

Statement of Accounts 2016/17

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

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

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

The CFO Responsibilities

The CFO is responsible for the preparation of the Authority's Financial Statements. These, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code of Practice'), are required to present the true and fair financial position of the Council at the accounting date and its Income and Expenditure for the year ended 31 March 2017.

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

Certificate of the CFO

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year.

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

The Statement of Accounts for 2016/17 has been approved by Audit and Standards Committee on 26 September 2017. The Audit Findings Report was reported to Audit and Standards Committee on 26 September 2017.

Chair of Audit Committee Date: 26 September 2017

Narrative Report

Introduction

The Statement of Accounts for the year ended 31 March 2017, has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015. The format reflects the requirements of the Code of Practice in Local Authority Accounting in the United Kingdom 2016/17. This is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts therefore aims to provide information so that for the 2016/17 financial year, members of the public, including electors and residents of Lichfield District, Council Members, partners, stakeholders and other interested parties can:

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

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

- An Introduction to Lichfield District;
- An Introduction to Lichfield District Council;
- A Summary of the Performance of Lichfield District Council in 2016/17;
- A Summary of the Financial Performance of Lichfield District Council in 2016/17;
- A Summary of the Principal Risks and Uncertainties Facing Lichfield District Council;
- Explanation of the Financial Statements.

An Introduction to Lichfield District

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

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

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

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

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

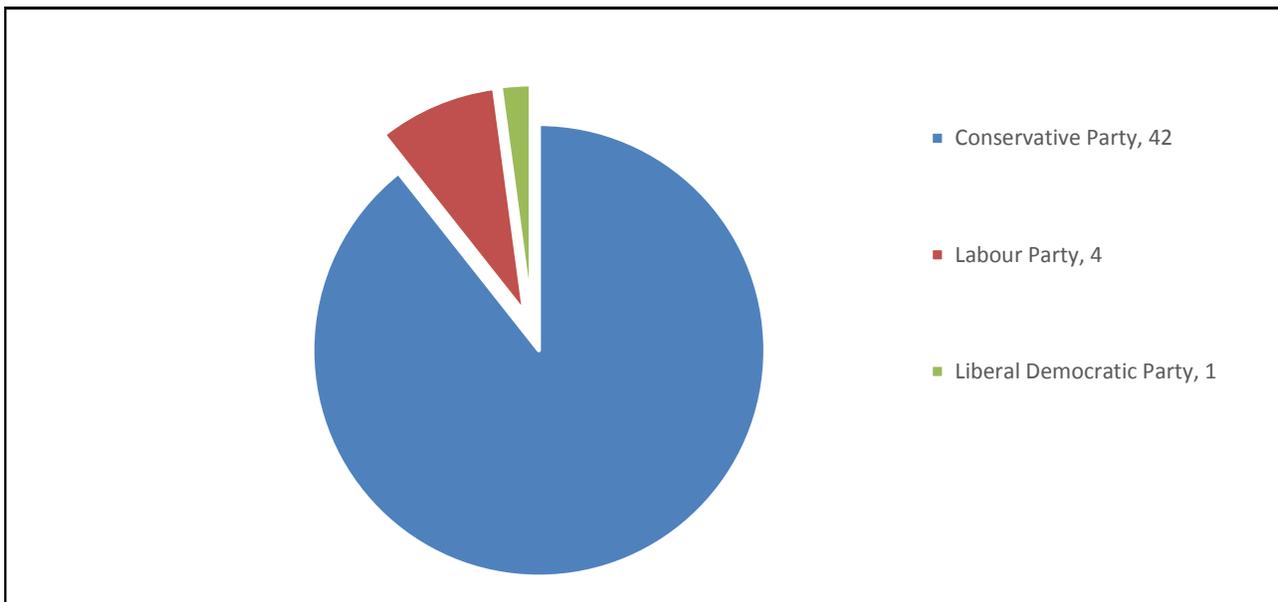
On average the District is prosperous and ranks well within the indices of deprivation (although there are areas where deprivation exists). The District performs well at all levels of education with pupils achieving above the national average. Lichfield has lower than the national average levels of unemployment.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

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

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

An Introduction to Lichfield District Council

Lichfield District Council was formed in 1974, from Lichfield City Council and Lichfield Rural District Council. The Council has 26 wards, with 47 elected Members. The political composition of seats is as follows:



The policies of the Council are directed by the Political Leadership and implemented by the Leadership Team (comprising a Chief Executive, two Directors, an Assistant Chief Executive and eight Heads of Service), supported by officers. This structure was implemented during the course of 2016/17. The Council employs approximately 400 people of which 60% are permanent and the remainder temporary employees.

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

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

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

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

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

The Council's Performance

For 2016/17, the Council had a Strategic Plan that covers the period 2016-20, and which was approved by Full Council on 23 February 2016. This Plan sets the Council's vision for the District and the priorities it will focus on between 2016 and 2020. The plan was developed with the input of councillors, residents, partners and staff. It summarises what we will do, sets out where we will seek to influence other organisations, and suggests how communities can help to make sure our District has:

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

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

The annual plans and targets are set out each year as an Annual Action Plan or 'Corporate Top 10', which shows the top 10 activities that the Council will be focussing on during the next financial year in order to deliver the commitments set out in the Strategic Plan. For 2016/17 this was approved by Full Council in February 2016.

The Annual Action Plan has been performance-managed in the usual way with update reports to Leadership Team on a quarterly basis and reports to Cabinet in December 2016 (half yearly) and July 2017 (full year).

The full year outcomes for the 2016/17 **Corporate Top 10** are highlighted below:

VIBRANT AND PROSPEROUS ECONOMY

1. Improve and enhance the health and viability of Lichfield City and Burntwood

Action	Progress
Planning application for Friarsgate considered by April 2016	Planning application submitted during quarter one and planning permission granted.
Friarsgate scheme under construction	Retail pre lets have been secured in excess of 60% by floor area. Design and procurement activity is well progressed to short list contractors in readiness for invitation to tender for the construction works.
Planning application brought forward for an improved retail offer in Burntwood	Planning application submitted in January 2017 and granted during quarter four.
Property vacancy rates reduced by 1% to 8.2% in Lichfield City and 1% to 3.6% in Burntwood	Rates in Lichfield in December 2016 reduced to 6.29% , the lowest since January 2009. Rates in Burntwood in December reduced to 4.47% , the lowest since records began in 2014. The national average for vacancy rates in November 2016 was 12.3% . Updated rates will be available after the June 2017 survey.

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2. Encourage visitors to our District

Action	Progress
Lichfield City Centre Development Partnership Strategy launched by April 2016	Launched by end of quarter two (September).
Visitor numbers increased across the District by at least 1% (from 2,853,000)	By quarter two there was a 6% increase in parking transactions. The Christmas festival saw a growth of 10% in parking income whilst the food festival a 4% growth. Both events saw a large rise in footfall and visitor numbers. Visit Lichfield and web statistics and coach tourism statistics remain strong. At quarter 2, the annual survey showed an increase in footfall of 18% in visitor numbers spending approximately £110m . New footfall figures installed by the Lichfield BID have started gathering data during the first quarter of 2017, and initial reports show that Lichfield City performs very favourably as compared with other similar sized cities nationally.

HEALTHY AND SAFE COMMUNITIES

3. Prevent homelessness and rehouse eligible households who become homeless

Action	Progress
At least 200 homelessness preventions	By end March 2017, there were 190 homelessness preventions. This is slightly short of the target and reflects the reduction in the available options within the District.
Homes identified within the District for up to five refugee families	The Council continues to work with the County Council and other district councils in Staffordshire with regard to the housing of refugee families. However, so far the Council has not been asked to house any refugees within the District.

4. Deliver a programme of disabled facilities grants to help people remain living safely at home

Action	Progress
100% of budget for disabled facilities grant spent	By the end of March 2017, 92.6% of the budget has been spent. This compares with 52.1% in 2015/16. In total, 103 grants were approved during the year compared with 70 in 2015/16.

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5. Develop and implement a Strategy for Prevent (anti-terrorism)

Action	Progress
Strategy approved by June 2016	The Strategy had been approved by the Community, Housing and Health Overview and Scrutiny Committee and the District Board in June 2016. The Strategy is being implemented through the Community Safety Partnership, and is a standing agenda item for the weekly partnership hub meetings and the monthly Joint Operations Group. 23 Members attended the training provided in January 2017, and a presentation will be given to the Parish Forum meeting this coming July.

CLEAN, GREEN AND WELCOMING PLACES TO LIVE

6. Implement the adopted Local Plan

Action	Progress
Pre application discussions in relation to Deans Slade and Cricket Lane, Lichfield (major allocated development sites) underway	Pre application discussions have taken place during the year with the respective landowners/developers.
Draft Site Applications Plan prepared and submitted for examination	Draft Site Allocations Plan produced and presented to Economic Growth, Environment and Development Overview and Scrutiny Committee and Cabinet. Consultation on the draft Plan began during the final quarter of the financial year.
A 20% increase in dwellings delivered in 2016/17 (compared to 2015/16)	Work is being undertaken on assessing the barriers preventing certain housing sites coming forward. Sites that are coming forward include land at Streethay, Fradley Park, east of the bypass Burntwood and St John's Lichfield.
Revised planning proposal for Liberty Park (13 hectares) considered	A revised application for approximately half of the site was submitted in April 2016. This received resolution to approve by Planning Committee in October 2016, subject to completion of a S106 agreement. This should be finalised in during the second quarter of 2017.
32 affordable homes delivered	28 completions achieved during 2016/17. Slightly lower than plan due to delays on site.

A COUNCIL THAT IS FIT FOR THE FUTURE

7. Continue to implement the Fit for the Future programme

Action	Progress
<p>Delivery Plans developed and implemented for the following reviews:</p> <ul style="list-style-type: none"> • Leisure • Parks and Open Spaces • Revenues and Benefits • Economic Development Service • Car Parking 	<p>Leisure – notice given to school/County Council to withdraw from King Edward VI Leisure Centre. Project manager and legal advisor appointed. Physical Activity and Sport Strategy adopted. At the end of the financial year, three organisations were bidding for the operation of the leisure centres. Final submissions 22 May 2017.</p> <p>Parks and Open Spaces – incidental open space at Whittington transferred to parish council. Lease for Hospital Road has been signed and completion in May 2017. Asset Strategy Group has identified potential sites for development in Burntwood and Lichfield and these are being progressed. Charter Place developer is looking to secure adoption within the next 12 months. Darwin Park progressing.</p> <p>Revenues and Benefits – final report on the review presented to Strategic Overview and Scrutiny Committee in June 2016 and Cabinet in July. It was recommended that the service remain in house and improved to achieve efficiencies. A Project Initiation Document has been produced and the first meeting of the project board took place in February 2017.</p> <p>Economic Development Service – the Council has approved and published an Economic Development Strategy and Action Plan. Delivery of the Strategy and Action Plan is ongoing. Confirmation was made of a shared service arrangement with Tamworth Borough Council. The Council’s involvement in European Union funded schemes – the Business Growth Programme and the Enterprise Programme – to support new and established businesses to grow and develop is another major area of activity. The economy continues to grow and unemployment levels remain at some of the lowest in Staffordshire and the West Midlands. City centre parking occupancy rates show continual increases as does footfall data indicating more people accessing Lichfield.</p> <p>Car Parking – the Council has a new Car Parking Strategy. Revised charges were introduced in August 2016. Despite the increased charges, occupancy levels continued to rise. A trial has begun on a ‘check in, check out’ payment system at Lombard Street car park to try and improve customer experience. Results will be collated during 2017/18 financial year once the trial has ended.</p>

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8. Implement outcomes of the Corporate Council Review

Action	Progress
New organisational structure in place	The Council approved the implementation of a new structure at a Special Meeting in June 2016 to 'go live' 1 October 2016. The two Directors were appointed in September and by the end of the financial year the Assistant Chief Executive and eight Heads of Service were appointed and most in post. The tier four appointments will be made during 2017/18.
Customer promise and organisational values launched by May 2016	The customer promise was launched in May 2016 and a range of measures identified to publicise and embed the promise within the organisation.
Code of Conduct launched by May 2016	The Code of Conduct was approved and launched during the early part of 2017.
Terms and conditions review completed and recommendations implemented by May 2016	The terms and conditions review is ongoing.

9. Ensure revenue and capital budgets are managed efficiently and effectively

Action	Progress
Outturn to be +/-£250,000 of the Revised Revenue Budget	Outturn (£400,009) of the Revised Budget. The below budget performance compared to the target is the result of factors that were not known at the time the Revised Revenue Budget was set for example, increased leisure centre income, recycling credits, car parking income and planning applications.
98.5% of Council Tax and Business Rates collected	Council Tax 98.81% ; Business rates 97.51% .
Quarterly Money Matters reports produced and approved by Overview & Scrutiny and Cabinet	Reports were produced and approved for Quarter One, Quarter Two and period eight (Revised Estimate).
Unqualified audited Accounts and Value for Money conclusion for 2015/16 approved by 30 September 2016	This was achieved.

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10. Develop and implement a Strategy to encourage and enable customers to meet their service requests on line

Action	Progress
Our critical IT systems are available for at least 99.96% of the time	Quarter four saw 100% uptime achieved for the first time since records started being kept in 2011. The rest of the year was between 99.96% and 99.99% .
At least four new services to be accessible to customers via the mobile app	Abandoned vehicles, fly tipping and noise nuisance are all accessible. Waste services have been prioritised and additional bin and assisted collection requests, along with missed bin reports, are all now accessible.
Increased downloads of mobile app by Lichfield residents from 459 (December 2015) to 3,000	By the end of March 2017, downloads had increased to 1,505 .
Increased number of forms submitted online from month average of 199 (December 2015) to 290	A total of 3,565 forms were submitted for 2016/17. 46 forms are now available.
Direct customers of RBS able to self-serve online	Suppliers of systems providing revenues and benefit forms have demonstrated their products. The next stage will be an options appraisal during 2017/18.
Landlord portal introduced within RBS	Portal has been purchased and is expected to be installed by the end of May 2017.
On line billing introduced for RBS customers	Suppliers of systems providing revenues and benefit forms have demonstrated their products. The next stage will be an options appraisal during 2017/18.
Introduce online booking capability for sports facilities for members	The Active Lichfield website was launched in March 2017 enabling on line bookings. During March there were 90 on line bookings made across the three leisure centres. Publicity is now being launched to promote this service.
Electronic consultation with parish councils on planning applications introduced	Planning Officers Society report and process maps were received in March 2017. An action plan is currently being drafted to implement its recommendations. This will be reported to Overview and Scrutiny in June 2017.
Cabinet meeting papers distributed electronically	This is now taking place.

Financial Performance

The Economic Climate and its Impact on Lichfield District Council

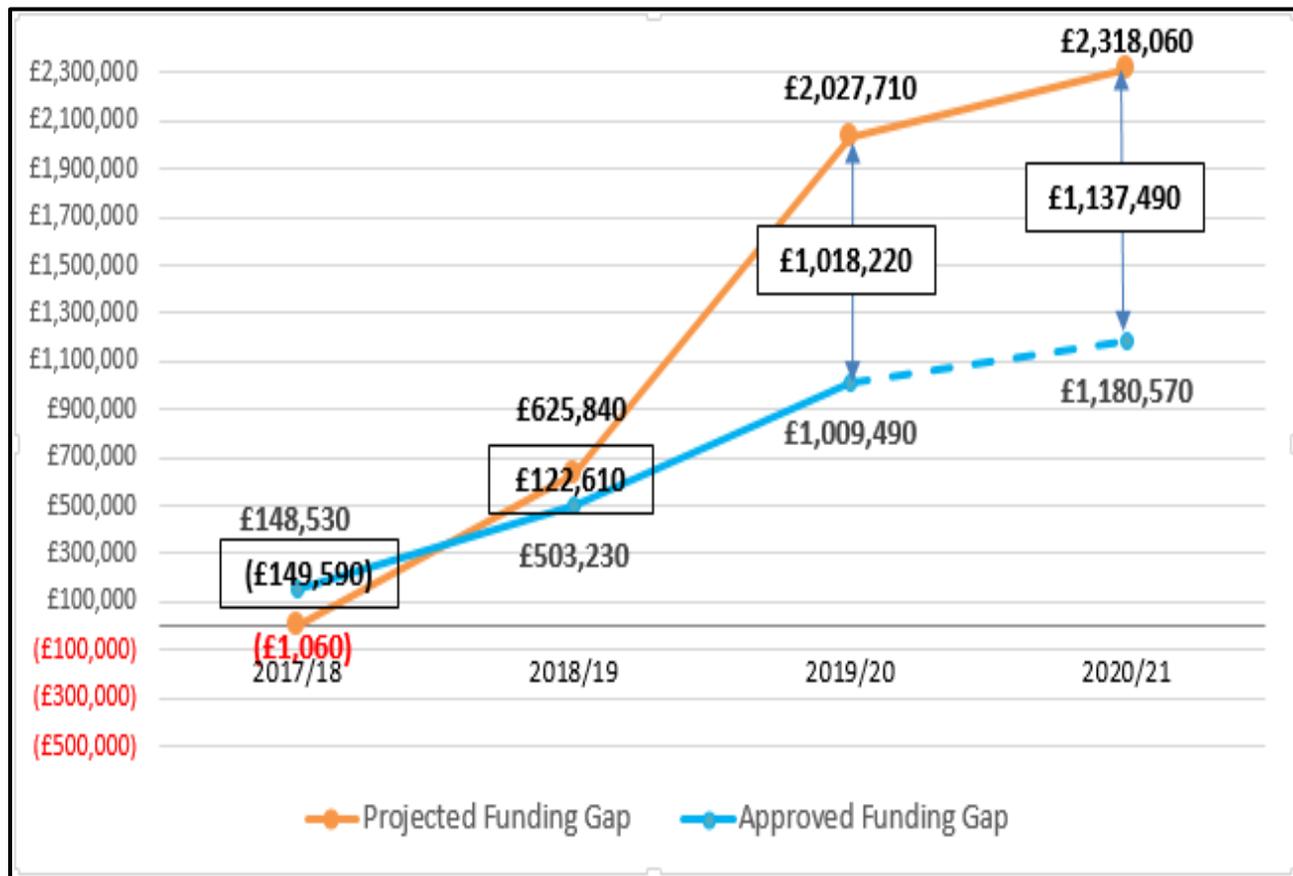
For the last few years, Lichfield District Council has faced significant financial challenges due to reductions in funding from Central Government, cost pressures within services and greater volatility in financing. The process is ongoing, will last until at least 2020/21 and will be continuously reviewed as the Council develops a stronger understanding of the challenges it faces. These challenges are due largely to the significant changes in local government funding:

- **New Homes Bonus** - the Local Government Finance Settlement introduced a number of changes to the New Homes Bonus regime following the consultation with the aim of identifying savings “of at least £800m” for Social Care. The proposed changes are detailed below:
 - Payments will be reduced from **six years to five** in 2017/18 and to **four years** from 2018/19.
 - A National baseline (deadweight) for growth of **0.4%** (the consultation mentioned **0.25%**) will be introduced. Only growth in excess of the baseline will attract New Homes Bonus. The Government has also reserved the right to alter the level in the event of significant or unforeseen housing growth.
 - Additional conditions will be applied such as withholding payment where there is no Local Plan or where houses are built after an appeal. These options will be subject to further consultation.
- **Retained Business Rates** – the current 50% Business Rates regime has a number of significant risks. These risks include revaluations, Business Rate Appeals and the review of how need is reflected in the system from April 2020. The move to 100% retention of Business Rates by Local Government in 2020 and the regime that will operate is currently not clear and therefore creates significant uncertainty and risk from 2019/20. To mitigate the significant risk from 2019/20 the level of retained Business Rates has been reduced to be closer to the Government set Baseline.
- **Revenue Support Grant** – by 2018/19 this will be reduced to **£0** and will become negative in 2019/20 with the introduction of a tariff adjustment of **£453,000**. This adjustment reflects the Government’s new approach in determining Revenue Support Grant (RSG) allocations. This approach now takes into account the amount that can be raised locally through Council Tax. In practice this means that councils such as Lichfield which have a higher tax base, that is more properties above the average Band D, will have less RSG.

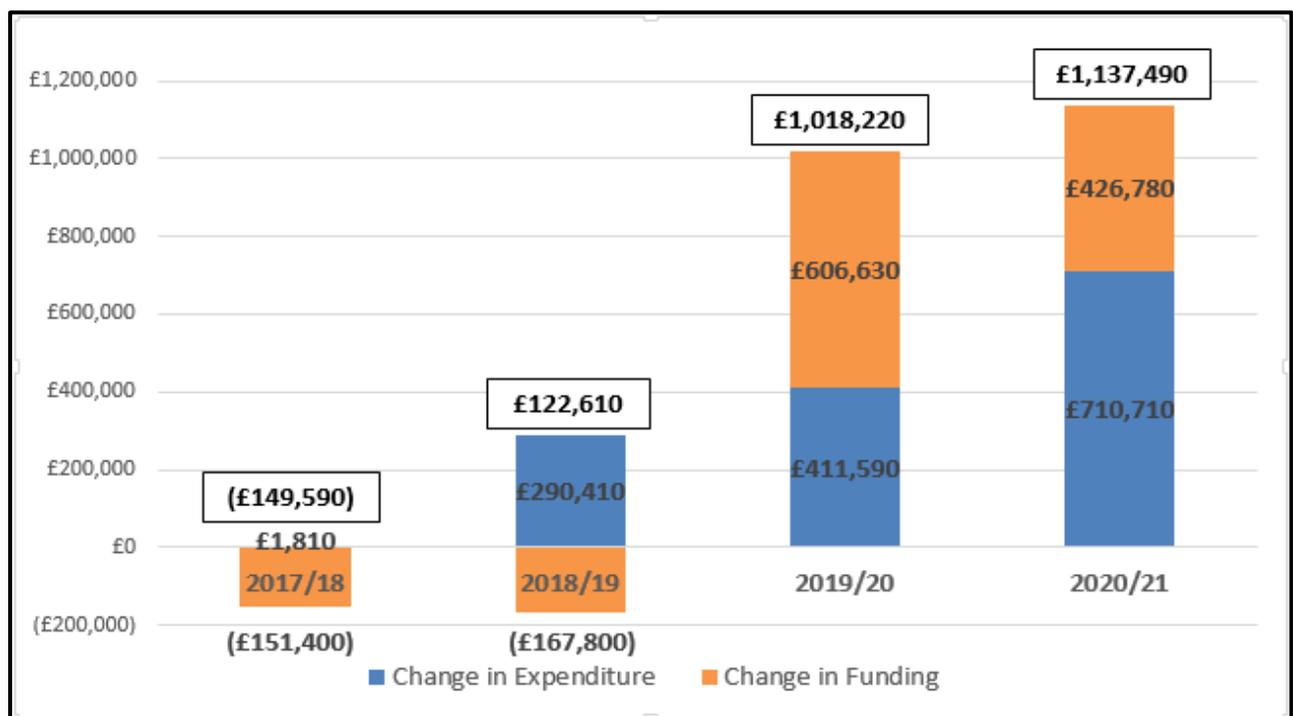
The cumulative Funding Gap of **£2,318,060** over the next four years will require savings to be found from within the base budget as shown on the charts below.

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The increase in the Projected Funding Gap included in the Approved Medium Term Financial Strategy (MTFS) from that included in the previous MTFS is shown in the chart below.

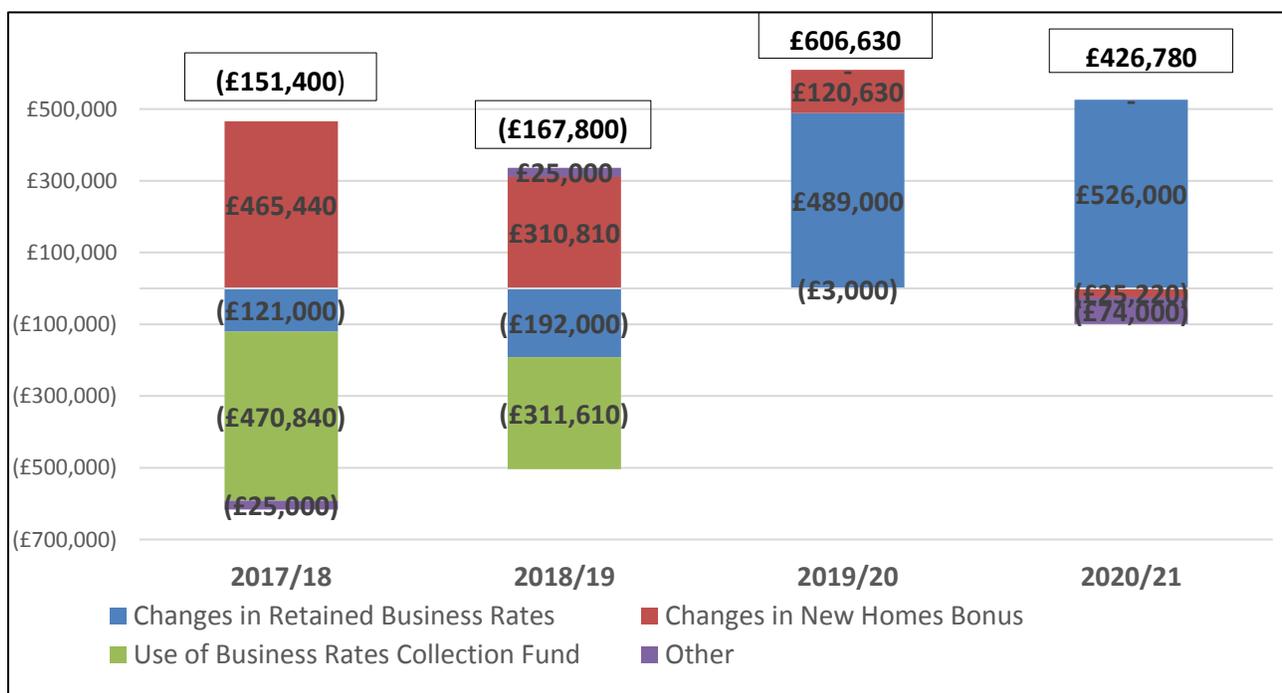
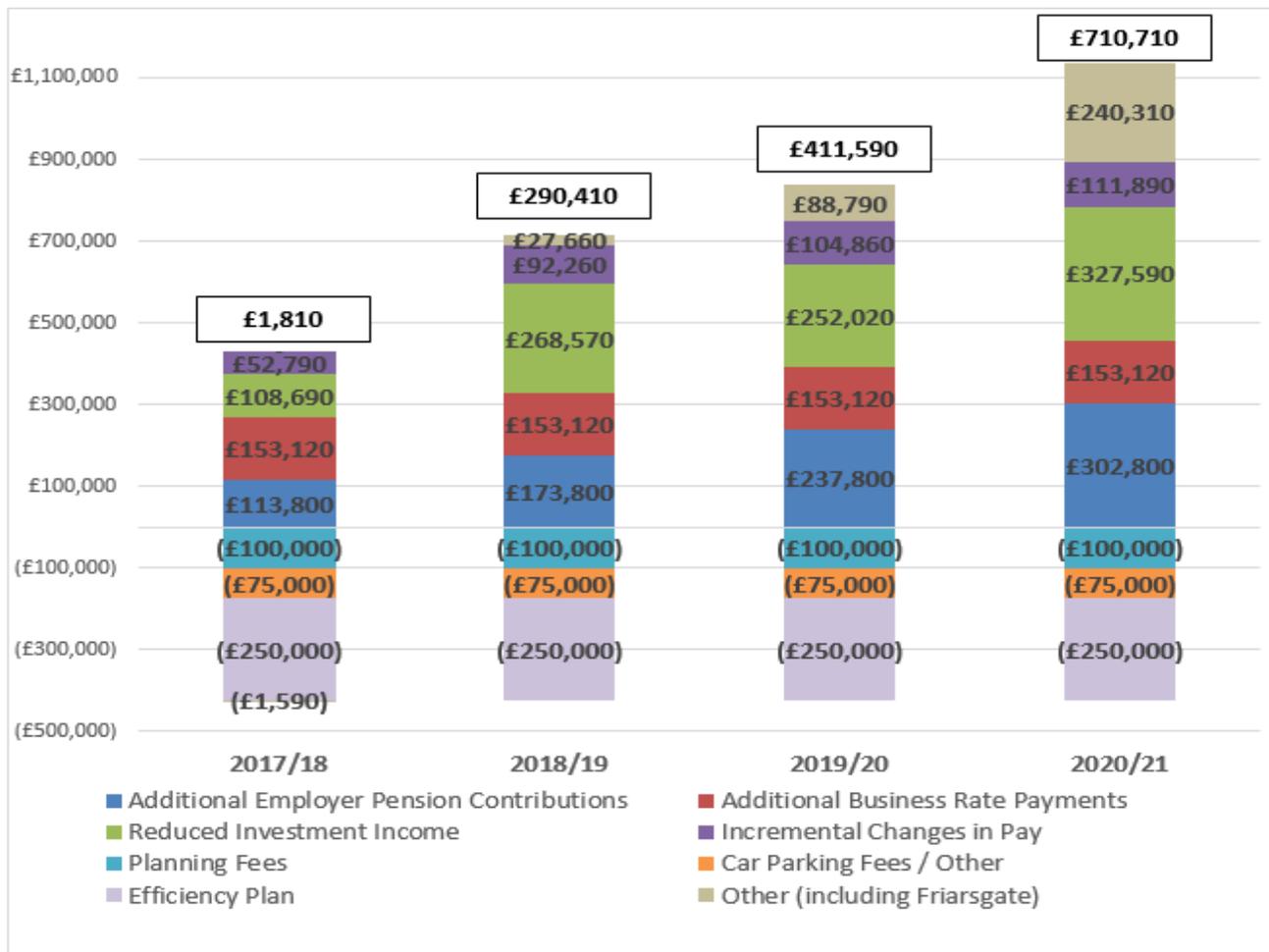


The main reasons for the increase in the Projected Funding Gap are shown in the chart below:



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The Reasons for the change in expenditure and funding are shown in the charts below:



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The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2020/21.

The Secretary of State for Communities and Local Government announced on 17 December 2015, an opportunity 'to achieve greater certainty and confidence from a 4-year budget' through the production and submission of an **Efficiency Plan** by **14 October 2016**. The Council's Efficiency Plan was approved by Cabinet on **4 October 2016** and by the Department of Communities and Local Government (DCLG) on **16 November 2016**. It has four strands:

- **In Year Efficiency Savings/Income Generation.** This is in recognition of the Council's favourable financial performance over the last three financial years, in comparison with the Approved Budget, as a result of improved budget monitoring procedures and efficiency opportunities.
- **Fit for the Future (F4F) Efficiency Savings/Income Generation.** This is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be needed across the Council and its services in order to meet all of the changes following the fundamental review of Local Government finances.
- **F4F Transformational Change.** This is the element of the F4F programme designed to reshape and redesign the Council and its services into one that is fit for the future.
- **Growing the Business Rates and Council Tax base.** The Council will seek to maximise the growth of both of these in order to increase the income from these funding sources. This will help to enable the Council to become financially self-sufficient over the medium term.

Financial Performance in 2016/17

The ability to deliver the outcomes set out in the Strategic Plan 2016-20 is dependent on the resources available over the life of the plan. Therefore, the Council prepares a Medium Term Financial Strategy (MTFS). This covers how we will use reserves, our investments, and our approach to Council Tax and how we deploy our Capital. It also looks at the medium term as the cost pressures we are likely to face and how these could be financed. The MTFS covers revenue and capital expenditure for the four financial years 2016-21. It was approved by Full Council on 21 February 2017.

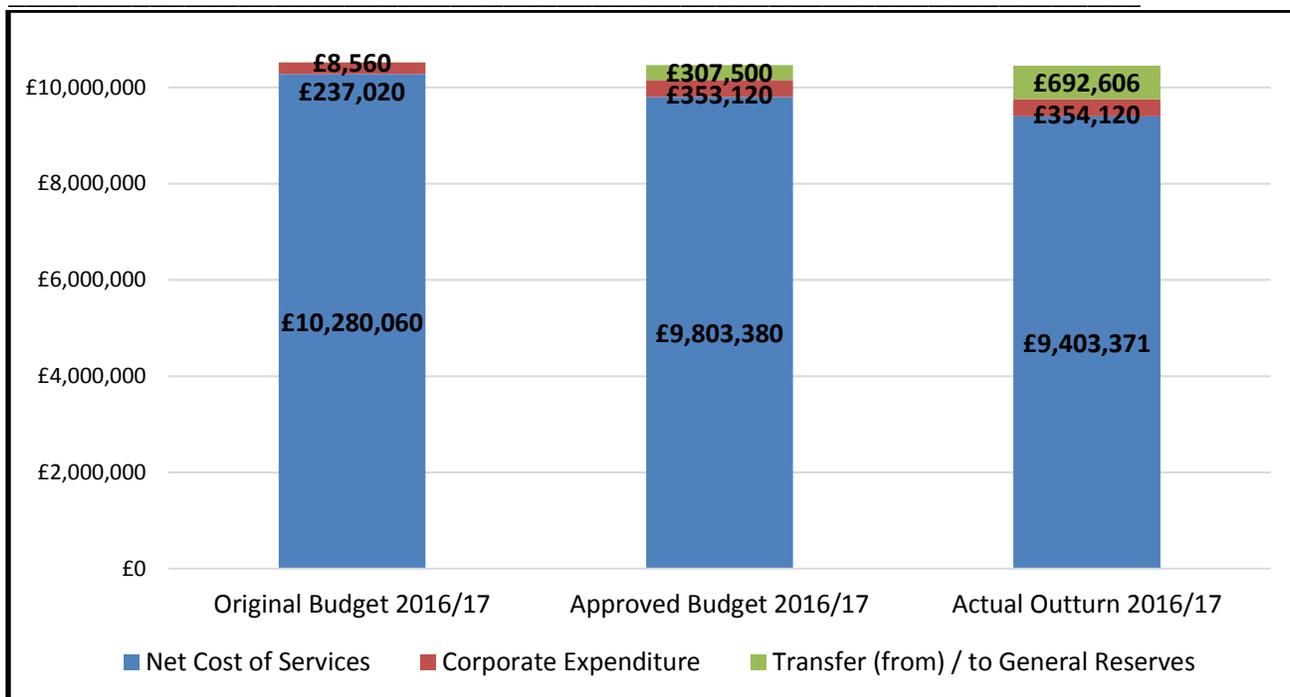
The MTFS is monitored and reported to Strategic Overview and Scrutiny Committee, Cabinet and Full Council in the format of our Money Matters Financial Performance Reports at the end of Quarter 1, Quarter 2 and month 8 (Revised Approved Budget). It is the latter against which the year-end outturn position is monitored both in terms of revenue outturn and capital outturn. The revenue and capital transactions recorded in these statements supported all of the Council's activities in 2016/17.

Revenue Financial Performance in 2016/17

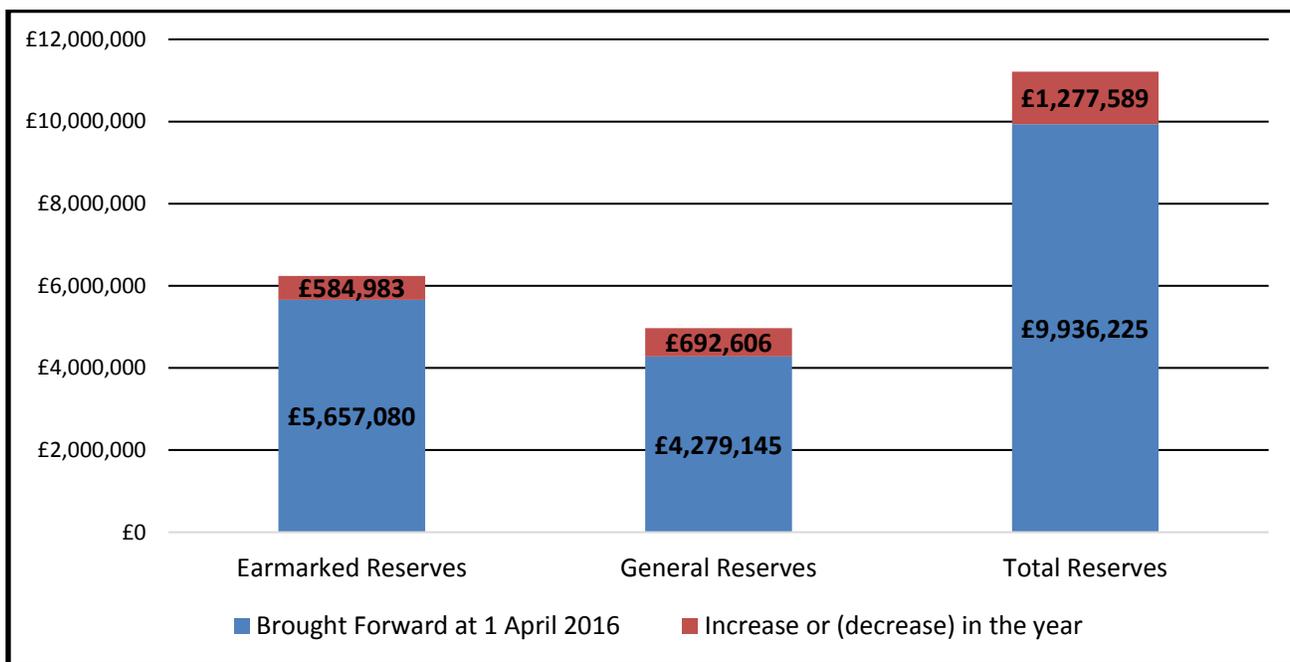
Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.

The chart below shows the Revenue financial performance for 2016/17. The target set by the Council is for the net expenditure incurred in delivering services (Net Cost of Services) to be within +/- **£250,000** of the Revised Approved Budget. The actual performance was **(£400,009)** below the Approved Budget, and is in addition to the significant savings already identified during the year in Money Matters Reports. This meant that **(£692,606)** was added to General Reserves compared to an estimate contained in the Original Budget of **£8,560** being taken from General Reserves.

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



The Earmarked Reserves have been built up over time to provide funding for specific activities in line with the Council's medium term aims and objectives. The General Reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risks. The risk-based assessment in 2016/17, set the Council's Minimum Level at **£1,400,000**. This means that there is available reserves of **£3,571,751** over and above the Minimum Level.

However, the Approved MTFs increased the minimum level to **£1,700,000** to reflect the additional financial risks facing the Council and therefore from 1 April 2017 the available reserves are **£3,271,751**.

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

2015/16		2016/17			Amount per Person	Amount per Band D Property
Actual Outturn £'000		Original Budget £'000	Approved Budget £'000	Actual Outturn £'000	£	£
4,927	A Council that is fit for the future Local Tax Collection, Elections, Corporate Costs	4,674	5,538	5,321	52.11	145.33
(821)	A vibrant and prosperous economy Land Charges, Tourism, Garrick Theatre, Car Parks, Trade Waste Collection, Development and Building Control, Economic Development	(270)	(945)	(1,156)	(11.31)	(31.55)
3,388	Clean, green and welcoming places to live Waste Collection, Recycling, Open Spaces, Street Cleansing, Planning Policy, Housing Benefits, Housing Strategy & Advice	3,956	3,527	3,462	33.91	94.56
1,696	Healthy and safe communities Leisure Centres, Community Grants, Environmental Health, Homelessness	1,920	1,862	1,776	17.40	48.52
9,190	Net Cost of Services¹	10,280	9,802	9,403	92.10	256.85
444	Capital & Earmarked Reserves	262	441	441	4.31	12.03
(42)	Interest receipts/payments	(25)	(87)	(86)	(0.85)	(2.36)
1,282	Transfer to General Reserves	9	308	692	6.78	18.92
10,874	Net Expenditure	10,526	10,464	10,450	102.35	285.44
(2,064)	Business Rates	(2,320)	(2,226)	(2,198)	(21.53)	(60.05)
(1,450)	Revenue Support Grant	(773)	(773)	(773)	(7.58)	(21.13)
(1,539)	New Homes Bonus	(1,883)	(1,878)	(1,878)	(18.39)	(51.30)
69	Grants and Council Tax Support to Parishes	55	18	4	0.05	0.14
(269)	Deficit on the collection of Council Tax and Business Rates from the previous year	252	252	252	2.47	6.88
(£5,621)	Amount to be raised from Council Tax	(£5,857)	(£5,857)	(£5,857)	£57.37	£159.99

The information in the table above is based on the statutory funding basis and shows income exceeding expenditure by **(£692,000)** and therefore a transfer to General Reserves.

The Comprehensive Income and Expenditure Statement shows financial performance based on generally accepted accounting practices with a surplus of income over expenditure of **(£1,291,000)**.

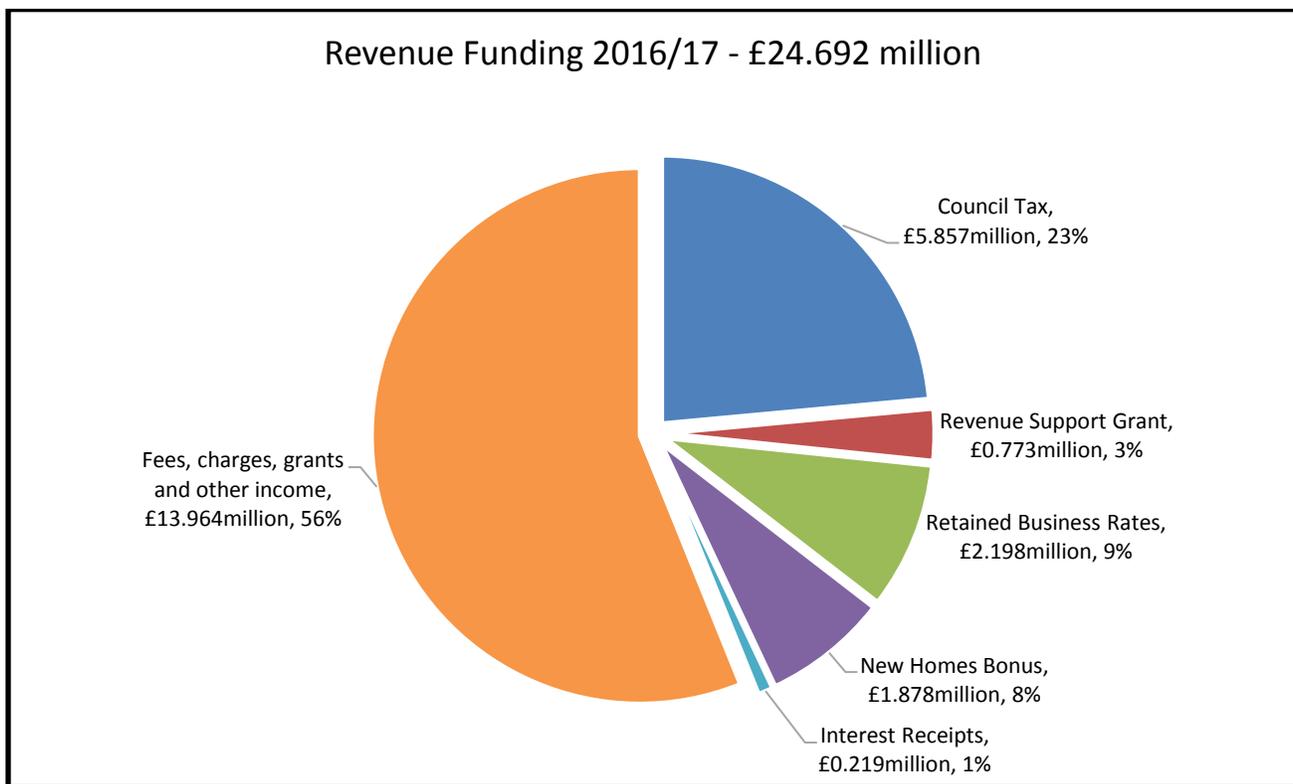
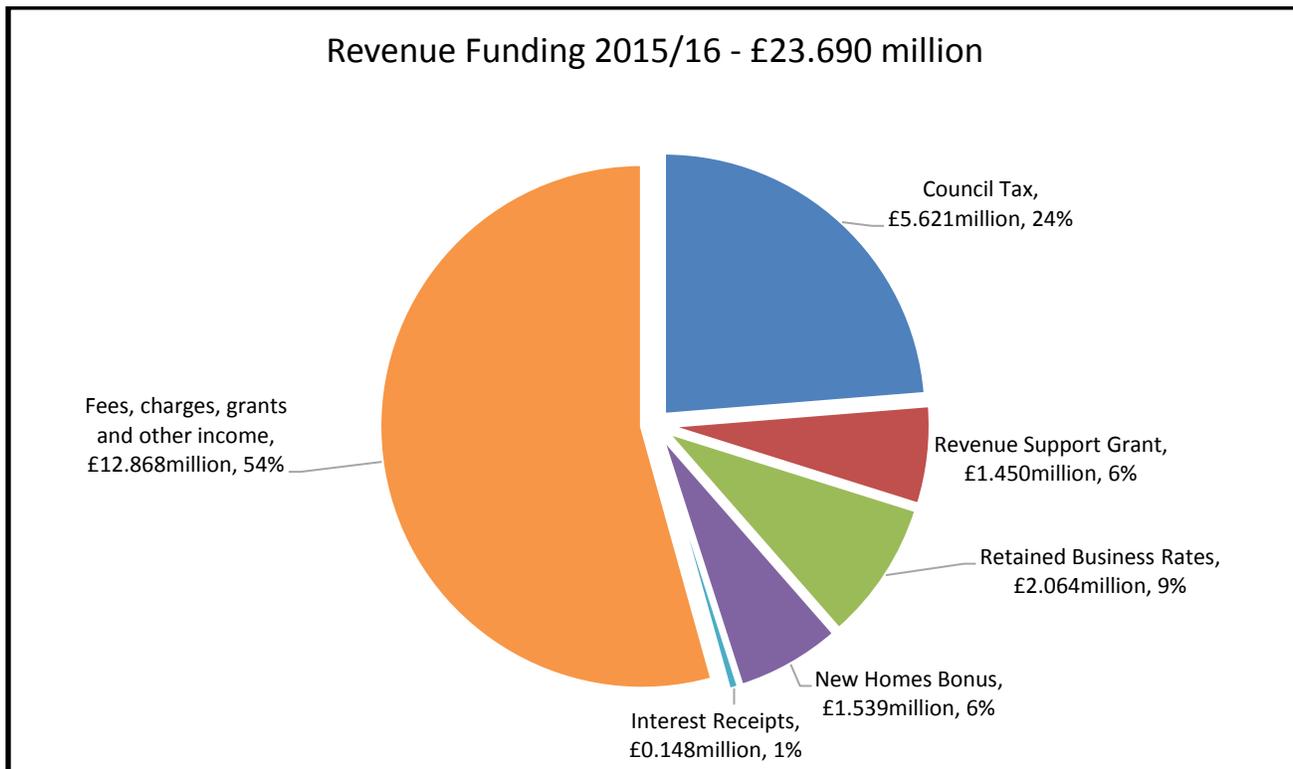
A new statement, the **Expenditure and Funding Analysis (EFA)**, reconciles financial performance under the statutory funding basis to the accounting basis. The table below provides a summary:

	2015/16 £000	2016/17 £000
Income in excess of Expenditure shown in the table above	(1,282)	(692)
Add : Earmarked Reserve Transfers (including those within the Net Cost of Services)	(758)	(585)
Funding Basis - Expenditure and Funding Analysis	(2,040)	(1,277)
Adjustments between Funding and Accounting Basis	2,251	(14)
Accounting Basis - Comprehensive Income and Expenditure Statement	211	(1,291)

¹ The Original Budget by Strategic Priority will not match the presentation in the Council Tax Leaflet due to changes in presentation approved during 2016/17.

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The chart below shows the make-up of our funding from the table on the previous page plus the income from fees, charges and other service income, other Government Grants and interest for 2015/16 and 2016/17.

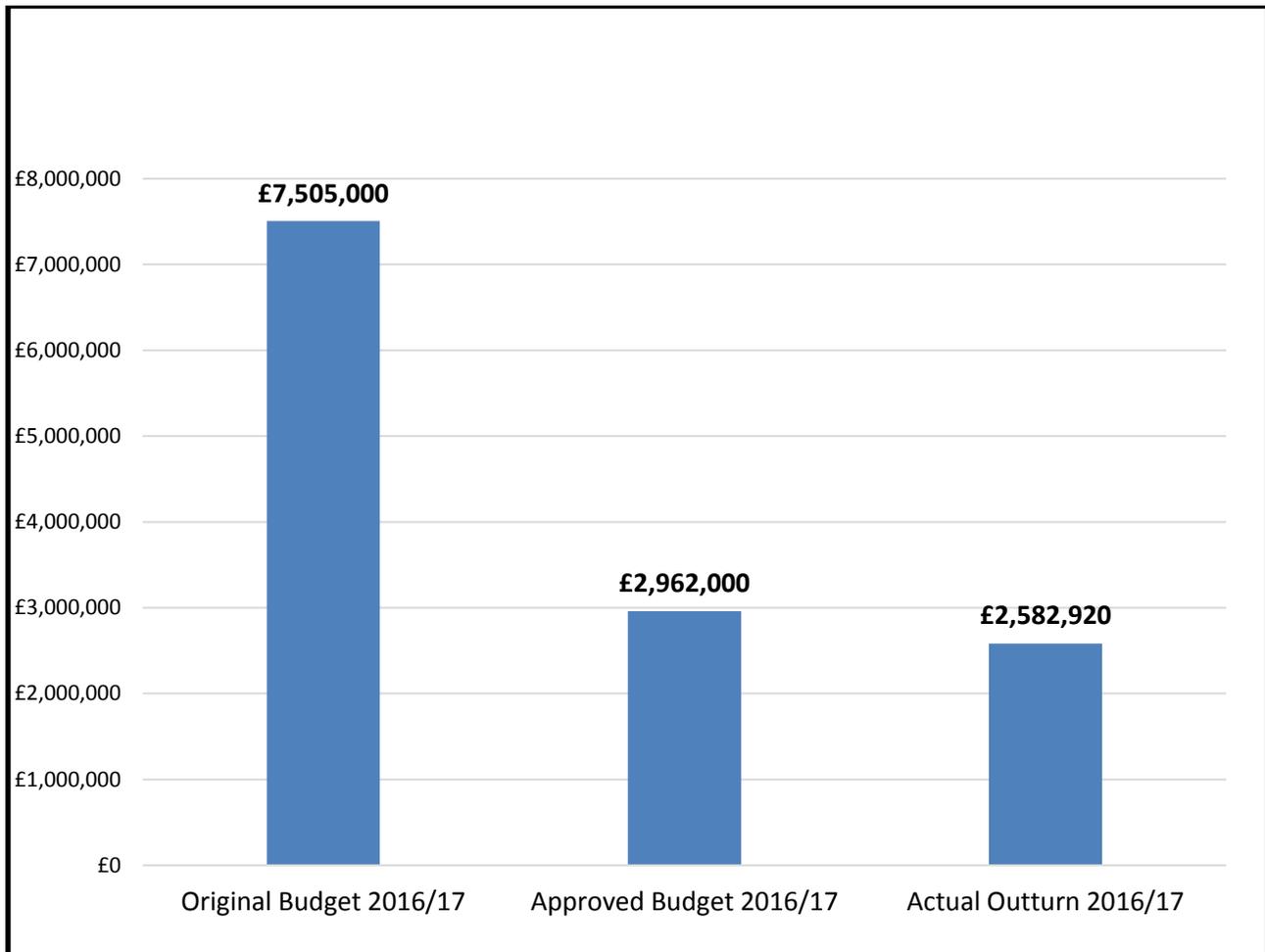


NARRATIVE REPORT

Capital Financial Performance in 2016/17

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

The chart below shows the final Capital financial performance for 2016/17 compared to the Original and Approved Budgets.



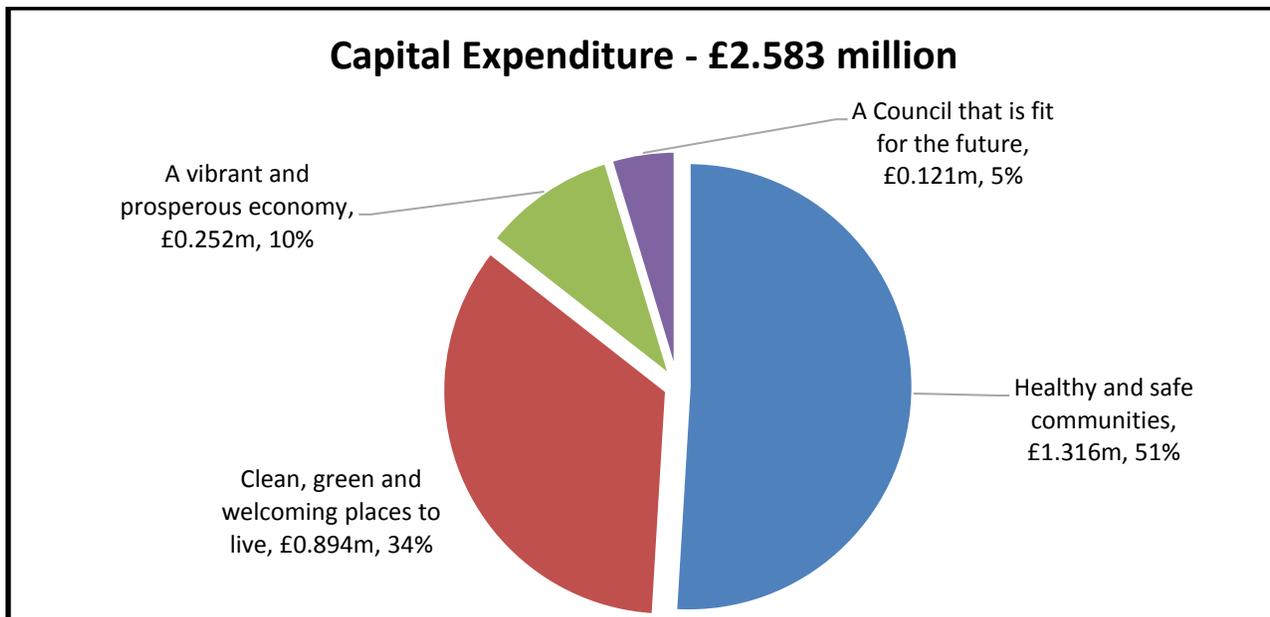
The Actual Outturn was **£2,583,000** and this was **£379,080** below the Approved Budget of **£2,692,000**.

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

- Delays in spend taking place (slippage), **(£495,000)**;
- New finance leases taken out **£142,000**;
- Project underspends **(£26,080)**.

NARRATIVE REPORT

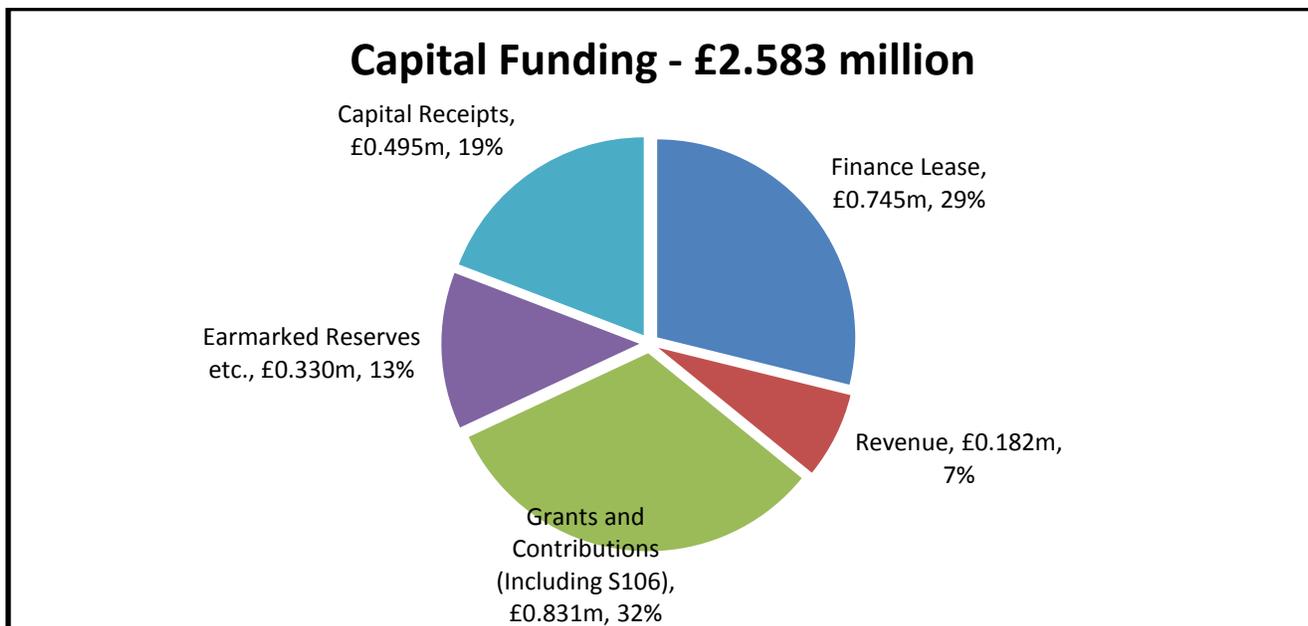
The capital expenditure shown by the Council's top priorities for 2016/17 is shown on the chart below.



There are a number of sources which the Council can use to fund this capital expenditure:

- 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
- Earmarked Reserves
- Finance Leases – these enable assets to be purchased via a series of payments over a period of time

The funding of the 2016/17 capital expenditure is illustrated in the chart below.



Principal Risks and Uncertainties

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

Many risks have either a low impact or likelihood, but those that currently have the highest overall scores and are assessed as 'Severe', are monitored by Members and Senior Officers and are reported to the Audit Committee.

There are currently two risks that are classed as 'Severe'

- Financial resilience; and
- Friarsgate.

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

Financial Resilience

Risk to the Council

This is the risk that the continued reductions in Government funding will mean that the financial resources available to the Council are not sufficient to support all of the planned priorities that we have. In addition, those areas that rely on significant income generation may not achieve their targets. These will impact on the Council's ability to run its services and may mean that some services are reduced or even stopped.

Management of Risk

The F4F Programme, the Council's transformation programme, was launched in May 2013 to help make the Council financially and functionally fit for the future. This Programme has delivered significant financial savings to date and continues to include a range of Service Reviews and Projects aimed at delivering further financial savings, service improvements and organisational development.

The Council closely monitors its in-year financial position and this is reported on a quarterly basis to Cabinet and Strategic Overview and Scrutiny Committee via the Money Matters Report.

Friarsgate

Risk to the Council

Friarsgate is the Council's flagship regeneration project in the centre of Lichfield City. The Scheme will improve the retail and leisure offer in the City. It will also replace existing Council Infrastructure (the Bus Station, Public Toilets and the Multi Storey Car Park) all in need of considerable updating and investment. Risks relate to land ownership, economic conditions and project management.

The Scheme has faced a number of delays and the concern is that further delays or even failure of the Scheme could result in: public disappointment, damage to the Council's reputation and finances, adverse publicity, and a negative effect on the economy within the District.

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Management of Risk

The Council is utilising employees who have skills in major development projects. Member scrutiny takes place through the Economic Growth, Environment and Development Overview and Scrutiny Committee, and a presentation of the Scheme has been given to Members.

A revised project management structure and governance structure for the Project has been developed to ensure that the adequate skills, resource and reporting lines are in place. Further presentation of the scheme to Members took place in February 2017. In addition, there are ongoing discussions with the Developer regarding the progress of the Scheme.

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards.

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

The **Core Statements** are:

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

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

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

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

The **Supplementary Financial Statements** are:

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

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

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

Anthony Thomas

Head of Finance and Procurement (Section 151)

26 September 2017

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Section 1	Scope of Responsibility
Section 2	Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Annual Review of the Effectiveness of the Governance Framework
Section 5	Update on Significant Governance Issues 2015/16

Section 1: Scope of Responsibility

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

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

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

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

Section 2: Purpose of the Governance Framework

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

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

The Governance Framework has been in place at Lichfield District Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

Section 3: The Governance Framework

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

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

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

Outcomes

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

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

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

We have 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 Code of Conduct is supported by training and development programmes for Members.

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 2016/17, 4 Members' Code of Conduct complaints were received. Of these there was one breach. The Member concerned was directed to formally apologise, and did so, and so no further action was taken.

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.

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

The Code of Conduct for employees (based on the National Code of Conduct for local government employees) was embedded in the disciplinary procedure. Work began in 2015/16 on refreshing and renewing this Code and our associated policies, in order to provide greater clarity and support to staff and managers. A new Code of Conduct has now been produced and this was approved by Employment Committee on 9 February 2017 and Full Council on 21 February 2017. A copy can be found on the intranet.

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This Code sets out the principles, behaviours and standards expected of employees in a single document. The purpose of the Code is to:

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

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

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

They have been embedded into the new Strategic Plan that took effect from 1 April 2016 (see Core Principle 3).

In order to reinforce the 'put customers first' value, a Customer Promise has been developed which sets out the corporate standards that customers can expect in our dealings with them and, equally, how customers should treat our staff. This was approved by Full Council in April 2016.

The new Code of Conduct is also supported by a range of Human Resources policies and procedures. During 2016/17, the following policies were updated:

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

These policies were approved by Employment Committee on 9 February 2017 and Full Council on 21 February 2017.

The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair. The role of the Section 151 Officer also ensures legality as well as financial prudence and transparency in transactions. The S151 Officer role is discussed in more detail under Core Principle 6.

Under the 2015 Care Act, the Council has a legal responsibility to safeguard, promote well-being and protect children and vulnerable adults. A Safeguarding Policy was agreed during 2015/16, which sets out specific responsibilities and how to spot potential abuse and report concerns. Each Service Area has its safeguarding lead, and training and awareness sessions have been carried out during 2016/17 for those staff members who come into contact with children and vulnerable adults as part of their role. Members, too, have been offered training and 14 attended.

A summary report on safeguarding is produced. It shows that from April to September 2016, six concerns were raised (the same number as for the same period in 2015). Two related to children and four to adults. Of these only one was taken forward as a formal referral.

The Council also has a Public Sector Equality Duty under the Equality Act 2010. As part of this we produce an annual Statement showing how we are meeting our obligations. This Statement also helps our customers, staff, the Equality and Human Rights Commission, regulators and other interested

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parties to assess our equality performance and our compliance with equality legislation. The latest Statement was published on 31 January 2017 and can be found on the internet at [Equality Statement](#)

B Ensuring Openness and Comprehensive Stakeholder Engagement

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

Outcomes

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

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

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

The Council is part of a number of external partnerships which provide support to its strategic agenda. These include the Staffordshire Strategic Partnership, the Staffordshire Connects 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.

We are also committed to working collaboratively with a range of other partners including schools and colleges, the County Council, health, police and fire services to achieve what is needed for our District. We also need the continued support of the voluntary, business and community sectors, to maximise the huge contribution they make to the quality of life of local communities and residents.

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

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

During 2016, various consultations took place. One example is that over the new Council Parking Strategy and in particular the proposals for new charging tariffs. Consultation took the form of a set of meetings between Council officers and specific groups/organisations such as the City Council, Lichfield BID, Friends of Beacon Park and Staffordshire County Council. In addition, an online survey was made available for others to respond to. The results were reported at Economic Growth, Environment and Development Overview and Scrutiny (EGED O&S) Committee.

Consultation also took place over the revised Community Infrastructure Levy Regulation 123 List. The consultees were both internal and external with the latter being Staffordshire County Council and the public generally. The results were once again presented to EGED O&S Committee.

The Council maintains a website www.lichfielddc.gov.uk for customers and also manages a number of social media streams including Facebook and Twitter. In addition, we maintain a suite of supporting websites that help underpin the Council's strategic ambitions, including a tourism destination website www.visitlichfield.co.uk and service specific websites including www.southernstaffs-buildingcontrol.co.uk and www.ratemyplace.org.uk. The Council's Contact Centre is the first contact

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

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

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

We have used the Government's Code of Recommended Practice for Local Authorities on Data Transparency, which recommends the datasets councils should make available as a minimum, as a starting point for deciding what information we should make available. We have so far released 159 data sets on <https://data.gov.uk/publisher/lichfield-district-council> which are maintained and updated on a daily, weekly or monthly basis depending on the dataset.

We have also used feedback and requests made under the Freedom of Information Act 2000 to identify additional datasets for publication. Examples include council tax bandings by property; commercial empty properties; hackney carriages private hire vehicles; planning S106 agreements; solar panel locations. We will continue to increase the number of datasets that we make available over time, where resources and capacity permit and there is a clear public demand for the information.

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 2016/17 **449** complaints were received compared with **113** in 2015/16. Much of this increase is due to the recording of complaints regarding the Joint Waste Service (**288**) for the first time in 2016/17. We received **218** compliments in 2016/17 which compares with **240** in 2015/16.

In July 2016, the Council received the Annual Review Letter from the Ombudsman for the period ending March 2016. It reported that **8** complaints and enquiries (a reduction from **15** in 2015/16) were received from Lichfield District Residents, which came from benefits and tax, environmental services, housing and planning. This total figure compares favourably to the average of **15** complaints received by District Councils within Staffordshire. Of the 8 complaints and enquiries none were upheld.

The reporting of complaints and compliments continued to improve during 2016/17, 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 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 (2016) cycle of meetings.

There were no whistleblowing reports during 2016/17 (nor during 2015/16). An anonymous letter entitled 'whistleblowing' was received during the year. The nature of the allegations, however, did not fall under the Whistleblowing Policy and were, when investigated, unfounded.

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

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

Outcomes

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

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

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

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

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

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

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

Engagement with Elected Members (Cabinet away day, Member Focus Group) and residents (Focus Group and 'In Touch' consultation) showed a broad agreement to these being the areas that the Council should focus on and resulted in the following priority outcomes being identified:

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

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

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

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

The Strategic Plan not only sets out our strategic direction but also provides the context for the Annual Action Plan (which is approved by Council each year in February). This identifies and focuses on 10 key activities/projects (known as the Corporate Top 10), in order to achieve progress against the aspirations in the Strategic Plan. The Corporate Top 10 2016/17– Annual Action Plan can be viewed at [Annual Action Plan 2016/17](#)

The Annual Action Plan is performance-managed in line with the Corporate Performance Management Framework using the Council's covalent system. This framework was developed during 2015/16 to take effect in 2016/17. Update reports are made to Leadership Team on a quarterly basis and reports are presented to Cabinet in December for the mid-year outturn and July for the end of year outturn. These reports also include activity and performance indicators to enable Members to track performance across the range of statutory and discretionary services which the Council provides. A copy of the year-end performance report will be published on our website with the papers for July 2017 Cabinet.

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

Progress reports on the implementation of the Local Plan are presented to Overview and Scrutiny Committee in addition to Cabinet.

As part of sustainable development, local authorities have to introduce a planning charge known as the Community Infrastructure Levy (CIL). The CIL is designed to act as a tool for local authorities to help deliver infrastructure to support the development of their area.

The CIL Charging Schedule sets out the rate of levy the Council will charge those types of development that are eligible to contribute towards infrastructure provision. The District Council's CIL was subject to examination in January 2016, with the Examiner's Report received in February 2016. It has been approved by Cabinet then by Full Council on 19 April 2016 and adopted on 13 June 2016.

The Council is promoting Neighbourhood Plans, the adoption of which will enable parish areas to receive a share of the financial benefits of development that comes from the CIL, and also allow them to set their own priorities for its investment. In 2016/17, two Neighbourhood Plans were taken to referendum and approved by the community.

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

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

Outcomes

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

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

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

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

To fund the Strategic Plan, the Council prepares a Medium Term Financial Strategy (MTFS). This covers how we will use our reserves, our investments, the approach to Council Tax, and how we will deploy our capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed. The Strategic Plan must drive the Financial Strategy. The MTFS relevant for 2016/17 is the MTFS (Revenue and Capital) 2016-20. This was approved by Cabinet and Full Council in February 2016 and can be found on our website at [MTFS 2016-20](#)

The Revised Budget for 2016/17 was approved by Full Council in February 2017 as part of the MTFS (Revenue and Capital) for 2016/17.

Lichfield District Council has a statutory duty to set a balanced budget in the first year of the four year MTFS (Revenue and Capital), and to set out proposals to balance the further financial years 2017-2020. The Chief Finance Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up audit scrutiny. The Council is also required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

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

Since 2013/14, there have been significant changes in local government finance ranging from the Localisation of Council Tax Support, wider welfare reforms and local retention of an element of business rates. These changes have introduced additional financial risks such as a major proportion (21%) of the Council's funding being dependent on the level of business rates growth or decline. Consequently, the Council implemented plans and strategies to manage these financial risks, for example the Fit for the Future (F4F) Programme introduced in May 2013.

F4F is the Council's transformation programme that aims to manage the change needed across the Council and its services in order to meet the challenges facing local government finances and to bridge

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the predicted revenue funding gap. Since its introduction the Programme has helped to identify a range of service improvements and deliver significant savings through a range of measures, including reductions in non-priority areas, changes to service standards, transferring assets and introducing or increasing charges for some services.

In October 2016, Cabinet approved that an 'Efficiency Plan' be submitted to Government in order to guarantee a four year settlement in order to bring increased certainty to our MTFS. The Secretary of State for Communities and Local Government had previously announced (December 2015) an opportunity 'to achieve greater certainty and confidence from a 4 year budget' by the submission of an Efficiency Plan by 14 October 2016.

The Council's Efficiency Plan is focussed on the following areas

- The Council's Strategic Plan 2016-20
- The MTFS 2016-20
- Risks both local and other wider, economic, financial and social
- Fit for the Future including our approach to transformation and the F4F review's key principles and features.

A copy of the Efficiency Plan can be found on our website.

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

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

Outcomes

We ensure that the Leader and Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.

We develop the capabilities of the Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental risks by ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirement is available and encouraged.

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

The Council has a Constitution which can be found on our website. This sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

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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. Reference is made to the scrutiny role of the Opposition, whereby the latter is responsible for challenging and holding the Controlling Group to account. The Constitution also contains the protocol for officer/Member relations. This is reviewed and amended on a regular basis.

The Council's Constitution is updated as and when changes are needed to be made with the Cabinet Member for Finance and Democracy submitting recommendations to Full Council. During 2016/17, a number of updates were approved by Full Council, including: delegation of powers relating to CIL and the High Speed Rail (London-West Midlands) Bill; to update the Constitution to reflect the changes arising from the new Management Structure; to give delegated powers to the Chairman of the Audit Committee to sign the Audited Statement of Accounts for 2016/17 to 2019/20

The Council has a training plan for Members which is developed and monitored by the Employment Committee. There were 11 training events during 2016/17. The areas covered included emergency planning, safeguarding awareness, using social media, overview and scrutiny skills and making defensible planning decisions.

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. The importance of the PDR process for the Council continues to be highlighted by the Chief Executive. The rate of completed PDRs for 2016/17 was 52% (2015/16 62%). It is hoped that once the new Management Structure is embedded fully this figure will improve significantly. A review of the PDR forms took place during 2015/16 and these were updated so that for 2016/17, the Council's new Corporate Values (discussed earlier) will be embedded within the forms.

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

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

In 2016/17 the Council undertook a substantial senior management restructure designed to:

- Facilitate, support, enable and promote transformation in how the Council operates and delivers services to the community
- Support a 'One Council' ethos across the organisation, and reinforce strong corporate governance and performance management
- Enable a more policy driven and evidence led approach to decision-making and service development

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- Work alongside elected members to provide stronger, proactive and forward looking strategic leadership to the Authority and District
- Create and support a tier of empowered and confident heads of service and technical professionals that manage day-to-day operations and service delivery.

This will further support the delivery of services, increase capacity, establish a one council approach and further strengthen corporate governance. Details of the restructure can be found at [Management Restructure](#)

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

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

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

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

Outcomes

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

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

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

The Council has a Risk Management Strategy, and managers are trained in the assessment, management and monitoring of risks. The Corporate Risk Register is produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its Strategic Action Plan. Those risks that are rated as 'severe' are monitored by Members and Senior Officers and are reported on three times a year to Audit Committee and half yearly to Cabinet. All reports requiring a decision include a risk assessment section.

The Council continues to manage and monitor the effectiveness of its health, safety and insurance management system. In May 2017, the annual Health and Safety Performance Report was presented to Leadership Team and Employment Committee. This report is a statistical snapshot of accidents and insurance claims, in addition to providing a review of the corporate health and safety training programme, detailing changes to operating procedures and emerging challenges. A Health, Safety and Insurance Service Plan has identified a number of areas which could be developed to ensure that the Council remains legal and compliant with good practice. Monitoring of the Service Plan objectives will be undertaken by the Head of Corporate Services.

ANNUAL GOVERNANCE STATEMENT

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

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

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

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

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

During 2016/17, the Chief Finance Officer continued to provide effective financial management in accordance with the financial procedures and rules set out in the Constitution.

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

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

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

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

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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 2016/17 is that the Authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

We have been reviewing and changing the way our Overview and Scrutiny function operates following a recommendation from the Peer Review that took place in 2014. There had already been some changes during 2015/16, such as the greater use of briefing papers, lighter agendas and triangulation meetings with relevant Cabinet Members. However, it was felt that further improvements were possible to ensure an even greater degree of scrutiny. A Member Task Group was established to assess the merits of different models and ways of operating. An interim report is expected in June 2017.

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

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

Outcomes

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

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

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

We have an effective in-house Internal Audit function with direct access to Members and which reports to the Chief Finance Officer. This service provides assurance with regard to governance arrangements and its recommendations are acted upon. For 2016/17 Internal Audit continued to operate in accordance with the Public Sector Internal Audit Standards.

An annual review of the effectiveness of the system of Internal Audit is undertaken by the Internal Audit Manager based on the Public Sector Internal Audit Standards and using feedback from Directors, Heads of Service, the Section 151 Officer, Managers and External Audit. A Quality Assurance Improvement Programme was approved by Audit Committee in March 2017.

The review of Internal Audit for 2016/17 concluded that the Authority's Assurance Arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. The Internal Audit Manager fulfils this role and is professionally qualified.

Our External Auditors carry out reviews of our internal control arrangements when working with us throughout the year. They have not reported any weaknesses in their updates to Audit Committee during 2016/17.

The current phase of the F4F Programme is focussed on transforming the way the Council operates, including how it interacts with its customers and making sure the way the organisation is structured

ANNUAL GOVERNANCE STATEMENT

and organised is effective, productive and better aligned with the priority outcomes that are set out in the Strategic Plan. Looking at how demand for services can be reduced or managed and how service users can access services and information in ways that costs the Council less (channel shift) are important elements of this. Decisions about where to spend will need to become more evidenced based, so that reduced resources can be targeted on those areas and communities who need them most.

The current tranche of the F4F reviews involve some reviews that are explicitly about organisational development, including a project focussing on 'creating a corporate council'. This continues to address some of the key areas for improvement identified in the Local Government Association Corporate Peer Challenge in September 2014, including the need to strengthen the corporate culture and ethos to enable the Council to be more productive and one which operates in a more consistent manner based on transparent policies, clear organisational values and good governance.

During 2016/17, a comprehensive management restructure began to be implemented (as discussed earlier) which has involved a reduction from four to two Directors and the creation of a tier of eight empowered Heads of Service, and an Assistant Chief Executive post for two years (to the end of 2018/19) all linked to the Strategic Objectives and ambition of the Council.

The proposals were approved by Cabinet and Employment Committee in May 2016, and Full Council in June 2016, following a formal consultation period with staff and the Unions.

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

We have a legal responsibility to conduct an annual review of the effectiveness of our Governance Framework, including the system of internal control. The outcomes of the review are considered by Audit Committee (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 2015)
- The views of our External Auditors, regularly reported to Audit Committee through regular progress reports, the Annual Audit Letter, the Audit Risk Assessment and the Audit Plan
- The activities and operations of Council Service Areas whose Heads provide written assurance statements using an Internal Control Checklist
- The views of Members (Chairmen and Vice Chairmen and Leader of the Minority Group) using a Members' Questionnaire
- The Risk Management Process, particularly the Corporate Risk Register
- Performance information reported to Cabinet and Overview and Scrutiny Committees.

Conclusion of the Review

We consider the Governance Framework and Internal Control environment operating during 2016/17 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 2016/17 no significant weaknesses in Governance or Internal Control were highlighted.

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Section 5: Update on Significant Governance Issues 2015/16

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 2015/16.



Diane Tilley

**Chief Executive
26 September 2017**

Councillor Michael Wilcox

**Leader of the Council
26 September 2017**

EXPENDITURE AND FUNDING ANALYSIS – NOTE TO THE ACCOUNTS

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

2015/16						2016/17				
Narrative Report	Presentation and Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the CIES		Narrative Report	Presentation and Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
4,927	(43)	4,884	423	5,307	A council that is fit for the future	5,321	33	5,354	314	5,668
(821)	188	(633)	555	(78)	A vibrant and prosperous economy	(1,156)	(320)	(1,476)	644	(832)
3,388	(283)	3,105	1,119	4,224	Clean, green and welcoming places to live	3,462	(151)	3,311	(234)	3,077
1,696	21	1,717	378	2,095	Healthy and safe communities	1,776	86	1,862	286	2,148
9,190	(117)	9,073	2,475	11,548	Cost of Services	9,403	(352)	9,051	1,010	10,061
(9,190)	(1,923)	(11,113)	(224)	(11,337)	Other Income and Expenditure	(9,403)	(925)	(10,328)	(1,024)	(11,352)
0	(2,040)	(2,040)	2,251	211	(Surplus) or deficit on Provision of Services (cash flow)	0	(1,277)	(1,277)	(14)	(1,291)
		(7,896)			Opening General Fund			(9,936)		
		(2,040)			(Surplus) on General Fund			(1,277)		
		(9,936)			Closing General Fund			(11,213)		

31 March 2016 £000		31 March 2017 £000
(4,279)	General Fund Balance	(4,971)
(5,657)	Earmarked Reserves Balance	(6,242)
(9,936)	Total	(11,213)

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.

The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments, which in the Council's case is its Strategic Priorities. This is a change from the previous requirement to report according to the Service Expenditure Code of Practice (SERCoP). This represents a re-analysis of the Cost of Services presented in the CIES, not a change.

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
6,281	(974)	5,307	A council that is fit for the future	6,651	(983)	5,668
4,033	(4,111)	(78)	A vibrant and prosperous economy	4,034	(4,865)	(832)
29,273	(25,049)	4,224	Clean, green and welcoming places to live	28,070	(24,993)	3,077
4,701	(2,606)	2,095	Healthy and safe communities	4,678	(2,530)	2,148
44,288	(32,740)	11,548	Cost of Services	43,433	(33,371)	10,061
1,719	(709)	1,010	Other Operating Expenditure (Note 9)	2,175	(1,148)	1,027
2,567	(1,867)	700	Financing and Investment Income and Expenditure (Note 10)	1,356	(623)	733
11,755	(24,802)	(13,047)	Taxation and Non-Specific Grant Income (Note 11)	11,912	(25,024)	(13,112)
60,329	(60,118)	211	(Surplus) or deficit on Provision of Services (cash flow)	58,876	(60,166)	(1,291)
		(3,286)	(Surplus) or deficit on revaluation of non-current assets			(1,686)
		0	(Surplus) or deficit on revaluation of available-for-sale financial assets			187
		(10,268)	Re-measurement of the net defined benefit liability			(635)
		(13,554)	Other Comprehensive Income and Expenditure			(2,134)
		(13,343)	Total Comprehensive Income and Expenditure			(3,425)

MOVEMENT IN RESERVES

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	7,896	1,353	1,733	10,982	(3,274)	7,708
Total Comprehensive Income and Expenditure	(211)	0	0	(211)	13,554	13,343
Adjustments between accounting basis and funding basis	2,251	1,291	(489)	3,053	(3,053)	0
Increase/(Decrease) in Year	2,040	1,291	(489)	2,842	10,501	13,343
Balance at 31 March 2016	9,936	2,644	1,244	13,824	7,227	21,051

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016	9,936	2,644	1,244	13,824	7,227	21,051
Total Comprehensive Income and Expenditure	1,291	0	0	1,291	2,134	3,425
Adjustments between accounting basis and funding basis	(14)	546	216	748	(748)	0
Increase/(Decrease) in Year	1,277	546	216	2,039	1,386	3,425
Balance at 31 March 2017	11,213	3,190	1,460	15,863	8,613	24,476

31 March 2016 £000		31 March 2017 £000
4,279	General Fund Balance	4,971
5,657	Earmarked Reserves Balance	6,242
9,936	Total	11,213

BALANCE SHEET

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

2015/16 £000		Notes	2016/17 £000
41,635	Property, Plant & Equipment	12	43,080
515	Heritage Assets	13	515
5,572	Investment Property	14	5,572
119	Intangible Assets		50
0	Long Term Investments	15	1,813
202	Long Term Debtors	15	158
48,043	Long Term Assets		51,188
80	Assets Held for Sale	18	0
60	Inventories		55
4,672	Short Term Debtors	16	4,700
15,521	Short Term Investments	15	19,559
4,419	Cash and Cash Equivalents	17	3,609
24,752	Current Assets		27,923
(77)	Short Term Borrowing	15	(69)
(9,609)	Short Term Creditors	19	(11,478)
(1,789)	Provisions	20	(1,706)
(686)	Capital Grants Receipts in Advance	33	(827)
(12,161)	Current Liabilities		(14,080)
(1,415)	Long Term Borrowing	15	(1,370)
0	Long Term Creditors	15	(11)
(1,908)	Long Term Liabilities: Finance Leases	36	(2,047)
(35,820)	Long Term Liabilities: Defined Benefit Pension	38	(36,562)
(440)	Long Term Capital Grants Receipts in Advance	33	(565)
(39,583)	Long Term Liabilities		(40,555)
21,051	Net Assets		24,476
13,824	Usable Reserves	21	15,863
7,227	Unusable Reserves	22	8,613
21,051	Total Reserves		24,476

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.

2015/16 £000		2016/17 £000
(211)	Net surplus or (deficit) on the provision of services	1,291
2,611	Adjustments to Net Surplus or Deficit on the provision of services for non-cash movements (Note 23)	5,599
(3,350)	Adjustments for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities (Note 24)	(3,521)
(950)	Net cash flows from Operating Activities	3,369
(1,579)	Investing Activities (Note 25)	(5,044)
2,610	Financing Activities (Note 26)	865
81	Net increase or (decrease) in cash and cash equivalents	(810)
4,338	Cash and cash equivalents at the beginning of the reporting period	4,419
4,419	Cash and cash equivalents at the end of the reporting period (Note 17)	3,609

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NOTES TO THE ACCOUNTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and Statutory guidance issued under Section 12 of the 2003 Local Government Act.

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or other financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

NOTES TO THE ACCOUNTS

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

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

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

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

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

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

Council Tax and Non-Domestic Rates

Accounting for Council Tax

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

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

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

Accounting for Non-Domestic Rates (NDR)

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

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

The cash collected by the Council from NDR payers belongs proportionately to all the major preceptors and Government. The difference between the amounts collected on behalf of the other

NOTES TO THE ACCOUNTS

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 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 2017. 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 2017.

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 (e.g. 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.

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- Liabilities are discounted to their value at current prices, using a discount rate of **3.2%** (based on the indicative rate of return on high quality corporate bonds).
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities professional estimate.
 - Unquoted securities current bid price.
 - Unitised securities current bid price.
 - Property market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

Re-measurements comprising:

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

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

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Discretionary Benefits

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

Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

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.

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.

NOTES TO THE ACCOUNTS

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

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

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

Heritage Assets

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

Statues:

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

Art Collection:

- The art collection includes paintings and is reported in the Balance Sheet at estimated market value. The art collection is deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions initially are recognised at cost and any donations are recognised at valuation with valuations provided by external 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.

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Heritage Assets - General

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets e.g. 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 57 (Impairment) and pages 55 to 59 (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 55 to 59 (Property, Plant and Equipment) in this Summary of Accounting Policies).

Inventories

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

Investment Property

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

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

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

Joint Operations

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

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

Leases

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

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

NOTES TO THE ACCOUNTS

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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(ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be

NOTES TO THE ACCOUNTS

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).

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

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

Component Accounting Policy for Property, Plant and Equipment

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

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

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

Policy for Componentisation

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

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- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of **15%** in relation to the overall value of the asset or over **£500,000** will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

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

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

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

A component must:

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

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

Valuation

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

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

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

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

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

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

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Impairment

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

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

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

Depreciation

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

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

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

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

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

Provisions and Contingent Liabilities

Provisions

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

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

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

Contingent Liabilities

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

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

Reserves

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

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

NOTES TO THE ACCOUNTS

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 16** Short Term Debtors.

Fair Value Measurement

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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 2016/17 Code:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration

These changes are not expected to have a material effect on the Council's Statement of Accounts. The Code requires implementation from 1 April 2017, and there is therefore no impact on the 2016/17 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 indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
2. The Council hosts the Joint Waste Service with Tamworth Borough Council and is responsible for management of the arrangement including the refuse fleet. Each Council is responsible for showing its share of income and expenditure and assets and liabilities within its Financial Statements. In February 2016 the Council procured a new waste fleet using a contract hire arrangement that has been evaluated under IAS 17 as a finance lease. The value of assets procured and the finance lease obligation was **£2,240,000**. A further **£680,000** of assets was added to this during 2016/17. At 31 March 2017 the Net Book Value of the assets was **£2,057,000** and the value of the finance lease obligation was **£2,431,000**. The assets of the operation in respect of vehicles, equipment, land and buildings have been assessed as being under the control of Lichfield District Council and are therefore shown on this Authority's Balance Sheet. The Joint Waste Service shares joint income and expenditure based on the ratio of properties in each area and the current ratio is **57.5%** Lichfield and **42.5%** Tamworth.

NOTES TO THE ACCOUNTS

4. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2017 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 £34,000 and for vehicles, plant and equipment would increase by £142,000 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 2017. 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 2017.</p> <p>Total Rateable Value of Appeals Outstanding at 31 March 2017 = £58.3m</p> <p>Provision = £3.86m</p> <p>Provision as a % of Appeals Outstanding = 6.62%</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 29.76% Average reduction in RV 8.70% Combined 2.59%</p> <p><u>Overall</u> Average success rate 37.97% Average reduction in RV 9.77% Combined 3.71%</p> <p>Each 1% increase in the overall Combined figure would increase the provision by £880k. The Council's share of this increase at 40% would be £352k.</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 real discount rate assumption would result in an increase in the pension liability of £11,142,000 ; a 0.5% increase in the salary rate would amount to £1,180,000 ; and a 0.5% increase in the pension rate would amount to £9,087 .
Sundry Income and Housing Benefit Overpayment Debtors	At 31 March 2017, the Council had a balance of sundry income debtors of £2,435,000 . A review of arrears suggested that an impairment of doubtful debts of 34% (£827,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	The element of debtors not covered by the Bad Debt Provision is £871,000 (36%) . Each 1% increase in the percentages used to calculate the Bad Debt provision would increase the provision by £9,000 .

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 Section 151 Officer on 25 May 2017.

There are no non-adjusting events after the Balance Sheet date.

6. Adjustments between accounting basis and funding basis under Regulations

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

NOTES TO THE ACCOUNTS

	2016/17				2015/16			
	Usable Reserves			Movement in Unusable Reserves £000	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):								
Charges for depreciation and impairment of non-current assets	1,785			(1,785)	1,700			(1,700)
Revaluation (gains) / losses on Property, Plant and Equipment	33			(33)	(134)			134
Movements in the market value of investment properties					(164)			164
Amortisation of intangible assets	8			(8)	20			(20)
Capital grants and contributions applied	(775)			775	(445)			445
Revenue expenditure funded from capital under statute	740			(740)	714			(714)
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	408			(408)	1,247			(1,247)
Insertion of items not debited or credited to the CIES								
Statutory provision for the financing of capital investment	(615)			615	(351)			351
Capital Expenditure charged to the General Fund	(512)			512	(478)			478
Adjustments primarily involving the Capital Grants Unapplied Account								
Capital Grants and Contributions unapplied credited to the CIES	(273)		273		342	(342)		
Application of grants to capital financing transferred to the Capital Adjustment Account			(57)	57		(147)		147
Adjustments primarily involving the Capital Receipts Reserve								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(645)	645			(1,242)	1,242		
Unattached Capital Receipts not related to current year asset disposal to the CIES	(396)	396			(594)	594		
Use of the Capital Receipts Reserve to finance new capital expenditure		(495)		495		(546)		546
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					5	(5)		
Transfer from deferred capital receipts reserve upon receipt of cash						6		(6)
Adjustments primarily involving the Pensions Reserve								
Reversal of items relating to retirement benefits debited or credited to the CIES	3,294			(3,294)	3,748			(3,748)
Employers pension contributions and direct payments to pensioners payable in the year	(1,917)			1,917	(1,729)			1,729
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	(1,162)			1,162	(375)			375
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	13			(13)	(13)			13
Total Adjustments	(14)	546	216	(748)	2,251	1,291	(489)	(3,053)

NOTES TO THE ACCOUNTS

7. Expenditure and Funding Analysis Notes

2015/16

Presentation and Earmarked Reserves

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

	Actual Outturn £000	Earmarked Reserves £000	Investment Properties £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A council that is fit for the future	4,927	(43)	0	0	(43)	4,884
A vibrant and prosperous economy	(821)	(46)	234	0	188	(633)
Clean, green and welcoming places to live	3,388	(283)	0	0	(283)	3,105
Healthy and safe communities	1,696	21	0	0	21	1,717
Net Cost of Services	9,190	(351)	234	0	(117)	9,073
Other Income and Expenditure	(9,190)	(407)	(234)	(1,282)	(1,923)	(11,113)
(Surplus) or deficit on Provision of Services (cash flow)	0	(758)	0	(1,282)	(2,040)	(2,040)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 64 under the column General Fund Balance.

2015/16	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
A council that is fit for the future	298	172	(47)	423
A vibrant and prosperous economy	386	76	93	555
Clean, green and welcoming places to live	1,265	252	(398)	1,119
Healthy and safe communities	286	100	(8)	378
Cost of Services	2,235	600	(360)	2,475
Other Income and Expenditure	(791)	1,420	(853)	(224)
(Surplus) or deficit on Provision of Services (cash flow)	1,444	2,020	(1,213)	2,251

NOTES TO THE ACCOUNTS

2016/17

Presentation and Earmarked Reserves

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

	Actual Outturn £000	Earmarked Reserves £000	Investment Properties £000	Other £000	Total Adjustments £000	Expenditure & Funding Analysis £000
A council that is fit for the future	5,321	33	0	0	33	5,354
A vibrant and prosperous economy	(1,156)	(538)	218	0	(320)	(1,476)
Clean, green and welcoming places to live	3,462	(151)	0	0	(151)	3,311
Healthy and safe communities	1,776	86	0	0	86	1,862
Net Cost of Services	9,403	(570)	218	0	(352)	9,051
Other Income and Expenditure	(9,403)	(15)	(218)	(692)	(925)	(10,328)
(Surplus) or deficit on Provision of Services (cash flow)	0	(585)	0	(692)	(1,277)	(1,277)

Adjustments between the Funding and Accounting Basis

This table summarises the adjustments between the Funding and Accounting basis shown in detail at page 64 under the column General Fund Balance.

2016/17	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
A council that is fit for the future	257	39	18	314
A vibrant and prosperous economy	487	14	143	644
Clean, green and welcoming places to live	377	51	(662)	(234)
Healthy and safe communities	440	18	(172)	286
Cost of Services	1,561	122	(673)	1,010
Other Income and Expenditure	(676)	1,255	(1,603)	(1,024)
(Surplus) or deficit on Provision of Services (cash flow)	885	1,377	(2,276)	(14)

NOTES TO THE ACCOUNTS

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

2015/16 £000		2016/17 £000
(14,207)	Fees, charges and other service income	(13,792)
(148)	Interest and investment income	(219)
(7,053)	Income from council tax	(7,463)
(26,614)	Government Grants	(25,503)
(48,022)	Total Income	(46,977)
12,744	Employee Expenses	13,148
29,306	Other Service Expenses	27,723
0	Support Service Recharges	0
3,120	Depreciation, amortisation and impairment	1,795
54	Interest Payments	96
1,420	Pension interest and expected return on Assets	1,255
2,101	Precepts and Levies	2,302
5	Payments to Housing Capital Receipts Pool	0
77	Gain or Loss on Disposal of Fixed Assets	(237)
(594)	Capital Grants & Contributions	(396)
0	Deferred Receipts on Loans and Advances	0
48,233	Total Expenditure	45,686
211	(Surplus)/Deficit on the provision of services	(1,291)

8. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17. Reserves identified as restricted are required under legal agreements and can only be used for defined purposes.

	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000
Earmarked General Reserve	(2,447)	778	(857)	(2,526)	723	(871)	(2,674)
Earmarked Reserve- Restricted	(55)		(34)	(89)	4	(26)	(111)
Election Reserve	(97)	83	(115)	(129)	30	(127)	(226)
Public Open Space Reserve- Restricted	(91)		(356)	(447)		(29)	(476)
Joint Waste Shared Service Reserve-Restricted	(512)	11	(83)	(584)		(57)	(641)
Building Regulations Reserve- Restricted	(85)		(61)	(146)		(63)	(209)
Development Grant Aid Reserve	(59)	54	(15)	(20)		(6)	(26)
Birmingham Road Car Park Capital Reserve-Restricted	(1,552)		(164)	(1,716)		(163)	(1,879)
TOTAL	(4,898)	926	(1,685)	(5,657)	757	(1,342)	(6,242)

NOTES TO THE ACCOUNTS

The **Earmarked General Reserve** has been provided to fund expenditure items in 2016/17 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 2016 and have begun to build up the reserve again in 2016/17 to use for the election in 2019).

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

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

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

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

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

9. Other Operating Expenditure

2015/16 £000		2016/17 £000
1,522	Parish Council Precepts	1,660
5	Payments to the Government Housing Capital Receipts Pool	0
77	(Gains)/Losses on the disposal of non-current assets	(237)
(594)	Unattached Capital Receipts	(396)
1,010	TOTAL	1,027

10. Financing and Investment Income and Expenditure

2015/16 (restated) £000		2016/17 £000
54	Interest payable and similar charges	96
1,420	Pensions interest cost and expected return on pensions assets	1,255
(148)	Interest receivable and similar income	(219)
(626)	Income and expenditure in relation to investment properties and changes in their fair value	(399)
700	TOTAL	733

NOTES TO THE ACCOUNTS

11. Taxation and Non-Specific Grant Income

2015/16 £000		2016/17 £000
(7,053)	Council Tax Income	(7,463)
	<u>Business Rates</u>	
(13,755)	Council Share of Retained Business Rates	(14,090)
11,176	Less: Business Rates Tariff	11,269
578	Less: Business Rates Levy	643
(188)	Add: Business Rates Levy Repayable	(209)
(3,767)	Non-ring fenced government grants	(3,219)
(38)	Capital grants and contributions	(43)
(13,047)	TOTAL	(13,112)

Non-ring fenced Government Grants are comprised of:

2015/16 £000		2016/17 £000
(1,539)	New Homes Bonus	(1,878)
(6)	Returned New Homes Bonus	(4)
(1,450)	Revenue Support Grant	(773)
(128)	New Burdens Grants	(75)
(362)	Small Business Rates Relief	(392)
(2)	Long Term Empty Property Relief	(2)
0	Transitional Funding Grant	(53)
(244)	Retail Relief Grant	(1)
(36)	Business Rate Inflation Cap	(41)
(3,767)	TOTAL	(3,219)

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment

Movements in 2016/17:

	Other Land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
At 1 April 2016	33,694	9,447	346	3,634	905	48,026
Additions	375	1,230		6	232	1,843
Revaluation increases/(decreases) recognised in the revaluation reserve	1,051					1,051
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(56)					(56)
De-recognition – disposals	(389)	(800)				(1,189)
At 31 March 2017	34,675	9,877	346	3,640	1,137	49,675
Accumulated Depreciation and Impairment						
At 1 April 2016	(536)	(5,661)	(44)	0	(151)	(6,391)
Depreciation charge	(806)	(976)	(3)			(1,785)
Depreciation written out to the revaluation reserve	635					635
Depreciation written out to the surplus/deficit on the provision of services	24					24
De-recognition – disposals	166	757				923
At 31 March 2017	(517)	(5,880)	(47)	0	(151)	(6,595)
Net Book Value						
At 31 March 2017	34,158	3,997	299	3,640	986	43,080
At 31 March 2016	33,158	3,786	302	3,634	754	41,635

NOTES TO THE ACCOUNTS

Comparative Movements in 2015/16:

	Other Land and buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2015	31,931	7,914	346	3,634	744	44,568
Additions	186	2,878		0	161	3,225
Revaluation increases/(decreases) recognised in the revaluation reserve	1,775					1,775
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(198)					(198)
De-recognition – disposals	0	(1,345)				(1,345)
At 31 March 2016	33,694	9,447	346	3,634	905	48,026
Accumulated Depreciation and Impairment						
At 1 April 2015	(1,498)	(6,047)	(41)	0	(151)	(7,737)
Depreciation charge	(801)	(896)	(3)			(1,700)
Depreciation written out to the revaluation reserve	1,674					1,674
Depreciation written out to the surplus/deficit on the provision of services	74					74
Impairment losses/(reversals) recognised in the revaluation reserve	12					12
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	3					3
De-recognition – disposals	0	1,283				1,283
At 31 March 2016	(536)	(5,660)	(44)	0	(151)	(6,391)
Net Book Value						
At 31 March 2016	33,158	3,787	302	3,634	754	41,635
At 31 March 2015	30,433	1,867	305	3,634	593	36,831

NOTES TO THE ACCOUNTS

Other Land & Buildings Break-down

2015/16 £000		2016/17 £000
7,255	Arts Facility	7,606
350	Bus Station	350
1,000	Depot	977
700	Garage	700
11,779	Leisure Centres	12,426
2,311	Multi Storey Car Park	2,323
2,059	Offices	1,984
50	Other Land & Buildings	48
421	Parks and Sports Grounds	630
843	Pavilions	811
500	Pool	470
223	Public Conveniences	214
100	Residential	95
4,035	Retail	3,979
1,532	Surface Car Park	1,545
33,158	Total	34,158

Depreciation

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

- Buildings – 2 to 90 years
- Vehicles, Plant, Furniture & Equipment – 1 to 20 years
- Infrastructure – 50 years
- Minster Pool – 86 years

Capital Commitments

At 31 March 2017, the Council had no significant capital commitments. Last year the value was **£872,000** which related to refuse vehicles on finance leases that were not received by 31 March 2017.

Effects of Changes in Estimates

In 2016/17, 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 & Buildings	Vehicles, Plant, Furniture & Equipment	Total
	£000	£000	£000
Carried at historical cost	21	3,997	4,018
Valued at fair value as at:			
- 31 March 2017	19,764		19,764
- 31 March 2016	6,178		6,178
- 31 March 2015	1,223		1,223
- 31 March 2014	5,789		5,789
- 31 March 2013	1,183		1,183
Total Cost or Valuation	34,158	3,997	38,155

13. Heritage Assets

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

	Statues	Art Collection	Other Items	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2016	305	80	130	515
At 31 March 2017	305	80	130	515
Cost or Valuation				
At 1 April 2015	305	80	130	515
At 31 March 2016	305	80	130	515

Statues

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

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

NOTES TO THE ACCOUNTS

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 Strategic 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 the 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 Martys Plaque that have been identified. However, no valuation information is currently available and it is the Council's view that the costs of obtaining valuations outweighs the benefits to the users of these financial statements.

14. Investment Properties

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

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

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

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The comparative figure for 2015/16 has been restated to take account of the fact that central recharges are no longer charged to the CIES.

2015/16 £000		2016/17 £000
447	Rental income from investment property	394
179	Direct operating expenses arising from investment property	5
626	Net gain / (loss)	399

NOTES TO THE ACCOUNTS

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

2015/16 £000		2016/17 £000
6,578	Balance at Start of Year	5,572
(1,170)	Disposals	0
164	Net Gains/(losses) from fair value adjustments	0
5,572	Balance at end of year	5,572

	2015/16			2016/17		
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Fair Value as at 31 March 2016	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Fair Value as at 31 March 2017
	£000	£000	£000	£000	£000	£000
Residential Properties	0	54	54	0	54	54
Office Units	780	0	780	780	0	780
Commercial Units	4,230	508	4,738	4,230	508	4,738
Total	5,010	562	5,572	5,010	562	5,572

15. Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

- Two long term loans with the Public Works Loans Board and Salix.
- Finance leases detailed at note 36.
- 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.

NOTES TO THE ACCOUNTS

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 issued by banks and building societies.
- Treasury Bills.

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

Financial Assets	Long Term		Short Term	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
<u>Loans and receivables:</u>				
- Principal at amortised cost			9,500	17,500
- Accrued interest			17	28
<u>Available-for-sale investments:</u>				
- Principal at amortised cost		1,813	6,000	2,000
- Accrued interest			4	31
Total Investments		1,813	15,521	19,559
<u>Loans and receivables:</u>				
- Cash (including bank accounts)			418	248
<u>Available-for-sale investments:</u>				
- Cash equivalents at fair value			4,000	3,360
- Accrued interest			1	1
Total Cash and Cash Equivalents			4,419	3,609
<u>Debtors</u>				
Trade receivables	202	158	3,583	4,682
Total included in Debtors	202	158	3,583	4,682
Total Financial Assets	202	1,971	23,523	27,850

Financial Liabilities	Long Term		Short Term	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
<u>Loans at amortised cost:</u>				
Principal sum borrowed	(1,415)	(1,370)	(77)	(69)
Total Borrowing	(1,415)	(1,370)	(77)	(69)
<u>Liabilities at amortised cost:</u>				
Finance leases	(1,908)	(2,047)		
Total other Long Term Liabilities	(1,908)	(2,047)	0	0
<u>Liabilities at amortised cost:</u>				
Trade payables	0	(11)	(4,874)	(5,438)
Finance leases			(414)	(505)
Total included in Creditors	0	(11)	(5,288)	(5,943)
Total Financial Liabilities	(3,323)	(3,428)	(5,365)	(6,012)

NOTES TO THE ACCOUNTS

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 table below shows those instruments that have been offset on the balance sheet.

	31 March 2017			31 March 2016		
	Gross assets (liabilities)	(Liabilities) assets set off	Net position on balance sheet	Gross assets (liabilities)	(Liabilities) assets set off	Net position on balance sheet
	£000	£000	£000	£000	£000	£000
Bank accounts in credit	273	(125)	148	261	0	261
Total offset financial assets	273	(125)	148	261	0	261
Bank overdrafts	(125)	125	0	0	0	0
Total offset financial liabilities	(125)	125	0	0	0	0

Reconciliation to Cash & Cash Equivalents

31 March 2016 £000		31 March 2017 £000
261	Main Bank Accounts Total	148
149	Total Reconciling Differences (Unpresented Cheques and Cash in Transit)	93
410	Cash & Cash Equivalents - Bank Accounts	241

Financial Instruments – Gains and Losses

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

2015/16 Total £000		Financial Liabilities	Financial Assets		2016/17 Total £000
		Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
53	Interest Expense	96			96
53	Interest payable and similar charges	96	0	0	96
(148)	Interest Income		(85)	(134)	(219)
(148)	Interest and Investment Income	0	(85)	(134)	(219)
(95)	Net Gain / (Loss) for the Year	96	(85)	(134)	(123)

Financial Instruments - Fair Values

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

NOTES TO THE ACCOUNTS

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

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

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

	Fair Value Level	31 March 2016		31 March 2017	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Money market funds	1	4,001		3,361	
Financial assets for which fair value is not disclosed:		19,724		26,460	
Total Financial Assets		23,725		29,821	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Investments		15,521		19,559	
Long Term Investments		0		1,813	
Cash & Cash Equivalents		4,419		3,609	
Short Term Debtors		3,583		4,682	
Long Term Debtors		202		158	
Total Financial Assets		23,725		29,821	

The fair value of short term assets is assumed to approximate to the carrying value.

NOTES TO THE ACCOUNTS

	Fair Value Level	31 March 2016		31 March 2017	
		Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	(1,461)	(1,499)	(1,439)	(1,576)
Other Long-term loans	2	(31)	(31)	0	0
Finance Lease liabilities	2	(2,322)	(2,377)	(2,552)	(2,621)
Total		(3,814)	(3,907)	(3,991)	(4,197)
Liabilities for which fair value is not disclosed		(4,873)		(5,449)	
Total Financial Liabilities		(8,687)		(9,440)	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Creditors		(4,873)		(5,438)	
Long Term Creditors		0		(11)	
Finance Lease Liabilities		(2,322)		(2,552)	
Short Term Borrowing		(77)		(69)	
Long-term Borrowing		(1,415)		(1,370)	
Total Financial Liabilities		(8,687)		(9,440)	

The fair value of short term liabilities is assumed to approximate to the carrying value.

16. Short Term Debtors

31 March 2016 £000		31 March 2017 £000
1,020	Central government bodies	125
349	Council tax payers	233
510	Business rate payers	487
1,879	Total statutory debtors	845
308	Manual prepayments	283
958	Other local authorities	1,777
7	NHS Bodies	11
2,618	Other entities and individuals	2,894
3,583	Total trade debtors	4,682
5,770	Total debtors	5,810
	Less bad debt provision:	
(127)	Council tax payers	(131)
(197)	Business rate payers	(140)
(763)	General debtors	(827)
(11)	Lichfield BID	(12)
4,672	Total debtors	4,700

NOTES TO THE ACCOUNTS

17. Cash and Cash Equivalents

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

31 March 2016 £000		31 March 2017 £000
8	Cash held by the authority	7
410	Bank Accounts	241
4,001	Money Market Funds	3,361
4,419	Total	3,609

18. Assets Held for Sale

31 March 2016 £000		31 March 2017 £000
80	A Residential Property	0
80	Total	0

19. Short Term Creditors

31 March 2016 £000		31 March 2017 £000
(2,707)	Central government bodies	(3,854)
(222)	Council tax payers	(227)
(263)	Business rate payers	(444)
(3,192)	Total statutory creditors	(4,525)
(1,544)	Receipts in advance	(1,515)
(2,933)	Other local authorities	(3,145)
(17)	NHS Bodies	0
(1)	Public corporations and trading funds	(1)
(1,922)	Other entities and individuals	(2,292)
(4,873)	Total trade creditors	(5,438)
(9,609)	Total creditors	(11,478)

20. Provisions

The Council had three provisions:

	Outstanding Legal Cases £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2016	(141)	(1,648)	0	(1,789)
Additional provisions made this year	(18)	(169)	(46)	(233)
Amounts used this year	59	257	0	316
Balance at 31 March 2017	(100)	(1,560)	(46)	(1,706)

NOTES TO THE ACCOUNTS

Outstanding Legal Cases

The Authority has two 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 **£12,230**.

- **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 **£86,896**. 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.

Business Rates Appeals

The amount of **£1,560,000** relates to an estimate of Business Rate refunds from successful appeals up to 31 March 2017.

Other Provisions

Other provisions totalling **£46,492** are for employees whose posts are being made redundant in 2017/18 but where approval was granted in 2016/17.

21. Usable Reserves

2015/16 £000		2016/17 £000
4,279	General Fund	4,971
1,244	Capital Grants Unapplied	1,460
2,644	Capital Receipts Reserve	3,190
5,657	Earmarked Reserves	6,242
13,824	Total	15,863

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

NOTES TO THE ACCOUNTS

22. Unusable Reserves

2015/16 £000		2016/17 £000
6,571	Revaluation Reserve	7,800
36,687	Capital Adjustment Account	36,624
47	Deferred Capital Receipts	47
(35,820)	Pensions Reserve	(36,562)
(46)	Collection Fund Adjustments	1,116
0	Available for Sale Financial Instruments Reserve	(187)
(212)	Accumulated Absence Account	(225)
7,227	Total	8,613

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.

2015/16 £000			2016/17 £000
3,450	Balance at 1 April		6,571
3,286	Upward revaluation of assets	1,743	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(57)	
3,286	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		1,686
(165)	Difference between fair value depreciation and historical cost depreciation	(209)	
0	Accumulated gains on assets sold or scrapped	(248)	
(165)	Amount written off to the Capital Adjustment Account		(457)
6,571	Balance at 31 March		7,800

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

NOTES TO THE ACCOUNTS

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.

2015/16 £000			2016/17 £000
37,938	Balance at 1 April		36,687
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,700)	• Charges for depreciation and impairment of non-current assets	(1,785)	
134	• Revaluation gains/losses on Property, Plant and Equipment	(33)	
(20)	• Amortisation of intangible assets	(8)	
(714)	• Revenue expenditure funded from capital under statute	(740)	
(1,247)	• 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	(159)	
(3,546)			(2,725)
165	Adjusting amounts written out of the Revaluation Reserve		209
34,557	Net written out amount of the cost of non-current assets consumed in the year		34,171
	Capital financing applied in the year:		
546	• Use of the Capital Receipts Reserve to finance new capital expenditure	495	
461	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	814	
130	• Application of grants to capital financing from the Capital Grants Unapplied Account	17	
351	• Statutory provision for the financing of capital investment charged against the General Fund	615	
478	• Capital expenditure charged against the General Fund	512	
1,966			2,453
164	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
36,687	Balance at 31 March		36,624

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.

NOTES TO THE ACCOUNTS

2015/16 £000		2016/17 £000
(44,069)	Balance at 1 April	(35,820)
11,651	Actuarial gains or losses on pensions assets and liabilities	(8,638)
(1,383)	Return on Plan Assets	9,273
(3,748)	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	(3,294)
1,729	Employer's pensions contributions and direct payments to pensioners payable in the year	1,917
(35,820)	Balance at 31 March	(36,562)

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.

2015/16 £000		2016/17 £000
54	Balance at 1 April	47
(7)	Transfer to Capital Receipts Reserve upon Receipt of Cash	0
47	Balance at 31 March	47

Collection Fund Adjustment Account

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

2015/16				2016/17		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
149	(569)	(421)	Balance at 1 April	41	(87)	(46)
(108)	482	375	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	(6)	1,168	1,162
41	(87)	(46)	Balance at 31 March	35	1,081	1,116

Available for Sale Financial Instruments Reserve

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

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

NOTES TO THE ACCOUNTS

2015/16 £000		2016/17 £000
0	Balance at 1 April	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(187)
0	Balance at 31 March	(187)

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.

2015/16 £000		2016/17 £000
(225)	Balance at 1 April	(212)
13	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	(13)
(212)	Balance at 31 March	(225)

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

2015/16 £000		2016/17 £000
1,720	Depreciation, amortisation and impairment	1,793
(134)	Downward revaluations	33
1,247	Carrying Amount of non-current assets disposed in the year	408
(74)	Increase / (Decrease) in Provisions	(83)
(10)	(Increase) / Decrease in Stock	4
(835)	(Increase) / Decrease in Debtors	163
(1,223)	Increase / (Decrease) in Creditors	1,737
2,019	Movement in pension liability	1,377
(99)	Other non-cash adjustments	167
2,611	Adjust net surplus or deficit on the provision of services for non-cash movements	5,599

NOTES TO THE ACCOUNTS

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

2015/16 £000		2016/17 £000
(1,831)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets disposed in the year	(1,041)
(102)	Capital Grants & Contributions	(1,047)
(1,417)	Any other items for which the cash effects are investing or financing activities	(1,433)
(3,350)	Adjust net surplus or deficit on the provision of services for investing and financing activities	(3,521)

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

25. Cash Flow Statement - Investing Activities

2015/16 £000		2016/17 £000
(945)	Purchase of property, plant and equipment, investment property and intangible assets	(1,254)
(3,484)	Proceeds from short and long term investments	(6,000)
750	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	897
2,100	Other (receipts)/payments from investing activities (including capital grants and contributions)	1,313
(1,579)	Net cash flows from Investing activities	(5,044)

26. Cash Flow Statement - Financing Activities

2015/16 £000		2016/17 £000
(252)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(516)
1,522	Cash receipts of short and long term borrowing	0
(77)	Repayments of short and long term borrowing	(53)
1,417	Council Tax and Business Rates Net Cash Inflows	1,434
2,610	Net cash flows from Financing activities	865

NOTES TO THE ACCOUNTS

27. Cash Flow Statement - Operating Activities

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

2015/16 £000		2016/17 £000
172	Interest received	182
(15)	Interest paid	(58)
157	Net cash flows from operating activities	124

28. 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:

2015/16 £000	Building Control Service	2016/17 £000
553	Expenditure incurred	613
(509)	Income received	(561)
(35)	Fee payable by South Staffordshire Council	(35)
(35)	Fee payable by Tamworth Borough Council	(35)
(35)	Contribution from Lichfield District Council	(35)
(61)	(Surplus)/Deficit Transferred (To)/From Earmarked Reserves	(53)

NOTES TO THE ACCOUNTS

29. 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.

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:

2015/16 £000		2016/17 £000
	Funding provided to the operation	
(1,681)	Contribution from Lichfield	(1,748)
(1,242)	Contribution from Tamworth	(1,292)
(2,923)	Total funding provided to the operation	(3,040)
	Expenditure met by the operation	
2,373	Pay and allowances	2,470
17	Premises costs	4
1,156	Transport costs	1,217
1,256	Supplies and Services	1,340
317	Support Costs	318
(2,233)	Revenue income	(2,424)
2,886	Total expenditure	2,925
(37)	Net (surplus)/deficit arising on the pooled budget during the year	(115)
(21)	Lichfield District Council's share of 57.5% of the net (surplus)/deficit arising on the operation	(66)

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. The 2015/16 figures have been restated to account for central recharges no longer being included in the CIES.

2015/16 £000		2016/17 £000
(37)	Net (surplus) arising on the pooled budget during the year	(115)
1,681	Add: Lichfield's Contribution shown as expenditure in the CIES	1,748
163	Amounts not reported in the Joint Waste Service	53
1,807	Net Cost of Services in the Comprehensive Income and Expenditure Statement	1,686

NOTES TO THE ACCOUNTS

30. Members' Allowances

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

2015/16 £000		2016/17 £000
272	Allowances	282
3	Expenses	4
275	Total	286

31. Officers' Remuneration

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

Post (Commencement date included)	Salary, Fees and Allowances £	Performance Pay £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive 2016/17	100,796	9,885	-	-	23,699	134,379
2015/16	100,283	9,507	-	-	22,418	132,208
Director of Place & Community (5 th September 2016) 2016/17	82,536	1,588	-	-	17,963	102,086
2015/16	80,339	1,556	69	-	16,686	98,650
Director of Transformation & Resources (5 th September 2016) 2016/17	76,557	1,433	96	-	16,691	94,926
2015/16	72,622	1,405	97	-	15,071	89,195
Strategic Director Community, Housing and Health (Left 31 st December 2016) 2016/17	60,850	2,790	-	73,455	13,590	150,685
2015/16	80,339	1,556	-	-	16,672	98,567
Director of Finance, Revenues and Benefits (Left 30 th June 2016) 2016/17	18,335	1,433	-	85,680	4,218	109,665
2015/16	72,622	1,405	-	-	15,051	89,078
Head of Development Services (1 st October 2016) 2016/17	52,848	-	-	-	11,207	64,056
2015/16	-	-	-	-	-	-
Head of Economic Growth (1 st October 2016) 2016/17	52,848	-	-	-	11,207	64,056
2015/16	-	-	-	-	-	-
Head of Finance & Procurement (18 th January 2017) 2016/17	58,408	-	-	-	12,616	71,024
2015/16	-	-	-	-	-	-
Head of Legal, Property & Democratic Services (1 st October 2016) 2016/17	53,309	-	-	-	11,307	64,616
2015/16	-	-	-	-	-	-
Head of Leisure and Operational Services (1 st March 2017) 2016/17	4,976	-	-	-	-	4,976
2015/16	-	-	-	-	-	-
Head of Regulatory Services, Housing & Wellbeing (1 st November 2016) 2016/17	49,707	-	124	-	10,529	60,360
2015/16	-	-	-	-	-	-
Head of Revenues, Benefits & Customer Services (1 st October 2016) 2016/17	50,156	-	-	-	10,626	60,782
2015/16	-	-	-	-	-	-

A Management restructure was implemented throughout 2016/17; two Director posts were removed and 8 Heads of Service and 1 Assistant Chief Executive created, posts have been filled by internal and external appointments. The internal appointments are shown in the above table at their cost for the full year. The final Head of Service and Assistant Chief Executive do not commence employment until 2017/18.

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:

2015/16 Number of employees	Remuneration band	2016/17 Number of employees
3	£50,000-£54,999	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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000		1				1		£18,571
£20,001 - £40,000		1	1	1	1	2	£25,734	£63,962
£40,001 - £60,000								
£60,001 - £80,000				1		1		£73,455
£80,001 - £100,000		1				1		£85,680
Total	0	3	1	2	1	5	£25,734	£241,668

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

Exit Package Cost Band	2015/16			2016/17		
	Redundancy Package	Employers Pension Strain	Total	Redundancy Package	Employers Pension Strain	Total
£0 - £20,000				£18,571		£18,571
£20,001 - £40,000	£25,734		£25,734	£44,517	£19,445	£63,962
£40,001 - £60,000						
£60,001 - £80,000				£73,455		£73,455
£80,001 - £100,000				£85,680		£85,680
Total	£25,734	0	£25,734	£222,223	£19,445	£241,668

32. External Audit Costs

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

2015/16 £000		2016/17 £000
47	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	46
5	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year	5
52	TOTAL	51

In addition, the Council paid the Cabinet Office £2,200 in relation to the National Fraud Initiative.

NOTES TO THE ACCOUNTS

33. Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2016/17:

2015/16 £000		2016/17 £000
	Credited to Taxation and Non Specific Grant Income	
38	Other Contributions	43
38	Sub Total (Capital)	43
7,053	Council Tax Income	7,463
2,189	Non-Domestic rates	2,387
3,768	Non Ring Fenced Government Grants	3,219
13,010	Sub Total (Revenue)	13,069
13,048	Total	13,112

2015/16 £000		2016/17 £000
	Credited to Cost of Services	
384	Disabled Facilities Grant	764
(387)	Section 106 - Hawksyard	0
0	CIL - Various Sites	185
66	Other Contributions	54
63	Sub Total (Capital)	1,003
19,705	Housing and Council Tax Benefits	18,849
276	Department for Communities and Local Government	260
272	Other Government Departments and Agencies	99
6	Positive Futures	29
97	Office of the Police and Crime Commissioner	82
500	Planning Obligation Contributions	0
358	Contributions from other Local Authorities	357
1,242	Contributions From other Local Authorities-Shared Services	1,421
22,456	Sub Total (Revenue)	21,097
22,519	Total	22,100

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:

2015/16 £000		2016/17 £000
	Capital Grants Receipts in Advance	
686	Other Contributions	827
686	Current Liabilities	827
440	Other Contributions	565
440	Long Term Liabilities	565
1,126	Total	1,392

2015/16 £000		2016/17 £000
	Revenue Grants Receipts in Advance	
8	Natural England-Environmental Stewardship	8
550	Heritage Lottery Fund	463
104	Neighbourhood Planning	95
17	Other Contributions	12
679	Total (shown within Current Liabilities)	578

34. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the council's financial and operating policies. The total of Members' Allowances paid is shown in **Note 30**. During 2016/17, works and services to the value of **£163,000** were commissioned from companies in which thirty members had an interest (**£177,000** in 2015/16). Contracts were entered into in full compliance with the Council's standing orders.

In addition, the Council paid grants totalling **£141,200** to voluntary organisations (**£108,000** in 2015/16) in which one member had a position on the governing body. Details of these declarations are recorded in the Register of Members' Interest, open to public inspection by appointment.

NOTES TO THE ACCOUNTS

Other Public Bodies

The Council received the sum of **£289,000** from Bromford Housing Group in 2016/17 (**£421,000** in 2015/16) 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 2016/17 was **£4.852 million** (**£2.729 million** owed from the Council in 2015/16).

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 **£310,000** was made to the Lichfield Garrick Theatre Trust in 2016/17 (**£460,000** in 2015/16). Support services provided by the Council to the Garrick totalled **£52,300** (**£70,520** in 2015/16). Two District Councillors are members of the Board of Trustees.

NOTES TO THE ACCOUNTS

35. Capital Expenditure and Capital Financing

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

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

2015/16 £000		2016/17 £000
2,690	Opening Capital Financing Requirement	4,663
	<i>Capital Investment</i>	
3,225	Property, Plant & Equipment	1,843
0	Investment Properties	0
1	Intangible Assets	0
714	Revenue Expenditure Funded from Capital under Statute	740
	<i>Sources of Finance</i>	
(546)	Capital receipts	(495)
(591)	Government grants and other contributions	(831)
	<i>Sums set aside from revenue:</i>	
(478)	Direct revenue contributions	(512)
(351)	Minimum revenue provision	(615)
4,663	Closing Capital Financing Requirement	4,793
	Explanation of movements in year	
1,973	Increase/(decrease) in underlying need to borrowing (Unsupported by government financial assistance)	130
1,973	Increase / (decrease) in Capital Financing Requirement	130

36. Leases

Council as Lessee

Finance Leases

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

31 March 2016 £000		31 March 2017 £000
1,930	Vehicles, Plant, Furniture and Equipment	2,153
1,930	TOTAL	2,153

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 2016 £000		31 March 2017 £000
	Finance lease liabilities (net present value of minimum lease payments)	
414	- current	505
1,908	- non-current	2,047
151	Finance costs payable in future years	144
2,473	Minimum Lease Payments	2,696

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
Not later than one year	458	553	414	505
Later than one year and not later than five years	2,015	2,143	1,908	2,047
Total	2,473	2,696	2,322	2,552

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 2016 £000		31 March 2017 £000
46	Not later than one year	18
52	Later than one year and not later than five years	45
481	Later than five years	477
579	TOTAL	540

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

31 March 2016 £000		31 March 2017 £000
430	Minimum Lease Payments	39
430	TOTAL	39

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 2016 £000		31 March 2017 £000
328	Not later than one year	359
939	Later than one year and not later than five years	821
3,119	Later than five years	3,041
4,386	TOTAL	4,221

37. Impairment Losses

The Council undertook an impairment review of its non-current assets at 31 March 2017 and no impairment was chargeable.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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:

2015/16 £000	Local Government Pension Scheme Comprehensive Income and Expenditure Statement	2016/17 £000
2,328	Cost of Services:	
0	- Current service cost	2,029
0	- past service costs (including curtailments)	10
	- settlements	0
1,420	Financing and Investment Income and Expenditure - net interest expense	1,255
3,748	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,294
	<i>Other Post Employment Benefit Charged to the CIES</i>	
1,383	Remeasurement of the net defined benefit comprising:	
	- Return on plan assets (excluding the amount included in the net interest expense)	(9,273)
0	- Actuarial gains and losses arising on changes in demographic assumptions	(362)
(1,263)	- Actuarial gains and losses arising on other experience	(6,646)
(10,388)	- Actuarial gains and losses arising on changes in financial assumptions	15,646
(10,268)	Total Post Employment Benefit Charged to the CIES	(635)
	<i>Movement in Reserves Statement</i>	
8,249	- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(742)
	Actual amount charged against the General Fund Balance for pensions in the year	
1,729	- employers' contributions payable to scheme	1,917

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:

2015/16 £000	Local Government Pension Scheme	2016/17 £000
(100,029)	Present value of the defined benefit obligation	(111,789)
64,209	Net liability arising from defined benefit obligation	75,227
(35,820)	Net liability arising from defined obligation	(36,562)

NOTES TO THE ACCOUNTS

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

2015/16 £000	Local Government Pension Scheme	2016/17 £000
64,014	Opening fair value of scheme assets	64,209
2,041	Interest income	2,237
(1,383)	Remeasurement gain / (loss): - The return on plan assets, excluding the amount included in the net interest expense	9,273
1,611	Contributions from employer	1,803
492	Contributions from employees into the scheme	503
118	Contributions in respect of unfunded benefits	114
(2,566)	Benefits paid	(2,798)
(118)	Unfunded benefits paid	(114)
64,209	Closing position as at 31 March	75,227

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

2015/16 £000	Local Government Pension Scheme	2016/17 £000
106,113	Opening balance at 1 April	98,258
1,970	- Present value of funded liabilities	1,771
2,328	- Present value of unfunded liabilities	2,029
0	Current service cost	10
3,461	Past Service cost (including curtailments)	3,492
492	Interest costs	503
	Contribution from scheme participants	
	Remeasurement (gain) / loss:	
	- Actuarial gains/losses arising from changes in demographic assumptions	(362)
(10,388)	- Actuarial gains/losses from changes in financial assumptions	15,646
(1,263)	- Other experiences	(6,646)
(2,566)	Benefits paid	(2,798)
(118)	Unfunded benefits paid	(114)
100,029	Closing position as at 31 March	111,789

Information about the Defined Benefit Obligation

	Liability Split £000 as at 31 March 2017	Liability Split % as at 31 March 2017	Weighted Average Duration
Active Members	47,281	43.0%	24.1
Deferred Members	21,828	19.9%	25.3
Pensioner Members	40,831	37.1%	11.5
Total	109,940	100.0%	18.6

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

Asset Category	Period ended 31 March 2016				Period ended 31 March 2017			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
	£000	£000	£000		£000	£000	£000	
Cash and cash equivalents	3,506.7		3,506.7	5%	3,778.9		3,778.9	5%
Equity Securities:								
- Consumer	4,575.5		4,575.5	7%	5,046.1		5,046.1	7%
- Manufacturing	3,743.3		3,743.3	6%	4,350.2		4,350.2	6%
- Energy and Utilities	1,464.3		1,464.3	2%	1,864.9		1,864.9	2%
- Financial institutions	4,140.7		4,140.7	6%	5,038.7		5,038.7	7%
- Health and Care	3,449.5		3,449.5	5%	4,185.6		4,185.6	6%
- Information technology	3,910.5		3,910.5	6%	5,034.8		5,034.8	7%
- Other	76.0		76.0	0%	74.8		74.8	0%
Debt Securities								
- Corporate Bonds	3,231.0		3,231.0	5%	5,586.4		5,586.4	7%
Private equity:								
- All		2,009.2	2,009.2	3%		2,388.0	2,388.0	3%
Real Estate:								
- UK Property		5,699.8	5,699.8	9%		6,055.9	6,055.9	8%
Investment Funds and Unit Trusts:								
- Equities	21,823.8		21,823.8	36%	25,109.3		25,109.3	33%
- Bonds	3,279.2		3,279.2	5%	4,114.3		4,114.3	5%
- Hedge Funds		1,502.8	1,502.8	2%		1,476.6	1,476.6	2%
- Other		1,796.7	1,796.7	3%		1,122.5	1,122.5	1%
Total Assets	53,201	11,009	64,209	100%	64,184	11,043	75,227	100%

Basis for Estimating Assets and Liabilities

A Triennial Revaluation took place during 2016/17 and the financial implications of this Revaluation are included in these 2016/17 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 2017.

The principal assumptions used by the actuary have been:

Period Ending	31 March 2016 % Per Annum	31 March 2017 % Per Annum
Financial Assumptions		
Pension Increase Rate	2.2%	2.4%
Salary Increase Rate	4.2%	2.8%
Discount Rate	3.5%	2.6%
	Males	Females
Mortality Rate		
Current Pensioners	22.1 years	24.4 years
Future Pensioners	24.1 years	26.4 years

NOTES TO THE ACCOUNTS

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 2017	Approximate % increase to employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	11,142
0.5% increase in the Salary Increase Rate	2%	1,880
0.5% increase in the Pension Increase Rate	8%	9,087

Scheme History

Local Government Pension Scheme	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £'000	2015/16 £'000	2016/17 £000
Present value of the defined benefit obligation	(66,234)	(72,884)	(85,886)	(90,255)	(108,083)	(100,029)	(111,789)
Net Liability arising from defined benefit obligation	46,047	47,847	54,640	56,238	64,014	64,209	75,227
Net Liability arising from defined obligation	(20,187)	(25,037)	(31,246)	(34,017)	(44,069)	(35,820)	(36,562)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of **£36.562 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of **£24.476 million** (see page 43). 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 2017 is **£1.911 million**.

39. 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 2017 is **£251,561**. No provision has been made for this amount as the outcomes of the claims are currently unknown.
- The Council is in the process of finalising its new Senior Management and Leadership structure. The proposal was agreed by Cabinet and Employment Committee in May 2016 and Full Council in June 2016. The final cost of the restructure has yet to be determined and as a result the Council has put aside **£312,000** into an Earmarked Reserve to help mitigate this risk.
- In January 2016 the Council along with other Local Authorities received a claim for backdated mandatory Business Rate Relief under s. 43(5) and (6) of the Local Government Finance Act 1988 in relation to Burton Hospitals NHS Foundation Trust and South Staffordshire and Shropshire Healthcare NHS Foundation Trust backdated for six years. The Local Government Association (LGA) (the representative body for Local Authorities) has sought legal advice from Counsel, on our behalf, on the applications for mandatory relief from business rates, issued by GVA Grimley Ltd, on behalf of NHS trusts. Counsel advice is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded.

40. Contingent Assets

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

41. Financial Instruments - Risks

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by

NOTES TO THE ACCOUNTS

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:

Specified Investments²

Financial Asset Category	Strategy Approved 23 February 2016		Strategy Approved 21 February 2017	
	Minimum Criteria	Limits	Criteria	Limits
UK Banks and Building Societies	AAA	£1m, 5yrs	AAA	£1m, 5yrs
	AA+	£1m, 5yrs	AA+	£1m, 5yrs
	AA	£1m, 4yrs	AA	£1m, 4yrs
	AA-	£1m, 3yrs	AA-	£1m, 3yrs
	A+	£1m, 2yrs	A+	£1m, 2yrs
	A	£1m, 13mths	A	£1m, 13mths
	A-	£1m, 6mths	A-	£1m, 6mths
	BBB+	£0.5m, 100days	BBB+	£0.5m, 100days
	BBB	£0.5m, 1 Day	BBB	£0.5m, 1 Day
BBB-	£0.5m, 1 Day	BBB-	£0.5m, 1 Day	
None	£0.5m, 6Mths	None	£0.5m, 6Mths	
Deposits with Money Market Funds	List provided by Financial Advisors	£1m	List provided by Financial Advisors	£1m
UK Government	Not applicable	No Limit	Not applicable	No Limit
Local Authorities, Parish Councils etc	Not applicable	£2m	Not applicable	£2m
Group Limit	£1 million		£1 million	
Money Market Funds Limit	£12 million in total		£12 million in total	
Sovereign Limits	No Limit		No Limit	

² 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

Non Specified Investments

Financial Asset Category	Strategy Approved 23 February 2016		Strategy Approved 21 February 2017	
	Minimum Criteria	Limits	Minimum Criteria	Limits
The Council's own bank (where credit ratings are not sufficient)	Unsecured investment with banks rated BBB are restricted to overnight deposits.		Unsecured investment with banks rated BBB are restricted to overnight deposits.	
Deposits with a maturity of greater than one year	Minimum Long Term Rating A	Banks /Building Societies / Corporates - £1m Government - £2m	Minimum Long Term Rating A	Banks /Building Societies / Corporates - £1m Government - £2m
Group Limit	£1 million		£1 million	
Sovereign Limits	No Limit		No Limit	

The table below summarises the credit risk exposures of the Council's Investment Portfolio (Investments and Money Market Funds) by Credit Rating:

Credit Rating	Long Term		Short Term	
	31/03/2016	31/03/2017	31/03/2016	31/03/2017
	£000	£000	£000	£000
AAA			4,000	3,360
AA+			3,000	0
AA-			6,000	6,000
A+			1,000	2,000
A			4,000	3,500
Unrated Building Societies			500	0
Unrated Pooled Funds		1,813	0	0
Unrated Local Authorities			1,000	8,000
Total Investments	0	1,813	19,500	22,860
Accrued Interest			25	59
Pre-Paid Interest			(4)	0
Cash in Hand and Bank Accounts			419	249
Balance Sheet Total for Short Term investments and Cash and Cash Equivalents	0	1,813	19,940	23,168

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of **£24.981m** (£1.813m of long term investments £19.559m of short term investments and £3.609m 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 recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 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

NOTES TO THE ACCOUNTS

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 2016 £000		31 March 2017 £000
2,917	Less than three months	3,855
84	Three to six months	140
196	Six months to one year	180
386	More than one year	507
3,583	Total	4,682
21%	Average % default adjusted for current conditions	18%
763	Credit Risk exposure	827

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities including the Public Works Loans Board long term loan received in April 2015 is as follows:

31 March 2016 £000		31 March 2017 £000
(77)	Less than one year	(69)
(76)	Between one year and two years	(61)
(183)	Between two years and five years	(183)
(304)	Between five years and ten years	(304)
(609)	Between ten years and twenty years	(609)
(243)	Between twenty years and thirty years	(213)
(1,492)	Total	(1,439)

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

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

NOTES TO THE ACCOUNTS

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2017, 0% (2016: 0%^m) of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and 70% (2016: 70%) to variable rates.

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

2015/16 £000		2016/17 £000
87	Increase in interest receivable rate investments	81
87	Impact on the Surplus or Deficit on the Provision of Services	81
(17)	Decrease in fair value of available for sale assets	(6)
(17)	Impact on Comprehensive Income and Expenditure	(6)
(26)	Decrease in fair value of loans and receivables*	(52)
(136)	Decrease in fair value of fixed rate borrowings / liabilities*	(140)

*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £2m. A 5% fall in commercial property prices would result in a £85,279 charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

42. Joint Arrangements

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

COLLECTION FUND

Collection Fund

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

Council Tax £000	Business Rates £000	Total 2015/16 £000		Council Tax £000	Business Rates £000	Total 2016/17 £000
(54,389)		(54,389)	Income			
(30)		(30)	Council Tax	(56,828)		(56,828)
	(34,460)	(34,460)	Transfer from / (to) general fund - Council Tax Benefit	(15)		(15)
	215	215	Non-Domestic Rates		(35,481)	(35,481)
			Transitional protection payments		48	48
			Contribution towards previous year's Collection Fund deficit		(1,464)	(1,464)
(54,419)	(34,245)	(88,664)	Total income	(56,843)	(36,897)	(93,740)
			Expenditure			
53,949		53,949	Precepts and demands from major preceptors and the authority	56,343		56,343
	16,279	16,279	Share of non-domestic rating income to major preceptors and the authority		16,884	16,884
	16,279	16,279	Payment with respect to central share (including allowable deductions) to central government		16,884	16,884
			Impairment of Debts / Appeals			
56	110	166	· write-offs on uncollectable amounts	62	448	510
228	(42)	186	· allowance for impairment	35	(142)	(107)
	(54)	(54)	· allowance for appeals		(220)	(220)
	124	124	Allowance for collection costs		124	124
1,005	344	1,349	Contribution towards previous year's Collection Fund surplus	448		448
55,238	33,040	88,278	Total expenditure	56,888	33,978	90,866
819	(1,205)	(386)	Movement on Fund (Surplus) / Deficit	45	(2,919)	(2,874)
(1,138)	1,423	285	Balance at the beginning of year	(319)	218	(101)
(319)	218	(101)	Balance at the end of year	(274)	(2,701)	(2,975)

Council Tax £000	Business Rates £000	Total 2015/16 £000	Allocation of Collection Fund (Surplus) / Deficit	Council Tax £000	Business Rates £000	2016/17 £000
(41)	87	46	Lichfield District Council	(35)	(1,080)	(1,115)
(224)	20	(204)	Staffordshire County Council	(197)	(243)	(440)
(39)		(39)	Staffordshire OPCC	(30)		(30)
(15)	2	(13)	Staffordshire Fire Authority	(12)	(27)	(39)
	109	109	Central Government		(1,351)	(1,351)
(319)	218	(101)		(274)	(2,701)	(2,975)

COLLECTION FUND

Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the District Council, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue 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) **36,610** for 2016/17. This basic amount of Council Tax for a Band D property (**£1,539.00** for 2016/17) 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 2016/17 is shown below:

2015/16 £000	Council Tax	2016/17 £000
37,979	Staffordshire County Council	39,856
6,441	Staffordshire Office of Police & Crime Commissioner (OPCC)	6,502
2,501	Staffordshire Fire Authority	2,575
5,621	Lichfield District Council	5,857
	Parish Precepts :	
35	Alrewas	36
67	Armitage with Handsacre	73
224	Burntwood Town Council	306
15	Clifton Campville with Thorpe Constantine	15
13	Colton	14
3	Curborough & Elmhurst, Farewell & Chorley	3
20	Drayton Bassett	20
10	Edingale	11
11	Elford	12
53	Fazeley Town Council	54
58	Fradley and Streethay	61
21	Hammerwich	23
4	Hamstall Ridware	4
6	Harlaston	6
7	Hints and Canwell	7
12	Kings Bromley	13
612	Lichfield City Council	640
17	Longdon	24
15	Mavesyn Ridware	16
134	Shenstone	140
4	Swinfen and Packington	5
6	Wall	7
1	Weeford	1
42	Whittington and Fisherwick	44
18	Wigginton and Hopwas	18
1,408	Total Parish Precepts	1,553
53,949		56,343

COLLECTION FUND

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

Band	Band Width £	2015/16 Band D Equivalent (Tax Base)			2016/17 Band D Equivalent (Tax Base)		
		Number of Dwellings	%	99.0%	Number of Dwellings	%	99.0%
A	0 to 40,000	2,367	6	2,343	2,405	7	2,380
B	40,001 to 52,000	6,006	16	5,946	6,057	16	5,997
C	52,001 to 68,000	7,692	21	7,615	7,813	21	7,735
D	68,001 to 88,000	5,813	16	5,755	5,885	16	5,826
E	88,001 to 120,000	5,302	15	5,249	5,293	14	5,240
F	120,001 to 160,000	4,697	13	4,650	4,743	13	4,695
G	160,001 to 320,000	3,893	11	3,854	3,915	11	3,876
H	320,001 upwards	732	2	725	739	2	732
Class O		127		127	129		129
TOTAL		36,627	100	36,264	36,979	100	36,610

Council Tax Allowance for Impairment

An increase in the allowance for impairment was made during 2016/17 amounting to **£35,260**. The total allowance for impairment of debt as at 31 March 2017 is **£1,003,775** and represents **56%** of the **£1,789,485** outstanding debt.

Non-Domestic Rates

NDR is organised on a national basis. The Government specifies an amount, the non-domestic rating multiplier **49.7p** (2015/16 **49.3p**) and the small business non-domestic rating multiplier **48.4p** (2015/16 **48p**) 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.

2015/16 £000		2016/17 £000
82,631	Non-Domestic rateable value at year end	83,064
34,460	Net rates payable by Ratepayers	35,520

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The scheme allows the Council to retain a proportion of the total NDR received. The Council's Share is **40%** with the remainder paid to precepting bodies.

2015/16 £000	Preceptors	Share %	2016/17 £000
16,279	Central Share Central Government	50	16,884
2,930	Major Precepting Bodies Staffordshire County Council	9	3,039
326	Staffordshire Fire Authority	1	338
13,023	Lichfield District Council	40	13,507
16,279	Total Precepting Bodies	100	16,884

NDR Allowance for Impairment

A reduction in the allowance for impairment was made during 2016/17 amounting to **£142,526**. The total allowance for impairment of debt as at 31 March 2017 is **£348,810** and represents **29%** of the **£1,208,399** outstanding debt.

GLOSSARY OF TERMS

Accounting Policies

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

Accrual

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

Accumulated Absences Account

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

Balance Sheet

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

Capital Adjustment Account

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

Capital Grants Receipts in Advance

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

Capital Receipts

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

Cash Equivalents

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

Collection Fund

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

Community Assets

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

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.

Expenditure and Funding Analysis Statement

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

Finance Lease

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

Financial Instruments

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

General Fund

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

Government Grants

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

Gross Expenditure (Total Cost)

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

Heritage Assets

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

Impairment

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

GLOSSARY OF TERMS

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment Properties

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

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

Liabilities

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

Materiality

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

National Non-Domestic Rates (NNDR)

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

Non-Domestic Rates (NNDR)

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

Net Book Value

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

Net Expenditure

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

Operating Leases

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

Post Balance Sheet Events

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

Property, Plant & Equipment

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

GLOSSARY OF TERMS

Provision

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

Revaluation Reserve

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

Revenue Expenditure

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

Non-Ring-fenced Government Grant

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

Unusable and Usable Reserves

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Lichfield District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes, which include the Expenditure and Funding Analysis on page 40. 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 2016/17.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards 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 Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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

INDEPENDENT AUDITOR'S REPORT

performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

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

Respective responsibilities of the Authority and auditor

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

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

INDEPENDENT AUDITOR'S REPORT

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

John Gregory

John Gregory
for and on behalf of Grant Thornton UK LLP
Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

26 September 2017

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Urdu

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

Punjabi

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

Arabic

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

Cantonese

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Bengali

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

French

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Farsi

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

Polish

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

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