

For Council: 10 March 2025 APPENDIX 4

Lichfield City Council

Minutes of the Meeting of the Audit Committee held via 'Zoom' on Wednesday 5 March 2025 at 6.30pm

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

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

Apologies: Councillors A Lax, M Warfield, and A James (Accounts Officer).

12. DECLARATIONS OF INTEREST AND REQUESTS FOR DISPENSATION

None

13. MINUTES AND MATTERS ARISING

RESOLVED: *The Minutes of the meeting held on 4 December 2024 be agreed as a correct record. [Minutes adopted by the City Council on 16 December 2024].*

14. INTERNAL AUDIT REPORT 2024-2025

Members considered the Internal Audit report. The Internal Auditor was thanked for a comprehensive document.

RECOMMENDATION TO COUNCIL: *That the report be noted, and the recommendations and timescales therein be adopted.*

15. ANNUAL REVIEW - EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

Members undertook a review of the effectiveness of the System of Internal Control as required by Regulation 5 of the Accounts and Audit Regulations 2015 (Internal Audit).

RECOMMENDATION TO COUNCIL: *That the Review findings as contained in Appendix A to these Minutes be adopted.*

16. TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT

Consideration was given to the Treasury Management Policy and Strategy Statement. Cllr J Marshall asked whether the use of short-term investments in money markets had ever been considered, such investments being potentially more lucrative but also more labour intensive. The Town Clerk stated that LCC's policy had always been very conservative in such matters, and that while such investments had been discussed previously, there had never been an agreement to pursue them.

The Internal Auditor confirmed that the interest rate on LCC's main investment was currently 3.82%; Cllr Marshall to ascertain rates available via the avenues he suggested, and the matter to be further considered at a subsequent meeting of the Committee.

RECOMMENDATION TO COUNCIL: *That the council adopt the Treasury Management Policy and Strategy Statement 2025-2026, as contained in Appendix B to these Minutes.*

17. CAPITAL RESERVE

Consideration was given to the Town Clerk's agenda report, which set out the following:

1. 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 (adjusted for inflation in the construction sector), 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

The Chair summarised the various elements of the report in turn, with discussion of each point being undertaken by the Committee. Cllr Marshall stated that it was the role of the Audit Committee to highlight the depleting Capital Reserve to Council, and it is then for Council to decide how it wishes to react to that situation over the coming years. The discussion led to the following:

RECOMMENDATIONS TO COUNCIL:

1. ***In light of JPAG advice in their most recent Practitioners Guide (which informs the External Auditors to whom LCC must by law submit its various financial details and other information as required annually), LCC to make a transfer from general revenue reserves to the earmarked capital reserve at the end of the current financial year, reducing general reserves from approximately 9 months of Net Revenue Expenditure (NRE) to approximately 6 months NRE, a transfer of £219,842.***
2. ***That a minimum capital reserve level be set at a figure that approximately matches the total sum of the two years of highest capital spend in the past 10 years, adjusted for inflation (currently approximately £860,000). A maximum level of capital reserve be set at an equivalent to 10% of the insurance value of the main LCC building assets (currently £1,711,638).***
3. ***That the above changes be incorporated into the draft Reserves Policy.***
[Town Clerk's Note: The Draft Reserves Policy, considered below and provided at Appendix C of these minutes, provides further detail]
4. ***That Council delegates authority to the Town Clerk, utilising professional services as necessary, to progress the completion of work schedules, tenders etc for the Guildhall roof repairs, in readiness for a fully costed proposal to be put before council at its budget setting meeting of January 2026.***
[Town Clerk's Note: This preparatory work will incur some costs not included within the 2025/26 R&R budget approved by Council in January 2025.]

18. RESERVES POLICY

Members considered the draft Reserves Policy and the proposed amendments following discussion of the previous item.

RECOMMENDATION TO COUNCIL: *That the council adopt the Reserves Policy as contained at Appendix C to these minutes.*

19. AUDIT PLAN

The Committee considered the Audit Plan which set out the proposed work programme for the Internal Auditor for 2025/26.

RECOMMENDATION TO COUNCIL: *That the Council adopt the Audit Plan as contained in Appendix D to these Minutes.*

20. APPOINTMENT OF INTERNAL AUDITOR

Members considered the provision of Internal Audit for the 2025/26 financial year. The Internal Auditor was thanked for his dedication and exceptional work during 2024/25.

RECOMMENDATION TO COUNCIL: *That Graham Keatley be reappointed Internal Auditor for 2025/26.*

21. STRATEGIC RISK REGISTER – PROPOERTY MANAGEMENT

At the December 2024 meeting of Council, Councillor C Creatorex 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 (Audit Committee meeting of 6 June 2024). The Committee felt it would be appropriate to consider this matter at the next meeting, when the Strategic Risk Register is scheduled for review.

RESOLVED: *That discussion of this matter be left an abeyance pending the overall review of the Strategic Risk Register at the June meeting of the Committee.*

22. DATE AND TIME OF NEXT MEETING

In the City Council's draft Calendar of Meetings as Wednesday 4 June, at 6.30pm. The Committee has previously expressed its preference that the meetings are held via 'Zoom'.

23. ANY OTHER BUSINESS

As Cllr Warfield, the only Conservative representative on the Committee, had experienced technical difficulties and been unable to join the meeting, the Chair asked the Town Clerk to contact the Leader of the Conservative Group to set out the discussions held, notably in regard to the capital reserve, and invite any queries that may arise from the Conservative Group prior to the council meeting on Monday 10 March. The Town Clerk confirmed that this would be actioned.

THERE BEING NO FURTHER BUSINESS THE MEETING WAS CLOSED AT 7.07pm

Audit Committee Minutes 5 March 2025: APPENDIX A

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.

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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 I 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.

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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 of the last 10 years when adjusted for inflation (approximately £860,000 for 2024/25).

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 in any 2 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</u> EARMARKED RESERVE				
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*		£15,000	£15,000	£15,000
Cruck House Listed Building No 1194899 Grade II*		£40,000	£40,000	£40,000
Friary Clock Tower Listed Building No 1218909 Grade II		£30,000	£30,000	£30,000
War Memorial and Garden Wall, Balustrade and Gate Listed Building No 1187733 Grade II*		-	-	-
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
TRANSFER FROM REVENUE RESERVE		-	-	£219,842
TOTAL <u>CAPITAL</u> 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

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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