash flow)	58,262	(57,567)	695
		(738)	(Surplus) or deficit on revaluation of non-current assets			(390)
		5,378	Re-measurement of the net defined benefit liability			(13,000)
		4,640	Other Comprehensive Income and Expenditure			(13,390)
		5,532	Total Comprehensive Income and Expenditure			(12,695)

*In 2008/19, the Council elected to account for investments in the CCLA Property Fund as fair value through other comprehensive income. It has now been decided that a fair value through profit and loss treatment is more appropriate, and this treatment has been backdated to 1 April 2018.

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.

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.

Restated	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	(892)	0	0	(892)	(4,640)	(5,532)
Adjustments between accounting basis and funding basis	4,310	(1,067)	552	3,795	(3,795)	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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019	15,700	2,264	2,194	20,158	(157)	20,001
Total Comprehensive Income and Expenditure	(695)	0	0	(695)	13,390	12,695
Adjustments between accounting basis and funding basis	2,378	657	744	3,779	(3,779)	0
Increase/(Decrease) in Year	1,683	657	744	3,084	9,611	12,695
Balance at 31 March 2020	17,383	2,921	2,938	23,242	9,454	32,696

31 March 2019 £000		31 March 2020 £000
5,310	General Fund Balance	6,392
10,390	Earmarked Reserves Balance	10,991
15,700	Total	17,383

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'.

2018/19 £000		Notes	2019/20 £000
42,786	Property, Plant & Equipment	12	41,434
450	Heritage Assets	13	425
4,867	Investment Property	14	4,075
73	Intangible Assets		66
1,932	Long Term Investments	15	5,456
288	Long Term Debtors	15	141
50,396	Long Term Assets		51,597
200	Assets Held for Sale	18	0
48	Inventories		35
5,026	Short Term Debtors	16	5,130
20,070	Short Term Investments	15	16,082
4,806	Cash and Cash Equivalents	17	13,199
30,150	Current Assets		34,446
(191)	Short Term Borrowing	15	(193)
(10,869)	Short Term Creditors	19	(14,400)
(181)	Short Term Provisions	20	(295)
(1,162)	Capital Grants Receipts in Advance	34	(1,077)
(12,403)	Current Liabilities		(15,965)
(2,449)	Long Term Borrowing	15	(2,255)
(38)	Long Term Creditors	15	(52)
(1,084)	Long Term Provisions	20	(1,046)
(1,106)	Long Term Liabilities: Finance Leases	37	(592)
(42,747)	Long Term Liabilities: Defined Benefit Pension	39	(32,718)
(718)	Capital Grants Receipts in Advance (LT)	34	(719)
(48,142)	Long Term Liabilities		(37,382)
20,001	Net Assets		32,696
20,158	Usable Reserves	21	23,242
(157)	Unusable Reserves	22	9,454
20,001	Total Reserves		32,696

CASH FLOW STATEMENT

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

2018/19 *(Restated) £000		2019/20 £000
(892)	Net surplus or (deficit) on the provision of services	(695)
4,011	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements (Note 23)	10,371
(2,679)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities (Note 24)	(6,250)
440	Net cash flows from Operating Activities	3,426
(1,695)	Investing Activities (Note 25)	2,445
1,588	Financing Activities (Note 26)	2,522
333	Net increase or (decrease) in cash and cash equivalents	8,393
4,473	Cash and cash equivalents at the beginning of the reporting period	4,806
4,806	Cash and cash equivalents at the end of the reporting period (Note 17)	13,199

*In 2008/19, the Council elected to account for investments in the CCLA Property Fund as fair value through other comprehensive income. It has now been decided that a fair value through profit and loss treatment is more appropriate, and this treatment has been backdated to 1 April 2018.

INDEX OF NOTES TO THE ACCOUNTS

Note No.	Note	Page
1	Accounting Policies	56
2	Accounting Standards that have Been Issued but have Not Yet Been Adopted	72
6	Adjustment between Accounting Basis and Funding Basis under Regulations	76
24	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	98
23	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	98
18	Assets Held for Sale	93
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	73
36	Capital Expenditure and Capital Financing	106
17	Cash and Cash Equivalents	93
26	Cash Flow Statement – Financing Activities	99
25	Cash Flow Statement – Investing Activities	99
27	Cash Flow Statement – Operating Activities	99
41	Contingent Assets	114
40	Contingent Liabilities	113
3	Critical Judgements in Applying Accounting Policies	72
39	Defined Benefit Pension Schemes	108
5	Events After the Balance Sheet Date	75
7	Expenditure and Funding Analysis Notes	78
33	External Audit Costs	103
15	Financial Instruments	88
42	Financial Instruments – Risks	114
10	Financing and Investment Income and Expenditure	81
34	Grant Income	104
13	Heritage Assets	86
38	Impairment Losses	108
14	Investment Properties	87
43	Joint Arrangements	118
30	Jointly Controlled Operations	100
37	Leases	107
44	Local Authority Company	118
31	Members' Allowances	101
32	Officers' Remuneration	102
9	Other Operating Expenditure	81
29	Principal and Agency Services	100
12	Property, Plant and Equipment	83
20	Provisions	94
35	Related Parties	105
28	Reconciliation of Liabilities Arising from Financial Activities	99
19	Short Term Creditors	93
16	Short Term Debtors	93
11	Taxation and Non-Specific Grant Income	82
8	Transfers (to)/from Earmarked Reserves	80
22	Unusable Reserves	95
21	Usable Reserves	94

NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20 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.

NOTES TO THE ACCOUNTS

- 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 2019/20 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best

NOTES TO THE ACCOUNTS

estimate of the amount that businesses have been overcharged up to 31 March 2020. 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).

NOTES TO THE ACCOUNTS

- 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

NOTES TO THE ACCOUNTS

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:

NOTES TO THE ACCOUNTS

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

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

Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

The Code allows for three classes of financial assets:

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

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in the Code, and is determined at the time of initial recognition.

Financial Assets Measured at Amortised Cost

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

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less an impairment loss allowance. Annual credits to the Financing Income and Expenditure line

NOTES TO THE ACCOUNTS

in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

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

Financial Assets at Fair Value through Other Comprehensive Income

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

Financial Assets at Fair Value through Profit and Loss

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

Impairment

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

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

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

Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or

NOTES TO THE ACCOUNTS

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 an external valuer and with reference to the appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Other Items:

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

Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration or breakage or where doubts arise over its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see page 108 (Impairment) and pages 83 to 86 (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

NOTES TO THE ACCOUNTS

requirements relating to capital expenditure and capital receipts (again see pages 82 to 85 (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.

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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 2019/20 (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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

- 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.

NOTES TO THE ACCOUNTS

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.

The Apprenticeship Levy

The apprenticeship levy is payable by qualifying employers to provide funding to support apprenticeships. The expense for levy funded training is not a cash transaction for the Council but is recognised as an expense as it is a tax based on employee cost. Payments received into the Council's digital apprenticeship service account are not cash transactions but are accounted for as a government grant and the income is recognised when the levy funded training expense has been incurred.

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.

NOTES TO THE ACCOUNTS

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:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle: IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation
- Annual Improvements to IFRS Standards 2015-2017 Cycle: IAS 12 Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Annual Improvements to IFRS Standards 2015-2017 Cycle: IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation
- Amendments to IAS 19 *Employee Benefits*: Plan Amendment, Curtailment or Settlement
- IFRS 16 Leases: recognition of leases held by lessees on balance sheets as right-of-use assets with corresponding lease liabilities. This statement was due to be implemented from 1 April 2020 but this has been delayed to 1 April 2021. The impact of this on the Authority's accounts is not fully known at the date of the signing of the 2019/20 accounts

3. Critical judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts:

1. The Council hosts the Joint Waste Service with Tamworth Borough Council and is responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements. In February 2016 the Council procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**. A further **£680,000** of assets was added to this during 2016/17. At 31 March 2020 the Net Book Value of the assets was **£587,000** and the value of the finance lease obligation was **£997,000**. The assets of the operation in respect of vehicles, equipment, land and buildings have been assessed as being under the control of Lichfield District Council and are therefore shown on this Authority's Balance Sheet. The Joint Waste Service shares joint income and expenditure based on the ratio of properties in each area and the current ratio is **58.29%** Lichfield and **41.71%** Tamworth.
2. The Council outsourced the management of its leisure centres to Freedom Leisure on 1 February 2018. As part of the contractual arrangements, all leisure centre staff were transferred to Freedom Leisure via TUPE arrangements. Freedom Leisure has been admitted to the Staffordshire County Council pension fund and pension arrangements between Lichfield District Council, Staffordshire County Council and Freedom Leisure are managed using a pass through agreement. This agreement assigns the majority of pension risk to Lichfield District Council. The IAS19 report provided by the actuary excludes the assets and liabilities relating to the transferred staff. As the Council acts as guarantor for the pension commitments of these former employees, an annual assessment is carried out by management of the risk and potential financial consequences should the Council be called to settle these liabilities. For 2019/20, the risk has been assessed at low, no greater than **1%** or **£79,212**. This

NOTES TO THE ACCOUNTS

is despite Covid-19 as the Council has agreed to support Freedom for the first three months of 2020/21.

3. The assumptions around the outcome of appeals against NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from past experience of both the 2005 and 2010 Lists as well as appeals determinations so far as made against the 2017 List. A 1% variance in the determined appeals provision would alter the net locally retained income to the Council by **£194,000**. 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. 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.</p> <p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, the Valuer has considered that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported as being subject to 'material valuation estimation uncertainty' Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.</p>	<p><u>Specialised Assets</u></p> <p>These valuations were undertaken and submitted shortly before the 31 March 2020 and the Valuer took the decision to leave them unchanged following consideration of the inputs and the information that was available at the date of the valuation. There are three main components to a DRC valuation which are build costs, depreciation adopted and land values. The Valuer reviewed the information published by BCIS in terms of build cost information and noted that there had only been a nominal adjustment, less than 1%, between the information relied upon and that which was available on 31 March 2020 and concluded that this was not sufficient to merit amendment of the valuations provided. In terms of the land values, it is assumed that in each case a suitable site is acquired at least expense for the modern equivalent asset and as a result the land values are kept relatively low and at present there is no evidence to suggest that they should be amended.</p> <p><u>Investment Properties</u></p> <p>On income producing assets there is information to suggest downwards pressure on values as there is a risk that some tenants will not be able to meet rent liabilities within the lockdown period or possibly for lengthier periods. This primarily applies to the retail assets which are subject to a number of tenancies. In the valuation of these assets the Valuer has reflected this risk by assuming voids of up to 6 months and moving yields out by 50 basis points.</p> <p><u>Useful Lives</u></p> <p>If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £37,000 and for vehicles, plant and equipment would increase by £106,000 for every year that useful lives had to be reduced. . (Note that depreciation charges are indicative figures to show the value of the resources consumed by the Council in the year in using assets. The charges do not impact on the council tax that the Council raises to cover its expenditure.)</p>
Business Rate Appeals	<p>Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2019/20 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 2020. 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 2020.</p> <p><u>2005 and 2010 Lists</u></p> <p>Total Rateable Value of Appeals Outstanding at 31 March 2020 (2005 and 2010 lists) = £39.15m Total provision = £3.10m (£1.278m for 2005 and 2010 lists and £1.822m for 2017 list.) Provision as a % of Appeals Outstanding (2005 and 2010 lists) = 3.26%</p> <p><u>2017 List</u></p> <p>The 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.</p>	<p>The key assumptions we have made in the calculation of the provision for Business Rate Appeals using Rateable Values (RV) are summarised below for both the 2005 and 2010 lists:</p> <p><u>2005 List</u> Average success rate 45.23% Average reduction in RV 10.36% Combined 4.70%</p> <p><u>2010 List</u> Average success rate 29.15% Average reduction in RV 10.45% Combined 3.03%</p> <p><u>Overall (2005 and 2010 lists)</u> Average success rate 36.98% Average reduction in RV 10.39% Combined 3.84%</p> <p>Each 1% increase in the overall Combined figure would increase the provision by £485,000. The Council's share of this increase at 40% would be £194,000.</p> <p><u>2017 List</u></p>

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	The 2005 and 2010 lists showed that by the end of the third year 98% of the opening Rateable Value had received an appeal. At 31/03/2020 this would be £87.031m (98% of £88.816m). This value is multiplied by the allowance in the Business Rates Multiplier of 2.1p to calculate the appeals provision of £1.822m .	Each 1% increase in the overall Combined figure would increase the provision by £475,000 . The Council's share of this increase at 40% would be £190,000 . As a result of the impact of Covid-19 on the global financial markets, the valuation of the Pension Fund's directly held property is reported on the basis of material valuation uncertainty. The Council's share of these assets is £564,000.
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 £10,513,000 ; a 0.5% increase in the salary rate would amount to £1,139,000 ; and a 0.5% increase in the pension rate would amount to £9,277,000 .
Sundry Income and Housing Benefit Overpayment Debtors	At 31 March 2020, the Council had a balance of sundry income debtors of £1,582,000 . A review of arrears suggested that an impairment of doubtful debts of 47% (£736,000) was appropriate and an additional allowance of 13% (based on the impact on GDP of previous similar pandemics) was added to reflect the added risk presented by the pandemic. However, in the current economic climate it is not certain that such an allowance would be sufficient.	The element of debtors not covered by the Bad Debt Provision is £846,000 (53%) . Each 1% increase in the percentages used to calculate the Bad Debt provision would increase the provision by £16,000 .

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

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 25 June 2020.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2020 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

Pension Fund Pre-payment – Non-adjusting event

The Council's Pension Fund is subject to triennial reviews by an independent actuary to assess the levels of contributions that will be required. The latest valuation took place as at 31 March 2019 and resulted in an overall increase in contribution rates of **2%**. This includes employer contribution rates plus a deficit repair lump sum payment. The Council has taken the option to pay the annual lump sum amounts for the three years to March 2023 as one advance payment of **£3.309m**. This was paid in April 2020 and reflects a discount of **4%** on the nominal sums.

Covid-19 Business Rates Support Grants – Non-adjusting event

The Council received £19.396m in April 2020 from Central Government in relation to the Business Support Grants scheme for retail, hospitality and leisure businesses due to the impact of Covid-19. These grants of up to £0.025m are being administered by local authorities during 2020/21 in line with Government guidance.

Covid-19 Impact on Income Streams – Non adjusting event

The Covid-19 pandemic and related lockdown is having a significant impact on the income the Council receives during 2020/21 that is used to support the delivery of services to residents. Whilst the Government has already provided funding to local authorities to support these pressure our current forecasts indicate that this will not be sufficient to meet the pressures. Nevertheless the Council's

NOTES TO THE ACCOUNTS

underlying financial position is robust and the level of reserves provides capacity for resilience. Further information on the impact of Covid-19 is set out in the opening narrative statement and the Annual Governance Statement.

6. Adjustments between accounting basis and funding basis under Regulations

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

NOTES TO THE ACCOUNTS

	2018/19 (Restated)				2019/20			
	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	1,716			(1,716)	1,867			(1,867)
Revaluation (gains) / losses on Property, Plant and Equipment	401			(401)	809			(809)
Movements in the market value of investment properties	333			(333)	792			(792)
Amortisation of intangible assets	7			(7)	7			(7)
Capital grants and contributions applied	(701)			701	(1,065)			1,065
Revenue expenditure funded from capital under statute	1,074			(1,074)	1,361			(1,361)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	187			(187)	228			(228)
Insertion of Items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(710)			710	(719)			719
Capital Expenditure charged to the General Fund	868			(868)	(654)			654
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES	(670)		670		(937)		937	
Application of grants to capital financing transferred to the Capital Adjustment Account			(118)	118			(193)	193
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(117)	117			(369)	369		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(643)	643			(636)	636		
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,827)		1,827		(348)		348
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	4,413			(4,413)	4,809			(4,809)
Employers pension contributions and direct payments to pensioners payable in the year	(2,198)			2,198	(2,712)			2,712
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	296			(296)	(992)			992
Adjustments related to the Pooled Fund Adjustment Account								
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from revenue for the year calculated in accordance with statutory requirements	(33)			33	476			(476)
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	87			(87)	113			(113)
Total Adjustments	4,310	(1,067)	552	(3,795)	2,378	657	744	(3,779)

NOTES TO THE ACCOUNTS

7. Expenditure and Funding Analysis Notes

2018/19

Presentation and Earmarked Reserves

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

	Actual Outturn £000	Earmarked Reserves £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A 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)
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 77 under the column General Fund Balance.

Restated	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	(426)	275
(Surplus) or deficit on Provision of Services (cash flow)	1,587	2,976	(253)	4,310

NOTES TO THE ACCOUNTS

2019/20

Presentation and Earmarked Reserves

This table shows the detail of presentational changes related to earmarked reserves, and the transfer to General Reserves (other).³

	Actual Outturn £000	Earmarked Reserves £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A council that is fit for the future	5,900	758	0	758	6,658
A vibrant and prosperous economy	(879)	511	0	511	(368)
Clean, green and welcoming places to live	2,843	225	0	225	3,068
Healthy and safe communities	1,628	(179)	0	(179)	1,449
Net Cost of Services	9,492	1,315	0	1,315	10,807
Other Income and Expenditure	(9,492)	(1,916)	(1,081)	(2,997)	(12,489)
(Surplus) or deficit on Provision of Services (cash flow)	0	(601)	(1,081)	(1,682)	(1,682)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 77 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	345	1,077	(779)	643
A vibrant and prosperous economy	1,318	193	(1)	1,510
Clean, green and welcoming places to live	(157)	518	(817)	(456)
Healthy and safe communities	536	135	(131)	540
Cost of Services	2,042	1,923	(1,728)	2,237
Other Income and Expenditure	14	1,050	(924)	140
(Surplus) or deficit on Provision of Services (cash flow)	2,056	2,973	(2,652)	2,377

³ The transfer for 'Investment Properties' in the table Presentation and Earmarked Reserves in 2018/19 is £15k. This transfer is relatively small and therefore we have included the transfer in the table Adjustments between the Funding and Accounting Basis under 'Other Differences'.

NOTES TO THE ACCOUNTS

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

2018/19 (Restated) £000		2019/20 £000
(13,289)	Fees, charges and other service income	(13,293)
(314)	Interest and investment income	(435)
(8,175)	Income from council tax	(8,704)
(23,516)	Government Grants	(21,613)
(45,294)	Total Income	(44,045)
13,429	Employee Expenses	14,792
26,384	Other Service Expenses	23,396
2,830	Depreciation, amortisation and impairment	3,770
107	Interest Payments	174
955	Pension interest and expected return on Assets	1,048
3,088	Precepts and Levies	1,861
70	Gain or Loss on Disposal of Fixed Assets	(141)
(33)	Gain or Loss on Fair Value of Pooled Funds	476
(644)	Capital Grants & Contributions	(636)
46,186	Total Expenditure	44,740
892	(Surplus)/Deficit on the provision of services	695

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 2019/20. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000
Earmarked General Reserve	(4,014)	387	(2,718)	(6,345)	2,040	(2,374)	(6,679)
Earmarked Reserve-Restricted	(238)	26	(141)	(353)	0	(277)	(630)
Election Reserve	(194)	0	(28)	(222)	107	0	(115)
Public Open Space Reserve-Restricted	(439)	0	0	(439)	19	0	(420)
Joint Waste Shared Service Reserve-Restricted	(652)	49	(41)	(644)	63	(30)	(611)
Building Regulations Reserve-Restricted	(147)	12	0	(135)	0	(16)	(151)
Development Grant Aid Reserve	(20)	0	(5)	(25)	25	0	0
Birmingham Road Car Park Capital Reserve-Restricted	(2,057)	0	(170)	(2,227)	0	(158)	(2,385)
TOTAL	(7,761)	474	(3,103)	(10,390)	2,254	(2,855)	(10,991)

NOTES TO THE ACCOUNTS

The **Earmarked General Reserve** has been provided to fund expenditure items in 2019/20 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 Central Building Control Partnership.

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

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

9. Other Operating Expenditure

2018/19 £000		2019/20 £000
1,750	Parish Council Precepts	1,861
70	(Gains)/Losses on the disposal of non-current assets	(141)
(644)	Unattached Capital Receipts	(636)
1,176	TOTAL	1,084

10. Financing and Investment Income and Expenditure

2018/19 (Restated) £000		2019/20 £000
107	Interest payable and similar charges	174
955	Pensions interest cost and expected return on pensions assets	1,048
(313)	Interest receivable and similar income	(435)
(16)	Income and expenditure in relation to investment properties and changes in their fair value	534
(33)	Other Investment Income*	476
700	TOTAL	1,797

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

NOTES TO THE ACCOUNTS

11. Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
(8,175)	Council Tax Income	(8,704)
	<u>Business Rates</u>	
(14,805)	Council Share of Retained Business Rates	(14,421)
11,189	Less: Business Rates Tariff	11,446
1,337	Less: Business Rates Levy	0
(432)	Add: Business Rates Levy Repayable	0
0	Add: Business Rates Pilot	(589)
(2,304)	Non-ring fenced government grants	(2,962)
(13)	Capital grants and contributions	0
(13,203)	TOTAL	(15,230)

Non-ring fenced Government Grants are comprised of:

2018/19 £000		2019/20 £000
(941)	New Homes Bonus	(1,278)
(67)	New Burdens Grants	(94)
(1,108)	Small Business Rates Relief	(1,149)
1	Retail Relief Grant	(299)
(1)	Rural Rate Relief	(1)
(10)	Supporting Small Business Relief	(15)
(50)	Discretionary Rate Relief	(21)
(13)	Pub Relief	0
(83)	Business Rate Inflation Cap	(98)
(32)	Levy Account Surplus	(7)
(2,304)	TOTAL	(2,962)

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment

Movements in 2019/20:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2019	33,433	10,352	346	4,078	2,515	64	50,788
Additions	43	623		0	0	270	936
Revaluation increases/(decreases) recognised in the revaluation reserve	158				(431)		(273)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(468)			0	(380)		(848)
De-recognition – disposals	(28)	(166)					(194)
Other movements in cost or valuation	(78)	0		0	78	0	0
At 31 March 2020	33,060	10,809	346	4,078	1,782	334	50,409

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

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

NOTES TO THE ACCOUNTS

Comparative Movements in 2018/19:

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets ⁴	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2018	33,322	10,199	346	4,052	80	1,544	49,543
Additions	1,442	462			1,785	143	3,832
Friarsgate Reversal						(1,613) ⁵	(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

⁴ 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.

⁵ The material item of £1,550,000 shown in the Comprehensive Income and Expenditure Statement is the £1,613,000 in this note less (£63,000) of external contributions identified in note 36.

NOTES TO THE ACCOUNTS

Other Land & Buildings Breakdown

2018/19 £000		2019/20 £000
7,640	Arts Facility	7,870
325	Bus Station	325
975	Depot	951
12,293	Leisure Centre	11,940
2,453	Multi Storey Car Park	2,427
2,105	Offices	2,032
530	Other land & Buildings	519
470	Parks and Sports Grounds	441
1,046	Pavilions	1,041
259	Public Conveniences	259
3,295	Retail	2,666
1,718	Surface Car Park	2,200
33,109	Total	32,671

Depreciation

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

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

Capital Commitments

At 31 March 2020, the Council had **£162,000** capital commitments (2019/20 **£nil**).

Effects of Changes in Estimates

In 2019/20, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

NOTES TO THE ACCOUNTS

Revaluations

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

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

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Carried at historical cost	0	2,285	2,285
Valued at fair value as at:			
- 31 March 2020	23,357		23,357
- 31 March 2019	5,652		5,652
- 31 March 2018	2,525		2,525
- 31 March 2017	1,063		1,063
- 31 March 2016	72		72
Total Cost or Valuation	32,671	2,285	34,956

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 2019	305	80	65	450
Revaluations	(20)	(10)	5	(25)
At 31 March 2020	285	70	70	425
Cost or Valuation				
At 1 April 2018	305	80	130	515
Disposals	0	0	(65)	(65)
At 31 March 2019	305	80	65	450

NOTES TO THE ACCOUNTS

Statues

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

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

Art Collection

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

Other Items

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

Preservation and Management

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

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

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

14. Investment Properties

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

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

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

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

2018/19 £000		2019/20 £000
512	Rental income from investment property	443
(164)	Direct operating expenses	(185)
348	Net income from Investment Property	258
(333)	Revaluation gains / (losses)	(792)
15	Net gain / (loss)	(534)

NOTES TO THE ACCOUNTS

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

2018/19 £000		2019/20 £000
5,200	Balance at Start of Year	4,867
(333)	Net Gains/(losses) from fair value adjustments	(792)
4,867	Balance at end of year	4,075

	2018/19			2019/20		
	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	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Fair Value as at 31 March 2020 £000
Residential Properties	0	67	67	0	90	90
Office Units	0	810	810	0	725	725
Commercial Units	0	3,990	3,990	0	3,260	3,260
Total	0	4,867	4,867	0	4,075	4,075

15. Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

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

NOTES TO THE ACCOUNTS

Financial Assets

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

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

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

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

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

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

Financial Assets	Long Term		Short Term	
	31 March 2019 *(Restated)	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
<u>At amortised cost:</u>				
- Principal			19,999	16,000
- Accrued interest			50	40
<u>At fair value through profit & loss:</u>				
- Equity Investments	1,932	5,456	0	0
- Accrued interest			21	42
Total Investments	1,932	5,456	20,070	16,082
<u>At amortised cost:</u>				
- Cash (including bank accounts)			653	645
<u>At fair value through profit & loss:</u>				
- Cash equivalents at fair value			4,150	12,550
- Accrued interest			3	4
Total Cash and Cash Equivalents			4,806	13,199
<u>Debtors</u>				
Trade receivables	288	141	3,222	4,381
Total included in Debtors	288	141	3,222	4,381
Total Financial Assets	2,220	5,597	28,098	33,662

NOTES TO THE ACCOUNTS

Financial Liabilities	Long Term		Short Term	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
<u>Loans at amortised cost:</u>				
Principal sum borrowed	(2,449)	(2,255)	(191)	(193)
Total Borrowing	(2,449)	(2,255)	(191)	(193)
<u>Liabilities at amortised cost:</u>				
Finance leases	(1,106)	(592)		
Total other Long Term Liabilities	(1,106)	(592)	0	0
<u>Liabilities at amortised cost:</u>				
Trade payables	(38)	(52)	(5,708)	(7,805)
Finance leases			(569)	(550)
Total included in Creditors	(38)	(52)	(6,277)	(8,355)
Total Financial Liabilities	(3,593)	(2,899)	(6,468)	(8,548)

*In 2008/19, the Council elected to account for investments in the CCLA Property Fund as fair value through other comprehensive income. It has now been decided that a fair value through profit and loss treatment is more appropriate, and this treatment has been backdated to 1 April 2018.

Offsetting Financial Assets and Liabilities

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

	31 March 2020			31 March 2019		
	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	384	0	384	375	0	375
Total offset financial assets	384	0	384	375	0	375

Reconciliation to Cash and Cash Equivalents

31 March 2019 £000		31 March 2020 £000
375	Main Bank Accounts Total	384
275	Total Reconciling Differences (Unpresented Cheques and Cash in Transit)	257
650	Cash & Cash Equivalents - Bank Accounts	641

NOTES TO THE ACCOUNTS

Financial Instruments – Gains and Losses

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

2018/19		Financial Liabilities	Financial Assets			2019/20
		Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	Fair Value through Profit & Loss	Total
£000		£000	£000	£000	£000	£000
107	Interest Expense	174				174
107	Interest payable and similar charges	174	0	0	0	174
(184)	Interest Income		(220)			(220)
(130)	Dividend Income			0	(215)	(215)
(314)	Interest and Investment Income	0	(220)	0	(215)	(435)
(207)	Net Gain / (Loss) for the Year	174	(220)	0	(215)	(261)

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 2020, using the following methods and assumptions:

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

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

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

NOTES TO THE ACCOUNTS

	Fair Value Level	31 March 2019		31 March 2020	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1		4,153		12,554
Financial assets for which fair value is not disclosed:		26,166		26,704	
Total Financial Assets		30,319		39,258	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Investments		20,070		16,082	
Long Term Investments		1,932		5,456	
Cash & Cash Equivalents		4,806		13,199	
Short Term Debtors		3,222		4,381	
Long Term Debtors		288		141	
Total Financial Assets		30,318		39,259	

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 2019		31 March 2020	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long Term loans from PWLB	2	(2,640)	(2,794)	(2,449)	(2,577)
Finance Lease liabilities	2	(1,675)	(1,722)	(1,143)	(1,103)
Total		(4,315)	(4,516)	(3,592)	(3,680)
Liabilities for which fair value is not disclosed		(5,746)		(7,857)	
Total Financial Liabilities		(10,061)		(11,449)	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Creditors		(5,708)		(7,805)	
Long Term Creditors		(38)		(52)	
Finance Lease Liabilities		(1,675)		(1,142)	
Short Term Borrowing		(191)		(193)	
Long Term Borrowing		(2,449)		(2,255)	
Total Financial Liabilities		(10,061)		(11,447)	

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

NOTES TO THE ACCOUNTS

16. Short Term Debtors

31 March 2019 £000		31 March 2020 £000
3,222	Trade receivables	4,380
813	Prepayments	753
2,126	Other receivable amounts	1,006
(1,135)	Bad Debt Provision	(1,009)
5,026	Total Debtors	5,130

17. Cash and Cash Equivalents

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

31 March 2019 £000		31 March 2020 £000
3	Cash held by the authority	4
650	Bank Accounts	641
4,153	Money Market Funds	12,554
4,806	Total	13,199

18. Assets Held for Sale

31 March 2019 £000		31 March 2020 £000
300	Balance outstanding at start of year	200
(100)	Assets sold	(200)
200	Balance outstanding at year-end	0

19. Short Term Creditors

31 March 2019 £000		31 March 2020 £000
(5,708)	Trade payables	(7,835)
(5,161)	Other payables	(6,565)
(10,869)	Total Creditors	(14,400)

NOTES TO THE ACCOUNTS

20. Provisions

The Council has two provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2019	(104)	(1,160)	0	(1,264)
Additional provisions made this year	(9)	(262)	0	(271)
Amounts used this year	12	182	0	194
Balance at 31 March 2020	(101)	(1,240)	0	(1,341)
Element categorised as current	(101)	(194)	0	(295)

Outstanding Legal Cases

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

- **Municipal Mutual Insurance**

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

Business Rates Appeals

The amount of **£1,240,000** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2020.

21. Usable Reserves

2018/19 £000		2019/20 £000
5,310	General Fund	6,392
2,194	Capital Grants Unapplied	2,938
2,264	Capital Receipts Reserve	2,921
10,390	Earmarked Reserves	10,991
20,158	Total	23,242

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

NOTES TO THE ACCOUNTS

22. Unusable Reserves

2018/19 *(Restated) £000		2019/20 £000
9,419	Revaluation Reserve	9,425
33,970	Capital Adjustment Account	32,269
47	Deferred Capital Receipts	47
(43,621)	Pensions Reserve	(32,718)
315	Collection Fund Adjustments	1,307
(68)	Pooled Fund Adjustment Account	(544)
(219)	Accumulated Absence Account	(332)
(157)	Total	9,454

*In 2008/19, the Council elected to account for investments in the CCLA Property Fund as fair value through other comprehensive income. It has now been decided that a fair value through profit and loss treatment is more appropriate, and this treatment has been backdated to 1 April 2018.

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.

2018/19 £000			2019/20 £000
9,016	Balance at 1 April		9,419
1,822	Upward revaluation of assets	1,026	
(1,084)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(636)	
738	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		390
(232)	Difference between fair value depreciation and historical cost depreciation	(228)	
(103)	Accumulated gains on assets sold or scrapped	(156)	
(335)	Amount written off to the Capital Adjustment Account		(384)
9,419	Balance at 31 March		9,425

NOTES TO THE ACCOUNTS

Capital Adjustment Account

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

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

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

2018/19 £000			2019/20 £000
34,865	Balance at 1 April		33,970
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,716)	· Charges for depreciation and impairment of non-current assets	(1,867)	
(401)	· Revaluation gains/losses on Property, Plant and Equipment	(809)	
(7)	· Amortisation of intangible assets	(7)	
(1,074)	· Revenue expenditure funded from capital under statute	(1,361)	
(84)	· 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	(72)	
(3,282)			(4,116)
232	Adjusting amounts written out of the Revaluation Reserve		228
31,815	Net written out amount of the cost of non-current assets consumed in the year		30,082
	Capital financing applied in the year:		
1,827	· Use of the Capital Receipts Reserve to finance new capital expenditure	348	
731	· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,124	
88	· Application of grants to capital financing from the Capital Grants Unapplied Account	134	
710	· Statutory provision for the financing of capital investment charged against the General Fund	719	
(868)	· Capital expenditure charged against the General Fund	654	
2,488			2,979
(333)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(792)
33,970	Balance at 31 March		32,269

NOTES TO THE ACCOUNTS

Pensions Reserve

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

2018/19 £000		2019/20 £000
(36,028)	Balance at 1 April	(43,621)
(9,475)	Actuarial gains or losses on pensions assets and liabilities	20,201
4,097	Return on Plan Assets	(7,201)
(4,413)	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	(4,809)
2,198	Employer's pensions contributions and direct payments to pensioners payable in the year	2,712
(43,621)	Balance at 31 March	(32,718)

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.

2018/19				2019/20		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
44	567	611	Balance at 1 April	75	240	315
31	(327)	(296)	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	159	833	992
75	240	315	Balance at 31 March	234	1,073	1,307

NOTES TO THE ACCOUNTS

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

2018/19 *(Restated) £000		2019/20 £000
1,723	Depreciation, amortisation and impairment	1,874
1,652	Downward revaluations	1,787
(918)	Upward revaluations charged to services	(187)
187	Carrying Amount of non-current assets disposed in the year	228
(307)	Increase / (Decrease) in Provisions	77
(3)	(Increase) / Decrease in Stock	12
(619)	(Increase) / Decrease in Debtors	(1,387)
(585)	Increase / (Decrease) in Creditors	4,520
2,976	Movement in pension liability	2,971
(95)	Other non-cash adjustments	476
4,011	Adjust net surplus or deficit on the provision of services for non-cash movements	10,371

*In 2008/19, the Council elected to account for investments in the CCLA Property Fund as fair value through other comprehensive income. It has now been decided that a fair value through profit and loss treatment is more appropriate, and this treatment has been backdated to 1 April 2018.

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

2018/19 £000		2019/20 £000
(760)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(1,005)
(1,027)	Capital Grants & Contributions	(1,999)
(892)	Any other items for which the cash effects are investing or financing activities	(3,246)
(2,679)	Adjust net surplus or deficit on the provision of services for investing and financing activities	(6,250)

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

NOTES TO THE ACCOUNTS

25. Cash Flow Statement - Investing Activities

2018/19 £000		2019/20 £000
(2,067)	Purchase of property, plant and equipment, investment property and intangible assets	(798)
(62,500)	Purchase of short-term and long-term investments	(64,300)
604	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,305
60,500	Proceeds from short-term and long-term investments	64,300
1,768	Other (receipts)/payments from investing activities (including capital grants and contributions)	1,938
(1,695)	Net cash flows from Investing activities	2,445

26. Cash Flow Statement - Financing Activities

2018/19 £000		2019/20 £000
(574)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(533)
1,395	Cash receipts of short and long term borrowing	0
(125)	Repayments of short and long term borrowing	(191)
892	Council Tax and Business Rates Net Cash Inflows	3,246
1,588	Net cash flows from Financing activities	2,522

27. Cash Flow Statement - Operating Activities

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

2018/19 £000		2019/20 £000
287	Interest received	422
(54)	Interest paid	(97)
233	Net cash flows from operating activities	325

28. Reconciliation of Liabilities Arising from Financing Activities

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

NOTES TO THE ACCOUNTS

	Borrowings		Lease	TOTAL
	Long Term	Short Term	Liabilities	
1 April 2018	1,309	61	2,047	3,417
Cash-flows:				
- Repayment	0	(125)	(372)	(497)
- Proceeds	1,395	0	0	1,395
Non-cash:				
- Reclassification	(255)	255	0	0
31 March 2019	2,449	191	1,675	4,315

29. Principal and Agency Services

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

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

2018/19 £000		2019/20 £000
739	Expenditure Incurred	1,080
(621)	Income received	(896)
(35)	Fee payable by South Staffordshire District Council	(35)
(35)	Fee payable by Tamworth Borough Council	(35)
0	Fee payable by South Derbyshire District Council	(35)
0	Fee payable by North Warwickshire Borough Council	(35)
0	Fee payable by Nuneaton & Bedworth Borough Council	(35)
(35)	Contribution from Lichfield District Council	(35)
48	(Surplus)/Deficit Transferred (To)/From Earmarked Reserves	(26)

30. Jointly Controlled Operations

The Authority is engaged in a jointly controlled operation with Tamworth Borough Council for waste collection for both the Lichfield District and Tamworth Borough areas, known as the Joint Waste Service. The Authority provides the financial administration service for this joint operation. The Service is administered through the Lichfield and Tamworth Joint Waste Board. The assets of the operation in respect of vehicles (the waste fleet – see critical judgement 1), equipment and land and buildings are held by Lichfield District Council and are shown on this Authority's balance sheet.

The parties have an agreement in place for funding this operation with contributions to the agreed budget of **58.29%** from Lichfield District Council and **41.71%** 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:

NOTES TO THE ACCOUNTS

2018/19 £000		2019/20 £000
	Funding provided to the operation	
(1,187)	Contribution from Lichfield	(1,287)
(863)	Contribution from Tamworth	(920)
(2,050)	Total funding provided to the operation	(2,207)
	Expenditure met by the operation	
2,618	Pay and allowances	2,685
2	Premises costs	0
1,243	Transport costs	1,261
1,396	Supplies and Services	1,369
14	Third Party Payments	11
369	Support Costs	369
(3,594)	Revenue income	(3,488)
2,048	Total expenditure	2,207
(2)	Net (surplus)/deficit arising on the pooled budget during the year	0
(1)	Lichfield District Council's share of 58.29% of the net (surplus)/deficit arising on the operation	0

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

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

2018/19 £000		2019/20 £000
(2)	Net (surplus) arising on the pooled budget during the year	0
1,187	Add: Lichfield's Contribution shown as expenditure in the CIES	1,287
382	Amounts not reported in the Joint Waste Service	333
1,567	Net Cost of Services in the Comprehensive Income and Expenditure Statement	1,620

31. Members' Allowances

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

2018/19 £000		2019/20 £000
276	Allowances	289
3	Expenses	3
279	Total	292

NOTES TO THE ACCOUNTS

32. Officers' Remuneration

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

Post (Commencement date included for part year appointments)		Salary, Fees and Allowances £	Performance Pay £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2019/20	105,868	10,285	-	-	18,661	134,814
	2018/19	103,811	10,083	-	-	18,295	132,189
Director of Place & Community (Leaving date of 30/11/2019)	2019/20	61,376	-	-	69,392	9,363	140,131
	2018/19	85,955	-	-	-	13,769	99,724
Director of Transformation & Resources (Leaving date of 31/12/2019)	2019/20	69,482	-	72	-	10,545	80,099
	2018/19	84,737	-	96	-	13,553	98,387
Assistant Chief Executive	2019/20	64,011	-	-	-	10,214	74,225
	2018/19	62,775	-	-	-	10,014	72,789
Head of Corporate Services	2019/20	61,193	-	-	-	9,778	70,970
	2018/19	58,847	-	-	-	9,377	68,225
Head of Development Services (Leaving date of 11/01/2019)	2019/20	-	-	-	-	-	-
	2018/19	46,286	-	-	-	7,377	53,663
Head of Economic Growth (Post ended 30/09/2019)	2019/20	30,692	-	-	-	4,894	35,586
	2018/19	59,556	-	-	-	9,492	69,048
Head of Economic Growth & Development Services (Post commenced 01/10/2019)	2019/20	36,349	-	-	-	5,811	42,159
	2018/19	-	-	-	-	-	-
Head of Finance & Procurement	2019/20	63,048	-	-	-	10,214	73,262
	2018/19	60,787	-	-	-	9,848	70,635
Head of Legal, Property & Democratic Services (Leaving date of 14/04/2019)	2019/20	2,387	-	-	-	381	2,768
	2018/19	59,621	-	-	-	9,492	69,113
Head of Operational Services (Starting date of 10/02/2020)	2019/20	9,013	-	-	-	1,438	10,451
	2018/19	-	-	-	-	-	-
Head of Leisure and Operational Services (Leaving date of 16/11/2018)	2019/20	-	-	-	-	-	-
	2018/19	57,190	-	-	-	-	57,190
Head of Regulatory Services, Housing & Wellbeing	2019/20	61,932	-	124	-	9,877	71,933
	2018/19	59,448	-	124	-	9,475	69,047
Head of Revenues, Benefits & Customer Services	2019/20	62,041	-	-	-	9,895	71,936
	2018/19	59,556	-	-	-	9,492	69,048

NOTES TO THE ACCOUNTS

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

2018/19 Number of employees	Remuneration band	2019/20 Number of employees
5	£50,000-£54,999	3
1	£55,000-£59,999	-
1	£60,000-£64,999	1
-	£70,000-£74,999	-

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	1	0	2	2	3	2	£20,743	£31,181
£20,001 - £40,000	0	0	0	1	0	1	£0	£23,128
£60,001 - £80,000	0	0	0	1	0	1	£0	£69,392
Total	1	0	2	4	3	4	£20,743	£123,701

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

Exit Package Cost Band	2018/19			2019/20		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£20,743	£0	£20,743	£23,936	£7,245	£31,181
£20,001 - £40,000	£0	£0	£0	£14,730	£8,398	£23,128
£60,001 - £80,000	£0	£0	£0	£22,500	£46,892	£69,392
Total	£20,743	£0	£20,743	£61,166	£62,535	£123,701

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:

2018/19 £000		2019/20 £000
35	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	47
14	Fees payable to the Grant Thornton UK LLP for the certification of grant claims and returns for the year	13
49	TOTAL	60

NOTES TO THE ACCOUNTS

34. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2019/20:

2018/19 £000		2019/20 £000
	Credited to Taxation and Non Specific Grant Income	
13	Other Contributions	0
13	Sub Total (Capital)	0
8,175	Council Tax Income	8,704
2,711	Non-Domestic rates	3,564
2,304	Non Ring Fenced Government Grants	2,962
13,190	Sub Total (Revenue)	15,230
13,203	Total	15,230

2018/19 £000		2019/20 £000
	Credited to Cost of Services	
583	Disabled Facilities Grant	791
645	CIL - Various Sites	654
129	Other Contributions	558
1,357	Sub Total (Capital)	2,003
15,983	Housing and Council Tax Benefits	14,416
542	Ministry of Housing, Communities and Local Government	565
106	Other Government Departments and Agencies	106
28	Positive Futures	10
92	Office of the Police and Crime Commissioner	77
224	Contributions from other Local Authorities	107
993	Contributions from other Local Authorities - Shared Services	1,156
17,968	Sub Total (Revenue)	16,437
19,325	Total	18,440

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:

2018/19 £000		2019/20 £000
	Capital Grants Receipts in Advance	
1,162	Other Contributions	1,077
1,162	Current Liabilities	1,077
718	Other Contributions	719
718	Long Term Liabilities	719
1,880	Total	1,796

NOTES TO THE ACCOUNTS

2018/19 £000		2019/20 £000
	Revenue Grants Receipts in Advance	
283	Heritage Lottery Fund	189
485	Ecological Mitigation	485
768	Total (shown within Current Liabilities)	674

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 2019/20, works and services to the value of **£53,000** were commissioned from companies in which twenty members had an interest (**£283,000** in 2018/19). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£86,000** to voluntary organisations (**£70,000** in 2018/19) 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 **£274,000** from Bromford Housing Group in 2019/20 (**£571,000** in 2018/19) 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 2019/20 was **£6.536 million** (**£3.057 million** owed from the Council in 2018/19).

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

Staffordshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown as a note to the accounts. Lichfield District Council works together with the County Council in a number of areas and is in receipt of funding in relation to Children's Services, Safer Community Partnership and Local Strategic Funding. In addition the County

NOTES TO THE ACCOUNTS

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 2019/20 (**£250,000** in 2018/19). Support services provided by the Council to the Garrick totalled **£7,000** (**£9,800** in 2018/19). 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 2019/20 totalled **£93,600** (**£364,000** in 2018/19). 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.

2018/19 £000		2019/20 £000
4,177	Opening Capital Financing Requirement	4,987
	<i>Capital Investment</i>	
2,219	Property, Plant & Equipment	936
4	Intangible Assets	0
1,074	Revenue Expenditure Funded from Capital under Statute	1,361
	<i>Sources of Finance</i>	
(1,827)	Capital receipts	(348)
(819)	Government grants and other contributions	(1,258)
	<i>Sums set aside from revenue:</i>	
868	Direct revenue contributions	(654)
(710)	Minimum revenue provision	(719)
4,986	Closing Capital Financing Requirement	4,305

	Explanation of movements in year	
1,182	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	(149)
(373)	Net movement on Finance Leases	(532)
809	Increase / (decrease) in Capital Financing Requirement	(681)

NOTES TO THE ACCOUNTS

37. Leases

Council as Lessee

Finance Leases

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

31 March 2019 £000		31 March 2020 £000
1,237	Vehicles, Plant, Furniture and Equipment	699
1,237	TOTAL	699

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 2019 £000		31 March 2020 £000
	Finance lease liabilities (net present value of minimum lease payments)	
569	- current	550
1,106	- non-current	592
151	Finance costs payable in future years	138
1,826	Minimum Lease Payments	1,280

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Not later than one year	610	612	569	550
Later than one year and not later than five years	1,123	668	1,077	592
Later than five years	93	0	29	0
Total	1,826	1,280	1,675	1,142

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:

NOTES TO THE ACCOUNTS

- 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 2019 £000		31 March 2020 £000
258	Not later than one year	289
577	Later than one year and not later than five years	651
2,815	Later than five years	3,066
3,650	TOTAL	4,006

38. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2020 and no impairment was chargeable.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

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

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

NOTES TO THE ACCOUNTS

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2019/20 £000
2,878	Cost of Services: - Current service cost	3,421
580	- past service costs	340
955	Financing and Investment Income and Expenditure - net interest expense	1,048
4,413	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,809
(4,097)	<i>Other Post Employment Benefit Charged to the CIES</i> Re-measurement of the net defined benefit comprising: - Return on plan assets (excluding the amount included in the net interest expense)	7,201
0	- Actuarial gains and losses arising on changes in demographic assumptions	(4,794)
58	- Actuarial gains and losses arising on other experience	(4,895)
9,417	- Actuarial gains and losses arising on changes in financial assumptions	(10,512)
5,378	Total Post Employment Benefit Charged to the CIES	(13,000)
(7,593)	<i>Movement in Reserves Statement</i> - Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	10,903
2,198	Actual amount charged against the General Fund Balance for pensions in the year - employers' contributions payable to scheme	2,712

Pension assets and Liabilities recognised in the Balance Sheet

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

2018/19 £000	Local Government Pension Scheme	2019/20 £000
(124,754)	Present value of the defined benefit obligation	(108,874)
81,133	Net liability arising from defined benefit obligation	76,156
874	Prepayment of future years pension contributions	0
(42,747)	Net liability arising from defined obligation	(32,718)

NOTES TO THE ACCOUNTS

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

2018/19 £000	Local Government Pension Scheme	2019/20 £000
75,142	Opening fair value of scheme assets	81,133
2,059	Interest income	1,965
	Remeasurement gain / (loss):	
4,097	- The return on plan assets, excluding the amount included in the net interest expense	(7,201)
2,088	Contributions from employer	2,603
492	Contributions from employees into the scheme	506
110	Contributions in respect of unfunded benefits	109
(2,745)	Benefits paid	(2,850)
(110)	Unfunded benefits paid	(109)
81,133	Closing position as at 31 March	76,156

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

2018/19 £000	Local Government Pension Scheme	2019/20 £000
	Opening balance at 1 April	
109,433	- Present value of funded liabilities	122,995
1,737	- Present value of unfunded liabilities	1,759
2,878	Current service cost	3,421
580	Past Service cost (including curtailments)	340
3,014	Interest costs	3,013
492	Contribution from scheme participants	506
	Remeasurement (gain) / loss:	
0	- Actuarial gains/losses arising from changes in demographic assumptions	(4,794)
9,417	- Actuarial gains/losses from changes in financial assumptions	(10,512)
58	- Other experiences	(4,895)
(2,745)	Benefits paid	(2,850)
(110)	Unfunded benefits paid	(109)
124,754	Closing position as at 31 March	108,874

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2019				Period ended 31 March 2020			
	Quoted prices in active markets £0	Quoted prices not in active markets £0	Total £0	% of Total Assets	Quoted prices in active markets £0	Quoted prices not in active markets £0	Total £0	% of Total Assets
Cash and cash equivalents	2,244.9		2,244.9	2%	1,287.3		1,287.3	2%
Equity Securities:								
- Consumer	3,660.9		3,660.9	4%	2,823.9		2,823.9	3%
- Manufacturing	3,136.9		3,136.9	4%	3,050.3		3,050.3	4%
- Energy and Utilities	1,314.0		1,314.0	2%	1,017.9		1,017.9	1%
- Financial Institutions	3,033.4		3,033.4	4%	2,692.7		2,692.7	4%
- Health and Care	2,353.5		2,353.5	3%	2,382.1		2,382.1	3%
- Information technology	2,337.8		2,337.8	3%	1,855.8		1,855.8	2%
- Other	77.6		77.6	0%	65.7		65.7	0%
Debt Securities								
- Corporate Bonds	6,088.0		6,088.0	7%	6,128.0		6,128.0	8%
Private equity:								
- All		2,935.7	2,935.7	4%		3,172.8	3,172.8	4%
Real Estate:								
- UK Property		6,971.3	6,971.3	9%		7,505.9	7,505.9	10%
Investment Funds and Unit Trusts:								
- Equities	36,913.8		36,913.8	45%	32,480.1		32,480.1	43%
- Bonds	6,205.1		6,205.1	8%	6,400.5		6,400.5	8%
- Hedge Funds		1,432.6	1,432.6	2%		1,355.4	1,355.4	2%
- Other		3,301.5	3,301.5	4%		3,937.6	3,937.6	5%
Total Assets	67,366	14,641	82,007	100%	60,184	15,972	76,156	100%
Adjust for Prepayment			(874)					
Total Assets Restated			81,133				76,156	

Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2019/20 and the financial implications of this Revaluation are included in these 2019/20 accounts. This is undertaken every three years and liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Staffordshire County Council Fund being based on the latest full valuation of the scheme as at 31 March 2020.

NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

Period Ending	31 March 2019 % Per Annum	31 March 2020 % Per Annum
Financial Assumptions		
Pension Increase Rate	2.5%	1.9%
Salary Increase Rate	2.9%	2.3%
Discount Rate	2.4%	2.3%
	Males	Females
Mortality Rate		
Current Pensioners	21.2 years	23.6 years
Future Pensioners	22.1 years	25.0 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 2020	Approximate % increase to employer Liability	Approximate monetary amount £0
0.5% decrease in Real Discount Rate	10%	10,513
0.5% increase in the Salary Increase Rate	1%	1,139
0.5% increase in the Pension Increase Rate (CPI)	9%	9,277

NOTES TO THE ACCOUNTS

Scheme History

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Present value of the defined benefit obligation	(100,029)	(111,789)	(111,170)	(124,754)	(108,874)
Net Liability arising from defined benefit obligation	64,209	75,227	75,142	81,133	76,156
Adjustment for prepayment of future years pension contributions			1,635	874	
Net Liability arising from defined obligation	(35,820)	(36,562)	(34,393)	(42,747)	(32,718)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£32.718 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£32,696 million** (see page 53). 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 **£4.569 million (includes a prepayment of £3.309 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 **£3,927**.
- 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 **£79,212**. This is despite Covid-19 as the Council has agreed to support Freedom for the first three months of 2020/21.

NOTES TO THE ACCOUNTS

- The Council manages risk associated with insurance cover by a combination of **external insurance and self-funding**; the latter being limited to the policy excess. The estimated potential liability of the Council for existing claims as at 31 March 2020 is **£175,619**. No provision has been made for this amount as the outcomes of the claims are currently unknown.
- A claim for **backdated mandatory Business Rate Relief** from a number of NHS trusts. On 12 December 2019, the High Court found that NHS Trusts and Foundation Trusts are not eligible for business rates relief. However on 24 February 2020 the notice of application for leave to appeal was filed and served by a reduced number of NHS Trusts (any decision will affect all the original defendants and will have wider sector implications). The court will decide when the application will be considered.
- On 20 May 2020 the Supreme Court found that the Court of Appeal ruling that no **Automatic Teller Machines (ATMS)** should be separately rated was confirmed and therefore will be refunded. The estimated cost is **£60k**.
- On 15 May 2020, an email was received from the Valuation Office Agency (VOA). This email indicated that they would be reviewing the valuations for purpose built **GP surgeries**, and over the next few months reductions will be given to these types of surgeries. Most Rateable Values (RVs) are expected to reduce by around a third, depending on the age of the property. The estimated cost of this is **£40k**.
- In the same email, the VOA also indicated would be reviewing the 2017 basis for the **University assessments**. However the VOA stated that in contrast to the GP purpose built surgeries, the reductions will not be as great. The estimated cost of this is **£30k**.

41. Contingent Assets

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

NOTES TO THE ACCOUNTS

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 Investments⁶

Financial Asset Category	Strategy Approved 19 February 2019		Strategy Approved 18 February 2020	
	Criteria	Limits	Criteria	Limits
UK Banks and Building Societies	AAA	£1m, 5yrs	AAA	£1m, 5yrs
	AA+	£1m, 5yrs	AA+	£1m, 5yrs
	AA	£1m, 4yrs	AA	£1m, 4yrs
	AA-	£1m, 3yrs	AA-	£1m, 3yrs
	A+	£1m, 2yrs	A+	£1m, 2yrs
	A	£1m, 13mths	A	£1m, 13mths
	A-	£1m, 6mths	A-	£1m, 6mths
	None	£0.5m, 6mths	None	£0.5m, 6mths
Deposits with Money Market Funds	UK Domiciled	£5m	UK Domiciled	£5m
	Other	£1m	Other	£4m
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	£21 million in total
Sovereign Limits	No Limit	No Limit

Non Specified Investments

Financial Asset Category	Strategy Approved 21 February 2019		Strategy Approved 18 February 2020	
	Minimum Criteria	Limits	Minimum Criteria	Limits
The Council's own bank (where credit ratings are not sufficient)	Unsecured investment with banks rated BBB are restricted to overnight deposits.		Unsecured investment with banks rated BBB are restricted to overnight deposits.	
Deposits with a maturity of greater than one year	<u>Minimum Long Term Rating</u> A	Banks /Building Societies / Corporates - £1m Government -	<u>Minimum Long Term Rating</u> A	Banks /Building Societies / Corporates - £1m Government - £2m

⁶ 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".

NOTES TO THE ACCOUNTS

		£2m		
Group Limit		£1 million		£1 million
Sovereign Limits		No Limit		No Limit

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by [365%] (2019: [122%]) to adjust for current and forecast economic conditions. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. Although at 31st March 2020 the level is not material and therefore no loss allowance has been set aside for treasury investments. The table below summarises the credit risk exposures of the Council’s Investment Portfolio (Investments and Money Market Funds) by Credit Rating:

Credit Rating	Long Term		Short Term	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
AAA	0	0	12,550	4,150
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	1,000	5,000
A+	0	0	2,000	1,000
A	0	0	3,000	5,000
A-	0	0	0	1,000
Unrated Building Societies	0	0	0	0
Unrated Local Authorities	0	0	10,000	8,000
Total	0	0	28,550	24,150
Credit risk not applicable*	5,456	1,932	0	0
Total Investments	5,456	1,932	28,550	24,150
Accrued Interest	0	0	86	74
Prepaid Interest	0	0	0	0
Cash in Hand and Bank Accounts	0	0	645	653
Balance Sheet Total for Short Term Investments, Long Term Investments and Cash and Cash Equivalents	5,456	1,932	29,281	24,877

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

Credit Risk: Receivables

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

31 March 2019 £000		31 March 2020 £000
1,171	Neither past due nor impaired	1,928
917	Less than three months	1,016
183	Three to six months	336
221	Six months to one year	316
594	More than one year	785

NOTES TO THE ACCOUNTS

136	Individually Impaired	0
3,222	Total	4,381

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

	Average range of allowances set aside	31 March 2020			31 March 2019		
		Gross receivable	Loss allowance	Total	Gross receivable	Loss allowance	Total
Public sector	0%	256	0	256	1,416	0	1,416
Trade Receivables - not yet due	0%	1,928	0	1,928	1,171	0	1,171
Council Tax Payers	14% - 100%	525	(148)	377	383	(160)	223
Business Rates Payers	33% - 100%	225	(116)	109	327	(152)	175
Trade Receivables	10% - 100%	1,802	(116)	1,686	1,352	(134)	1,218
Prepayments	0%	753	0	753	814	0	814
Housing Related	75% - 100%	651	(630)	21	699	(689)	10
		6,140	(1,010)	5,130	6,162	(1,135)	5,027

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 2019 £000		31 March 2020 £000
(191)	Less than one year	(193)
(193)	Between one year and two years	(196)
(594)	Between two years and five years	(601)
(962)	Between five years and ten years	(820)
(609)	Between ten years and twenty years	(609)
(91)	Between twenty years and thirty years	(30)
(2,640)	Total	(2,449)

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

NOTES TO THE ACCOUNTS

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:

2018/19 £000		2019/20 £000
(108)	Increase in interest receivable on variable rate investments	(202)
6	Decrease in fair value of investments held at FVPL	50
(102)	Impact on the Surplus or Deficit on the Provision of Services	(152)
28	Decrease in fair value of loans and investments at amortised cost*	30
(181)	Decrease in fair value of fixed rate borrowing*	(158)

*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 2019/20 and no material financial transactions were made. No new accounting policies are required for the preparation of the 2019/20 Statement of Accounts.

44. Local Authority Company

Lichfield Housing Limited was incorporated on 2 September 2019 to undertake small to medium sized development opportunities to provide a diverse range of homes to meet the local housing needs of Lichfield District. It is a private limited company with share capital and wholly owned by Lichfield District Council. No projects or schemes were approved during 2019/20 and no financial transactions were made. No new accounting policies are required for the preparation of the 2019/20 Statement of Accounts.

COLLECTION FUND

Collection Fund

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

Council Tax £000	Business Rates £000	Total 2018/19 £000		Council Tax £000	Business Rates £000	Total 2019/20 £000
(64,128)		(64,128)	Income			
(4)		(4)	Council Tax	(68,419)		(68,419)
	(36,299)	(36,299)	Transfer from / (to) general fund - Council Tax Benefit	(13)		(13)
	(249)	(249)	Non-Domestic Rates		(36,717)	(36,717)
			Transitional protection payments		7	7
(64,132)	(36,548)	(100,680)	Total income	(68,432)	(36,710)	(105,142)
			Expenditure			
63,267		63,267	Precepts and demands from major preceptors and the authority	66,996		66,996
	18,177	18,177	Share of non-domestic rating income to major preceptors and the authority		25,078	25,078
	18,177	18,177	Payment with respect to central share (including allowable deductions) to central government		8,359	8,359
			Impairment of Debts / Appeals			
37	83	120	· write-offs on uncollectable amounts	42	428	470
249	128	377	· allowance for impairment	(89)	(91)	(180)
	(800)	(800)	· allowance for appeals		200	200
	123	123	Allowance for collection costs		122	122
325	1,478	1,803	Contribution towards previous year's Collection Fund surplus	230	532	762
63,878	37,366	101,244	Total expenditure	67,179	34,628	101,807
(254)	818	564	Movement on Fund (Surplus) / Deficit	(1,253)	(2,082)	(3,335)
(337)	(1,417)	(1,754)	Balance at the beginning of year	(590)	(599)	(1,189)
(591)	(599)	(1,190)	Balance at the end of year	(1,843)	(2,681)	(4,524)

Council Tax £000	Business Rates £000	Total 2018/19 £000		Council Tax £000	Business Rates £000	Total 2019/20 £000
(76)	(240)	(316)	Lichfield District Council	(234)	(1,072)	(1,307)
(422)	(54)	(476)	Staffordshire County Council	(1,303)	(912)	(2,215)
(67)		(67)	Staffordshire Police, Fire and Crime Commissioner (PFCC)	(227)		(227)
(26)	(6)	(32)	Staffordshire Fire and Rescue Service	(79)	(27)	(106)
	(299)	(299)	Central Government		(670)	(670)
(591)	(599)	(1,190)		(1,843)	(2,681)	(4,524)

COLLECTION FUND

Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Service and Staffordshire PFCC 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) **38,011** for 2019/20. This basic amount of Council Tax for a Band D property (**£1,762.55** for 2019/20) 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 2019/20 is shown below:

2018/19 £000	Council Tax	2019/20 £000
45,224	Staffordshire County Council	47,370
7,194	Staffordshire PFCC	8,232
2,747	Staffordshire Fire and Rescue Service	2,879
6,351	Lichfield District Council	6,655
	Parish Precepts :	
39	Alrewas	41
96	Armitage with Handsacre	108
313	Burntwood Town Council	319
16	Clifton Campville with Thorpe Constantine	18
15	Colton	14
5	Curborough & Elmhurst, Farewell & Chorley	6
22	Drayton Bassett	22
13	Edingale	14
13	Elford	14
58	Fazeley Town Council	61
75	Fradley and Streethay	99
26	Hammerwich	26
5	Hamstall Ridware	6
9	Harlaston	11
8	Hints and Canwell	8
15	Kings Bromley	16
718	Lichfield City Council	757
25	Longdon	26
19	Mavesyn Ridware	22
175	Shenstone	182
5	Swinfen and Packington	5
11	Wall	12
2	Weeford	2
48	Whittington and Fisherwick	52
19	Wigginton and Hopwas	20
1,750	Total Parish Precepts	1,861
63,267		66,997

COLLECTION FUND

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

Band	Band Width	2018/19 Band D Equivalent (Tax Base)			2019/20 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	99.0%	Number of Dwellings	%	99.0%
	£						
A	0 to 40,000	2,467	7	2,442	2,522	7	2,497
B	40,001 to 52,000	6,174	16	6,112	6,311	17	6,248
C	52,001 to 68,000	8,010	21	7,930	8,195	21	8,113
D	68,001 to 88,000	6,010	16	5,950	6,116	16	6,055
E	88,001 to 120,000	5,391	14	5,337	5,475	14	5,420
F	120,001 to 160,000	4,810	13	4,762	4,898	13	4,849
G	160,001 to 320,000	3,970	11	3,930	3,973	10	3,933
H	320,001 upwards	759	2	752	758	2	751
Class O		145		145	145		145
TOTAL		37,736	100	37,360	38,393	100	38,011

Council Tax Allowance for Impairment

A decrease in the allowance for impairment was made during 2019/20 amounting to **£88,500**. The total allowance for impairment of debt as at 31 March 2020 is **£1,170,421** and represents **46%** of the **£2,517,197** outstanding debt.

Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **50.4p** (2018/19 **49.3p**) and the small business non-domestic rating multiplier **49.1p** (2018/19 **48.0p**) 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.

2018/19 £000		2019/20 £000
90,524	Non-Domestic rateable value at year end	89,881
36,299	Net rates payable by Ratepayers	36,717

In 2019/20 the Council was part of the Staffordshire and Stoke on Trent Business Rate Pilot and as a consequence Staffordshire retained 75% of Business Rates income compared to 50% in 2018/19, which was a non-pilot year. The financial benefit of this was **£589,000**.

2018/19 £000	Preceptors	Share %	2019/20 £000
18,177	Central Share Central Government	25	8,359
3,272	Major Precepting Bodies Staffordshire County Council	34	11,368
364	Staffordshire Fire & Rescue Service	1	334
14,541	Lichfield District Council	40	13,375
18,177	Total Precepting Bodies	75	25,077

NDR Allowance for Impairment

A decrease in the allowance for impairment was made during 2019/20 amounting to **£91,091**. The total allowance for impairment of debt as at 31 March 2020 is **£288,776** and represents **52%** of the **£555,462** outstanding debt.

GLOSSARY OF TERMS

Accounting Policies

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

Accrual

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

Accumulated Absences Account

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Grants Receipts in Advance

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

Capital Receipts

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

Cash Equivalents

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

Collection Fund

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

Community Assets

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

Community Infrastructure Levy

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

Comprehensive Income and Expenditure Statement

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

Consistency

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

GLOSSARY OF TERMS

Creditors

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Defined Benefit Scheme

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

Depreciation

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

Debtors

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

Earmarked Reserve

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

Expenditure and Funding Analysis Statement

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

Finance Lease

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

Financial Instruments

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

General Fund

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

Government Grants

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

Gross Expenditure (Total Cost)

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

Heritage Assets

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

Impairment

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

GLOSSARY OF TERMS

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

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment Properties

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

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

Liabilities

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

Materiality

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

National Non-Domestic Rates (NNDR)

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

Non-Domestic Rates (NNDR)

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

Net Book Value

The amount at which Long Term Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Net Expenditure

Net expenditure is gross expenditure less fees, charges, recharges and specific grants.

Operating Leases

A lease whereby ownership of the asset remains with the lessor.

GLOSSARY OF TERMS

Events After the Balance Sheet Date (Post Balance Sheet Events)

Material events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Property, Plant & Equipment

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

Provision

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

Revaluation Reserve

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

Revenue Expenditure

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

Non-Ring-fenced Government Grant

Central Government grant towards the cost of providing services. Being non-ring-fenced, the grant can be spent on activities at the council's discretion. The main grant falling into this category is the Formula Grant, formerly known as Revenue Support Grant. The amount received is dictated by central government.

Unusable and Usable Reserves

This is the name given to a group of accounts on the face of the Balance Sheet. The individual accounts are linked by a Note and are described earlier in this glossary. Usable reserves generally represent transactions that have happened at the Balance Sheet date. Unusable reserves usually recognise the value of transactions that will actually happen in the future.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lichfield District Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and the notes to the financial statements and a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Head of Finance and Procurement and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance and Procurement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Procurement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Head of Finance and Procurement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and

INDEPENDENT AUDITOR'S REPORT

Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings at 31 March 2020. As disclosed in Note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted in many sectors. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Head of Finance and Procurement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

INDEPENDENT AUDITOR'S REPORT

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Head of Finance and Procurement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 3, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Procurement. The Head of Finance and Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Member Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

INDEPENDENT AUDITOR'S REPORT

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Lichfield District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

30 November 2020

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Urdu

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

Punjabi

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

Arabic

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

Cantonese

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

Bengali

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

French

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

Farsi

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

Polish

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

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