Lichfield District Council

Auditor’s Annual Report

Year ended 31 March 2025

November 2025

Contents

Headlines from our audit

Purpose of this report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our audit of the Council for 2024/25. This report has been prepared in line with the requirements set out in the Code of Audit Practice and supporting guidance published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

Our responsibilities

Financial statements

We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and group and of their income and expenditure for the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

We anticipate issuing an unqualified audit opinion on the Council's financial statements in November 2025. This means that we consider the financial statements give a true and fair view of the financial performance and position of the Council and group.

Narrative report and Annual Governance Statement

We assess whether the Narrative report and Annual Governance Statement is consistent with our knowledge of the Authority.

We did not identify any significant inconsistencies between the information presented in the Narrative Report and Annual Governance Statement and our knowledge of the Council and group.

Value for money

We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness (value for money) in its use of resources and provide a summary of our findings in the commentary in this report.

We are required to report if we have identified any significant weaknesses as a result of this work.

We have not identified any significant weaknesses in the arrangements for securing at economy, efficiency and effectiveness in the use of resources at the Council. Further detail is provided in this report.

Headlines from our audit

Statutory powers

We may exercise other powers we have under the Local Audit and Accountability Act 2014. These powers include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

Public interest report

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Statutory recommendations

We may make written recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.

We have not made any statutory recommendations this year.

Advisory notice

We may issue an advisory notice if we believe that the Council, or an officer of the Council, has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.
If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

Judicial review

We may make an application for judicial review of a decision of the Council, or of a failure to act by the Council, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review this year.

Application to the court

We may apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

We have not applied to the courts this year.

Headlines from our audit

Findings and recommendations

Findings from our financial statements audit

Detailed findings from our audit of the financial statements, including our consideration of significant risks, are communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2025
- audit findings (ISA 260) report to Those Charged with Governance

Our audit findings report was reported to the Council's Audit Committee on 13 October 2025.

Requests for our audit findings (ISA260) report should be directed to the Council.

Recommendations arising from our financial statements audit

Recommendations relating to internal controls and other matters arising from our financial statements work are contained in the audit findings (ISA 260) report.

None of the recommendations we made reflected significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the Council's use of resources and, as such, are not considered key recommendations.

Key recommendations arising from our value for money work

We provide a summary of our findings in respect of value for money in the commentary in this report.

Where we identify significant weaknesses as part of our review of the Council's arrangements to secure value for money, we make key, or essential, recommendations setting out the actions that should be taken by the Council.

We have not made any key recommendations this year.

Other recommendations arising from our value for money work

We make other recommendations if we identify areas for improvement which do not relate to identified significant weaknesses

We have made two other (non key) recommendations this year.

Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice 2024 and the requirements of Auditor Guidance Note 3 (‘AGN 03’).

We have completed our value for money work. Our detailed findings are reported in the following commentary in this report.

We have not identified any significant weaknesses in the Council’s arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	No
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	Yes
Improving economy, efficiency and effectiveness How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	No	No	No	No

Value for money

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to consider whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria:

- financial sustainability,
- governance; and
- improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function
- Consideration of other sources of external evidence.

Value for money

Overview

Lichfield District Council (the Council) is a district council in Staffordshire. It works with other district and borough councils, local parish and town councils and Staffordshire County Council (which includes Staffordshire Fire and Rescue Service) in a three-tier local government system. The administrative area also includes the Staffordshire Police and Crime Commissioner and Chief Constable. The Council serves a population of circa 100,000 people. The Council has entered into a number of large capital and investment schemes to promote regeneration, attract business to the area. Some of these investment schemes carry significant financial risk. The Council faces, over the medium term, growing financial challenge and increasing uncertainty over its longer-term income predictions, particularly in respect of New Homes Bonus, Business Rates Reset, Fair Funding Review and Local Government Reform.

Like all councils and the wider local government sector, Lichfield District Council continues to face significant challenges. The sector faces high levels of uncertainty over future levels of government funding and, for a number of years, has had to plan on the basis of single-year settlements. This makes it harder to produce comprehensive multi-year plans as part of medium-term financial planning. The government has signalled an intention to return to multi-year settlements in the future and announced a national overhaul of local government, reorganising multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact Lichfield District Council which, like all districts, would be absorbed into a larger unitary council from 1 April 2028 according to the current planned timescales. Work is currently ongoing to present options for reorganisation in response to government requirements.

High inflation over recent years has increased cost pressures on all councils' revenue and capital expenditure, indicating reduced certainty about what the future may hold, economically. High interest rates have provided the Council with fortuitously higher than expected interest income on cash balances, but the combination of higher inflation and higher interest rates impacts local communities, including the community the Council serves in Lichifield. This can lead to increases in demand for council services and impact on council income in areas such as car parking and collection rates for council tax, business rates and rents.

The Local Government Association continues to estimate that the costs to councils of delivering their services will exceed core funding in the future. Nationally, there has been an increase in the number of councils issuing s114 notices or indicating one may be likely.

Lichfield District Council has arrangements in place to mitigate the macro-risks posed by the national context and, at present has a reasonable level of general fund reserves.

Value for money

Local government reorganisation

On 5 February 2025 the Minister for State for Local Government and English Devolution asked all councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. Final detailed proposals were to be submitted in September 2025, with the potential establishment of a shadow Council in May 2027 and the transition to the unitary authority in April 2028, marking the cessation of the existing councils in Staffordshire.

This means the next few years will be ones of significant change and uncertainty. Councils will need to consider the risk of the loss of key individuals and corporate memory in the lead-up to and transition into the new unitary authority. There may be an incentive for more short-term decision making in respect of the use of reserves and concerns, where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, that these reserves may end up being repurposed to cover an overspend incurred by a successor body. Whilst Authorities retain powers to make some spending decisions in advance of the reorganisation, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond the date of transition to the new body.

Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will utilise increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be incorporated into updated medium term financial plans.

Members, and in particular audit committee members, will need to be satisfied that where earmarked reserves are being utilised, they are being utilised for their intended purpose and that reserve balances remain at an appropriate and prudent level, as well as be satisfied that balanced budgets continue to be set up to and including the Council's final period of account, in line with the statutory duties placed on key staff. Effective governance and stewardship will remain key, particularly in the operation of the audit committee, delivery of internal audit and execution of the risk management process.

Such reorganisation could streamline service delivery, reduce duplication and improve long-term financial sustainability. However, the transition will require careful planning, particularly around the disaggregation of legacy financial systems, reserves, and service responsibilities. Government believes there are substantial financial benefits and savings to be made, although these would depend on the exact configuration arrived at. However, any reorganisation of this scale brings significant risk and uncertainty. The Council recognises that transformation costs and service continuity risks must be managed effectively.

Value for money: financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Budget and 2024/25 outturn position

The Council approved the 2024/25 budget on 06 February 2024. The budget estimated expenditure of £15.330m, a Council Tax Requirement of £7.929m with 'Band D Council Tax' for 2024/25 of £192.85 (an increase of £5 or 2.66% on 2023/24). The capital budget expenditure was £15.826m, with plans to fund this through capital receipts, grant and earmarked reserves. The Council had no plans to utilise any external funding sources for capital purposes, and no drawdowns were expected on the Council's general reserves.

The 2024/25 outturn reported to Council on 23 June 2025 showed a balanced budget with a number of favourable variances. The council benefited from lower-than-expected energy costs across several services, increased lettings and income in areas like markets and the Guildhall and stronger than anticipated investment interest earnings. In addition, the Capital programme reported an outturn position of £1.79m below the expenditure noted in the approved budget. This was mainly due to project slippage and re-profiling rather than underspends against capital projects. We also noted the earlier than planned acquisition of the waste fleet which was received a couple of days before the end of the 2024/25 financial year. Overall, the capital programme was well controlled, with delays largely reflecting timing differences to be carried forward into 2025/26.

Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) process begins annually in the summer with service owners reviewing budgets to identify emerging demands, new initiatives, and potential savings. This is followed by budget consultation and development, including Cabinet review, scrutiny by the Overview and Scrutiny Committee, and public engagement to ensure alignment with strategic priorities. Between January and February, the MTFS is finalised, with Cabinet recommending and Full Council approving the Revenue Budget, Capital Programme, and Local taxes in February.

An updated MTFS was reported to the Council on 28 September 2025, which reflected a more up to date picture in relation to the government funding reform. This evidences that the Council is regularly updating information to ensure transparency in its reporting. We therefore consider that the Council's arrangements in securing value for money through financial sustainability are being managed effectively, despite the wider challenging situations for all Local Authorities with funding reform and LGR.

Value for money: financial sustainability

There were no unrealistic assumptions identified in determining the 2024/25 Revenue Budget and Capital Budget. Management assumed a 2.99% (£5.00) increase in Council Tax, reducing to 1.99% throughout the MTFS period, which remains within the allowable limit. The Council also assumed a 4% increase in pay, reducing to 2% over the MTFS period. National Insurance contributions were assumed to increase in line with central government communications, and pension contributions were based on estimates from the triennial valuation.

The Council prepared the MTFS using both optimistic and pessimistic modelling, with the pessimistic option reflected a worst-case scenario, including potential Council Tax freezes and lower housing growth. Under the optimistic scenario, the projected general reserves were estimated at £5.836m, compared to the pessimistic scenario where general reserves are estimated to decline to £4.423m. The optimistic forecast showed an increase in reserves throughout the MTFS period, whereas the pessimistic forecast showed a depletion of reserves by 2027/28.

However, the year-end performance indicated that the outturn position was more aligned with the optimistic modelling, as the Council achieved a General Reserve balance of £5.747m, slightly below the budgeted £5.835m.

General fund and reserves

At the 31 March 2025 the Council's general fund balance stood at £5.747m, which is slightly lower than the general fund balance at 31 March 2024 of £5.800m. However, the level of general fund earmarked reserves increased during the year from £26.769m to £26.927m, meaning the overall level of useable general fund reserves available to the Council at 31 March 2025 stood at £32.674m. This is a strong level of reserves and given that the Council's net expenditure on services in 2024/25 was £13.731m, this level of reserves provides a buffer for unexpected short-term shocks.

LWM Traded Services Ltd

The Council has a wholly owned subsidiary, called LWM Traded Services Ltd (LWMTS) and this has been consolidated for the first time in the Council's group 2024/25 financial statements. LWMTS runs the Council's Disabled Facilities Grants (DFG) programme (making homes more accessible for people with care needs), manages the district's leisure centres, providing planning consultancy services, provides HR and payroll services, as well as a number of other functions. This subsidiary has grown considerably over the last couple of years, hence why it is now considered material to the Council and requires full consolidation.

The Council's budget incorporates LWM Traded Service LTD (LWMTS). LWMTS delivered a sound financial performance in 2024/25, generating total income of £5.232m, slightly below the £5.408m budget, excluding £1.7m from the Disabled Facilities Grant. External income exceeded expectations at £850k compared to the £845k target, with £178k deferred to 2025/26. The company achieved an operating profit of £438k, surpassing its budgeted surplus of £398k, and made year-end contributions of £277k to the Council to help fund leisure centres and other service costs. After these contributions, LWMTS reported a net profit before tax and dividend of £161k.

Value for money: financial sustainability

Darwin Prospects LLP

In 2024/25 the Council entered into an agreement to redevelop of part of the shopping precinct in the town centre of which it was the current freeholder. The arrangement included property transfers and the creation of a Limited Liability Partnership (Darwin Prospects LLP). The LLP has been classified as a joint venture since the Council has rights to the net assets of the partnership but is not exposed to any net liabilities – i.e. it has limited liability. In advance of the Joint Venture becoming operational, the Council incurred £70k in costs relating to the cinema project during 2024/25. The only other transaction in 2024/25 was the initial investment to the joint venture based on the agreed funding structure for the LLP. Management has indicated the performance of the Joint Venture will be reported through appropriate channels which are being developed.

Local government reorganisation

Local government reorganisation (LGR) plans were announced in December 2024 in a "Devolution White Paper" by Ministry of Housing Communities and Local Government (MHCLG). This has meant that the Council's attention has, rightly so, been directed to focus on LGR over the last quarter of 2024/25 and into the 2025/26 financial year.

Whilst it is early days, LGR is gathering pace, with expected organisational change from April 2028. To date, the Council have met their obligations to provide information by the required deadlines. They have been working collaboratively with other Staffordshire Councils and submitted interim proposals into the MHCLG. The Council also plan to submit full proposals in November 2025. Whilst this does create some level of uncertainty over the future financial sustainability of the Council in the medium term, the Council have incorporated the known risks into their latest MTFS.

Summary

We do not consider there to be a significant weakness in the Council's 2024/25 arrangements relating to financial sustainability. The Council continues to demonstrate a sustainable financial outlook, supported by robust planning that is not reliant on reserves to balance the budget. The Fair Funding review is expected to have a positive impact on the Council's ability to plan and budget as this provides the Council with more certainty over its settlement for multi-year periods, rather than on a year-by-year basis. Local government reform adds an additional complexity and, at times, will be a competing priority for the Council to consider moving forward. The Council should therefore continue to ensure that long term plans are being considered with their wider Staffordshire counterparts to ensure that long term financial sustainability for the region as a whole is at the heart of their decision making.

Value for money: governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) and for example where it procures or commissions services.

Council Risk Management

The Council has an established Risk Management Policy, which details how the Council managed risk. The policy is aligned with Lichfield District Council's strategic objectives and aims to effectively manage potential opportunities and threats to achieving those objectives. It provides a robust framework to identify, assess, and manage major council risks while minimising the overall cost of risk. We have assessed the Council's strategic risk register, and we are satisfied is appropriately documents the risks present at the Council as well as considering risk mitigations, allocating risk owners and a target risk score.

From our review, we note that there were no unmitigated risks during the year, and all current risk scores were within target levels. However, towards the year-end, two additional risks were introduced relating to Local Government Reorganisation and Government Changes in Planning Policy. The Council is currently exploiting different ways of managing the risk to acceptable level.

The Audit Committee has delegated the responsibility for overseeing risk management and obtaining assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The Committee gains some assurance over the controls established by the Council from Internal Audit who undertake risk-based audits in accordance with the approved Internal Audit Plan.

In 2024/25, the internal audit service was delivered under a joint agreement with Tamworth Borough Council. The Internal Audit Plan, covered both the Council and LWMTS and was approved by the Audit Committee prior to the start of the year. The Internal Audit Manager issued an Annual Report providing 'reasonable assurance' over the overall design and effectiveness of the Council's internal control framework. Internal audit also reviewed the Council's arrangements to prevent and detect fraud, with no significant matters identified during the year.

Following the retirement of the Internal Audit Manager, the Council obtained Interim Audit Manager support, and the Council has recently appointed BDO to act as Internal Audit on a longer-term basis.

Value for money: governance

Audit Committee

The Council has an Audit Committee whose role is to provide independent assurance of the adequacy of the Council’s risk management framework and the associated internal control environment, and the Committee meets regularly throughout the year.

During 2024/25, we noted some instances of poor member attendance at Audit Committees, with a few members either not attending meetings for long periods of time or providing apologies. A review of attendance throughout the year indicates that the quorum was met at all meetings, with at least three members in attendance. However, the Committee comprised eight members during the year, and the lowest attendance was 38% at the July 2024 meeting. At all other meetings, at least 50% of members were present. In addition, an annual self-assessment of Committee effectiveness was conducted by the Internal Audit Manager and reported to the Committee on 27 March 2025. The Internal Audit Manager noted that engagement was poor, with only 38% of members providing a response.

This position has significantly improved since May 2025 and attendance at Audit Committee since the year end has been notably stronger. Whilst we have raised an ‘other’ recommendation relating to this within our report, it is worth noting that despite low attendance in 2024/25, we have witnessed an appropriate level of challenge by the members in attendance through 2023/24 and to date.

According to Article 10.2 of the LDC Constitution, the Council should consider the inclusion of an independent member based on an assessment of the knowledge and skills of the Committee. An assessment was carried out in September 2023, which considered the potential pros and cons of appointing an independent member. The steps have now been taken to fill the vacancy. The post was advertised in July 2025, and interviews took place in October 2025.

LWM Traded Services Ltd

The Council has a wholly owned subsidiary company that has shown significant growth over the last couple of years. An annual report on the performance of LWM Traded Services Ltd (LWMTS) is produced and presented to Cabinet, and a Cabinet Member serves as one of the company’s directors. In 2023/24, Internal Audit completed a review of the governance arrangements for LWMTS, which was assessed as providing ‘reasonable assurance’ considering the size of the company. However, it was noted that there were plans to increase the number of service provided by the subsidiary. The Internal auditor recommended that a formal shareholder group be established to provide stronger scrutiny and oversight of the company’s activities and performance.

A consultation has since been undertaken to determine the most effective approach for enhancing oversight of the subsidiary’s operations. The Council procured Fathom Consultancy Solutions to review the governance arrangements at the subsidiary, and they provided their formal report to the Council in June 2025.

Value for money: governance

The consultants have recommended that the Board be increased to seven members, with four new Non-Executive Directors (NEDs) recruited specifically for their expertise and experience. This expansion should be accompanied by a strategic recalibration of the shareholder arrangements. Along with the changes to the composition and size of the Board, they recommended a recalibration of the reporting lines and a strengthening of the Council's shareholder function, to ensure adequate strategic oversight without micro-management. These changes could be achieved by establishing a forum which represents the shareholder. This could be in the form of a committee or ''shareholders group or board''.

This recalibration will clarify reporting lines and strengthen the Council's shareholder function, ensuring strategic oversight without delving into day-to-day micro-management. The Shareholder Committee/Group will serve as the primary mechanism for the Council to exercise its role as the sole owner of LWMTS, ensuring a clear distinction between the Council's shareholder responsibilities and the LWMTS board's executive and operational duties.

The recommendation made is in line with our external audit experience, when considering Council's with similar structures. We have therefore made an 'other' recommendation for the Council to consider implementation of the recommendations made by the external consultants.

Annual Budget Setting Approach

The Council 2024/25 budget process followed a structured annual cycle closely aligned with its Medium-Term Financial Strategy 2023-2028. The process began in mid-2023 with the development of key financial assumptions, spending priorities, and a public consultation. Draft budget proposals and MTFS updates were reviewed by the Overview and Scrutiny Committee and Cabinet before being refined and recommended for approval. Alongside this, the Council set its Council Tax base, updated its Treasury Management and Capital Strategy, and considered the implications of national funding settlements.

The final 2024/25 budget and MTFS were approved by Full Council in February 2024, setting out the revenue and capital programmes, reserves strategy, and funding plans for the next five years. Throughout the year, progress was monitored through regular "Money Matters" reports, which tracked performance against the approved budget and updated the MTFS to reflect financial pressures and opportunities. This integrated approach ensured that the Council's financial planning remained sustainable, transparent, and aligned with its strategic priorities. The Council is very transparent on local taxes use by detailing in the council website on "How we spend council tax". The same process has been followed for 2025/26 budget.

To ensure actual spending is in line with budget monthly reports and quarterly projections are subject to review by Cabinet and Overview and Scrutiny Committee. The Council also provide three reports on Treasury Management/Investment Strategy activity to Audit Committee throughout the financial year.

Value for money: governance

Compliance with Laws and Regulation

Meeting legislative and regulatory requirements is the responsibility of all officers and Members. In law, the Section 151 Officer holds overall responsibility for the proper administration and management of the Council’s financial affairs, while the Monitoring Officer is responsible for legal governance and compliance, including adherence to the Member Code of Conduct. The Monitoring Officer also ensures compliance with guidance on declarations of interest, gifts, and hospitality.

Officer and Member Conduct

The Authority operates under established Codes of Conduct for both officers and Members, which set clear expectations for behaviour, the declaration of interests, and the acceptance of gifts and hospitality. Conflicts of interest must be declared and are managed in accordance with the Council’s governance procedures. Where conflicts arise, appropriate mitigation measures are implemented, such as reallocation of duties or responsibilities to Lichfield maintain integrity and impartiality.

Procurement and Commissioning

In accordance with the Procurement Act 2023, conflict of interest assessments are embedded throughout the procurement and commissioning cycle. Declarations are required at both the Procurement Initiation stage and again at Contract Award. Where conflicts are identified, steps such as consulting the Governance Team or removing officers from evaluation panels are taken to ensure fairness and transparency.

The controls collectively ensure that the Council maintains compliance with legislation, upholds high standards of integrity, and mitigates reputational and legal risks. In support, the Overview & Scrutiny Committee provides independent challenge and assurance, reviewing how the Council meets its legal and governance responsibilities.

The Monitoring Officer is currently overseeing the implementation of governance structure for LWM Traded Services Ltd. As of September 2025, the Shareholder Advisory Group was established to support the Cabinet in fulfilling its role as shareholder of LWMTS and any future council-owned companies. The Group also oversee other commercial relationships including Joint Ventures.

Value for money: governance

Summary

From work performed on the Council's governance arrangement for the 2024/25 financial year, we have not identified any significant weaknesses in the Council's governance arrangements. During the year, the Council had effective arrangements in place for overseeing the Council's performance, identifying risks to the achievement of its objectives, the proper management of its risks and taking key decisions.

We met with Chief Executive, the S151 officer, the Chair of the Audit Committee and the Monitoring Officer to inform our assessment and we also performed a review of the Council meeting minutes to review key decision making and the arrangements in place. We have noted two 'other' recommendations for the Council below.

Other recommendations:

1. **We recommend that the Council ensures member attendance and engagement is strong throughout the year, especially given the key role the Audit Committee plays in the governance arrangements for the Council. We have noted that has already improved, however, are required to report on findings during the 2024/25 financial period.**
2. **We recommend that the Council consider and implement the recommendations made by the external consultants in relation to the governance structure at LWMTS. We have noted this form part of agenda for meeting held on 14 October 2025 and the Council is in the process of implementing the recommendation.**

Value for money: improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas:

- how financial and performance information has been used to assess performance and identify areas for improvement;
- how the Council evaluates service quality to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Performance monitoring and KPIs

In 2023/24, the Council developed the Lichfield District 2050 Strategy, which was formally adopted in May 2024. The strategy sets out a long-term vision for the district, moving beyond the traditional four-year planning cycle, with the overarching goal of making Lichfield a place where people aspire to live, work, and visit. Delivery of the strategy is structured around a series of key priorities, each supported by milestones extending to 2050. Performance is measured in two ways: through the Delivery Plan actions, which monitor progress against the strategic objectives, and through a set of corporate KPIs that assess operational performance.

2024/25 marked the first year of implementing the plan. The Year One Delivery Plan (2024/25) set out the initial steps towards achieving the district’s long-term strategic goals, with actions spanning the key strategic priority areas. By the end of the year, 76% of these actions were rated as green (completed or on track), and 61% of the corporate key performance indicators (KPIs) met their targets.

Key achievements include initiating temporary accommodation projects for individuals at risk of homelessness. The Council approved £1.485m in strategic Community Infrastructure Levy (CIL) funding and made significant progress in city centre regeneration efforts, such as the Birmingham Road Site redevelopment. Whilst the plan noted three actions rated 'red' and nine 'amber,' overall progress was considered positive, setting a strong foundation for Year Two. Milestones are aligned with the MTFS period, and the approved revised Service Delivery Plan forms a cornerstone for creating the MTFS. Milestones are set to track the delivery of the MTFS throughout its period, and the annual budget is prepared to support achievement of the MTFS targets.

For each delivery plan action and KPI, service leads provide a quarterly update on progress, including a red, amber or green (RAG) status description. The RAG status descriptions serve as an indication on whether the action or KPI is expected to be delivered and the overall health of the KPI. Outcomes of both financial and non-financial KPIs are reported to the Cabinet and the Overview & Scrutiny Committee.

2025/26 represents Year Two of delivering the strategy through the updated Delivery Plan. This plan incorporates any slippage from the previous year’s actions, alongside new priorities for the period. Several KPIs have already been completed or have made significant progress.

Value for money: improving economy, efficiency and effectiveness

Council integrates benchmarking information into its MTFS to support robust financial management and informed decision-making. Data from LG Futures is used to compare Council Tax and Business Rates levels, revenue activity unit costs, and fees and charges. This provides context for assessing the Council's financial performance relative to other local authorities. Treasury Management benchmarking from Arlingclose Ltd is presented to Cabinet and the Audit Committee supporting sound investment strategies, whilst the CIPFA Financial Resilience Index is reviewed annually and reported to the Audit Committee, with key findings referenced in the Section 25 Report to Council. Collectively, these tools enable the Council to monitor performance, assess financial risk, and maintain alignment with best practices in local government finance.

The Council's performance on the CIPFA Resilience Index for 2023/24 was presented to the Audit Committee on 17 July 2025. The report indicated that the Council's financial resilience is generally strong, with performance in several key areas meeting or exceeding benchmarks.

Partnership arrangements

The Council has a joint arrangement with Tamworth Borough Council (TBC) to deliver waste services and is managed through a service level agreement (SLA). This arrangement is not new and has been in place for many years, however, at the end of the year the Council obtained a new waste fleet which has been accounted for in line with IFRS 16. The fleet was obtained under a lease arrangement on 30/03/25 and started to operate in 2025/26. This didn't result in a change in the SLA.

The arrangement was initial entered into in 2010 and a business plan was formed to cover the arrangement with TBC. The plan covers the objectives, risk management controls and robust performance management metrics. It also detail the terms of the Joint Waste Committee constitution including performance indicators.

During 2024/25 Stoke on Trent City Council processed all of Council payroll data in regard to payments, deductions, expense claims, timesheet input, HR systems, pension administration and enquiries of employees. This has now been transferred 'in house' and is a service provided by LWM Traded Service Ltd, as well as the management of Leisure Centres.

The Council also entered a new partnership with Rookman Properties Limited. The arrangement involved establishing a Joint Venture, Darwin Prospects LLP ('the LLP'). This was established on 19 October 2023, and the LLP was created to facilitate the development of key regeneration projects within Lichfield, particularly focusing on the transformation of the former Debenhams building on Bakers Lane into the new "Three Spires Quarter".

Effective delivery within significant partnerships exists by establishing clear roles, expectations, and performance standards, typically documented through service specifications or Service Level Agreements (SLAs). These agreements provide a structured framework for ongoing engagement and performance monitoring. Stakeholder engagement is maintained through regular meetings, performance reviews, and reporting mechanisms, allowing the Council to assess whether objectives are being met and to take corrective action when necessary.

Value for money: improving economy, efficiency and effectiveness

Procurement

The Council has established an internal procurement commissioning team which manage the procurement of high value items/services. A new procurement strategy was presented to Council on 08 September 2025, which cover 2025 to 2029. This update was completed to reflect changes in legislation, best practice, and the Council's strategic priorities following the introduction of the Procurement Act 2023 which became effective from February 2025. This new strategy has strengthened the transparency and requirements relating to conflict of interest reporting, as well as a need to better embed social value, sustainability, and community outcomes into procurement decisions.

This revised strategy has been updated to incorporate lessons learned from recent procurements as well as to align with the Council's broader 2050 Strategy and MTFS.

Summary

We have not identified any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. The Council has effective arrangements in place for using financial and performance information to make informed decisions for improving the way it manages and delivers services and working with partnerships effectively.

In 2023/24 we made an 'other' recommendation for council to improve how they review and monitor the cost effectiveness of existing activities, identifying those which do not contribute sufficient value, and consider alternative, lower cost options for service delivery.

We have confirmed this recommendation has been addressed. The Council has performed a unit cost analysis and uses externally collected data from the LG Futures Financial Intelligence Toolkit for local government. This benchmarking allows the Council to compare the cost of delivering mandated public services with other local authorities. The exercise identifies favourable or unfavourable variances, which are then further reviewed to determine whether alternative service delivery options should be considered.

Recommendations

Value for money: other recommendations

The other recommendations made are set out below. Our detailed commentary is set out in this Auditor's Annual Report.

Observation	Criteria	Managements response
We recommend that the Council ensures member attendance and engagement is strong throughout the year, especially given the key role the Audit Committee plays in the governance arrangements for the Council. We have noted that has already improved, however, are required to report on findings during the 2024/25 financial period.	Governance	The Council acknowledges the importance of strong Member attendance and engagement, particularly in relation to Audit Committee given its key role within the governance and assurance framework. Attendance at Audit Committee has already shown improvement and the Council will continue to support and encourage Member engagement by: • Providing timely agendas and reports to support Members in preparing for meetings • Providing training and development to strengthen Members' understanding of the Committee's role and responsibilities • Reviewing attendance levels and sharing this information with the relevant political group leaders when appropriate. • Emphasising the importance of Audit Committee's role in providing assurance of governance, risk management and internal control arrangements. The Council is in the process of appointing an Independent person who will supplement the knowledge and skill base of the Committee, thereby providing further support to Members in their role.
We recommend that the Council consider and implement the recommendations made by the external consultants in relation to the governance structure at LWMTS. We have noted this form part of agenda for meeting held on 14 October 2025 and the Council is in the process of implementing the recommendation.	Governance	A Shareholder Advisory Group was formally established in September 2025 to support the Cabinet in fulfilling its role as shareholder of LWM and any future council-owned companies. The establishment of the Group was reported to Council on 14 October 2025. LWM has commenced the recruitment of non-executive directors to the board.

Value for money: follow up of prior recommendations

The recommendations we made in previous years are set out below, together with actions taken by the Authority in 2024/25 to address them. Our detailed commentary is set out in this Auditor’s Annual Report.

Recommendation previously reported	Criteria	Recommendation previously made	Auditor update 2024/25
Other recommendation The Council should improve how they review and monitor the cost effectiveness of existing activities, identifying those which do not contribute sufficient value, and consider alternative, lower cost options for service delivery.	**Improving economy, efficiency and effectiveness**	The Council has previously considered the cost of delivering services only as part of transformation programmes rather than as part of regular performance monitoring. Understanding the costs associated with delivering specific services will allow the Council to prioritise how it uses its resources and enable members to make more informed decisions.	We have confirmed this has been addressed. The Council performs a unit cost analysis and uses externally collected data from the LG Futures Financial Intelligence Toolkit for local government. This benchmarking allows the Council to compare the cost of delivering mandated public services with other local authorities. The exercise identifies favourable or unfavourable variances, which are then further reviewed to determine whether alternative service delivery options should be considered. This recommendation is therefore considered closed.

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