



Lichfield City Council

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Town Clerk: Anthony Briggs BA (Hons), CILCA

26 February 2025

To: Members of the Audit Committee

Councillor A Fox (Chair) and Councillors, R Bragger, A Lax, J Marshall, P McDermott and M Warfield.

Also to: A James (Accounts Officer) & G Keatley (Internal Auditor).

Dear Councillor,

Audit Committee

You are invited to attend a meeting of the Audit Committee to be held via 'Zoom' at **6.30pm on Wednesday, 5 March 2025** for the transaction of the following business. A link enabling members to join the meeting will be circulated separately. Please forward any apologies for absence to the Town Clerk. Members of the public can request the link to observe the meeting by contacting the Town Clerk (tony.briggs@lichfield.gov.uk).

Yours sincerely

Tony Briggs
Town Clerk

AGENDA

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST AND REQUESTS FOR DISPENSATION

3 MINUTES AND MATTERS ARISING

To confirm as a correct record the Minutes of the Audit Committee Meeting held on 4 December 2024 **attached**, and to discuss any matters arising from those minutes. [*Minutes adopted by the City Council on 16 December 2024*]

4 INTERNAL AUDIT REPORT 2024-2025

To consider the detailed report of the Internal Auditor **ENCLOSURE 1**.

RECOMMENDED: The Committee to make a recommendation to Council to note the Internal Audit Annual Report 2024-25 and adopt the recommendations and timescales as contained in that Report.

5 ANNUAL REVIEW - EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

To conduct the annual review of the effectiveness of the system of internal control, **APPENDIX A** attached.

RECOMMENDED: The Committee to make a recommendation that the Review findings be presented to Council for adoption.

6 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT

To agree the Treasury Management Policy and Strategy Statement 2025-2026, **APPENDIX B**, attached.

RECOMMENDED: The Committee to make a recommendation to Council to adopt the Treasury Management Policy and Strategy Statement 2024-2025 (as amended).

7 CAPITAL RESERVE

To consider the Town Clerk's report at **APPENDIX C** (Attached). This report addresses potential changes to the Reserves Policy, a draft incorporating these changes is provided at agenda item 8/Appendix D. Members may wish to consider this agenda item and agenda item 8 concurrently.

RECOMMENDED: The Committee to consider the report and the questions raised therein and at the end of the document.

8 RESERVES POLICY

To consider the draft Reserves Policy as outlined in the report attached as **APPENDIX D**. This draft incorporates in red text the recommendations from agenda item 7 above.

RECOMMENDED: The Committee to make a recommendation to Council to adopt the Reserves Policy (as amended).

9 AUDIT PLAN

To consider the proposed work plan for the Internal Auditor for the year 2025/26, attached as **APPENDIX E**. The Work Plan allows both for specific, targeted reviews of LCC's operations, and for any additional reviews that the Internal Auditor may identify during the year. The Audit Plan therefore gives the Internal Auditor full access to all processes and procedures without further recourse to Council.

RECOMMENDED: The Committee to make a recommendation to Council that the Audit Plan (as amended) be adopted.

10 APPOINTMENT OF INTERNAL AUDITOR

To confirm the reappointment of Graham Keatley as Internal Auditor for 2025/26.

RECOMMENDED: That Graham Keatley be reappointed as Internal Auditor for 2025/26.

11 STRATEGIC RISK REGISTER: PROPERTY MANAGEMENT

At the December 2024 meeting of Council, Councillor C Greateorex suggested that property management of the Council's buildings be documented separately on the Strategic Risk Register. The Town Clerk confirmed that this would be discussed at the next meeting of the Audit Committee as was requested at the time.

The matter *has been discussed* by the Committee previously, with specific reference to Darwin Hall; the corresponding minute from the Audit Committee meeting of 6 June 2024 is reproduced below:

RISK MANAGEMENT STRATEGY

The Committee considered the Risk Management Strategy, most recently considered by the committee in December 2023.

The Chair asked whether major capital spend arising from a situation similar to Darwin Hall was directly accounted for in the risk register. The Town Clerk stated that it was not directly covered, but related matters such as appropriate insurance are covered, and that the situation with Darwin Hall was somewhat unique and should not apply to any of LCC's other buildings. The Town Clerk suggested that an item could be added to the risk register, but there was a general belief that such an addition would not add great value to the document.

RECOMMENDED: The Committee to consider whether it wishes any changes to the Risk Register at this time; the Committee may wish to defer the matter to the next meeting of the Audit Committee where a more general review of the Risk Register is scheduled.

12 DATE AND TIME OF NEXT MEETING

To be confirmed via the City Council's approved Calendar of Meetings at March Council, but listed provisionally as Wednesday 4 June at 6.30pm.

ANY OTHER URGENT BUSINESS AT THE DISCRETION OF THE CHAIR

Lichfield City Council
Minutes of the Meeting of the Audit Committee held via 'Zoom'
on Thursday 4 December 2024 at 6.30pm

Present: Councillor A Fox (Chair) and Councillors P McDermott, M Warfield and B Watkins.

In attendance: A Briggs (Town Clerk and RFO) and G Keatley (Internal Auditor).

Apologies: Councillors A Lax and J Marshall, and A James (Accounts Officer).

7. DECLARATIONS OF INTEREST AND REQUESTS FOR DISPENSATION

None

8. MINUTES AND MATTERS ARISING

The Chair updated the Committee on the meeting held with the Town Clerk regarding the capital reserve and the potential for its depletion in the coming years. The Chair stated that the Audit Committee should have a medium-term view on this reserve, and how it can be replenished to ensure the council remains resilient to the potential challenges arising from its portfolio of listed buildings and community centres. The Town Clerk was asked to prepare further information for the next Committee meeting, with the aim of establishing a methodology to restore the capital reserve that can be put to council for potential implementation as part of the 2026/27 budget setting process.

RESOLVED: *The Minutes of the meeting held on 6 June 2024 be agreed as a correct record.* [Minutes adopted by the City Council on 10 June 2024].

9. STATEMENT OF ACCOUNTS – SIX MONTHS

Members reviewed the statement of accounts. The Chair asked for clarification on CIL, and when – relative to receipt of monies – CIL is allocated. The Town Clerk confirmed that CIL is paid to LCC by LDC twice each year (April and October) and that usually there is a forecast available for the forthcoming year. Unfortunately, a forecast was not available at the time of preparing the 2024/25 budget, and significantly more CIL has been received. The Town Clerk also confirmed that in recommending the allocation of CIL, the Grants Committee only considers CIL monies that have already been received.

RESOLVED: *That the report be noted.*

10. RISK MANAGEMENT STRATEGY

Councillor P McDermott noted there were instances in Appendix A to the document where the likelihood/Impact level stated did not correlate with the number assigned to that likelihood/impact level in the explanatory table at section 5.4 of the document. The Town Clerk confirmed he would amend as needed. It was agreed that the Strategy would be considered annually from now on, at the December meeting of the Committee.

RESOLVED: *That the Risk Management Strategy be amended as set out above, and the document then be reviewed annually at the December meeting of the Committee.*

RECOMMENDATION TO COUNCIL: *That the Risk Management Strategy as amended be adopted.* [APPENDIX A to these Minutes]

11. DATE AND TIME OF NEXT MEETING

In the City Council's approved Calendar of Meetings as Wednesday 5 March 2025 at 6.30pm. The Committee has previously expressed its preference that the meetings are held via 'Zoom'

REVIEWING THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

Legislative framework

Regulation 4 of the Accounts and Audit Regulations 2015 (Accounting records and control systems) requires the authority's responsible financial officer must determine, on behalf of the authority:

- 1) The form of its accounting records and supporting records ensuring that the authorities accounting records are kept up to date
- 2) Its financial control system including measures to ensure that the financial records are recorded timely and accurately, enable prevention and detection of inaccuracies and fraud, ensure risk is appropriately managed and identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

Regulation 5 of the Accounts and Audit Regulation 2015 (Internal Audit) requires that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process, taking into account public sector internal auditing standards or guidance".

The starting point for the review will usually be an assessment against the internal audit standards set out in the guide. These include making an assessment in relation to:

- Scope of internal Audit
- Independence
- Competence
- Relationships
- Audit planning and reporting

A key point is that it is the responsibility of the body to conduct the annual review; it is not a review that will be carried out by the external auditor as part of the annual audit.

Whilst there will usually be input from the internal audit provider, he or she cannot be allowed to influence the direction or extent of the review.

The results of the review are then reported to and considered by a full meeting of the members. There are no hard and fast rules as to who actually performs the review, but bodies may wish to set up a small working party for this purpose.

What should the review of the system of internal audit cover?

Under the 2015 Regulations a relevant authority must conduct an annual review of the system of internal audit which:

Facilitates the effective exercise of its functions and achievement of its aims and objectives;

Ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

The outcome of the review

The review of the effectiveness of the system of internal audit cannot be considered in isolation as it feeds into the review of the wider system of internal control. The report on the review should include an opinion as to whether or not the internal audit system is effective. Any areas for development or change should be identified in the report and an action plan produced, setting out the proposed remedial actions, the people responsible for delivering them, and the deadlines for completion of the actions.

1 Meeting the Standards

Expected Standard	Evidence of Achievement	Response
1. Scope of internal audit	Terms of reference were approved by full Council	Yes, Council adopts the Internal Audit Action Plan and work programme: Internal Auditor in receipt of Council formal engagement letter setting out requirements.
	Scope of audit work takes into account risk management processes and wider internal control	Yes, included in checks undertaken by Internal Auditor
	Terms of reference define audit responsibilities in relation to fraud	Yes, detailed in approved Anti-Fraud policy
2. Independence	Internal Auditor has direct access to those charged with governance.	Yes
	Reports are made in own name to management.	Yes
	Auditor does not have any other role within the council.	Yes
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	Yes
4. Relationships	Responsible officers (Town Clerk (RFO), etc) are consulted on the internal audit plan and on the scope of each audit.	Yes
	Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.	Yes, defined in approved Standing Orders, Whistleblowing Policy
	The responsibilities of board/council members are understood; training of members is carried out as necessary.	Yes. Notably via the City Council's Audit Committee
5 Audit Planning and reporting	The Audit Plan properly takes account of corporate risk.	Yes
	The Audit Plan has been approved by the council	Yes
	Internal Audit has reported in accordance with the Plan	Yes. Report to full Council 10 March 2025

2 Review of Effectiveness

Characteristics of 'effectiveness'	Evidence of Achievement	Suggested Response
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	Yes
Understanding the whole organisation its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	Yes
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	Yes
Be forward looking	When identifying risks and in formulating the annual audit plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	Yes
Be challenging	Internal audit focuses on risks and encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment.	Yes
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work.	Yes
	Internal auditor understands the body and the legal and corporate framework in which it operates.	Yes. Internal Auditor has worked for the City Council/Charter Trustees continuously since 1974.

LCC TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2025-26

Treasury management covers the borrowing, investment and cash flow of the Council and the effective management of risks in relation to these activities. Treasury management is an important element in the overall management of the Council's financial affairs.

THE POLICY

The Council adopts the CIPFA Treasury Management Code modified to the Council's requirements.

Treasury Management is defined as *"the management of the local authority's cash flow, its borrowing and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks"*. (CIPFA)

The Council's treasury activities are for debt and investment management, and the Council will not take up speculative positions which may be interpreted as trading activities.

The purpose of this statement is to establish how the authority will manage its activities in relation to borrowing and investments.

Borrowing

Local council borrowing is governed by Schedule 1 of the Local Government Act 2003. Parish and town councils in England have to apply and receive permission from the Department of Levelling Up, Housing and Communities (formerly the Ministry of Housing, Communities & Local Government) before taking any borrowing. Temporary borrowing (i.e. up to 364 days) does not require such approval.

The authority will review its borrowing requirements annually when formulating its annual budget. The Council currently has no borrowing, and no borrowing requirement has been identified for the forthcoming year.

Investments

The Council adopts the guidance under section 15(1)(a) of the Local Government Act 2003.

The authority will review its Investment Strategy annually (see investment Policy below).

Treasury Management Practices

The Council has adopted the Treasury Management Practices (TMP) which set out the manner in which the authority will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

The Treasury Management Strategy Statement 2025-26

The Treasury Management Strategy details the expected activities of the treasury function.

Borrowing - there is not anticipated to be any borrowing requirement for the year.

Investments - to be in accordance with the approved Investment Strategy

INVESTMENT POLICY

With reference to Secretary of State's Guidance under section 15 (1)(a) of the Local Government Act 2003 and the CIPFA Code of Practice for Treasury Management in the Public Services.

ANNUAL INVESTMENT STRATEGY

Definition of Treasury Management in the Public Services: *"The management of the organisation's cash flow, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*.

Strategy Guidelines

The main principles governing the Council's investment criteria are the security and liquidity of its investments before yield, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity.

The Council will ensure it has sufficient liquidity in its investments. This is set out in liquidity investments below.

The RFO will maintain a counterpart list in compliance with these criteria and will revise and submit to Council for approval as necessary.

Liquidity of Investments

The Council will carefully balance the use of short term or specified investments and non-specified investments. All the core investment balance and any cash flow investments will be maintained as short term or specified investments.

Specified Investments

These investments are sterling investments of not more than one-year maturity. These are low risk assets where the possibility of loss of principle or investment income is low. These would include investment with:

- The UK government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity)
- A Local authority, parish or community council
- An investment scheme that has been awarded a high credit rating by a credit rating agency
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

Credit Rating Agency - Standards & Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to say the time and amount of monies which will be invested in these bodies. These criteria are:

Security	Limit
Marketable securities issued or guaranteed by the UK Government i.e., UK Treasury bills or a gilt with less than one year to mature	The authority has no plans to invest in such securities and would require specialist advice in order to do so.
Other Local authorities, parish councils or community councils.	The authority has no plans to invest in these institutions.
Fixed Term Time deposits	Approve – UK clearing Banks (currently, but not restricted to, Nat West) to a maximum limit of £4,000,000
Money Market Funds	The authority currently has no plans to invest in these funds. Any change to this policy would require approval by full Council

Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). These investments have a greater potential risk.

These would include sterling investments with:

- Securities admitted to the Official List of the Stock Exchange which are guaranteed by the UK Government (such as supranational bonds). These are fixed income bonds although the value of the bond may rise or fall before maturity. The bond may be sold before maturity.
- Gilt edged securities with a maturity of greater than one year
- Institutions not meeting the basic security of greater than one year
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society) for deposits with a majority of greater than one year

Security	Limit
Security issued or guaranteed by non-UK EU governments and Supranational securities	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.
Gilt edge securities	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.
Securities issued by corporate, banks and building societies, including floating rate notes, commercial paper, assets backed securities and certificates of deposits longer than 1 year.	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.

AUDIT COMMITTEE: 5 March 2025 APPENDIX C

LCC Capital Reserve – Overview and Proposals

A great deal of concern has been expressed by Members as to the decreasing capital reserve that the council holds. This report sets out to address the following points:

1. To identify LCC's property assets that are most likely to incur maintenance costs to be funded from the capital reserve
2. The origin of the capital reserve and the reasons why it has reduced to its current level
3. The current and proposed content of LCC's Reserves Policy, the flexibility that the policy provides and the emerging advice from the Joint Panel on Accountability and Governance (JPAG) on appropriate levels of General Reserves (rather than 'earmarked reserves') for larger Parish councils
4. Establishing an average capital expenditure, reviewing the peaks and troughs of capital expenditure, and setting an appropriate capital reserve level
5. How the desired level of capital reserve may be achieved
6. Next Steps/draft Reserves Policy

1. LCC's main assets

The main building assets owned by the council are listed in the table below. The Johnson Birthplace Museum is owned by the Johnson Birthplace Trust with LCC as sole Trustee, but as the Council funds much of the repair work to the building, and the costs are significant, it is included below.

Site	Listed Status	Insurance Valuation (£)
Johnson Birthplace Museum	Grade I	3,132,237
Guildhall	Grade II	5,865,300
Donegal House	Grade II*	4,484,025
Cruck House	Grade II*	572,576
Curborough Community Centre	N/A	1,138,253
Boley Park Community Hall	N/A	675,363
Darwin Hall	N/A	1,248,629
Total		£17,116,383

A number of assets are excluded such as the Market Square (with associated 'pop-up' electrics) and toilet block, Grey Friars and Portico, Borrowcop Pavilion, War Memorial and Wall at the Remembrance Gardens, the Friary Clock Tower, Johnson/Boswell statues, street furniture etc. A proposal regarding these items is included in section 4.1 of this report.

2. Origins of LCC's Capital Reserve/Recent Spend

LCC's capital reserve is a result of the sale of a piece of land that now forms part of the final section of the Lichfield bypass and its surrounds, with funds transferred to LCC in December 2019. Prior to this reserve being available, larger scale repair and renewal was funded through general reserves and the precept.

Leaving aside the rights or wrongs of such a decision, the availability of the capital reserve has allowed LCC to request an artificially low precept for several years. Ultimately, this is not sustainable and the council will need to find funding to allow the capital expenditure to be met on average from income. To illustrate this point, of the more than 10,000 parishes requesting a precept, Lichfield City Council's precept was the 85th highest in 2013/14, but had slipped to 146th highest for 2024/25. This has had the consequence of making LCC more reliant on its capital reserve for ongoing costs; the precept 'headroom' that was available for such work having now been eroded.

The capital receipt for the sale of land was timely; it was received during a period of unprecedented R&R work to address longstanding and emerging problems with LCC property. This capital receipt allowed what would have been decades of work to be addressed far more quickly. Much of this work is informed by Quinquennial Inspection Reports (QIRs) as prepared by the council's architects, which are now undertaken at each of LCC's property assets.

A list of some of the projects completed over the past 10 years or so is provided below:

- Renovation and redecoration of the Guildhall main hall
- Renovation and layout changes to the Guildhall main kitchen (first floor)
- Replacement of aged Guildroom (ground floor) kitchen together with new appliances
- Repair and replacement of timbers/roof structure to the 'stairwell' area of the Guildhall,
- Structural strengthening to the Birthplace Museum through introduction of steel supports, plus replacement of rotted supporting structural beams along the Breadmarket St elevation, together with complete exterior redecoration and associated improvements
- Installation of basement toilets and kitchenette at Donegal House
- Removal of asbestos at the Birthplace Museum and associated works
- Significant roof repairs to the Birthplace Museum
- Replacement windows and external doors (part CIL funded) at Curborough Community Centre
- Extensive roof repairs to Curborough Community Centre
- Replacement of poorly insulated and generally outdated 1970's Cruck House annexe (incorporating toilets) and associated improvements to the host building to include new flooring and lighting scheme
- Repair and renovation of Guildhall windows, notably the Minstrels' Gallery, Ashmole Room, stairwell dormer and stained-glass window in main hall
- Cleaning of stonework to the front elevation of the Guildhall with associated refurbishment of main door and Guildroom timberwork
- Repairs to Donegal House roof
- Repairs and stabilisation work to the listed walls within the Remembrance Garden
- Replacement Guildhall and Donegal House fire alarm systems
- Reinstatement of railings around the Johnson statue
- Repairs to the Friary Clock Tower
- Replacement of lighting with LED alternatives, to include LCC's 130+ pathway lights (part CIL funded) and lights in the Guildhall and Donegal House
- Extensive surface repairs to LCC owned pathways
- The replacement of the Darwin Hall roof together with structural strengthening and drainage improvements

The significant projects listed above have put all LCC owned property in a much better condition than was the case 10 years ago, but the City Council's assets will always make some demand for funds; these are mostly buildings regularly used/visited by the public and utilised for a wide range of activities, which creates more wear and tear than would be likely in a domestic dwelling. Many of the buildings are also listed, which brings with it an extra dimension of requirements and expense. There is also a need to ensure facilities remain reasonable, meaning that (for example) kitchens, toilet facilities, flooring, wiring, heating systems, etc must be periodically upgraded/replaced. The City Council also owns other assets that require periodic repair or replacement, such as benches, bins and pathway lights.

If the capital reserve were to be exhausted, the council would have to fund repairs from the precept or borrow money for this purpose. The existing capital reserve also provides an income through interest received, and this is used to support general revenue spend and further relieve pressure on the precept.

It is clearly in the council's interests to ensure the capital reserve is not exhausted, meaning that:

1. Policies should be in place to provide an average source of funds to match the average capital expenditure, and
2. The council has within its policies a level of earmarked capital reserve that it believes is appropriate for its needs in smoothing out the troughs and peaks of capital expenditure.

3. LCC Reserves Policy - Current Status and JPAG Guidance

To confirm – the City Council has a 'general reserve' (estimate year end 2024/25 - £719,191) and a 'capital reserve' (estimate year end 2024/25 - £745,639) that is available for capital expenditure to facilitate the long-term repair and renovation of its assets. The City Council's Reserves Policy states that:

The general fund balance, commonly termed the 'working balance' is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term cash flow problems.

*The general fund balance is to be maintained at a level based upon a risk assessment carried out by the Responsible Finance Officer (RFO). **The working balance to be maintained at a minimum level approximately nine months of net revenue expenditure (currently approximately £672,000).***

When setting the budget for the forthcoming year, any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

The existing Reserves Policy would therefore allow for a transfer from general reserves to the capital reserve in the sum of approximately £45,000 at the end of 2024/25 financial year.

The current Reserves Policy also contains a table showing the allocation of the earmarked capital reserve across a small selection of LCC buildings, with no funds earmarked for (for example) Cruck House or the Market Square/toilet block. There is also a significant sum held as 'All Properties Contingency Administration Costs'. This report recommends that:

- The capital reserve, if it is to increase, is spread more evenly across LCC's portfolio.
- The current 'Contingency/Administration costs' line be deleted, with the funds spread across the portfolio as set out above

3.1 Joint Panel on Accountability and Governance (JPAG) Advice

JPAG issue advice via a [Practitioner's Guide](#) each year to support the preparation of statutory annual accounting and governance statements by smaller authorities. The 2024 edition applies to financial years commencing on or after 1 April 2024. On p38 of that document, there is a section devoted to 'General Reserves'. This section has been updated and now provides some specific guidance as to general reserve levels, rather than the previously broad view that reserves equating to anywhere between 3 and 12 months expenditure was 'reasonable'. The update is of particular importance to LCC as one of the larger parish councils and with current general reserves at approximately 9 months expenditure as discussed above. The relevant section is highlighted below, with the remainder included for context.

5.33. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

5.35. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.36. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

Earmarked and other reserves:

5.38. None of the above in any way affects the level of earmarked and/or capital receipts reserves that an authority may or should hold.

5.39. There is, in practice, no upper or lower limit to EMR/CRRs save only that they must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting) and should be separately identified and enumerated. Significant levels of EMRs in particular may give rise to enquiries from internal and/or external auditors.

LCC's expenditure is significantly more than £200,000; the suggestion therefore being that LCC should now be planning to hold General Reserves of around three months' expenditure rather than nine.

Fortunately, point 5.36 above does appear to concede that such decisions should be taken by the authority based on its own circumstance; a general reserve level of three months' expenditure seems very low to LCC officers and it is not currently recommended that they be reduced to that level. However, reducing the general reserves to approximately six months' expenditure by means of a transfer to the earmarked capital reserve would seem potentially appropriate, if such a transfer could be shown to be reasonable based on risk.

Such a transfer would reduce the general reserve to approximately £500,000 and increase the capital reserve to £930,000.

4. Establishing an Average Capital Expenditure, Reviewing the Peaks and Troughs of Capital Expenditure, and Setting an Appropriate Capital Reserve Level

Heritage England – The Value of Maintenance (2019)

This [Heritage England report](#), prepared by APEC architects, sought to evaluate quinquennial architect inspections and to undertake a research project to estimate repair liability of a sample of Churches, the impact of 'stitch in time' repairs on the condition of the building fabric and the cost impact of delaying repair work and maintenance. The sample properties were all Churches, but LCC's property is very similar in many instances, being often historic, listed and regularly used by the public.

A number of 'headline' conclusions were reached, which in some cases may seem a little obvious, but are worth emphasising:

- Poor maintenance and repair results in increased cost liability, prone to rapid escalation
- Delaying repair results in a significantly increased cost liability for Churches
- Roofs and rainwater goods/drainage are the primary cause of defects and consequential decay
- Based on the project sample, different ages of church experience broadly the same issues

The report also helpfully provides a very broad estimate of the costs associated with typical repairs to a well-maintained building over a five-year period (5.2.6):

- *Medieval Church – up to £35,000*
- *Victorian Church – up to £20,000*

The report states at 5.2.7:

In addition to the above figures, there needs to be added the cost of routine maintenance tasks where they were not identified in the QIRs (such as servicing the boiler and drain clearance), along with all legally required tests and inspections. These tests include but are not limited to: electrical system testing, lightning conductor testing, fire risk assurance, gas checks and PAT testing. It should also be noted that the cost of access can be considerable and is not included in these figures.

Members are asked to consider the following points when analysing the figures above:

- The report was published in 2019; construction industry inflation has been significant in the intervening six years
- The Historic England figures are for a five-year period; it would be prudent for LCC to assess financial needs across a period of at least 10 years, thereby doubling the stated figures
- These figures do not include professional fees or employee time, both of which are accounted for in LCC's capital programme
- The costs are for maintenance only, not improvement of facilities. The City council should be looking to both maintain and improve its facilities for residents and plan for the cost of both.
- Churches are less likely to have some of the items that require periodic replacement and are expected to be to a reasonable standard, such as kitchens (notably at community centres), on-site toilet facilities etc.
- The City Council does have some assets that are likely to cost less than an average Church to maintain across a five-year or ten-year period (Friary Clock Tower, Borrowcop Gazebo, war memorial etc). However there is still the possibility that such assets could incur considerable cost. LCC also has responsibility for some buildings that may be more complex than an 'average' church, such as the Guildhall or the Birthplace Museum.
- Actual R&R spend across the past 10 years or so, forecast to be in the region of £1.7m. Though this figure should not be repeated in the coming decade, it does demonstrate how quickly spend

can build over a 10-year period and, as was the case with Darwin Hall, how essential it is to have funds available should the required work take an unexpected and expensive turn.

- The possibility of assets transferring to LCC, for example Community Centres associated with new developments, additional allotment sites (as requested by LDAS), transfer of assets from principal authorities to the parish as has happened in many parishes across the country and can include open spaces, street furniture, public toilets etc. This may be more likely with the proposed changes to District/County councils currently being implemented by the Government
- Known/likely costs that LCC is aware of via the QIR process (see below).

4.1 Known Issues with LCC Owned Assets

Following the most recent round of QIRs, and with officers' general knowledge of LCC's portfolio, there remains some outstanding work to LCC's property. It is likely that the most pressing of these items is the Guildhall roof, which members are particularly asked to note. This was raised by the City Council's architects during the most recent Quinquennial Inspection, with a recommendation that it be addressed as soon as practicable.

It is very difficult to know how urgent this work is; the roof may remain watertight and effective for many years to come, but if the defects are significant, then a failure to address the matter relatively quickly could lead to significant disruption and extra cost. The extent of the problem will only be revealed either by work taking place to rectify it, or the consequences of dilapidation becoming more obvious through leaks, slipped tiles etc.

Estimated costs have been received, but to date there has been no detailed work schedule prepared or formal tender process. For larger projects such as this, the usual procedure has been to allow several months to prepare the necessary documentation and go through the (sometimes protracted) process of work schedule preparation, liaison with architects and contractors regarding access/additional works, requesting tenders and reporting to council thereon, confirming estimates, choosing a preferred contractor etc. Once this process is complete, the costed works are put before council as part of the Repairs and Renewals programme for the forthcoming year at the budget setting meeting in January. A list of known issues is provided below.

Location	Item	Budget Costs (2024/25)
Guildhall*	Roof – Eastern Elevation	125,000
Guildhall*	Repair/replace sacrificial lead flashing bays over first floor corridor likely to be combined with above to generate savings	20,000
Guildhall*	Repairs to spalled brickwork – western elevation	8,000
Boley Park CC	Ageing kitchen will require replacement. May be in part funded by Hall Management Committee	30,000+ but depends on funding from the Hall
Clock Tower*	Spalled stonework as identified on most recent QI	40,000
Donegal House and Guildhall	External redecoration/cleaning (not completed since 2016)	Costs unknown; £25,000 allocated based on previous work
Market Square	'Pop up' sockets reaching end of life as advised by LCC's electricians	30,000 approx, based on initial estimate Feb 2025
Total		£278,000

*denotes items identified through the QI process.

There are also costs that can be reasonably predicted based on operational lifetimes of equipment, such as pathway lights, heating systems etc. As an example, the previous Guildhall boiler replacement cost around £90,000; the current installation is working well and may last many more years, but eventually it will fail. If technology has improved and an alternative heat source is then viable (ground source heat pumps were investigated and discounted previously), the costs of any new installation are difficult to estimate.

In addition to the 'known' is the 'unknown' – recent experience at Darwin Hall being an extreme example. The council must therefore be prepared for significant ongoing maintenance, costs of facility improvement, and the possibility of unexpected costs. As a result, any appropriate capital reserve figure that is agreed upon will be somewhat arbitrary, but the information in this report can at least inform members as to a potential methodology that may be seen as 'reasonable' to any third party – such as external auditors and the general public.

Based on the figures in the Historic England report and the additional points for consideration listed above, it is not difficult to reach an average ten-year combined maintenance, improvement and potential risk figure around £150,000 per 'main asset':

Item	Cost £
10-year maintenance - Average Historic England 5-year figure of £27,500 used	55,000
10-year improvement programme (e.g. replacement kitchen etc)	30,000
Allowance for Risk	30,000
Employee Costs, professional fees etc (each assumed 10% of project cost)	17,000
Inflation – 2% per year for 10 years = average 10% across the period	13,000
Total	£146,000

In addition, a further £250,000 in total to cover other assets as detailed in section 1 of this report would seem a reasonable starting point, especially given the known issues with the Clock Tower, and the importance of (for example) the memorial in the Remembrance Garden, stability of the surrounding walls etc. The total capital expenditure over the next 10 years based on this calculation would be in the region of £1,300,000, or on average, £130,000 per annum.

The council does not create a level of income to meet that level of expenditure, which is why the windfall capital reserve has depleted relatively rapidly. The council will therefore have to find a long-term solution to meeting capital expenditure from other funds.

The council also needs to consider what level of capital reserve is needed. Initially, the capital reserve will need to smooth the transition while additional funding streams are sought (see section 5). Additionally, the capital reserve is needed to allow capital works to proceed without delay as required, and to smooth the year-on-year difference in expenditure that is likely to occur; the variability of annual capital spend is demonstrated in the table below, which provides figures for the past 10 years.

Year	Repairs and Renewals £ (Actual unless indicated)
2015/16	129,206
2016/17	121,998
2017/18	119,872
2018/19	96,605
2019/20	154,423
2020/21	127,855
2021/22	149,046
2022/23	198,674
2023/24	533,354
2024/25	103,749 (estimated)
TOTAL	£1,734,782

Expenditure varies from approximately £97,000 (which when adjusted for inflation, especially in the construction industry, would likely translate to approximately £120,000 or more today) to £533,000 during the year in which there was extensive and unprecedented repair and renovation carried out to Darwin Hall, and the roof at Curborough Community Centre. The capital reserve must be sufficient to allow such variability to be accommodated without recourse to the banks or expensive delays.

The Committee is asked to consider whether it is appropriate to maintain a capital reserve with a minimum value equivalent to the two highest years of expenditure in the past 10 years (adjusted for inflation) at approximately £860,000 or a minimum value of three years which would be approximately £1,059,000.

A further consideration is the value of the main property assets LCC holds. 10% of the insurance valuation of the main assets as listed in section 1 of this report is currently £1,711,638. The insurance valuations are updated each year and are based on professional valuations of LCC property that are undertaken approximately every five years. The Committee may wish to consider whether this is an appropriate maximum level for the capital reserve.

The current capital reserve is estimated to be £710,000 at year end 2025/2026 if no transfer from other reserves takes place. To ensure the capital reserve target remains reasonable over time, a long-term policy aim could be incorporated into the Reserves Policy such as:

The aim is to hold in the capital reserve a minimum of the sum equivalent to the maximum capital expenditure of any 2 [or 3] of the last 10 years adjusted for costs and inflation. The long-term goal is to hold in that reserve a sum approximately equivalent to 10% of the latest insurance value of the City Council's main assets, plus the Birthplace Museum of which LCC is the sole Trustee. Progress towards these aims to be monitored at least annually by the Audit Committee, with recommendations emerging from the Committee for transfers from General Reserves, precept income to be directed to the capital reserve, JPAG advice etc, all subject to formal consideration by Council.

This would provide the Reserves Policy with a bookended minimum and maximum desired capital reserve level.

5. How to achieve the desired level of capital reserve

As discussed in section 3 above, a significant transfer from general revenue reserves to the earmarked capital reserve is likely to be prudent based on latest JPAG advice. Section 4 establishes that such a transfer would seem appropriate based on available figures, known risks etc.

Such a transfer is however merely the moving around of the City Council's finances and does not provide a long-term answer to the issue at hand; generating sufficient revenue to meet average capital expenditure. There are of course other forms of funding, not least CIL or third-party grants such as those potentially available from English Heritage, Heritage Lottery Fund etc. While the council should always bear such funding streams in mind, it must be aware of the limiting factors such as:

- CIL receipts are likely to reduce in the coming years as the larger 'Lichfield City' developments complete.
- External funding usually comes with a significant lead-in period and attached conditions, for example, Heritage England funding is often only available to properties on their 'at risk' list.
- The availability of external funds does not guarantee the receipt of those funds – if the council cannot afford to repair/maintain a facility and cannot obtain outside funding, it will have to either borrow money (which is potentially difficult for parish councils) or consider closing the asset in question.

To have surety of available funds, there are – broadly - two ways that the council can further increase its capital reserve:

1. Cut existing services/budgets and allocate any savings to the capital reserve.
2. Increase the Precept by a set amount and allocate that increase in funds to the capital reserve.

In regard to point 1, it is possible to cut costs and services and for savings to be made. There could (for example) be a decision to significantly reduce the Civic functions of the council which would reduce costs and potentially save staff costs, too. The issues arising from such a decision, and the actual amount that could be saved, would need to be considered separately. Other services would be more difficult to cut as they either generate income (Guildhall, Markets) and/or are necessary for the council's statutory duties or its ongoing activities (open space inspection/maintenance, finance related matters, secretariat support etc.).

In regard to point 2, increasing the precept is unlikely to be popular with residents, particularly as the council is subject to inflation, nationally agreed payroll changes etc that put pressure on the precept annually. A 'one-off' precept increase could be put in place in any given year, for example a 7% increase when other demands amount only to 3%, provided that such funds are routinely allocated to the capital reserve each year and are not used to offset/negate any rise in the precept that is required due to increased general costs. Such a decision is a political one, but for guidance purposes, 1% of precept translates to approximately £10,000 currently.

5.1 Recommendation for Appropriate Capital Reserve/Amendments to Reserves Policy

- A medium-term target be set of reaching a capital reserve to a level as determined by this Committee, *with the suggestion being equivalent to either two years of highest spend in the past 10 years (£860,000) or three years of highest spend (£1,059,000) when adjusted for inflation*, through transfer of general reserves/other capital receipts, direct precept funding etc.
- A capital reserve ceiling be set at a sum approximately equivalent to 10% of the most recent insured value of LCC's main assets.
- Progress towards these aims to be monitored at least annually by the Audit Committee, with recommendations emerging from the Committee for transfers from General Reserves, precept income to be directed to the capital reserve, JPAG advice etc, all subject to formal consideration by council.
- The above to be incorporated into the Council's Reserves Policy text and reflected in the table that outlines actual allocations to LCC assets in the current policy.

6. Next Steps/Draft Reserves Policy

The Committee is asked to consider the report above, agree next steps and make corresponding recommendations to Council.

A draft Reserves Policy has been prepared to assist members in these discussions; this is provided at **Appendix D** of the agenda. Members may therefore wish to consider both this report and that document simultaneously.

1. Does the Committee wish to recommend a transfer from general revenue reserves to the earmarked capital reserve at the end of the current financial year? If so, does it wish to transfer monies equivalent to reducing the general reserve to six months' expenditure following JPAG advice (a transfer of £219,842), and recommend the corresponding amendments to the Reserves Policy (section 3 of this report)?
2. Does the Committee wish to accept or amend the assumptions and calculations made in this report to identify a 'reasonable' capital reserve sum incorporating an allowance for risk, and reflect this in the Reserves Policy (section 4 of this report)?
3. Does the Committee wish to make any comments/recommendations on any longer-term funding source for the replenishment of the capital reserve and incorporate these into the Reserves Policy (section 5 of this report)?
4. Following consideration of the above, does the Committee wish to make any comment on the appropriateness (or not) of progressing the completion of work schedules, tenders etc for the Guildhall roof at this time (section 4.1 of this report)? This would lead to a costed proposal with a chosen contractor being put to council as part of the budget setting meeting of January 2026, but would also see a likely reduction in the capital reserve of approximately £170,000 when allowing for inflationary pressures in the next two years, completing the lead flashing replacements at the same time (as highlighted in the table in section 4), contingencies etc.

LICHFIELD CITY COUNCIL

RESERVES POLICY

1. Introduction

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Act 1992 requires that local precepting authorities have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing-this forms part of the general reserves.
- A contingency to cushion the impact of unexpected events or emergencies.
This also forms part of general reserves.
- A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements.

2. General Fund Balance

The general fund balance, commonly termed the 'working balance' is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term cash flow problems.

The general fund balance is to be maintained at a level based upon a risk assessment carried out by the Responsible Finance Officer (RFO). **The working balance to be maintained at a minimum level approximately six months of net revenue expenditure (currently approximately £500,000).**

When setting the budget for the forthcoming year, any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

3. Financial Risk Management

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure including provisions and contingencies that may be required.

The main items to be considered are:

Financial Risk	Analysis of risk
Inflation assumptions	Inflation increases at a higher rate than assumed for items such as Pay Awards, Utilities and Supplies and Service Costs.
Insurance	To enable the Council to meet the excesses of claims not covered by insurance
Collection of Income	There is a reduction in collection performance for Guildhall and Markets.
Elections/referendum	insufficient resources to meet Parish elections/referendum costs
Grounds Maintenance costs	Impact of unexpected increase in costs
Impact of VAT Tribunal Decisions	Impact of backdated VAT liability
Contingencies	To meet unexpected events or emergencies
Pandemic	To meet the impact on Services

4. Statutory Reserves

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices, such as Community Infrastructure Levy (CIL).

5. Earmarked Reserves

Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:

- The reason/purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5.1 Capital Reserve

The City Council owns or is responsible for a relatively large portfolio of buildings, including Grade 1, 2 and 2* listed properties of local, national and international importance as well as community centres, landmarks and other structures. The City Council has invested significant sums into these assets and continues to do so, requiring a healthy capital reserve in order to ensure these buildings are maintained and improved, with emerging defects being identified and resolved in a timely manner to reduce costs in the long term, and reduce/prevent disruption that disrepair causes to users of the building and the wider community.

In March 2025, the City Council's Audit Committee reviewed costs that have arisen, projects completed, and the outstanding items from the most recent round of professionally

completed quinquennial inspections, together with documentation from Historic England that aims to set out likely costs of managing Churches over a five-year period. It was noted that while some LCC buildings would not be as complex as a Church to maintain, others may be more complex, and several would require periodic replacement of facilities not normally found or utilised to such a degree in a Church setting, such as appropriate toilet facilities, kitchens etc that are a requirement in community halls and public buildings.

The Audit Committee concluded that it would be prudent to aim for a significant increase in the current capital reserve due to likely liabilities arising based on the following criteria for each of the City Council's main building assets, namely:

- Guildhall
- Donegal House
- Samuel Johnson Birthplace Museum
- Community Centres at Darwin Hall, Cruck House, Curborough and Boley Park

Item	Cost £
10-year maintenance - Average Historic England 5-year figure of £27,500 used	55,000
10-year improvement programme (e.g. replacement kitchen etc)	30,000
Allowance for Risk	30,000
Employee Costs, professional fees etc (each assumed 10% of project cost)	17,000
Inflation – 2% per year for 10 years = average 10% across the period	13,000
Total	£146,000

It was further agreed that an additional £250,000 in total to cover other assets held by the Council as detailed in the table overleaf would be reasonable, especially given the known issues with the Friary Clock Tower, and the importance of the memorial in the Remembrance Garden, stability of the (listed) surrounding walls etc. The total capital expenditure required based on this calculation would be in the region of £1,300,000. The Committee agreed that the peaks and troughs of expenditure in any one year means that the council should maintain a minimum reserve consistent with the highest level of capital expenditure in any 2 (or 3) of the last 10 years when adjusted for inflation.

Furthermore, the Committee felt that a maximum level for the capital reserve should be provided, and that this maximum should reflect the insurance value of the assets concerned to ensure that the sum held could be judged annually. It was agreed that this figure should be 10% of the insurance valuation of the main assets as set out above (£1,711,638 for 2024/25). The insurance valuations are updated each year and are based on professional valuations of LCC property that are undertaken approximately every five years. A policy statement was agreed as follows:

The aim is to hold in the capital reserve a minimum of the sum equivalent to the maximum capital expenditure of any 2 [or 3] of the last 10 years adjusted for costs and inflation. The long-term goal is to hold in that reserve a sum approximately equivalent to 10% of the latest insurance value of the City Council's main assets, plus the Birthplace Museum of which LCC is the sole Trustee. Progress towards these aims to be monitored at least annually by the Audit Committee, with recommendations emerging from the Committee for transfers from General Reserves, precept income to be directed to the capital reserve, JPAG advice etc, all subject to formal consideration by Council.

The following earmarked reserves will be held by the council;

Budget description	Use	Total Reserve 2023/24 £	Total Reserve 2024/25 £	Total Reserve 2025/26 £	
<u>CAPITAL EARMARKED RESERVE</u>					
Dr Johnson Birthplace Listed Building No 1292492 Grade I	To provide for future capital works and maintenance as outlined in Capital Reserve -Analysis of Funding Requirements 2021/22 to 2031/32 (Council 27/02/2020) and Audit Committee recommendations (March 2025)	£191,385	£148,225	£142,225	
Guildhall Listed Building No 1187740 Grade II		£437,239	£421,414	£411,921	
Donegal House Listed Building No 1209722 Grade II*					
Cruck House Listed Building No 1194899 Grade II*		£15,000	£15,000	£15,000	
Friary Clock Tower Listed Building No 1218909 Grade II		£40,000	£40,000	£40,000	
War Memorial and Garden Wall, Balustrade and Gate Listed Building No 1187733 Grade II*		£30,000	£30,000	£30,000	
Boswell Statute Listed Building No 1187726 Grade: II Dr Johnson Statute Listed Building No 1217846 Grade: II*		-	-	-	
Stafford Road ,Pinfold Listed Building No 1194898 Grade: II		-	-	-	
Borrowcop Pavilion Listed Building No 1187718 Grade: II		-	-	-	
Prince Rupert’s Mound Listed Building No 1021362 Ancient monument		-	-	-	
Grey Friars Listed Building No 1008544 Ancient Monument		-	-	-	
Community Centres -Curborough -Boley Hall -Darwin Hall		£59,000	£36,000	£30,000	
Market Square and Toilet Block		-	-	-	
Closed Churchyards		-	-	-	
Open spaces-including Street Furniture and lighting		£77,000	£55,000	£40,000	
TOTAL CAPITAL EARMARKED RESERVES		£849,624	£745,639	£709,146	
TRANSFER FROM REVENUE RESERVE		-	-	£219,842	
TOTAL CAPITAL EARMARKED RESERVES		£849,624	£745,639	£928,988	

Budget description	Use	Total Reserve 2023/24 £	Total Reserve 2024/25 £	Total Reserve 2025/26 £
REVENUE EARMARKED RESERVES				
Grant Aid Reserve	In accordance with Council Minute 2 March 2020 any underspending of grant allocation to be carried forward.	£8,789	£4,033	£4,033
Election Reserve	To build up the reserve over 4 years to fund the elections in May 2027 and any ad hoc bye-elections	£9,713	£24,713	£24,713
Twinning Reserve	To build up a reserve for the twinning weekend September 2026	-	£17,000	£17,000
Community Infrastructure Levy (CIL) Neighbourhood Plan-Meaningful Proportion	In accordance with the requirements of CIL legislation	£115,650	£104,562	£114,408
TOTAL REVENUE EARMARKED RESERVES		£134,152	£150,562	£160,154
TOTAL EARMARKED RESERVES		£983,776	£895,947	£1,089,142

Review of Adequacy of Balances and Reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

The Joint Panel on accountability and Governance (JPAG) Practitioner's Guide March 2024 provides full guidance on the generally accepted recommendation with regards to the appropriate minimal level of a smaller Authority's General Reserve. They state this reserve should be maintained between three months and twelve months of Net Revenue Expenditure (NRE).

The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure more than £200,000 should plan towards 3 months equivalent general reserve.

Level of General Reserves is as follows:

Year	General Reserve	Net Revenue Expenditure	NRE Equivalent (Months)
2019/20	£689,374	£757,180	11
2020/21	£743,080	£871,597	10
2021/22	£727,988	£801,308	11
2022/23	£707,870	£855,507	10
2023/24	£729,766	£931,850	9
2024/25 Estimate	£719,191	£923,231	9
2025/26 Estimate	£719,191	£998,698	9
2025/26 Revised	£499,349	£998,698	6

LICHFIELD CITY COUNCIL

AUDIT PLAN

1. Purpose of the Report

To consider the work programme for the Internal Auditor for the year 2025-26.

2. Statement of Reasons

The Internal Auditor must ensure that all activities of the Council are subject to an internal audit review in accordance with the Accounts and Audit (England) Regulations 2011.

The identification of these activities has been agreed with the Town Clerk, considering perceived priorities and risks, which cumulates in the production of a strategic plan.

The Audit Plan has been compiled and is set out below.

The plan is based upon the following principles:

- An attempt has been made, based upon the Internal Auditor's experience, to target areas that are known to be high risk
- Based on information available, to include those areas which have not been subject to a recent audit review

By achieving the Audit Plan, the Internal Auditor will be providing the Town Clerk and councillors with the necessary assurance that the internal controls are in place and are operating effectively.

At the end of the year, an audit report will be issued detailing the findings of the reviews together with any recommendations required to be implemented in order to achieve the required level of control.

3. Recommendation

To approve the Audit Plan

AUDIT PLAN

1. Financial Services

- 1.1 Fraud and Corruption Checklist
- 1.2 Main Accounting System
- 1.3 Creditors
- 1.4 Sundry Debtors
- 1.5 Payroll
- 1.6 Management of VAT
- 1.7 Banking Arrangements
- 1.8 Petty Cash
- 1.9 Income Monitoring
- 1.10 Budgetary Controls
- 1.11 End of year closedown
- 1.12 Statement of Accounts

2. Strategic Policies

- 2.1 Treasury Management Policy and Strategy Statement
- 2.2 Investment Policy
- 2.3 Treasury Management Practices

3. Specific Reviews

- 3.1 Financial Regulations and procedures
- 3.2 Contract Standing Orders
- 3.3 Review Internal Audit Recommendations
- 3.4 Capital Works
- 3.5 Local Government Transparency Code 2015
- 3.6 Insurance
- 3.7 Members Code of Conduct and Disclosure of Interests
- 3.8 The Samuel Johnson Birthplace Museum
- 3.9 Policy and Procedure Documentation-Employees
- 3.10 Further Developments
- 3.11 Review of Corporate Governance
- 3.12 Any Other Areas Identified During the Year of Audit

4. Management and Insurance Risk Register