

Statement of Accounts 2014/15

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If you have any comments on this **Statement of Accounts 2014/15** or would like any further information please contact:

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance, Revenues & Benefits - Chief Finance Officer (CFO);
- 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 Director of Finance, Revenues & Benefits Responsibilities

The Director of Finance, Revenues & Benefits (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 2015.

In preparing this Statement of Accounts, the Director of Finance, Revenues & Benefits (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 Director of Finance, Revenue & Benefits (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 Director of Finance, Revenue & Benefits (CFO)

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year.



Date: 29 September 2015

Jane Kitchen, BSc (Hons), CPFA, IRRV (Hons)

Director of Finance, Revenues & Benefits (CFO) Lichfield District Council

The Statement of Accounts for 2014/2015 has been approved by Full Council on the 29 September 2015. The Audit Findings Report was reported to Strategic Overview and Scrutiny Committee on the 8 September 2015.



The Leader of the Council: Councillor Michael Wilcox Date: 29 September 2015

Explanatory Foreword by the Director of Finance, Revenues & Benefits (CFO)

Introduction

The Statement of Accounts for the year ended 31 March 2015 has been prepared in accordance with the Accounts and Audit (England) Regulations 2011. The format reflects the requirements of the 'Code of Practice in Local Authority Accounting in the United Kingdom 2014/15' and the Service Reporting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by the International Financial Reporting Standard (IFRS).

The Council's core financial statements, beginning at page 12 are listed below with a brief explanation of their purpose: -

- **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the authority, analysed into "Usable Reserves" (ie those that can be applied to fund expenditure or reduce local taxation) and "Unusable 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. The Net Increase/Decrease before Transfers to Earmarked Reserve line, shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.
- **Comprehensive Income & 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 is shown in the Movement in Reserves Statement.
- **Balance Sheet** - this explains the Council's financial position at the year end. It provides details of the Council's Balances and Reserves and its long-term indebtedness. It also includes the non-current and net current assets employed in Council operations together with summarised information on the non-current assets held.
- **Cash Flow Statement** - this illustrates the inflows and outflows of cash arising from transactions with Third Parties for Revenue and Capital purposes.

In addition, the Council is also required to produce one supplementary financial statement:

- **Collection Fund** - this reflects the statutory requirement for the Authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to Precepting Authorities and the Government.

EXPLANATORY FOREWORD

Financial Summary 2014/15

The financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending includes spend on assets or is defined as capital under law that will provide benefit to the District over a number of years.

Revenue Spending

What we planned to spend and actually spent

The actual spend compared with the Revised Budget in the format of our regular Money Matters Financial Performance Reports during the financial year is shown in the table below:

Actual Net Outturn compared to Revised Budget for 2014/15	Revised Budget ¹ £000s	Actual £000s	Variance £000s
Chief Executive	887	985	98
Community, Housing & Health	2,165	2,060	(105)
Democratic, Development & Legal	280	259	(21)
Finance, Revenues & Benefits	2,153	2,293	141
Leisure & Parks	3,135	3,004	(132)
Waste	1,495	1,433	(62)
Net cost of services	10,115	10,034	(81)
Net Treasury Position	2	(29)	(31)
Revenue Contributions to the Capital Programme	169	169	0
Net Revenue Expenditure	10,286	10,174	(112)
Approved Earmarked Reserves (not included in the net cost of services)	92	92	0
Cost of local services met by local and national taxes	10,378	10,266	(112)
How we plan to fund this			
Local Taxes - Council Tax	(5,427)	(5,426)	0
Grants	(5,043)	(5,027)	16
Total Funding	(10,470)	(10,454)	16
General Fund (Surplus) / Deficit to be met by a Contribution (to) / from General Reserve	(92)	(187)	(96)

The total impact of contributions to earmarked and general reserves has been to increase overall Revenue Reserves to **£7,896,350** as illustrated below.

Revenue Reserves	Brought Forward £000s	2014/2015 Net Change (Increase)/ Decrease £000s	Carried Forward £000s
Earmarked Reserves	(4,081)	(818)	(4,899)
General Revenue Reserves	(2,810)	(187)	(2,997)
Overall Revenue Reserves	(6,891)	(1,005)	(7,896)

¹ This is the Revised Budget for 2014/15 contained within the Medium Term Financial Strategy 2015-18 approved by Council on 17 February 2015.

EXPLANATORY FOREWORD

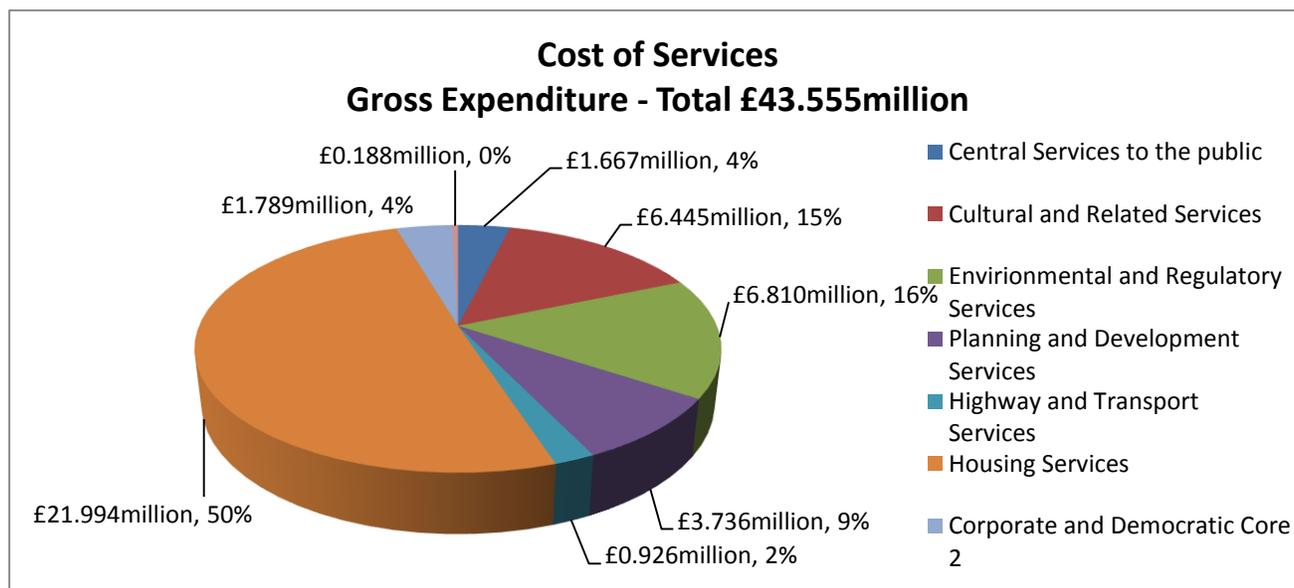
Both the Earmarked and General Revenue Reserves have been built up over time to provide funding for future projects and specific activities in line with the Authority's medium term aims and objectives. The General Revenue Reserve of **£2,997,670** is primarily held as a contingency to provide the Authority with operational funds and as a safeguard against financial risk. Current risk-based assessments set the Council's need for a Revenue contingency in 2015/16 at **£1,200,000**. This means that there is a surplus of **£1,797,670** of General Revenue Reserves over and above the contingency held. The Approved Medium Term Financial Strategy (Revenue and Capital) 2015-18 plans to use **£400,450** to balance the budget in 2015/16 only.

What we actually spent and its relationship to the Comprehensive Income and Expenditure Account (CIES)

This explanatory foreword shows that the Council had a General Fund surplus of **£187,480** however the CIES on page 13 shows a Deficit on the Provision of Services (cashflow) of **£500,000** in 2014/15. The difference between these two figures is due to the different basis used in their calculation. The CIES is calculated in accordance with generally accepted accounting practices whereas the General Fund raises taxation to cover expenditure in accordance with statutory regulations.

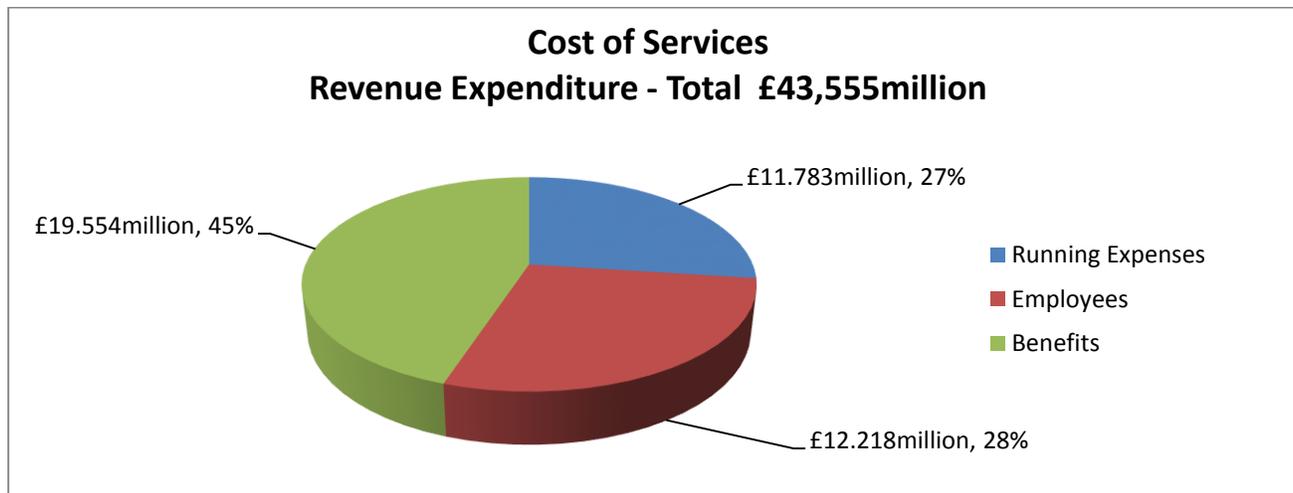
How the money was spent

The Comprehensive Income and Expenditure Account on page 13 summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows Gross Expenditure for the year was **£43.555 million** across eight defined Service Areas. These are common to all Councils to facilitate comparison, but they do not match the Service Areas around which this Council is managed (see **Note 26** of the Core Financial Statements). The chart below illustrates the profile of Gross Expenditure based on the defined Service Areas.



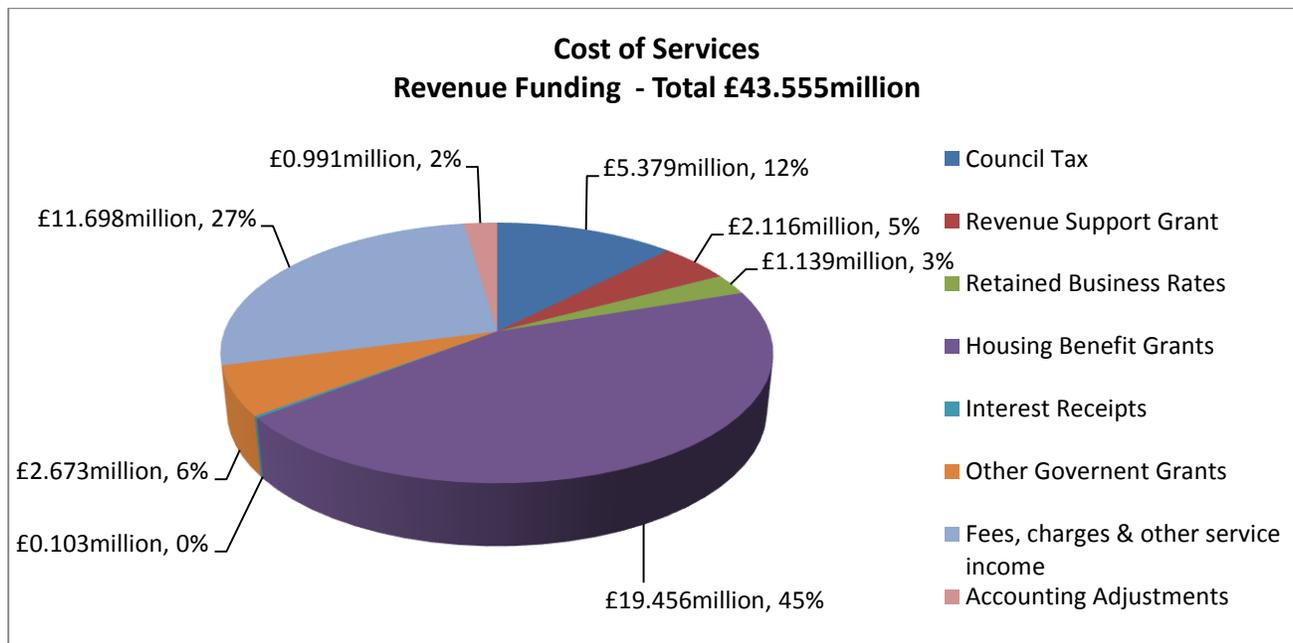
EXPLANATORY FOREWORD

Cost of Services - Revenue Expenditure for the year was **£43.555 million**. It represents actual revenue resources applied during the year. The three main categories of spending are employee costs, running expenses and housing benefit payments. Running expenses include maintenance of buildings, vehicle costs, and supplies and services. The chart below illustrates the proportion in which expenditure was incurred on these categories of expenditure.



How it was paid for

Central Government supported General Expenditure through the Revenue Support Grant (RSG) and other Government grants were received to support specific service areas, including the largest grant – Housing Benefits – at **£19.456 million**.



A total of **£5.379 million** was raised from Council Tax. Fees and Charges and other service income levied by the Council forms a substantial part of the **£11.698 million** of other income generated. A further **£0.103 million** in interest was received from investments and other interest receipts during the year. Accounting Adjustments of **£0.991 million** include contributions from Capital, Pensions and Accumulated Absence Reserves.

EXPLANATORY FOREWORD

Capital Spending

The Council plans and budgets for capital expenditure by means of a three-year 'rolling' Capital Programme. This programme was last updated in February 2015 and included capital commitments of **£16.670² million** with estimated capital spending in 2014/15 of **£3.171 million**. However, since the approval of this programme there have been some other minor changes under delegation that have decreased the budget by a further **£0.087 million** to **£3.084 million**.

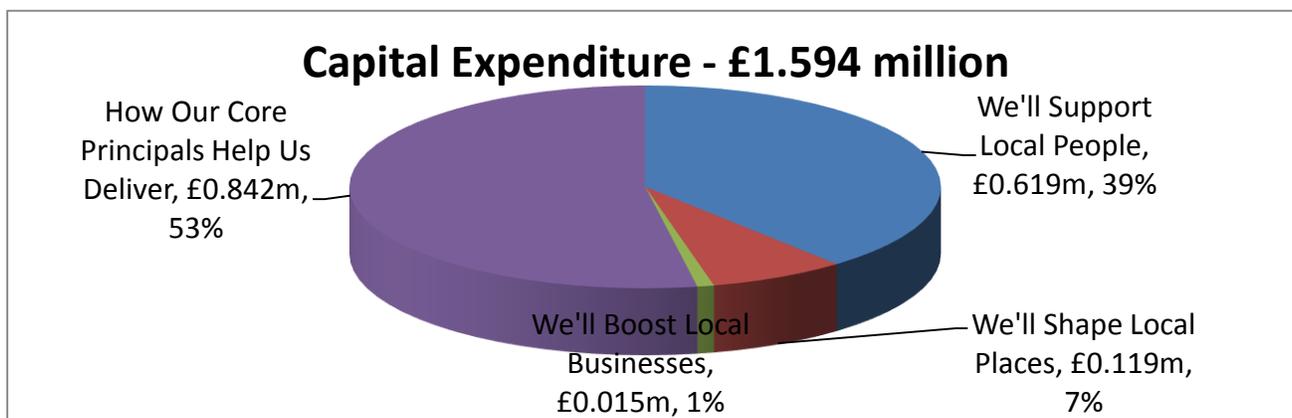
How the money was spent

The actual spending in 2014/15 was **£1.594 million** compared to a Capital Programme budget of **£3.084 million**. This was **£1.490 million (48%)** lower than estimated. Two projects accounted for a significant element of the lower than budget performance and these are detailed below:

- Friarsgate (**£0.484 million below budget**) – there are ongoing design, legal and financial changes to the Friarsgate scheme and the latest proposed development will be reported to Cabinet in July 2015. This means that spend for the project continues to be difficult to predict given the fluid nature of the project.
- Disabled Facilities Grants (**£0.240 million below budget**) – following a retendering exercise the Home Improvement Agency (HIA) service contract for the whole county was awarded to Revival, from the 1st July 2014. However, due to issues over funding from Staffordshire County Council it did not actually commence until 1st October. This change has presented several challenges to service delivery whilst Revival has become fully operational.

The majority of spend below budget relates to changes in project plans and the money will therefore be spent in later financial years.

Spend by top priority for the 2014/15 financial year was:



Major areas of capital expenditure and significant individual projects included:

- Information Technology investment – upgrade and enhancement of equipment and software (**£0.837 million**).

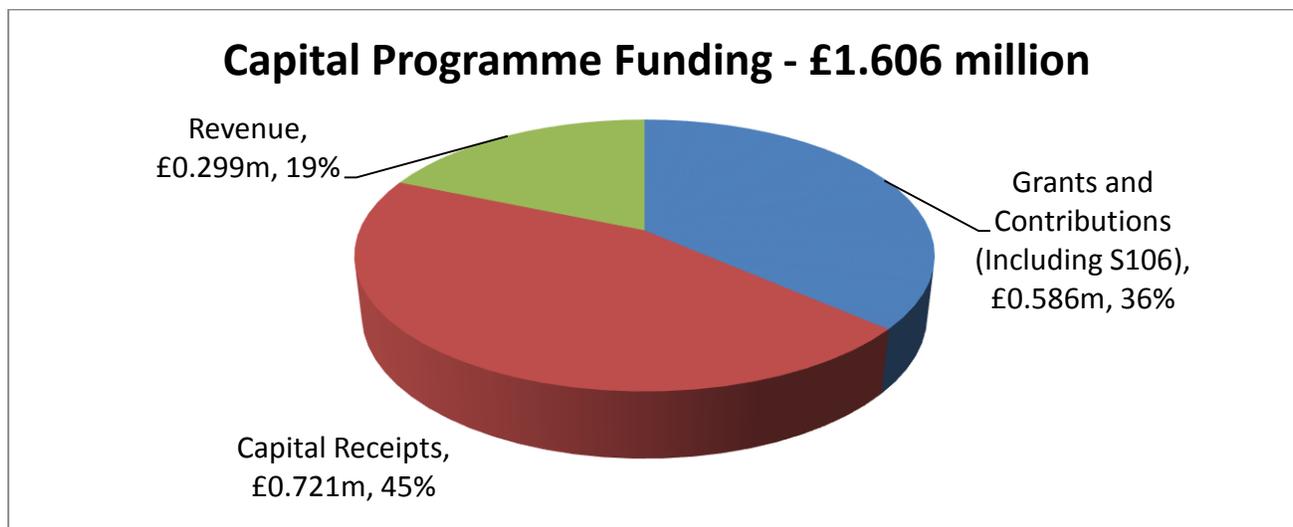
² 2014/15 **£3.171 million**, 2015/16 **£5.051 million**, 2016/17 **£5.314 million**, 2017/17 **£3.314 million**

EXPLANATORY FOREWORD

- Community, Housing and Health - financing of the Council's private sector housing assistance policy targeted at improving the District's private sector housing stock - Home Repairs, Energy Efficiency, Renovation and Disabled Facilities Grants (**£0.372 million**);

How it was paid for

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2014/15 Capital Programme is illustrated below with the difference between spend and funding adjusting the Capital Financing Requirement (**see note 34**):



- Capital Receipts - these are receipts generated from the sale of assets
- Grants and Contributions - such as Government grants supporting Housing, Heritage Lottery Fund Grant and Section 106 Planning Obligations
- Revenue - this is funded directly from the Revenue Budget and from Earmarked Reserves

So what was achieved for the money?

The Revenue and Capital transactions recorded in these statements supported all the Council's activities in 2014/15. A wide variety of statutory and non-statutory services were delivered and numerous Council aims and objectives progressed.

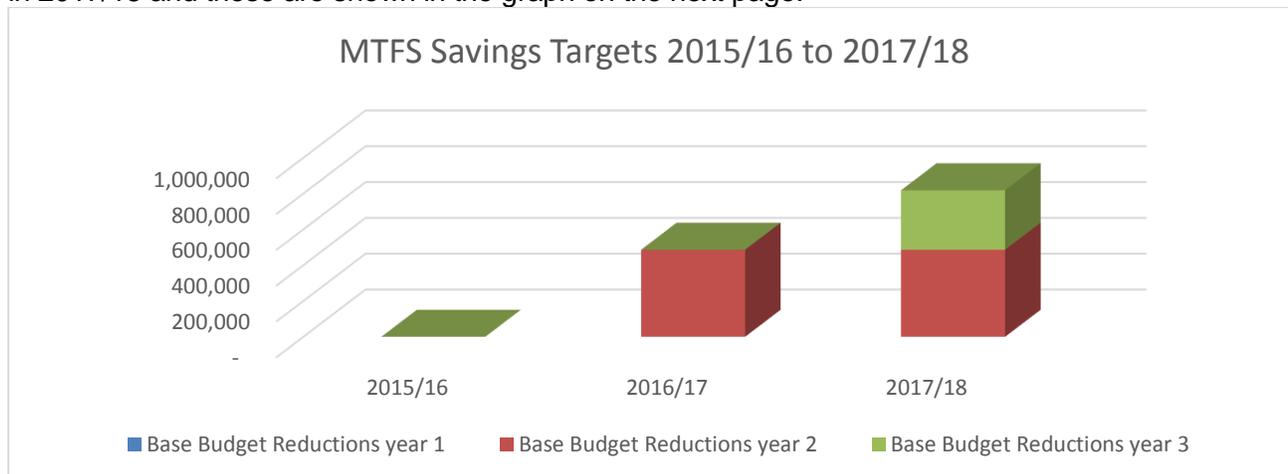
A separate report detailing the Council's Performance for 2014/15 was reported to Cabinet at its meeting on 7 July 2015 and can be viewed at www.lichfielddc.gov.uk

EXPLANATORY FOREWORD

The Medium Term Financial Strategy (MTFS) 2015-18

The ability to deliver the outcomes set out in the Plan for the District 2012-16 is dependent on the resources available over the life of the plan, and therefore the plan must drive the MTFS. The MTFS was approved at the Council meeting on 17 February 2015 and it set the framework to enable the Council to address significant financial challenges for not only 2014/15 but for future financial years.

The Council approved the use of reserves in 2015/16 of **£400,450** to balance the revenue budget. The funding gap identified in 2016/17 and 2017/18 will require savings to be identified from within the base budget. The level of savings identified in the MTFS are **£486,390** in 2016/17 and then a further **£331,800** in 2017/18 and these are shown in the graph on the next page.



The 'Fit for the Future Programme' (F4F) is the Council's transformation programme and it was introduced in May 2013 to help make the Council functionally fit for the challenges ahead. The programme has helped deliver significant financial savings of **£1.815 million** to date from the base budget and has helped put the Council on a sounder financial footing in the short term.

The overall purpose of the programme remains to ensure the Council is 'Fit for the Future' and the focus of the programme needs to continue to evolve from addressing the short term financial challenges to more fundamental reviews of key service areas. Therefore, the F4F programme will focus increasingly on reforming and modernising how the Council operates so that it becomes a more productive and corporate Council able to deliver agreed strategic aims within a smaller budget.

There are a number of current and planned F4F reviews/projects that will focus more on transformation and delivering the priority outcomes that will be set out in the new Strategic Plan and these are:

- Strategic Housing Services.
- Leisure Services.
- Revenues and Benefits Services.
- Parks and Open Spaces.
- Economic Development.
- Channel Shift (how the Council interacts with its customers).
- Creating a Corporate Council.
- Car Parks.

These reviews/projects will identify the level of savings required to ensure the medium and long term sustainability of the Council

EXPLANATORY FOREWORD

Summary

Overall, the 2014/15 Statement of Accounts demonstrates that the finances of Lichfield District Council remain sound. Both Revenue and Capital spending is constrained within affordable budgets; Assets and Reserves exist to support future service provision and the achievement of the Council's key priorities.



Jane Kitchen

Director of Finance, Revenue & Benefits (Chief Finance Officer)

29 September 2015

MOVEMENT IN RESERVES

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	2,953	3,123	1,882	1,248	9,206	15,367	24,573
Movement in Reserves 2013/14							
Surplus/(Deficit) on provision of services	(5,336)				(5,336)		(5,336)
Other Comprehensive Income and Expenditure						(2,853)	(2,853)
Total Comprehensive Income and Expenditure	(5,336)				(5,336)	(2,853)	(8,189)
Adjustments between accounting basis & funding basis (Note 6)	6,151		(419)	80	5,812	(5,812)	
Net Increase/Decrease before Earmarked Reserves	815		(419)	80	476	(8,665)	(8,189)
Transfers (to) / from Earmarked Reserves (Note 7)	(958)	958					
Increase/Decrease in Year	(143)	958	(419)	80	476	(8,665)	(8,189)
Balance at 31 March 2014	2,810	4,081	1,463	1,328	9,682	6,702	16,384

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	2,810	4,081	1,463	1,328	9,682	6,702	16,384
Movement in Reserves 2014/15							
Surplus/(Deficit) on provision of services	(500)				(500)		(500)
Other Comprehensive Income and Expenditure						(8,175)	(8,175)
Total Comprehensive Income and Expenditure	(500)				(500)	(8,175)	(8,675)
Adjustments between accounting basis & funding basis (Note 6)	1,506		(110)	405	1,801	(1,801)	
Net Increase/Decrease before Earmarked Reserves	1,006		(110)	405	1,301	(9,976)	
Transfers (to) / from Earmarked Reserves (Note 7)	(818)	818					
Increase/Decrease in Year	188	818	(110)	405	1,301	(9,976)	(8,675)
Balance at 31 March 2015	2,998	4,899	1,353	1,733	10,983	(3,274)	7,708

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.

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,835	(780)	1,055	Central services to the public	1,667	(464)	1,203
7,637	(3,584)	4,053	Cultural and Related Services	6,445	(3,128)	3,317
6,683	(3,383)	3,300	Environmental & Regulatory Services	6,810	(3,779)	3,031
3,903	(2,148)	1,755	Planning Services	3,736	(2,395)	1,341
1,028	(1,872)	(844)	Highways and transport services	926	(1,949)	(1,023)
2,913		2,913	Exceptional Item ³			
22,134	(21,511)	623	Other housing services	21,994	(21,069)	925
1,985	(98)	1,887	Corporate and democratic core	1,789	(108)	1,680
342		342	Non-distributed costs	188		188
48,460	(33,376)	15,084	Cost of Services	43,555	(32,892)	10,663
1,622	(548)	1,074	Other Operating Expenditure (Note 8)	1,954	(735)	1,219
2,437	(895)	1,542	Financing and Investment income and Expenditure (Note 9)	1,608	(988)	620
10,757	(23,121)	(12,364)	Taxation and Non-Specific Grant Income (Note 10)	10,967	(22,968)	(12,001)
63,276	(57,940)	5,336	(Surplus) or Deficit on Provision of Services (cash flow)	58,084	(57,583)	500
		2,027	(Surplus) or deficit on revaluation of non-current assets			(177)
		1	Surplus or (deficit) on revaluation of available for sale Financial Assets			
		827	Remeasurement of the net defined benefit liability			8,352
		(2)	Other gains / (losses)			
		2,853	Other Comprehensive Income and Expenditure			8,175
		8,189	Total Comprehensive Income and Expenditure			8,675

³ The new Friary Outer multi deck car park became operational during 2013/14 and was therefore valued at 31 March 2014. The District Valuer has valued the car park using an Existing Use Value basis derived from comparable rental evidence of car parking and existing occupancy levels. This basis is consistent with that used to value the Council's other two multi deck car parks. The valuation has resulted in a revaluation loss of £2.913m being charged to Highways and Transport Services in 2013/14 although the valuation will need to be monitored should occupancy of the car park change significantly in the future.

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, ie 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'.

31 March 2014		Notes	31 March 2015
£000			£000
37,624	Property, Plant & Equipment	11	36,832
515	Heritage Assets	12	515
5,928	Investment Property	13	5,408
177	Intangible Assets		153
251	Long Term Debtors	14	242
44,495	Long Term Assets		43,150
0	Investment Property	13	1,170
73	Inventories		49
7,038	Short Term Debtors	15	3,953
6,238	Short Term Investments	14	12,037
3,487	Cash and Cash Equivalents	16	4,338
16,836	Current Assets		21,547
(16)	Short Term Borrowing	14	(16)
(9,501)	Short Term Creditors	17	(10,586)
(874)	Provisions	18	(1,863)
(153)	Capital Grants Receipts in Advance	32	(136)
(10,544)	Current Liabilities		(12,601)
(47)	Long Term Borrowing	14	(31)
(248)	Long Term Liabilities: Finance Leases	35	(60)
(34,017)	Long Term Liabilities: Defined Benefit Pension	37	(44,069)
(91)	Capital Grants Receipts in Advance	32	(228)
(34,403)	Long Term Liabilities		(44,388)
16,384	Net Assets		7,708
9,682	Usable Reserves	19	10,983
6,702	Unusable Reserves	20	(3,275)
16,384	Total Reserves		7,708

CASHFLOW STATEMENT

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

2013/14 £000		2014/15 £000
(5,336)	Net surplus or (deficit) on the provision of services	(500)
5,960	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements (Note 24)	8,128
(3,242)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities (Note 25)	(3,839)
(2,618)	Net cash flows from Operating Activities	3,789
39	Investing Activities (Note 22)	(4,961)
999	Financing Activities (Note 23)	2,023
(1,580)	Net increase or (decrease) in cash and cash equivalents	851
5,067	Cash and cash equivalents at the beginning of the reporting period	3,487
3,487	Cash and cash equivalents at the end of the reporting period (Note 16)	4,338

NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2014/15 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.

Recognition of Revenues-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.

NOTES TO THE ACCOUNTS

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 2014/15 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015. The estimate has been calculated using the Valuation Office (VO) 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 2015.

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.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from Revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a

NOTES TO THE ACCOUNTS

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.

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.

NOTES TO THE ACCOUNTS

- Liabilities are discounted to their value at current prices, using a discount rate of **4.3%** (based on the indicative rate of return on high quality corporate bonds).
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities professional estimate.
 - Unquoted securities current bid price.
 - Unitised securities current bid price.
 - Property market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains or losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Staffordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. 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

The Council has two types of financial asset - Loans and Receivables and Available for Sale. Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are initially measured at fair value and subsequently at their amortised cost.

Available for Sale include Certificates of Deposit and Money Market Funds that are quoted in an active market and are measured at fair value.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds where applicable and as set out in the charging schedule (once adopted) The Council will charge for and collect the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The Council needs to agree to a draft charging schedule which needs to be independently examined before it can be adopted by Full Council. CIL can then be implemented.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charge will be largely used to fund capital expenditure. However, a small proportion of the charge may be used to fund revenue 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.

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Art Collection :

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

Other Items :

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

Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets eg where an item has suffered physical deterioration or breakage or where doubts arise over its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment - see page 27 (Impairment) and pages 25 to 28 (Property, Plant and Equipment) in this Summary of Accounting Policies. Any disposals are accounted for in accordance with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see pages 25 to 28 (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

NOTES TO THE ACCOUNTS

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.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity.

The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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).

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on

NOTES TO THE ACCOUNTS

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 2011/12 (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.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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;
- 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).

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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 derecognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1 April 2010.

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

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

Policy for Componentisation

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be group 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

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- (vii) Have a useful life which is at least **plus or minus five years** from other components of the overall asset.

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

Valuation

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

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

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

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

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

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

Impairment

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

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

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

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Depreciation

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

Depreciation is calculated on the following bases:

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to

NOTES TO THE ACCOUNTS

the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Provisions

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

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

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

Contingent Liabilities

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Lichfield District Council is in a VAT receivable position at year end; the balance outstanding is included in **Note 15** Short Term Debtors.

NOTES TO THE ACCOUNTS

Carbon Reduction Commitment Allowances

ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. For 2014/15, Lichfield District Council falls below the nationally agreed Carbon Reduction Commitment Scheme limit.

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 2015/16 Code:

- **International Financial Reporting Standard (IFRS) 13 Fair Value Measurement** – This standard provides a consistent definition of fair value together with enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at the present time. Operational property and plant and equipment assets are outside the scope of IFRS 13. This standard will not impact on the Statement of Accounts as the Council does not hold any surplus assets.
- **International Financial Reporting Interpretations Committee (IFRIC) 21 Levies** – This standard provides guidance on levies imposed by Government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises, or the levy is payable only if a threshold is reached, or both. This standard will not have a material effect on the Statement of Accounts.
- **Annual Improvements to IFRSs (2011-13 Cycle)** – These improvements are minor, principally providing clarification, and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015, and there is therefore no impact on the 2014/15 Statement of 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. There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an

NOTES TO THE ACCOUNTS

indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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.

NOTES TO THE ACCOUNTS

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £108,000 and for vehicles, plant and equipment would increase by £144,000 for every year that useful lives had to be reduced.
Business Rate Appeals	<p>Local Authorities from 1 April 2013 are liable for successful appeals against business rates charged to businesses in 2014/15 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 2015. 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 2015.</p> <p>Total Rateable Value of Appeals Outstanding at 31 March 2015 = £50.66m</p> <p>Provision = £4.17m</p> <p>Provision as a % of Appeals Outstanding = 8.24%</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 45.18% Average reduction in RV 10.40% Combined 4.70%</p> <p><u>2010 List</u> Average success rate 26.73% Average reduction in RV 7.96% Combined 2.13%</p> <p><u>Overall</u> Average success rate 38.32% Average reduction in RV 9.76% Combined 3.74%</p> <p>Each 1% increase in the overall Combined figure would increase the provision by £950,000. The Council's share of this increase at 40% would be £380,000.</p>
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 discount rate assumption would result in an increase in the pension liability of £11,948,000 a 1 year, increase in member life expectancy would amount to £3,242,000 and 0.5% increase in Salary and pension rate would amount to £4,399,000 and £7,233,000 respectively.
Arrears	At 31 March 2015, the Council had a balance of sundry debtors of £1,728,000 . A review of significant balances suggested that an impairment of doubtful debts of 50% (£635,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £635,000 to set aside as an allowance.

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

NOTES TO THE ACCOUNTS

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 29 September 2015.

A number of non-adjusting events after the Balance Sheet date have been identified:

Long Term External Borrowing

On 2 April 2015 the Council externally borrowed **£1,522,000** from the Public Works Loans Board using a 25 year equal instalment of principal fixed rate loan at 2.59%.

Sale and Transfer of Non-Current Assets

The Council is currently in the process of selling the following Investment Properties:

- 19 Industrial Units and a small café in Chasetown – these assets are valued at **£845,000** and are scheduled to be sold in June 2015.
- 6 Industrial Units in Lichfield – these assets are valued at **£325,000** and are scheduled to be sold during 2015.
- Bore Street Shops – these assets are valued at **£1,797,500** and the Council is currently in the process of identifying a purchaser.

The Council is also in the process of transferring a number of other assets such as Open Spaces and the lease of the Old Mining College Centre to other bodies.

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

	2014/15				2013/14			
	Usable Reserves			Movement in Usable Reserves £000	Usable Reserves			Movement in Usable 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	1,399			(1,399)	1,466			(1,466)
Revaluation (gains) / losses on Property, Plant and Equipment	(180)			180	3,003			(3,003)
Movements in the market value of investment properties	(214)			214	563			(563)
Amortisation of intangible assets	43			(43)	67			(67)
Capital grants and contributions applied (see note below)	(384)			384	(883)			883
Revenue expenditure funded from capital under statute	581			(581)	1,399			(1,399)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	308			(308)	9			(9)
Movement on loans due or advanced to the CIES								
Insertion of Items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(334)			334	(288)			288
Capital Expenditure charged to the General Fund	(299)			299	(289)			289
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES (see note below)	(606)		606		(760)		760	
Application of grants to capital financing transferred to the Capital Adjustment Account (see note below)			(201)	201			(680)	680
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(94)	94			(62)	62		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(503)	503			(364)	364		
Use of the Capital Receipts Reserve to finance new capital expenditure		(721)		721		(845)		845
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals								
Contribution from the capital receipts reserve to finance the payments to the Government capital receipts pool	1	(1)			1	(1)		
Transfer from deferred capital receipts reserve upon receipt of cash		15		(15)		1		(1)
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,345			(3,345)	3,515			(3,515)
Employers pension contributions and direct payments to pensioners payable in the year	(1,645)			1,645	(1,569)			1,569
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	84			(84)	341			(341)
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	4			(4)	2			(2)
Total Adjustments	1,506	(110)	405	(1,801)	6,151	(419)	80	(5,812)

NOTES TO THE ACCOUNTS

7. 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 2014/15. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Earmarked General Reserve	(1,437)		(526)	(1,963)		(485)	(2,448)
Earmarked Reserve-Restricted			(52)	(52)		(3)	(55)
Election Reserve	(98)		(19)	(117)	20		(97)
Public Open Spaces Reserve- Restricted	(6)		(98)	(104)	13		(91)
Joint Waste Shared Service Reserve-Restricted	(247)		(83)	(330)		(182)	(512)
Building Regulations Reserve (Restricted)			(61)	(61)		(24)	(85)
Development Grant Aid Reserve	(56)	4		(52)		(7)	(59)
Birmingham Road Car Park Capital Reserve -Restricted	(1,245)		(157)	(1,402)		(150)	(1,552)
Lombard Street Car Park Capital Reserve	(34)	34		-			-
Total	(3,123)	38	(996)	(4,081)	33	(851)	(4,899)

The **Earmarked General Reserve** has been provided to fund expenditure items in 2014/15 and beyond including Fit for the Future Budget Reduction Programme, also 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 (we used the current balance to fund the election in May 2015 and will begin to build up the reserve again in 2015/16 to use for the election in 2019).

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

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

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

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

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

NOTES TO THE ACCOUNTS

8. Other Operating Expenditure

2013/14 £000		2014/15 £000
1,478	Parish council precepts	1,506
1	Payments to the Government Housing Capital Receipts Pool	1
	Deferred Receipts on loans and advances	(4)
(41)	(Gains)/Losses on the disposal of non-current assets	214
(364)	Unattached Capital Receipts	(499)
1,074	Total	1,218

9. Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
22	Interest payable and similar charges	15
1,416	Pensions interest cost and expected return on pensions assets	1,466
(107)	Interest receivable and similar income	(103)
284	Income and expenditure in relation to investment properties and changes in their fair value	(644)
(73)	Net (Surplus)/Deficit on Trading Undertakings	(114)
1,542	Total	620

10. Taxation and Non-Specific Grant Income

2013/14 £000		2014/15 £000
(6,655)	Council tax income	(6,885)
	<u>Business Rates</u>	
(12,209)	Council Share of Retained Business Rates	(12,088)
10,757	Less : Business Rates Tariff	10,967
(3,904)	Non-ring fenced government grants	(3,957)
(353)	Capital grants and contributions	(38)
(12,364)	Total	(12,001)

Non-ring fenced Government Grants are comprised of:

2013/14 £000		2014/15 £000
(732)	New Homes Bonus	(1,203)
(2,794)	Formula Grant	(2,116)
(68)	New Burdens Grants	(105)
(310)	Small Business Rates relief	(354)
-	Long Term Empty Property Relief	(2)
-	Retail Relief Grant	(159)
-	Business Rate Inflation Cap	(18)
(3,904)		(3,957)

NOTES TO THE ACCOUNTS

11. Property, Plant and Equipment

Movements in 2014/15:

	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 2014	31,971	7,356	346	3,613	456	693	44,436
Additions ⁴	(21)	878		21		51	930
Revaluation increases/(decreases) recognised in the revaluation reserve	97						97
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	129						129
Derecognition – disposals	(240)	(321)					(561)
Asset reclassifications					(456)		(456)
At 31 March 2015	31,936	7,914	346	3,634	0	744	44,574
Accumulated Depreciation and Impairment							
At 1 April 2014	(906)	(5,699)	(38)	0	(17)	(151)	(6,811)
Depreciation charge	(737)	(659)	(3)				(1,399)
Depreciation written out to the revaluation reserve	88						88
Depreciation written out to the surplus/deficit on the provision of services	51						51
Impairment losses/(reversals) recognised in the revaluation reserve							
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		311					311
Derecognition – disposals							
Asset reclassifications					17		17
At 31 March 2015	(1,504)	(6,047)	(41)	0	0	(151)	(7,743)
Net Book Value							
At 31 March 2015	30,432	1,866	305	3,634	0	594	36,832
At 31 March 2014	31,065	1,657	308	3,613	439	542	37,624

⁴ The additions value for Other Land and Buildings is negative due to the reversal of a provision established in 2013/14 for potential liquidated damages on a capital project that is no longer required.

NOTES TO THE ACCOUNTS

Comparative Movements in 2013/14:

	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 2013	34,477	7,375	346	3,503	340	2,237	48,278
Additions	2,311	326		110	116	69	2,932
Revaluation increases/(decreases) recognised in the revaluation reserve	(3,252)						(3,252)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(3,064)						(3,064)
Derecognition – disposals		(459)					(459)
Asset reclassifications	1,499	114				(1,613)	
At 31 March 2014	31,971	7,356	346	3,613	456	693	44,435
Accumulated Depreciation and Impairment							
At 1 April 2013	(1,389)	(5,647)	(35)		(10)		(7,081)
Depreciation charge	(803)	(502)	(3)		(7)		(1,315)
Depreciation written out of the revaluation reserve	515						515
Depreciation written out to the surplus/deficit on the provision of services	66						66
Impairment losses/(reversals) recognised in the revaluation reserve	705						705
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						(151)	(151)
Derecognition – disposals		450					450
At 31 March 2014	(906)	(5,699)	(38)		(17)	(151)	(6,811)
Net Book Value							
At 31 March 2014	31,065	1,657	308	3,613	439	542	37,624
At 31 March 2013	33,088	1,728	311	3,503	330	2,237	41,197

NOTES TO THE ACCOUNTS

Other Land & Buildings Break-down

2013/14 £000		2014/15 £000
6,607	Arts Facility	6,466
350	Bus Station	350
959	Depot	939
700	Garage	700
10,159	Leisure Centre	9,903
2,420	Multi-storey Car Parks	2,375
2,065	Offices	1,998
25	Other Land & Buildings	52
466	Parks and Sports Grounds	414
797	Pavilions	874
511	Pool	505
236	Public Conveniences	304
95	Residential	79
3,992	Retail	3,981
1,681	Surface Car Parks	1,491
31,065	Total	30,432

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – 2 to 90 years
- Vehicles, Plant, Furniture & Equipment – 1 to 16 years
- Infrastructure – 36 years
- Minster Pool – 88 years

Capital Commitments

At 31 March 2015, the Council had no significant capital commitments. Last year the value was **£1.07** million which related to the upgrade of its ICT infrastructure.

Effects of Changes in Estimates

In 2014/15, 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 the District Valuer Service. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total £000
Carried at historical cost	24	1,866	1,890
Valued at fair value as at:			
- 31 March 2015	1,388		1,388
- 31 March 2014	12,278		12,278
- 31 March 2013	13,282		13,282
- 31 March 2012	3,460		3,460
Total Cost or Valuation	30,432	1,866	32,298

12. 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.

Movements in 2014/15:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
Cost or Valuation				
At 1 April 2014	305	80	130	515
Additions				
At 31 March 2015	305	80	130	515

Comparative Movements in 2013/14:

	Statues £000	Art Collection £000	Other Items £000	Total Assets £000
Cost or Valuation				
At 1 April 2013	245	80	130	455
At 31 March 2014	305	80	130	515

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 Greens and Open Spaces Strategy Manager, the civic regalia and trophies are managed by the Executive and Civic Support Officer, the grand piano is managed by the Garrick Trust and all other items are managed by Communications and Tourism Manager.

The Communications and 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 Martyrs 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.

NOTES TO THE ACCOUNTS

13. Investment Properties

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:

2013/14 £000		2014/15 £000
507	Rental income from investment property	536
(792)	Direct operating expenses arising from investment property	107
(285)	Net gain / (loss)	643

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 table summarises the movement in the fair value of investment properties over the year:

2013/14 £000		2014/15 £000
6,440	Balance at the start of the year	5,928
	Disposals	
51	Additions	5
(563)	Net gains/(losses) from fair value adjustments	206
	Transfers: From Surplus Assets	439
5,928	Balance at the end of the year	6,578
5,928	Long Term Assets	5,408
0	Current Assets	1,170

14. 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

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

- A single long term loan.
- Finance leases detailed at note 35.
- Trade payables for goods and services received.

Financial Assets

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

Loans and receivables comprise:

- Cash in hand.
- Bank current account and deposit accounts with National Westminster Bank.
- Fixed term deposits with banks and building societies.
- Loans to other local authorities.
- Trade receivables for goods and services delivered.

Available for sale financial assets (those that are quoted in an active market) comprising:

- Money market funds.
- Certificates of Deposit issues by banks and building societies.

NOTES TO THE ACCOUNTS

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

	Long Term		Short Term	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Investments				
<u>Loans and receivables:</u>				
- Principal at amortised cost			5,200	11,000
- Accrued interest			38	37
<u>Available-for-sale investments:</u>				
- Principal at amortised cost			1,000	1,000
Total Investments			6,238	12,037
Cash and Cash Equivalents				
<u>Loans and receivables:</u>				
- Cash (including bank accounts)			392	507
- Cash equivalents at fair value			1,980	
- Accrued interest			5	
<u>Available-for-sale investments:</u>				
- Cash equivalents at fair value			1,110	3,830
- Accrued interest				1
Total Cash and Cash Equivalents			3,487	4,338
Debtors				
Loans and receivables	251	242	3,332	3,134
Total included in Debtors	251	242	3,332	3,134
Total Financial Assets	251	242	13,057	19,509
Borrowings				
Financial liabilities at amortised cost	(47)	(31)	(16)	(16)
Total included in Borrowings	(47)	(31)	(16)	(16)
Other Long Term Liabilities				
Finance lease liabilities	(248)	(60)	(209)	(188)
Total other Long Term Liabilities	(248)	(60)	(209)	(188)
Creditors				
Financial liabilities at amortised cost			(3,519)	(4,466)
Total Creditors			(3,519)	(4,466)
Total Financial Liabilities	(295)	(91)	(3,744)	(4,670)

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Council had no legally enforceable right to set off financial assets and liabilities (all bank accounts with the Council's bank were either in credit or £0) at the 31 March 2015.

Financial Instruments - Fair Values

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2014		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Loans and receivables</u>				
Short Term Investments	6,238	6,238	12,037	12,037
Cash & Cash Equivalents	3,487	3,487	4,338	4,338
Trade Debtors	3,332	3,332	3,134	3,134
Long-term Debtors	251	251	242	242
Total Financial Assets	13,308	13,308	19,751	19,751
Trade Creditors	(3,519)	(3,519)	(4,466)	(4,466)
Finance Lease Liabilities	(457)	(457)	(248)	(248)
Short Term Borrowing	(16)	(16)	(16)	(16)
Long-term Creditors - Borrowing	(47)	(47)	(31)	(31)
Total Financial Liabilities	(4,039)	(4,039)	(4,761)	(4,761)

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

NOTES TO THE ACCOUNTS

15. Short Term Debtors

31 March 2014 £000		31 March 2015 £000
3,584	Central government bodies	724
186	Council tax payers	210
329	Business rate payers	540
4,099	Total statutory debtors	1,474
240	Manual prepayments	289
1,384	Other local authorities	1,087
1	NHS Bodies	3
7	Public corporations and trading funds	0
1,940	Other entities and individuals	2,044
3,332	Total trade debtors	3,134
7,671	Total debtors	4,897
	Less bad debt provision:	
(68)	Council tax payers	(97)
(119)	Business rate payers	(213)
(446)	General debtors	(634)
7,038	Total debtors	3,953

16. Cash and Cash Equivalents

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

31 March 2014 £000		31 March 2015 £000
9	Cash held by the Authority	8
2,368	Bank Accounts ⁵	500
1,110	Money Market Funds	3,830
3,487		4,338

17. Short Term Creditors

31 March 2014 £000		31 March 2015 £000
(2,397)	Central government bodies	(3,292)
(124)	Council tax payers	(121)
(737)	Business rate payers	(310)
(3,258)	Total statutory creditors	(3,723)
(2,724)	Receipts in advance	(2,396)
(1,519)	Other local authorities	(2,464)
(25)	NHS Bodies	(3)
0	Public corporations and trading funds	0
(1,975)	Other entities and individuals	(2,000)
(3,519)	Total trade creditors	(4,467)
(9,501)	Total creditors	(10,586)

⁵ Bank Investment Call Accounts (plus accrued interest) are £3.507 million of this figure in 2013/14 and £1.985 million in 2014/15.

NOTES TO THE ACCOUNTS

18. Provisions

The Council had two provisions.

	Outstanding Legal Cases £000	Business Rates Appeals £'000	Other Provisions £000	Total £000
Balance at 1 April 2014	(231)	(643)	-	(874)
Additional provisions made in 2014/15	(60)	(1,108)	(10)	(1,178)
Amounts used in 2014/15	108	81	0	189
Balance at 31 March 2015	(183)	(1,670)	(10)	(1,863)

Outstanding Legal Cases

The Authority has three legal cases in progress that have been provided for;

- **Personal search fees**

These relate to Environmental Information Regulations (EIR) 2004. In August 2010 the government revoked the personal search fee of the local land charges register because it was incompatible with the EIR. The EIR specifically state that environmental information contained on a register or list must be made available for personal inspection at no charge. Private property search companies have now brought legal action against authorities for charges levied from 1 January 2005 onwards which are alleged to be unlawful under the EIR our estimated liability is **£116,016**

- **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 **£67,523**. On the 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.

- **Liquidated Damages**

The amount of **£108,202** has been set aside in relation to a breach of contract on a Capital Project. This has now been used in 2014/15

Business Rates Appeals

The amount of **£1,669,744** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2015.

Other Provisions

All other provisions are individually insignificant totalling **£9,520**.

NOTES TO THE ACCOUNTS

19. Usable Reserves

2013/14 £000		2014/15 £000
2,810	General Fund	2,998
1,328	Capital Grants Unapplied	1,733
1,463	Capital Receipts Reserve	1,353
4,081	Earmarked Reserves	4,899
9,682	Total Usable Reserves	10,983

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

20. Unusable Reserves

2013/14 £000		2014/15 £000
3,474	Revaluation Reserve	3,450
37,734	Capital Adjustment Account	37,938
69	Deferred Capital Receipts	54
(34,017)	Pensions Reserve	(44,069)
(336)	Collection Fund Adjustment Accounts	(420)
(222)	Accumulated Absence Account	(226)
6,702	Total Unusable Reserves	(3,275)

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.

2013/14 £000			2014/15 £000
5,613	Balance at 1 April		3,474
440	Upward revaluation of assets	221	
(2,467)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(44)	
(2,027)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		177
(112)	Difference between fair value depreciation and historical cost depreciation	(109)	
0	Accumulated gains on assets sold or scrapped	(92)	
(112)	Amount written off to the Capital Adjustment Account		(201)
3,474	Balance at 31 March		3,450

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.

2013/14 £000			2014/15 £000
41,144	Balance at 1 April		37,734
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,466)	• Charges for depreciation and impairment of non-current assets	(1,399)	
(3,003)	• Revaluation gains/losses on Property, Plant and Equipment	180	
(67)	• Amortisation of intangible assets	(43)	
(1,399)	• Revenue expenditure funded from capital under statute	(581)	
(9)	• 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	(216)	
(5,944)			(2,059)
112	Adjusting amounts written out of the Revaluation Reserve		109
35,312	Net written out amount of the cost of non-current assets consumed in the year		35,784
	Capital financing applied in the year:		
845	• Use of the Capital Receipts Reserve to finance new capital expenditure	721	
1,398	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	444	
165	• Application of grants to capital financing from the Capital Grants Unapplied Account	142	
288	• Statutory provision for the financing of capital investment charged against the General Fund	334	
289	• Capital expenditure charged against the General Fund	299	
2,985			1,940
(563)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		214
37,734	Balance at 31 March		37,938

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.

2013/14 £000		2014/15 £000
(31,246)	Balance at 1 April	(34,017)
(450)	Actuarial gains or losses on pensions assets and liabilities	(14,332)
(375)	Return on Plan Assets	5,980
(3,515)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,345)
1,569	Employer's pensions contributions and direct payments to pensioners payable in the year	1,645
(34,017)	Balance at 31 March	(44,069)

Deferred Capital Receipts Reserve

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

2013/14 £000		2014/15 £000
70	Balance at 1 April	69
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(1)	Transfer to the Capital Receipts Reserve upon Receipt of Cash	(15)
69	Balance at 31 March	54

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

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

2013/14 Total £000		Council Tax £000	Business Rates £000	2014/15 Total £000
5	Balance at 1 April	61	(397)	(336)
(341)	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	88	(172)	(84)
(336)	Balance at 31 March	149	(569)	(420)

Accumulated Absence Account

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

2013/14 £000		2014/15 £000
(220)	Balance at 1 April	(222)
(2)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)
(222)	Balance at 31 March	(226)

21. Cash Flow Statement - Operating Activities

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

2013/14 £000		2014/15 £000
104	Interest received	107
(23)	Interest paid	(15)
81	Net cash flows from operating activities	92

Interest received in 2013/14 includes a one-off receipt for interest accrued on a VAT refund from HMRC. The refund relates to a Fleming Claim submitted to HMRC in 2009 in respect of Leisure Services.

NOTES TO THE ACCOUNTS

22. Cash Flow Statement - Investing Activities

2013/14 £000		2014/15 £000
(2,750)	Purchase of property, plant and equipment, investment property and intangible assets	(1,017)
1,000	Proceeds from short and long term investments	(5,800)
483	Proceeds from the sale of property, plant and equipment, investment property and intangible assets ⁶⁹⁸	697
1,306	Other (receipts)/payments from investing activities (including capital grants and contributions)	1,158
39	Net cash flows from Investing activities	(4,962)

23. Cash Flow Statement - Financing Activities

2013/14 £000		2014/15 £000
(232)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(212)
65	Cash receipts of short and long term borrowing	0
(8)	Repayments of short and long term borrowing	(16)
1,174	Council Tax and Business Rates Net Cash Inflows	2,251
999	Net cash flows from Financing activities	2,023

24. Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements

2013/14 £000		2014/15 £000
1,533	Depreciation, amortisation and impairment	1,442
3,003	Downward revaluations	(180)
9	Carrying Amount of non-current assets disposed in the year	309
(7)	Increase / (Decrease) in Provisions	989
18	(Increase) / Decrease in Stock	24
(4,466)	(Increase) / Decrease in Debtors	2,946
3,496	Increase / (Decrease) in Creditors	1,085
1,946	Movement in pension liability	1,700
428	Other non-cash adjustments	(187)
5,960	Adjust net surplus or deficit on the provision of services for non-cash movements	8,128

NOTES TO THE ACCOUNTS

25. Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities

2013/14 £000		2014/15 £000
(425)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(596)
(1,643)	Capital Grants & Contributions	(992)
(1,174)	Any other items for which the cash effects are investing or financing activities	(2,251)
(3,242)	Adjust net surplus or deficit on the provision of services for investing and financing activities	(3,839)

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 22** and **Note 23** after adjusting for cash flows in respect of outstanding balances at the end of the current and prior financial year.

NOTES TO THE ACCOUNTS

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice (SERCOP)*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The 2014/15 Financial Year

The net direct expenditure of the Council's principal Directorates recorded in the format of the regular Money Matters Financial Performance reports for the year on page 5 has been converted into the prescribed SERCOP format and is shown below:

2014/15 Directorate	2014/15 Actual £000	SERCOP ANALYSIS								Trading £000	Investment Properties £000
		Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
Chief Executive	985	565	0	0	0	0	0	419	0	0	0
Community, Housing & Health	2,060	1,118	3	472	91	0	296	80	0	0	0
Democratic, Development & Legal	259	733	154	(26)	197	(981)	0	296	0	0	(113)
Finance, Revenues & Benefits	2,293	1,704	0	0	(10)	0	264	149	187	0	0
Leisure & Parks	3,004	494	1,820	665	25	0	0	0	0	0	0
Waste Services	1,433	0	0	1,565	0	0	0	0	0	(132)	0
Net direct expenditure	10,034	4,614	1,977	2,676	303	(981)	559	944	187	(132)	(113)
						10,279					

This net direct expenditure for activities contained within the Cost of Services in the CIES on page 13 has been converted into the prescribed SERCOP full cost basis which includes recharges between Directorates, depreciation and pensions:

2014/15	SERCOP ANALYSIS									Total £000
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
Net direct expenditure	4,614	1,977	2,676	303	(981)	559	944	187		10,279
Full Cost Conversion	(3,412)	1,340	356	1,038	(42)	366	736	1		383
CIES – Cost of Services	1,203	3,317	3,031	1,341	(1,023)	925	1,680	188		10,663

NOTES TO THE ACCOUNTS

Trading and Investment Properties are contained within the Financing and Investment Income and Expenditure section of the CIES.

The information analysed by the type of income and expenditure is shown in the table below:

2014/15	SERCOP ANALYSIS								Total £000
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	
Fees, charges and other service income	(1,050)	(2,921)	(3,521)	(1,822)	(1,926)	(420)	(38)	0	(11,698)
Government Grants	(169)	(31)	(72)	(64)	0	(19,952)	0	0	(20,288)
Total Income	(1,219)	(2,952)	(3,593)	(1,886)	(1,926)	(20,372)	(38)	0	(31,987)
Employee Expenses	3,262	2,087	3,388	1,715	47	830	704	187	12,218
Other Service Expenses	2,458	2,697	2,372	937	736	20,137	276	0	29,614
Support Service Recharges	(3,692)	916	545	775	149	489	739	1	(78)
Depreciation, amortisation and impairment	393	570	319	(199)	(29)	(158)	0	0	895
Total Expenditure	2,421	6,269	6,624	3,227	903	21,297	1,719	188	42,649
CIES – Cost of Services	1,203	3,317	3,031	1,341	(1,023)	925	1,680	188	10,663

This further reconciliation shows how the figures in the above analysis relate to the Surplus or Deficit on the Provision of Services included in the CIES.

2014/15	SERCOP Analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(11,698)	(849)	0	(12,547)
Interest and investment income	0	0	(103)	(103)
Income from council tax	0	0	(6,885)	(6,885)
Government Grants	(20,288)	0	(5,116)	(25,404)
Total Income	(31,987)	(849)	(12,104)	(44,939)
Employee Expenses	12,218	41	0	12,259
Other Service Expenses	29,614	180	0	29,794
Support Service Recharges	(78)	78	0	(0)
Depreciation, amortisation and impairment	895	(208)	0	687
Interest Payments	0	0	15	15
Pension interest and expected return on Assets	0	0	1,466	1,466
Precepts and Levies	0	0	1,506	1,506
Payments to Housing Capital Receipts Pool	0	0	1	1
Gain or Loss on Disposal of Fixed Assets	0	0	214	214
Capital Grants & Contributions	0	0	(498)	(498)
Deferred Receipts on Loans and Advances	0	0	(4)	(4)
Total Expenditure	42,649	91	2,700	45,440
(Surplus)/Deficit on the provision of services	10,663	(758)	(9,404)	500

NOTES TO THE ACCOUNTS

The 2013/14 Financial Year

2013/14 Directorate	2013/14 Actual £000	SERCOP ANALYSIS									Trading £000	Investment Properties £000
		Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Exceptional Item £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000		
Chief Executive	788	369	0	0	0	0	0	0	419	0	0	0
Community, Housing & Health	2,161	1,071	2	358	297	0	0	332	101	0	0	0
Democratic, Development & Legal	1,543	705	181	(34)	493	0	0	0	320	0	(123)	0
Finance, Revenues & Benefits	1,517	1,389	0	0	(5)	0	0	(177)	147	163	0	0
Leisure & Parks	3,098	431	2,609	0	58	0	0	0	0	0	0	0
Operational Services	1,447	424	(188)	2,193	19	(904)	0	0	0	0	0	(98)
Corporate Earmarked Reserves	380	380	0	0	0	0	0	0	0	0	0	0
Net direct expenditure	10,932	4,769	2,604	2,518	861	(904)	0	155	988	163	(123)	(98)
						11,153						

2013/14	SERCOP ANALYSIS									
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Exceptional Item £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	Total £000
Net direct expenditure	4,769	2,604	2,518	861	(904)	0	155	988	163	11,153
Full Cost Conversion	(3,714)	1,449	783	894	59	2,913	468	900	179	3,931
CIES – Cost of Services	1,055	4,053	3,300	1,755	(844)	2,913	623	1,887	342	15,084

2013/14	SERCOP ANALYSIS									
	Central Services £000	Cultural & Related Services £000	Environmental & Regulatory Services £000	Planning Services £000	Highways, Roads & Transport Services £000	Exceptional Item £000	Other Housing Services £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	Total £000
Fees, charges & other service income	(1,102)	(3,396)	(3,208)	(1,873)	(1,860)	0	(1,229)	(31)	0	(12,699)
Government Grants	(142)	(68)	(22)	(199)	0	0	(20,260)	0	0	(20,691)
Total Income	(1,244)	(3,464)	(3,230)	(2,072)	(1,860)	0	(21,489)	(31)	0	(33,390)
Employee Charges	3,571	2,565	3,261	2,045	40	0	740	743	340	13,305
Other services expenses	2,177	2,995	2,288	833	640	0	20,252	286	0	29,471
Support Service Recharges	(3,726)	730	662	775	163	0	425	889	2	(79)
Depreciation, amortisation and impairment	277	1,227	319	174	172	2,913	695	0	0	5,777
Total Expenditure	2,299	7,517	6,530	3,827	1,015	2,913	22,112	1,918	342	48,474
CIES – Cost of Services	1,055	4,053	3,300	1,755	(844)	2,913	623	1,887	342	15,084

NOTES TO THE ACCOUNTS

2013/14	SERCOP Analysis £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(12,699)	(773)		(13,472)
Interest and investment income			(109)	(109)
Income from council tax			(6,656)	(6,656)
Government grants	(20,691)		(5,708)	(26,399)
Total Income	(33,390)	(773)	(12,473)	(46,636)
Employee expenses	13,305	36		13,341
Other service expenses	29,471	149		29,620
Support Service recharges	(79)	79		0
Depreciation, amortisation and impairment	5,777	720		6,497
Interest Payments			24	24
Pension interest and expected return on Assets			1,416	1,416
Precepts & Levies			1,478	1,478
Payments to Housing Capital Receipts Pool			1	1
Gain or Loss on Disposal of Fixed Assets			(41)	(41)
Capital Grants & Contributions			(364)	(364)
Total Expenditure	48,474	984	2,514	51,972
(Surplus)/Deficit on the provision of services	15,084	211	(9,959)	5,336

27. Principal and Agency Services

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

Lichfield District Council is the principal (host) authority and is responsible for discharging all functions relating to Building Control:

2013/14 £000	Building Control Service	2014/15 £000
565	Expenditure incurred	540
(503)	Income received	(462)
(40)	Fee payable by South Staffordshire Council	(35)
(40)	Fee payable by Tamworth Borough Council	(35)
(18)	Lichfield District Council's Contribution	8

28. Jointly Controlled Operation

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

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

The parties have an agreement in place for funding this operation with contributions to the agreed budget of **57.5%** from the Lichfield District Council and **42.5%** from Tamworth Borough Council. The same proportions are used to meet any deficit or share any surplus arising on the operation's budget at the end of each financial year.

NOTES TO THE ACCOUNTS

The revenue account for the operation covers all operating costs. The operation went live in July 2010 and details for this financial year are as follows:

2013/14 £000		2014/15 £000
	Funding provided to the operation	
(1,892)	Contribution from Lichfield	(1,904)
(1,400)	Contribution from Tamworth	(1,407)
(3,292)	Total funding provided to the operation	(3,311)
	Expenditure met by the operation	
2,318	Pay and allowances	2,367
22	Premises costs	21
1,296	Transport costs	1,284
573	Supplies and Services	902
253	Support Costs	258
(1,304)	Revenue income	(1,576)
3,158	Total expenditure	3,255
(134)	Net (surplus)/deficit arising on the pooled budget during the year	(56)
(77)	Lichfield District Council's share of 57.5% of the net (surplus)/deficit arising on the operation	(32)

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.

2013/14 £000		2014/15 £000
(134)	Net (surplus) arising on the pooled budget during the year	(56)
1,892	Add: Lichfield's Contribution shown as expenditure in the CIES	1,904
96	Amounts not reported in the Joint Waste Service	(106)
1,854	Net Cost of Services in the Comprehensive Income and Expenditure Statement	1,742

29. Members' Allowances

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

2013/14 £000		2014/15 £000
263	Allowances	259
9	Expenses	6
272	Total	265

NOTES TO THE ACCOUNTS

30. Officers' Remuneration

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

		Salary, Fees and Allowances £	Performance Pay⁶ £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2014/15	96,029	9,137	399	-	20,424	125,989
	2013/14	93,714	2,284	120	-	17,676	113,794
Strategic Director	2014/15	79,172	1,556	397	-	15,634	96,759
Democratic , Development and Legal Services	2013/14	78,783	1,556	200	-	14,764	95,303
Strategic Director	2014/15	79,172	1,556	320	-	15,634	96,682
Community, Housing and Health	2013/14	78,783	1,556	890	-	14,764	95,993
Director of Operational Services	2014/15	-	-	-	-	-	-
	2013/14	58,582	2,459	920	70,937	11,206	144,104
Director of Finance, Revenues and Benefits	2014/15	71,568	1,405	187	-	14,114	87,274
	2013/14	71,217	1,405	166	-	13,329	86,117
Director of Leisure and Parks	2014/15	71,568	2,778	414	-	14,402	89,162
	2013/14	71,217	-	449	-	13,085	84,751

- The Director of Operational Services was made redundant in January 2014 and the post was removed from the establishment.

⁶ Performance pay – this relates to the percentage of pay that is withheld and then released on the basis of performance. The amounts can vary depending on percentage and timing of payment.

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:

2013/14 Number of employees	Remuneration band	2014/15 Number of employees ⁷
4	£50,000-£54,999	2
1	£55,000-£59,999	1
1	£60,000-£64,999	-
-	£70,000-£74,999	1

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

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	6	1	12	8	18	9	£120,591	£50,324
£20,001 - £40,000	2	-	2	2	4	2	£123,100	£47,067
£40,001 - £60,000	1	-	2	1	3	1	£143,667	£53,218
£60,001 - £80,000	1	-	-	-	1	-	£72,671	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	£106,166
£150,001 - £200,000	-	-	1	-	1	-	£170,849	-
Total	10	1	17	12	27	13	£630,878	£256,775

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

Exit Package Cost Band	2013/14			2014/15		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000	£116,042	£4,549	£120,591	£50,129	£195	£50,324
£20,001 - £40,000	£113,387	£9,713	£123,100	£47,067	-	£47,067
£40,001 - £60,000	£53,037	£90,630	£143,667	£45,584	£7,634	£53,218
£60,001 - £80,000	£35,886	£36,785	£72,671	-	-	-
£80,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	£46,943	£59,223	£106,166
£150,001 - £200,000	£70,937	£99,912	£170,849	-	-	-
Total	£389,289	£241,589	£630,878	£189,723	£67,052	£256,775

31. 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:

2013/14 £000		2014/15 £000
60	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	61
8	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	16
1	Fees payable in respect of other services provided by the Audit Commission during the year (NFI)	2
69	Total	79

The fees for other services payable in both 2013/14 and 2014/15 related to the National Fraud Initiative. From 2014/15 the audit fees are being accounted for in the year to which they relate. The table above includes both 2013/14 (£9k) and 2014/15 (£7k).

⁷ Two officers received a payment for redundancy in addition to part year salary costs

NOTES TO THE ACCOUNTS

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £000		2014/15 £000
	Credited to Taxation and Non Specific Grant Income	
116	Staffordshire County Council (Venture House)	
237	Other Contributions	38
353	Sub Total (Capital)	38
6,655	Council Tax Income	6,885
1,452	Non-Domestic rates	1,121
3,904	Non Ring Fenced Government Grants	3,957
12,011	Sub Total (Revenue)	11,963
12,364	Total	12,001

2013/14 £000		2014/15 £000
	Credited to Services	
421	Disabled Facilities Grant	343
200	Section 106 – Laurel House	200
	Section 106 - Hawksyard	380
412	Staffordshire County Council (Friary Grange Leisure Centre)	
257	Other Contributions	30
1,290	Sub Total (Capital)	953
20,240	Housing and Council Tax Benefits	19,859
145	Department for Communities and Local Government	248
194	Other Government Departments and Agencies	84
16	Positive Futures	8
57	Office of the Police and Crime Commissioner	89
193	Contributions from other Local Authorities	328
1,400	Contributions From other Local Authorities-Shared Services	1,409
22,245	Sub Total (Revenue)	22,025
23,535	Total	22,978

NOTES TO THE ACCOUNTS

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

31 March 2014 £000			31 March 2015 £000
	Capital Grants Receipts in Advance		
153	Other Contributions	136	
	Current Liabilities		
91	Other Contributions	228	
	Long Term Liabilities		
244	Total		364

31 March 2014 £000			31 March 2015 £000
	Revenue Grants Receipts in Advance		
93	Natural England-Environmental Stewardship	75	
750	Heritage Lottery Fund	688	
	Neighbourhood Planning	81	
52	Other Contributions	30	
24	Current Liabilities		
919	Total		874

NOTES TO THE ACCOUNTS

33. 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 (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in **Note 26** on reporting for resources allocation decisions. Grant received during the year are shown in **Note 32**.

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 29**. During 2014/15, works and services to the value of **£93,000** were commissioned from companies in which thirty two members had an interest (**£109,000** in 2013/14). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£107,000** to voluntary organisations (**£107,000** in 2013/14) in which 3 members had positions 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 **£426,000** from Bromford Housing Group in 2014/2015 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 2014/15 was **£3.175 million** (**£1.484 million** owed to the Council in 2013/14).

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

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

Payment of subsidy of **£610,000** was made to the Lichfield Garrick Theatre Trust in 2014/15 (**£663,000** in 2013/14). Support services provided by the Council to the Garrick totalled **£153,000** (**£147,000** in 2013/14). Two District Councillors are members of the Board of Trustees.

NOTES TO THE ACCOUNTS

34. 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.

2013/14 £000		2014/15 £000
1,466	Opening Capital Financing Requirement	3,036
	<i>Capital Investment</i>	
2,992	Property, Plant & Equipment	930
51	Investment Properties	5
113	Intangible Assets	78
1,399	Revenue Expenditure Funded from Capital under Statute	581
	<i>Sources of Finance</i>	
(845)	Capital receipts	(721)
(1,563)	Government grants and other contributions	(586)
	<i>Sums set aside from revenue:</i>	
(289)	Direct revenue contributions	(299)
(288)	Minimum revenue provision	(334)
3,036	Closing Capital Financing Requirement	2,690

	Explanation of movements in year	
1,575	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	(346)
(5)	Finance lease assets returned	0
1,570	Increase / (decrease) in Capital Financing Requirement	(346)

35. 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 as shown overleaf:

	31 March 2014 £000	31 March 2015 £000
Vehicles, Plant, Furniture and Equipment	306	94
Total	306	94

NOTES TO THE ACCOUNTS

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 2014	31 March 2015
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current	212	188
- non-current	248	60
Finance costs payable in future years	23	9
Minimum lease payments	483	257

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£000	£000	£000	£000
Not later than one year	226	196	212	188
Later than one year and not later than five years	257	61	248	60
Total	483	257	460	248

Operating Leases

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

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

	31 March 2014	31 March 2015
	£000	£000
Not later than one year	571	461
Later than one year and not later than five years	545	67
Later than five years	482	486
Total	1,598	1,014

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

	31 March 2014	31 March 2015
	£000	£000
Minimum Lease Payments	587	550
Total	587	550

NOTES TO THE ACCOUNTS

Council as Lessor

Finance Leases

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

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

Operating Leases

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

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

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

	31 March 2014	31 March 2015
	£000	£000
Not later than one year	494	445
Later than one year and not later than five years	1,123	1,238
Later than five years	3,206	3,290
Total	4,823	4,973

36. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2015 and no impairment was chargeable.

37. 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.

NOTES TO THE ACCOUNTS

Transactions Relating to Post-employment Benefits

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

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

2013/14 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2014/15 £000
	<i>Cost of Services:</i>	
1,923	- current service cost	1,838
176	- past service costs	41
	- settlements and curtailments	
	<i>Financing and Investment Income and Expenditure</i>	
1,416	- net interest expense	1,466
3,515	<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,345
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit comprising:	
375	- Return on plan assets (excluding the amount included in the net interest expense)	(5,980)
2,148	- Actuarial gains and losses arising on changes in demographic assumptions	-
(3,314)	- Actuarial gains and losses arising on other experience	(740)
1,618	- Actuarial gains and losses arising on changes in financial assumptions	15,072
827	<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	8,352
	<i>Movement in Reserves Statement</i>	
(2,771)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(10,052)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
1,571	- employers' contributions payable to scheme	1,645

NOTES TO THE ACCOUNTS

Pension assets and Liabilities recognised in the Balance Sheet

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

2013/14 £000	Local Government Pension Scheme	2014/15 £000
(90,255)	Present value of the defined benefit obligation	(108,083)
56,238	Net liability arising from defined benefit obligation	64,014
(34,017)	Net liability arising from defined obligation	(44,069)

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

2013/14 £000	Local Government Pension Scheme	2014/15 £000
54,640	Opening fair value of scheme assets	56,238
2,447	Interest income	2,404
	Remeasurement gain(loss):	
(375)	- The return on plan assets, excluding the amount included in the net interest expense	5,980
1,453	Contributions from employer	1,528
505	Contributions from employees into the scheme	498
116	Contributions in respect of unfunded benefits	118
(2,432)	Benefits paid	(2,634)
(116)	Unfunded benefits paid	(118)
56,238	Closing position as at 31 March	64,014

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

2013/14 £000	Local Government Pension Scheme	2014/15 £000
	Opening balance at 1 April	
84,054	- Present value of funded liabilities	88,303
1,830	- Present value of unfunded liabilities	1,953
1,923	Current service cost	1,838
176	Past Service cost (including curtailments)	41
3,863	Interest costs	3,870
505	Contribution from scheme participants	498
	Remeasurement (gain)loss:	
2,146	- Actuarial gains/losses arising from changes in demographic assumptions	-
1,618	- Actuarial gains/losses from changes in financial assumptions	15,072
(3,314)	- Other experiences	(740)
(2,432)	Benefits paid	(2,634)
(116)	Unfunded benefits paid	(118)
90,255	Closing position as at 31 March	108,083

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2014				Period ended 31 March 2015			
	Quoted process in active markets £000	Quoted process not in active markets £000	Total £000	% of Total Assets	Quoted process in active markets £000	Quoted process not in active markets £000	Total £000	% of Total Assets
Cash and cash equivalents	2,387.1	-	2,387.1	4%	2,529.3	-	2,529.3	4%
Equity Securities:								
- Consumer	4,271.7	-	4,271.7	8%	5,489.7	-	5,489.7	9%
- Manufacturing	3,994.1	-	3,994.1	7%	-	-	-	-
- Energy and Utilities	2,353.5	-	2,353.5	4%	1,664.3	-	1,664.3	3%
- Financial institutions	4,220.1	-	4,220.1	8%	4,085.6	-	4,085.6	6%
- Health and Care	2,943.4	-	2,943.4	5%	2,686.6	-	2,686.6	4%
- Information technology	2,570.5	-	2,570.5	5%	2,483.1	-	2,483.1	4%
- Other	1,184.9	-	1,189.4	2%	4,921.1	-	4,921.1	8%
Debt Securities								
- Corporate Bonds	4,208.6	-	4,208.6	7%	4,859.3	-	4,859.3	8%
Private equity:								
- All	-	1,761.7	1,761.7	3%	-	2,033.7	2,033.7	3%
Real Estate:								
- UK Property	-	4,131.7	4,131.7	7%	-	5,210.0	5,210.0	8%
Investment Funds and Unit Trusts:								
- Equities	16,641.1	-	16,641.1	30%	21,213.7	-	21,213.7	33%
- Bonds	2,733.2	-	2,733.2	5%	3,422.1	-	3,422.1	5%
- Hedge Funds	-	1,065.3	1,065.3	2%	-	1,530.2	1,530.2	2%
- Other	-	1,771.2	1,771.2	3%	-	1,885.3	1,885.3	3%
Total Assets	47,508	8,730	56,238	100%	53,355	10,659	64,014	100%

Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2013/14 and the financial implications of this Revaluation are included in these 2014/15 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 2015.

NOTES TO THE ACCOUNTS

The principal assumptions used by the actuary have been:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have 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 2015	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	11%	11,948
1 year increase in member life expectancy	3%	3,242
0.5% increase in the Salary Increase Rate	4%	4,399
0.5% increase in the Pension Increase Rate	7%	7,233

NOTES TO THE ACCOUNTS

Scheme History

Local Government Pension Scheme	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £'000
Present value of the defined benefit obligation	(80,412)	(66,234)	(72,884)	(85,886)	(90,255)	(108,083)
Net Liability arising from defined benefit obligation	44,039	46,047	47,847	54,640	56,238	64,014
Net Liability arising from defined obligation	(36,373)	(20,187)	(25,037)	(31,246)	(34,017)	(44,069)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£44,069 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£7.708 million** (see page 14). 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 2016 is **£1,648 million**.

38. 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 9 former Lichfield District Council officers. Prior to 1 February 2013, the Lichfield Garrick Theatre traded as Lichfield District Council. The amount of any potential liability is difficult to estimate due to the long term nature and market sensitivities of pension funds.
- 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 2015 is **£734,768**. No provision has been made for this amount as the outcomes of the claims are currently unknown.

39. 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.

40. Financial Instruments - Risks

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

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

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

Credit Risk

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

Credit Risk: Investments

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

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

The Annual Investment Strategy also imposes a maximum sum to be invested with each financial institution together with limits in relation to groups of counterparties. The credit criteria in respect of financial assets held by the Council are as detailed overleaf:

NOTES TO THE ACCOUNTS

Specified Investments⁸

Financial Asset Category	Strategy Approved 24 February 2014		Strategy Approved 3 February 2015	
	Minimum Criteria	Limits	Minimum Criteria	Limits
UK Banks and Building Societies	<u>Minimum Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	£2 million and subject to Arlingclose advice	<u>Minimum Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	£2 million and subject to Arlingclose advice
Deposits with Money Market Funds	Fitch = AAAmmf Moodys = Aaa/MR1+ Standard and Poors = AAAM	£1.5 million	Fitch = AAAmmf Moodys = Aaa/MR1+ Standard and Poors = AAAM	£1.5 million
UK Government	Not applicable	No Limit	Not applicable	No Limit
Local Authorities, Parish Councils etc	Not applicable	No Limit	Not applicable	No Limit
Group Limit	£3 million		£3 million	
Money Market Funds Limit	No Limit		No Limit	
Sovereign Limits	100% UK 25% Canada 25% Australia 25% Singapore		100% UK 25% Canada 25% Australia 25% Singapore	

Non Specified Investments

Financial Asset Category	Strategy Approved 24 February 2014		Strategy Approved 3 February 2015	
	Minimum Criteria	Limits	Minimum Criteria	Limits
The Council's own bank (where credit ratings are not sufficient)	The Authority banks with National Westminster Bank. At the current time, it doesn't meet the minimum credit criteria of A- (or equivalent) long term (BBB+). However, Even if the credit rating falls below the Authority's minimum criteria National Westminster Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.		The Authority banks with National Westminster Bank. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term (BBB+). However, Even if the credit rating falls below the Authority's minimum criteria National Westminster Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.	
Deposits with a maturity of greater than one year	<u>Minimum Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	£2.0 million	<u>Minimum Long Term Rating</u> Fitch = A- Moody's = A3 Standard and Poors = A-	£2.0 million
Group Limit	£3 million		£3 million	
Sovereign Limits	100% UK 25% Canada 25% Australia 25% Singapore		100% UK 25% Canada 25% Australia 25% Singapore	

⁸ 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

The table below summarises the credit risk exposures of the Council's Investment Portfolio (Investments and Money Market Funds) by Credit Rating (there were no long term investments):

Credit Rating	Short Term	
	31/03/2015 £000s	31/03/2014 £000s
AAA	3,830	1,110
AA+	0	0
AA	0	0
AA-	1,500	0
A+	1,000	1,000
A	6,000	5,980
A-	1,500	0
Unrated local authorities	2,000	1,200
Total Investments	15,830	9,290
Accrued Interest	38	43
Cash in Hand and Bank Accounts	507	392
Balance Sheet Total for Short Term investments and Cash and Cash Equivalents	16,375	9,725

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of **£16.375m (£12.037m of short term investments and £4.338m of cash equivalents)** cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits

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. The past due but not impaired amount can be analysed by age as follows:

	31 March 2014 £000	31 March 2015 £000
Less than three months	2,611	2,513
Three to six months	234	117
Six months to one year	201	181
More than one year	286	324
Total	3,332	3,135

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 is as follows:

	31 March 2014 £000	31 March 2015 £000
Less than one year	(3,535)	(4,482)
Between one year and two years	(47)	(31)
Total	(3,582)	(4,513)

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

COLLECTION FUND AND NOTES

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.

2013/14 £000	Collection Fund	2014/15 £000
	Income	
52,177	Council Tax	53,088
(105)	Transfer from(to) general fund-Council Tax Benefit	(43)
32,315	Non-domestic rates	33,116
-	Deferral Scheme	327
114	Transitional protection payments -non-domestic rates	(225)
-	Council Tax Family Annex's Discount Grant	5
-	Contribution towards previous year's Collection Fund deficit – non-domestic rates	640
84,501	Total income	86,908
	Expenditure	
51,485	Precepts and demands from major preceptors and the authority - Council Tax	51,648
15,758	Share of non-domestic rating income to major preceptors and the authority - Non-domestic rates	15,645
15,758	Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities.	15,645
35	Impairment of Debts/appeals for Council Tax	42
113	<ul style="list-style-type: none"> • write-offs on uncollectable amounts • allowance for impairment 	209
68	Impairment of debts/appeals for non-domestic rates	68
109	<ul style="list-style-type: none"> • write-offs on uncollectable amounts • allowance for impairment 	235
1,605	<ul style="list-style-type: none"> • allowance for non-domestic rates appeals 	2,570
125	Charge to General Fund for allowable collection costs for non-domestic rates	125
-	Contribution towards previous year's Collection Fund surplus – Council Tax	488
85,056	Total expenditure	86,675
	Council Tax	
(438)	Movement on Fund (Surplus)/Deficit	(663)
(39)	Balance at beginning of year	(477)
(477)	Balance at end of year	(1,140)
	Non-domestic rates	
993	Movement on Fund (Surplus)/Deficit	430
-	Balance at beginning of year	993
993	Balance at end of year	1,423

2013/14 £000	Allocation of Collection Fund (Surplus)/Deficit	2014/15		
		Council Tax £000	NDR £000	Total £000
336	Lichfield District Council	(149)	569	420
(247)	Staffordshire County Council	(800)	128	(672)
(48)	Staffordshire OPCC	(138)	-	(138)
(22)	Staffordshire Fire Authority	(53)	14	(39)
497	Central Government	-	712	712
516		(1,140)	1,423	283

COUNCIL TAX INCOME ACCOUNT, NON DOMESTIC RATES (NDR) AND NOTES

Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and the office of the Police and Crime Commissioner Staffordshire for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted by **1.0%** to cover appeals, changes in discounts and bad debts that arise) **35,295** for 2014/15. This basic amount of Council Tax for a Band D property (**£1,463.32** for 2014/15) 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 2014/15 is shown below:

2013/14 £000	Council Tax	2014/15 £000
36,235	Staffordshire County Council	36,257
6,265	Staffordshire Office of Police & Crime Commissioner (OPCC)	6,269
2,386	Staffordshire Fire Authority	2,387
5,256	Lichfield District Council	5,364
	Parish Precepts :	
30	Alrewas	33
67	Armitage with Handsacre	70
224	Burntwood Town Council	219
14	Clifton Campville with Thorpe Constantine	14
11	Colton	13
2	Curborough & Elmhurst, Farewell & Chorley	2
20	Drayton Bassett	20
11	Edingale	10
11	Elford	11
53	Fazeley Town Council	53
48	Fradley and Streethay	57
19	Hammerwich	19
3	Hamstall Ridware	3
5	Harlaston	5
7	Hints and Canwell	7
11	Kings Bromley	12
14	Longdon	17
13	Mavesyn Ridware	14
116	Shenstone	126
4	Swinfen and Packington	4
5	Wall	6
2	Weeford	1
41	Whittington and Fisherwick	42
17	Wigginton and Hopwas	17
595	Lichfield City Council	596
1,343	Total Parish Precepts	1,371
51,485		51,648

COUNCIL TAX INCOME ACCOUNT, NON DOMESTIC RATES (NDR) AND NOTES

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

Band	Band Width	2013/14 Band D Equivalent (Tax Base)			2014/15 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	98.9%	Number of Dwellings	%	98.9%
	£						
A	0 to 40,000	2,246	6	2,223	2,229	6	2,206
B	40,001 to 52,000	5,787	16	5,726	5,835	16	5,776
C	52,001 to 68,000	7,440	21	7,361	7,428	21	7,354
D	68,001 to 88,000	5,633	16	5,573	5,693	16	5,636
E	88,001 to 120,000	5,269	15	5,213	5,205	15	5,153
F	120,001 to 160,000	4,637	13	4,588	4,635	13	4,589
G	160,001 to 320,000	3,808	11	3,768	3,804	11	3,766
H	320,001 upwards	708	2	700	707	2	700
Class O		122	-	122	115	-	115
TOTAL		35,650	100	35,274	35,651	100	35,295

Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2014/15 amounting to **£208,554**. The total allowance for impairment of debt as at the 31 March 2015 is **£740,727** and represents **46%** of the **£1,612,802** outstanding debt.

Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **48.2p** (2013/14 **47.1p**) and the small business non-domestic rating multiplier **47.1p** (2013/14 **46.2p**) 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.

2013/14 £000		2014/15 £000
81,274	Non-Domestic rateable value at year end	83,140
32,315	Gross rates payable	33,116

In 2014/15, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received. The Council's Share is **40%** with the remainder paid to precepting bodies.

2013/14 £000	Preceptors	Share %	2014/15 £000
15,758	Central Share Central Government	50%	15,645
2,837	Major Precepting Bodies Staffordshire County Council	9%	2,816
315	Staffordshire Fire Authority	1%	313
12,606	Lichfield District Council	40%	12,516
15,758	Total Precepting Bodies	50%	15,645

NDR Allowance for Impairment

An increase in the allowance for impairment was made during 2014/15 amounting to **£235,156**. The total allowance for impairment of debt as at the 31 March 2015 is **£533,396** and represents **40%** of the **£1,333,799** outstanding debt.

ANNUAL GOVERNANCE STATEMENT

Section 1	Scope of Responsibility
Section 2	Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Budget Challenges Facing the Council
Section 5	The LGA Peer Challenge
Section 6	Annual Review of the Effectiveness of the Governance Framework
Section 7	Update on Significant Governance Issues 2013/14

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/SOLACE Framework ‘Delivering Good Governance in Local Government’. A copy is available on our website at www.lichfielddc.gov.uk.

This statement explains how the Council has complied with the Code. It also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), 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 2015 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 six Core Principles. These are discussed below.

1 Focusing on the Purpose of the Authority, on Outcomes for the Community and Creating and Implementing a Vision for the District

We ensure that we exercise strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcomes for citizens and service users.

We assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

We ensure our users receive a high quality of service whether directly or in partnership, or by commissioning.

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

Outcomes

The Council has a Strategic Plan called 'A Plan for Lichfield District 2012-16' which was approved by Full Council in February 2012 and by the Lichfield District Board in March 2012. This sets out three strategic themes focused on supporting people well, shaping place and boosting business. It can be found on our website at www.lichfielddc.gov.uk

Each year the Council produces a One Year Action Plan that is developed from the Strategic Plan. This Action Plan sets out the key activities and projects, measures and targets the Council intends to deliver over the coming 12 months. The plan is considered by Full Council in February each year at the same time as the budget is approved.

The One Year Action Plan is the product of discussions which take place each autumn when Member Panels consider the Service Plans produced by teams across the Council. Members can use this as an opportunity to influence the direction of travel for the coming year and in some cases use the result to influence the Work Programmes of the Overview and Scrutiny Committees. During 2014/15 we commenced a review of the Service Plan process. This included a workshop for managers and a discussion with the Chairs and Vice Chairs of Overview and Scrutiny Committees (February 2015). Any changes will be introduced at the start of the next planning cycle in the autumn.

A new approach to the Annual Action Plan was introduced in 2014 whereby each Directorate/Cabinet Member developed their own Top 10 Issues for 2014/15 pertinent to their respective portfolio area. These were considered by the respective Overview and Scrutiny Committees during the January round of meetings. The Corporate Top 10 – Annual Action Plan – (www.lichfielddc.gov.uk) comprises the most critical issues for the Council/our community and is made up of elements of the four Directorate Top 10 lists.

The financial sustainability of the Council continues to be the most significant consideration going forward given our expectation that the Government grant will reduce to close to nil. In addition, economic conditions are impacted by uncertainties in business rate growth and our own income from our trading accounts.

ANNUAL GOVERNANCE STATEMENT

The position is further complicated and exacerbated because other partner organisations are also facing reductions in their budgets and pressures on staffing resources which further impacts on our community. The District Council does not operate in a vacuum and these external changes can bring about further changes for our own service delivery.

The operational performance of the Council is measured by managers using performance indicators; the Key Performance Indicators (KPIs) are reported to Overview and Scrutiny Committees on a biannual basis along with progress on the Directorate Top 10 Issues. Directors have reviewed and revised the KPIs that are reported to Members and consulted with Members about the proposed set of indicators for 2015/16 during the Overview and Scrutiny Committees in March.

The Council has a new Local Plan (a framework against which all planning decisions are made). This was adopted by Full Council in February 2015. It is intended to shape the future development of Lichfield District until 2029, and will replace the current Plan that has been in place since 1998.

The Local Plan will seek 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 will be presented to the Economic Growth, Environment and Development Overview and Scrutiny Committee in addition to Cabinet.

The District Council and its partners have adopted a locality commissioning model (endorsed by the Staffordshire Health and Wellbeing Board and approved by Cabinet in September 2014), in order to introduce a more streamlined approach to funding local services, especially those provided by the voluntary and community sector. Funding has been brought together between the District and County Councils, local Clinical Commissioning Group and Office of the Police and Crime Commissioner, into a budget of £0.50 million.

These partners agreed five high level aspirations and set these out in a Commissioning Prospectus which divided the funding up between 14 Lots (covering a range of outcomes to improve the quality of life of local people). A Locality Commissioning Board has been established to oversee the process and this is chaired by the Cabinet Member for Community, Housing and Health (District Council). The District Council is the 'accountable body' for the process and has led on the development of the framework which underpins the process.

The minutes of the Board are published on the District Council's website and circulated to all elected Members. Reports on the development of locality commissioning have also been received by the relevant Overview and Scrutiny Committee.

The Council is part of external partnerships which provide support to its strategic agenda. These include the Staffordshire Strategic Partnership, the Stoke and Staffordshire and the Greater Birmingham and Solihull Local Enterprise Partnerships, the Greater Birmingham and Solihull Business Rates Pool, county and regional waste partnerships, and housing and community safety partnerships. The next 12 months will require the Council to consider the opportunities and challenges that combined authorities either in Staffordshire or against an economic geography, with Birmingham City Council, Black Country, Solihull and Coventry, could make to our communities.

2 Members and Officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

We ensure that there is effective leadership throughout the Authority and that we are clear about executive and non-executive functions and of the role and responsibility of the scrutiny function.

We strive to maintain a constructive working relationship between Authority Members and Officers and that their responsibilities are carried out to a high standard.

We ensure that relationships between the Authority and the public are clear so that each knows what to expect of the other.

Outcomes

The Council has a Constitution (which can be found on our website at www.lichfielddc.gov.uk). 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.

In the Constitution we have defined and documented the roles and responsibilities of the Council, the Cabinet, Overview and Scrutiny Committees, Regulatory Committees, Standards Committee, Audit Committee, Forums and Panels and the Leadership Team.

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.

The Constitution also contains the protocol for Officer/Member relations. This is reviewed and amended on a regular basis.

The Council's Constitution is updated as and when changes are needed to be made with the Cabinet Member for Finance, Democratic and Legal Services submitting recommendations to Full Council. For 2014/15 updates were made by Council on several occasions in line with updates in legislative changes and changes to the Standards Regime.

A major change affecting the Constitution in 2014/15 came about as a result of the Boundary Review. This was carried out by the Local Government Boundary Commission for England, an independent body set up by Parliament. The Review examined and proposed new electoral arrangements for the District Council. These changes resulted in a reduction to the number of Councillors from 56 to 47 and a re-shaping of the Wards in the District. The changes were recommended in order to ensure that the Council would continue to meet its statutory responsibility to deliver electoral equality for voters, reflect local community interest and identities and promote effective and convenient local government.

3 Promoting Values for the Authority and Demonstrating the Value of Good Governance through Upholding High Standards of Conduct and Behaviour

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

ANNUAL GOVERNANCE STATEMENT

Outcomes

We have a Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors and Co-opted Members, ensuring that they observe the Members' Code of Conduct. The Codes of Conduct are supported by training and development programmes for both Members and Officers.

Communication on standards of behaviours 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.

There is a process in place in which complaints regarding Members' Conduct are pursued. The relatively low number of complaints regarding behaviour demonstrates that the standards are understood and adhered to. During 2014/15 there were two Members Code of Conduct complaints received, neither of which resulted in an investigation or a finding that there was a breach of the Code of Conduct.

The Code of Conduct for employees is embedded in the disciplinary procedure. Work has started on refreshing and renewing this Code and our associated policies, to provide greater clarity and support to staff and managers.

Work has also commenced on developing a set of values for the organisation. Employees have been consulted on this as part of the Employee Survey (see section 5 for more detail on the Employee Survey).

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 Directors), discussion and training, and a supportive management environment which makes clear to customers that unacceptable behaviour towards employees will not be tolerated.

An audit of the Council's policies and procedures has taken place during 2014/15. As a result of this audit work has been commissioned to prioritise the updating of our suite of HR policies.

4 Taking Informed and Transparent Decisions which are Subject to Effective Scrutiny, and Managing Risk

We ensure that we are rigorous and transparent about how decisions are taken and we listen and act on the outcome of constructive scrutiny.

We source good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.

We ensure that an effective Risk Management system is in place.

We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer.

ANNUAL GOVERNANCE STATEMENT

We ensure that our independent Audit Committee undertakes the core functions identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities.

We ensure that there are effective arrangements for "whistleblowing" and for receiving and investigating complaints from the public.

Outcomes

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 and are termed 'Standing Orders'. Any amendments to them are subject to approval by Full Council.

Financial Procedure Rules were last updated in 2014, Contract Procedure Rules in 2010. There have been a number of changes to procurement guidelines, processes and best practice (for example, the Public Contracts Regulations 2015) that needed to be incorporated into the Council's Contract Procedure Rules. As a result, both the Contract Procedure Rules and Financial Procedure Rules have recently been updated in line with CIPFA's publication 'Financial Regulations, A Good Practice Guide for an English Modern Council'.

Having these guidelines in place is only one part of the picture in ensuring sound governance; they must be correctly and consistently applied and adhered to. To ensure this is the case the Council has in place a training programme for staff and in addition a 'quick guide' of key facts is currently being produced.

The Council has a Risk Management Strategy, and managers are trained in the assessment, management and monitoring of risks. The Corporate Risk Register is reported on three times a year to Audit Committee and half yearly to Cabinet.

There are Directorate risk registers which are maintained systematically. During 2014/15 more use was made of the Covalent system for managing departmental and Corporate risks. This was in line with recommendations following a review of the Risk Management system at the Council during 2013/14. All reports requiring a decision include a risk assessment section.

Our approach to Risk Management is reviewed by Internal Audit and we are currently working towards developing and improving the way we work in this area.

For instance, we are in the process of arranging Risk Management workshops for both our Managers and Members. Zurich Municipal has been commissioned by the Council to provide training to focus on the importance of risk management in facilitating the delivery of Corporate objectives. It will reinforce previous training examining the difference between strategic, operational and programme/project risks. It will also encourage discussion and sharing of learning.

The Director of Finance, Revenues and Benefits is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In March 2010, CIPFA/SOLACE issued an application note on the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. The Council complies with these requirements as detailed below. The Chief Finance 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

ANNUAL GOVERNANCE STATEMENT

- 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
- The head of a finance section that is resourced to be fit for purpose.

During 2014/15, the Chief Finance Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

The Council's in-house Internal Audit function reports to the Chief Finance Officer. Following a review of the service during 2014/15, it was decided that management support for the service would change from a whole time in-house service to being a reduced service that is 'bought-in' from Tamworth Borough Council. This has been made possible by changes in the way the service is delivered which includes the use of an Audit Management Tool (Covalent Audits) to automate the entire Audit process – planning, scheduling, execution, fieldwork, reports production and recommendations tracking. This tool has increased the Audit team's productivity, resulting on more time spend on planned Audit work, whilst ensuring robust Audit reports that comply with all Local Government Codes of Practice.

For 2014/15 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, the Section 151 Officer, Managers and External Audit. The review for 2014/15 concluded that the system of Internal Audit is operating effectively and assurance can be placed on the work of the Internal Audit service.

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 2014/15 is that the Authority continued to manage its fraud and corruption risks and maintain its vigilance to tackle fraud.

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. During 2014/15 114 complaints were received compared with 101 in 2013/14. This increase could be the result of improved recording because we have taken steps to promote better understanding of the value of complaints across the organisation. We received 90 compliments in 2014/15 which compares with 26 in 2013/14.

In July 2014, we received the Annual Review Letter from the Ombudsman for the period ending March 2014. It reported that eight complaints and enquiries were received from Lichfield District Residents (an increase of four from the previous year but comparing favourably to the average 14 complaints received by District Councils nationally). None of these were upheld.

In 2014/15 seven complaints were referred to the Ombudsman. None of these complaints were upheld, although one relating to a council tax issue resulted in £70 compensation being paid in agreement with the Ombudsman.

The reporting of complaints and compliments improved during 2014/15, with quarterly reports considered by Leadership Team and circulated to Managers. The reports include details of what we learned from the complaints and changes implemented as a result. Members were provided

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with monitoring reports on a six monthly basis, and Overview and Scrutiny Committees received a report on complaints received pertaining to their remit in the June 2014 cycle of meetings.

A report on Corporate Complaints and the Ombudsman's Annual Review was considered by the Standards Committee in March 2015 and referred to during Full Cabinet in April.

There were no whistleblowing reports during 2014/15.

5 Developing the Capacity and Capability of Members and Officers to be Effective

We make sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their respective roles.

We identify the development needs of Members and Senior Officers in relation to their strategic roles, and support these with appropriate training.

We encourage new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Outcomes

The Council has a training plan for Members which is developed and monitored by the Employment Committee. In response to the annual training needs questionnaire, six training events were provided in 2014/15 on areas covering Community Safety, Equalities and Diversity, Standards, Probity and Good Governance, Speed Reading and Planning.

During 2014/15 'Welcome Packs' were developed to help new Members assimilate into the Council following the Election on 7 May 2015.

The Chief Executive and Directors are set their performance targets annually. These are based on the delivery of the Annual Action 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. During 2014/15 a review the PDR process took place and a trial of a new process is still continuing. Work needs to continue in order to raise the profile and importance of PDRs for all employees as well as efforts to improve the process. The importance of the PDR process for the Council continues to be highlighted by the Chief Executive.

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

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

In addition to updating our staff we also seek their views. The latest Employee Survey was carried out in late January 2015. The questionnaire for the survey was created by a working group of Officers across the Council with the support of the Staffordshire Intelligence Hub. The survey achieved a 65% response rate which is a significant improvement on the 22% rate from the last

ANNUAL GOVERNANCE STATEMENT

survey carried out. A detailed breakdown and analysis of the results will be available in early 2015/16 and they will be used to inform the Strategic Plan and the Vision and Values for the Council.

6 Engaging with Local People and Other Stakeholders to Ensure Robust Public Accountability

We exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

We take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning.

We have established clear channels of communication with all sections of the community and other stakeholders ensuring accountability and encouraging open consultation. Meetings are held in public unless there are good reasons for confidentiality.

Outcomes

As part of our use of extensive 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 also a number of arrangements in place for securing customer feedback. We consult with our community using the most appropriate research and communication tools available.

In November 2013, a cross party working group was established to develop and implement a Community Consultation exercise. The purpose of this exercise was to:

- Raise awareness of the Council, the services it delivers and the financial challenges it faces
- Better understand which services people value most
- Better understand where there is support to reduce service provision
- Identify opportunities for income generation.

During the summer of 2014, a questionnaire was made available on the internet and delivered to over 40,000 homes as an insert in our twice yearly publication 'Intouch'. Hard copies were also made available at a range of publicly accessible buildings. In addition, face to face street interviews were conducted.

1,148 responses were received from the full range of age groups, from both urban and rural areas and representative of other key demographics including gender and ethnicity.

The survey was not a referendum on any specific ideas as to what should be cut or what we should protect. It was designed to give a view from our community on these issues to inform Councillors and to help them make sound decisions in the coming months and years. As services are reviewed and proposals made for change, this data can be used to inform the relevant business cases and hence the decision making process.

The results of the questionnaire (published in September 2014) can be found on our website at

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www.lichfielddc.gov.uk. We are keeping a log of how we are using the results and feedback from the consultation exercise so that we can evidence the link between what residents have said and what decisions the Council has taken.

In addition to the twice yearly 'Intouch' publication, the Council also publishes newsletters for different sectors, for example, a quarterly Historic Parks newsletter for visitors to the park and a newsletter about Section 106 and developer contributions.

The Council maintains a high quality website www.lichfield.gov.uk and for tourism visitors to Lichfield www.visitlichfield.co.uk.

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

The District Council also makes extensive use of the local media to provide information on activities and to seek people's views.

Section 4: Budget Challenges facing the Council

In recent years the Council has seen significant financial pressures and has undergone major change. The Council had a funding gap of £2,484,570 in the Medium Term Financial Strategy (Revenue and Capital) 2014-17. To manage this gap the Fit for the Future (F4F) Programme was developed (May 2013). To date F4F has identified £1,815m of savings towards this funding gap.

During 2014/15 the Council commenced Phase 2 of the F4F Programme. This has involved a series of fundamental reviews of key service areas including Development Services and Parks, Grounds Maintenance and Countryside, with reviews of Leisure and the Revenues and Benefits Service currently ongoing. These Service Reviews focussed on identifying the future outcomes required by the service and how it could best be delivered in the most appropriate and cost effective way. Progress against each review was reported to the relevant Overview and Scrutiny Committee during 2014/15. A report on the progress to date was presented to Strategic Overview and Scrutiny Committee on 9 June 2015, and can be viewed at www.lichfielddc.gov.uk.

The remaining savings to be identified together with the other pressures and additional income have been incorporated into the Medium Term Financial Strategy (Revenue and Capital) 2015-18, which was approved by Council on 17 February 2015. This shows that by April 2017 there will be a gap of £818,190 between the amount of money it costs to run current services (base budget) and the funding that will be available.

With the reduction/elimination of Government grant, the state of the current economic market (which is impacting on New Homes Bonus and business rate growth) and the cap on council tax rises, growing income as opposed to reducing spend is not an option at the present time.

To bridge the current funding gap further change and transformation is required to ensure the medium and long term stability of the Council. Having achieved notable efficiency savings, the F4F Programme now needs to focus increasingly on reforming and modernising how the organisation operates so that the Council becomes a more productive and Corporate Council able to deliver agreed strategic outcomes with a smaller budget. Decisions where to spend money will therefore become more evidenced based, so that reduced resources can be targeted on those areas and communities that need them most.

Continued Member oversight of the Programme is important, and minor changes to the Programme's governance arrangements will better enable this to happen. There will continue to be opportunities for both Cabinet and Scrutiny Members to be engaged in the Programme.

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There will also be continued working with partners to promote investment into the District and harnessing the activity of other organisations to deliver the Council's vision. Whilst many partners will need to work together to deliver our collective ambitions, the Council will continue to have a key leadership role to play.

Section 5: The LGA Peer Challenge

The Council underwent an LGA Peer Challenge in September 2014. The purpose of asking for this Review was to gain some insight from others within local government as to their view of the issues that we face as a Council. The Peer Team looked at the areas considered by all Local Government Association (LGA) peer challenges:

- Understanding of the local context and priority setting
- Financial planning and viability
- Political and managerial leadership
- Governance and decision-making
- Organisational capacity

The Peer Team was also asked by the Council to provide feedback on our Overview and Scrutiny arrangements and on our plans for economic development.

The Review noted that the Council has a 'good track record' with 'pockets of excellence and good practice'. We demonstrated a good awareness and understanding of the immediate priorities, not least the short term financial challenge, and that 'rapid and decisive leadership and action' had been taken to manage the immediate budgetary pressure which has 'provided some short term stability and certainty to the Council's financial planning'.

The Review highlighted a number of areas that the Council could consider in order to continue to improve its governance and service delivery:

- Setting a Strategic Vision for the Council – a new Corporate Plan will need to be produced following the May elections (work has already begun on this – In December 2014 Leadership Team considered a paper on developing an evidence base for this and in April 2015 a PID was produced)
- Values – to be progressed in conjunction with staff following the employee survey and to align with the Vision
- Capacity – we need to consider if we have the skills sets required to drive through continuous improvement and the F4F programme.
- Overview and Scrutiny – there is need for an improvement plan
- Economic Development – work has already started here with the F4F programme and this needs to be progressed
- Maintaining Financial Viability – this will continue to be a challenge for all of local government. We will need to keep abreast of all the changes in Government funding streams that may affect us, in particular after the May elections as the new Government policy emerges.

A report providing an update on the progress on these issues was presented to Strategic Overview and Scrutiny Committee on 9 June 2015. This can be viewed at the attached link www.lichfielddc.gov.uk.

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Section 6: Annual Review of the Effectiveness of 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 Committee and Overview and Scrutiny (which is charged with final approval of this statement).

The review is informed by:

- The views of Internal Audit, reported to Audit Committee through regular progress reports, and the Annual Internal Audit Opinion
- An annual review of the effectiveness of internal audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2011)
- The views of our external auditors, regularly reported to Audit Committee through regular progress reports, the Annual Audit Letter and Annual Governance Report
- The activities and operations of Council directorates provide written assurance statements using an Internal Control Questionnaire
- The views of Members using a Members' Questionnaire
- The Risk Management Process, particularly the Strategic Risk Register
- Performance information which is reported to Cabinet and Overview and Scrutiny Committees
- Progress made in addressing significant weaknesses and issues requiring significant improvement identified in previous Annual Governance Statements.

Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2014/15 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 2014/15 no significant weaknesses in Governance or Internal Control were highlighted

Section 7: Update on Significant Governance Issues 2013/14

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 2013/14.

Chief Executive

Leader of the Council



Date: 29 September 2015

Date: 29 September 2015

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.

Comprehensive Income and Expenditure Statement

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

Consistency

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

Creditors

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

Revenue expenditure funded from capital under statute (REFCUS)

Revenue expenditure funded from capital under statute relates to capital expenditure, which does not result in the acquisition of assets controlled by the Authority. An example of a revenue

GLOSSARY OF TERMS

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 (eg 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.

Finance Lease

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

Financial Instruments

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

General Fund

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

Government Grants

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

Gross Expenditure (Total Cost)

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

Heritage Assets

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

Impairment

A reduction in the value of a fixed asset resulting from either: obsolescence, physical damage or an accepted method of asset valuation (most commonly market valuation). The present economic climate has resulted in more volatile asset values and authorities are required to consider whether circumstances are such that an Impairment is indicated and some or all asset values have revised. Asset values are revised where values have changed materially.

Infrastructure Assets

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

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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 arms length

Liabilities

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

Materiality

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

National Non-Domestic Rates (NNDR)

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

Non-Domestic Rates (NNDR)

From 1 April 2013, the Council collects Business Rates and distributes them on the basis of **50%** Central Government, **40%** Lichfield District Council, **9%** Staffordshire County Council and **1%** Staffordshire Fire Authority.

Net Book Value

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

Net Expenditure

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

Operating Leases

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

Post Balance Sheet Events

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

Property, Plant & Equipment

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

Provision

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

Revaluation Reserve

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

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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 AUDITORS REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LICHFIELD DISTRICT COUNCIL

We have audited the financial statements of Lichfield District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of Lichfield District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Director of Finance, Revenues and Benefits and auditor

As explained more fully in the Statement of the Director of Finance, Revenues and Benefits Responsibilities, the Director of Finance, Revenues and Benefits 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Revenues and Benefits; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS REPORT

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Lichfield District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 AUDITORS REPORT

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Lichfield District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Lichfield District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

James Cook

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
21 Colmore Circus
Birmingham
B4 6AT

30 September 2015

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

Urdu

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

Punjabi

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

Arabic

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

Cantonese

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

Bengali

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

French

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Farsi

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