

STONE TOWN COUNCIL

Town Clerk

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30th January, 2017

A meeting of the **GENERAL PURPOSES COMMITTEE** will be held in the **Council Chamber, 15, Station Road, Stone** on **TUESDAY 7TH FEBRUARY, 2017** at 7:05pm or on the rising of the Council Meeting if later.

I trust you will be able to attend.

Les Trigg
Town Clerk

AGENDA

1. **To receive apologies for absence**
2. **Declarations of Interest and Requests for Dispensations Received**
3. **To receive the report of the County Councillors**

- County Councillor P Jones
- County Councillor I Parry

4. **Representations from Members of the Public**

To consider representations from members of the public on items to be considered at this meeting, in accordance with the Council's scheme of public participation

5. **To consider the Minutes and recommendations of the undermentioned Committees:**

- a) Neighbourhood Plan Steering Group Meeting held on the 11th January, 2017, Minute Numbers NP17/008 – NP17/011 (attached)
 - i. To consider the Minutes
 - ii. To consider approving the undertaking of a consultation as contained in the appendix under "Special Character Area"

5. **Governance and Accountability for Smaller Authorities in England**

To consider the report of the Clerk (attached)

6. **To note the date for the Ex-Servicemen's Bowls Match (Monday 19th June at 6pm) and to agree to fund the buffet as in previous years**
7. **Plan for Stafford Borough Part 2**
To discuss and comment on the inspector's report (attached)

8. **Members' Motions under Standing Order 4**

Councillor J Davies

"This year, Sunday 23 April is St George's Day, the day we acknowledge the patron saint of England. I ask the Town Council to resolve to purchase a Flag of St George to be flown on the flag pole at the top of the High Street on St George's Day this year and subsequent years, and on any other appropriate occasions. The purchase cost should not exceed £150.00."

Members' Motions under Standing Order 4

Councillor J Davies

"On 17 May 2016 the Council resolved to appoint annually two Mayor's Cadets and approved a related protocol. The draft protocol was amended prior to the resolution, removing the phrase "other occasions as requested by the Town Mayor". This phrase was removed to allay the fears of some councillors who perceived a risk under the draft protocol that every Mayor would need to undergo a Disclosure and Barring Service (DBS) check. Subsequent discussions with the Officers Commanding the two cadet units has indicated that no such DBS check is needed.

I ask the Town Council to resolve to amend the subject protocol inserting, in place of the phrase removed at the earlier meeting, the phrase "other occasions as requested by the Town Mayor and agreed by the Officers Commanding the relevant cadet units".

Members' Motions under Standing Order 4

Councillor J Davies

"I ask the Town Council to resolve to invite the new Chief Executive of Stafford Borough Council, Mr Tim Clegg, to a future Council Meeting in order for him to meet the Council and to answer any questions the Council may have."

9. **Update from Working Groups:**

- a) Neighbourhood Plan Steering Group

10. **To receive reports from Town Councillors on attendance at meetings of local organisations and outside bodies as a representative of the Town Council**

Stone ATC – Mayor

Age Concern Stone & District – Cllr’s Mrs C Collier, Mrs K Green

Stone Town Band – Mayor

Walton Community Centre – Cllr M Shaw

Stafford & Stone Access Group – Cllr Mrs C Collier

Stone Common Plot Trustees – Cllrs Mrs C Collier, G Collier, Mrs J Hood, R Kenney and
M Shaw

Stone Community Hub Liaison Group – Cllrs Mrs J Farnham, M Green, A Osgathorpe, Mrs J
Hood and R Kenney

11. **To resolve, pursuant to the Public Bodies (admission to Meetings) Act 1960, the Public and Press be excluded from the meeting whilst the next item of business is discussed on the grounds that publicity would be prejudicial to public interest by reason of the confidential nature of the debate.**

12. **Internal Audit 2017-18 Onwards**

To consider the report of the Clerk (attached)

Members of the public are welcome to attend the General Purposes Meeting as observers. Persons attending should enter the Borough Area Office through the rear entrance door (adjacent to the car park). The Council Chamber is at the top of the stairs.

Stone Town Council – Neighbourhood Plan Steering Group Committee

Minutes of the meeting held in the Council Chamber on Wednesday 11 January, 2017

PRESENT: H Barter (Urban Vision)
Councillors J Davies, Mrs J Hood, T Jackson, A Osgathorpe, Mrs J Piggott and
M Williamson
also J Bonser, G Barr and B Rochelle

NP17/008 **Offered Apologies**

Apologies were received from Councillors Mrs C Collier, G Collier, I Fordham,
M Green, R Kenney and G Neagus

NP17/009 **Declarations of Interest**

None received

NP17/010 **Neighbourhood Plan**

Hannah Barter circulated comments received from Stafford Borough Council
regarding the draft Neighbourhood Plan. Comments and actions are summarised
in appendix 1.

NP17/011 **Date of Next Meeting**

The next meetings will take place in the Council Chamber on:
6:30pm Wednesday 25th January to agree consultation document
6:30pm Wednesday 8th March (including Hannah Barter)

Comments on the Draft Stone Neighbourhood Plan – received 27th October 2016

The Draft Stone Neighbourhood Plan – Comments from Stafford Borough Council November 2016

Section	Comments	Actions
General Feedback	<p>The purpose of this note is to provide feedback to Stone Town Council on the draft version of the Neighbourhood Plan which was received on the 27th October 2016 titled: <i>'Draft Stone Neighbourhood Development Plan October 27-10-16[2390] Jane Experiment.docxNeighbourhood'</i>.</p> <p>The general feeling was that the neighbourhood plan was a well written document which clearly reflects the hard work of those who have contributed to the writing of the plan.</p>	Highlight in bold key facts that we want to draw attention too. (NP Steering Group)
Key Outcomes and Issues	<p>The third Paragraph states: <i>'addition of a further 600 new homes in addition to those which have planning permission'</i>. As a general observation, the Stone Strategic Development Location currently has outline planning permission for 500 houses under the 13/19002/OUT application. Does this impact upon that sentence? More detailed commitment and completion housing figures can be provided on request.</p>	New paragraph inserted by HB (UVE)
Stone - The Place	<p>This section is well written and provides an extensive background to the town. However, a concern has been raised that users of the plan /the development industry may skip this section because of its length. This would be a shame as this section provides a useful context to the policy in the plan. As a solution, we would suggest streamlining this section to draw out the key points. The full details could then be included in an appendix to provide further context.</p>	No action

History and Heritage	For the same reasons as above, we would suggest streamlining this section to highlight the key points.	No action
Demographic	<p>The headline figures page in this section is visual and easy to use. In much of this section the supporting text builds upon these headline figures which is excellent and we suggest this should be done throughout the rest of this section.</p> <p>The Staffordshire Observatory has produced the 'Stafford Locality Profile'. This document provides comprehensive demographic figures for the Borough which the Town Council may find useful. Please find attached an electronic copy of this document.</p>	No action
Community Assets and Facilities	We support the approach of the Town Council in identifying community assets. At the start of this section a distinction could be made between 'Community Assets' as described in the draft Stone Neighbourhood Plan and an 'Asset of Community Value' as defined in the 2011 Localism Act. This would just add additional clarity to those using the plan. As a general note, Westbridge Park is already on the Borough Council's list of Community Assets.	New paragraph inserted by HB (UVE)
Infrastructure	Paragraph 5 of this section states ' <i>new development will be required to deliver education contributions to primary, middle and secondary school facilities in Stone</i> '. We would suggest that if this sentence is intended to direct funding from developments, it may be more appropriate to integrate it within the policy section of the Neighbourhood Plan.	No action
Local Green Space	We would suggest that a link could be made between this section and the draft Policy CAF5 to show that they are integrated.	Explanatory sentence to be inserted by HB
Special Character Area	It was suggested that section could include more details of the rationale behind identifying Special Character Areas, as well as the impact of the designation on that specific area.	Additional sentence regarding rationale to be added on page 46 and page 47. (UVE) Consultation with these residents to take place and summarised in the text (NP Steering Group)

Gateways and Views	<p>This section demonstrates that thought has been given to the setting of the town. We would only add that conservation areas are designated Heritage Assets, therefore it is important that if any of these Gateways and Views include part of a Conservation Area, that this is identified in the narrative.</p>	<p>Add a line to say that it is in the conservation area where applicable. (NP Steering Group)</p>
General Policy Feedback	<p>The way in which the vision and aims have been linked to the draft policies is good. Other Neighbourhood Plans have added another section after each policy on the 'implementation of the policy' which provides details of how the policy should be used. This is something which could be considered.</p>	<p>No action</p>
Policy H1: Housing Tenures and Types	<p>Much of this policy as drafted repeats adopted Policies Stone 1 and C2 and C3 in the Plan for Stafford Borough. From our experience with the other Neighbourhood Plans, where there has been repetition in policy the Examiner has recommended that the policy is omitted.</p> <p>This is a real opportunity for the Town Council to build upon the policies in the adopted Plan for Stafford Borough and more recent national policies, for example self-build and custom building plots. In Teignbridge on sites of more than 20 dwellings, developers are required to supply at least 5% of dwelling plots for sale to custom builders.</p> <p>With regard to housing mix and tenure, we are assuming as part of the evidence base that a Parish Housing Needs Assessment has been undertaken, what is this showing? Is there a need for more bungalows, 1 and 2 bed room houses? The findings of this assessment could inform the mix on new development sites.</p> <p>The adopted Plan for Stafford Borough does not have a policy on Lifetime Homes or indeed renewable energy. So there is the opportunity to include this as part of the housing policy.</p>	<p>UVE Cross referenced the policies again to ensure no duplication. No action</p>

<p>Policy H2: Housing Design</p>	<p>Comments have asked whether this policy is just for housing or should it encompass other use classes as well? If it is just for housing, there are no design policies in the plan for non-residential development? – Regarding the first Bu does this apply more to businesses than housing? A num policy H2 are similar to existing policies (N1) in the Plan for Stafford Borough. These policies should be carefully considered to avoid duplication. The Stone Neighbourhood plan should ‘complement’ the design policies in the Plan for Stafford Borough.</p> <p>The section on Special Character areas needs to be linked back to the section earlier in the text. The policy should explain why ‘garden grabbing’ would cause harm to these areas. The owners of these areas would also need to be consulted directly. Does this Policy only refer to housing or should it encompass other forms of development as well?</p> <p>Regarding the last sentence on Design and Access Statements – Guidance for these are provided under The Town and Country Planning (Development Management Procedure) (England) Order 2010.</p> <p>Comments have suggested that some thought could be given to how new design will be evaluated. Further advice has been given suggesting that the Stone Neighbourhood Plan team should undertake a landscape characterisation and visual impact assessment of the town, to frame the town within the context of its wider landscape. This will help to guide the future direction of the town. An assessment will also help with creating Architectural and Landscape design principles which could be used in the plan (see attached document for more details).</p>	<p>Change title to “Design”</p> <p>Look to changing rationale to include all designs (UVE)</p>
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<p>Policy BE1: Small Home Based Business</p>	<p>Comments have suggested that the first bullet point needs greater clarity on the types and scale of development which would be supported. Does this policy apply to ‘Special Character Areas’?</p> <p>The second bullet point could also be clearer as this policy is combining aspects of housing and business policy.</p>	<p>No action</p>
<p>BE2: Stone Town Centre and Local Retailing</p>	<p>For the first bullet point, a map showing the Primary and Secondary Frontages would add clarity to the draft policy. To provide greater flexibility and to support our town centres, SBC took the view to remove the onerous on only promoting retail uses and so it was decided not to identify primary and secondary frontages in Part 2 of the Plan for Stafford Borough. Thought should be given to: What are the issues for Stone? Is there concern about the loss of retail uses to non –retail uses such as finance, property of legal services? Adopted policy SH02 in the Stafford Local Plan adopted in 2001 sought to restrict the concentration of uses along primary retail frontages. Is this something that you want to promote in the NP? Building upon the successful farmer’s market and food festival, does Stone want to be a known as destination for restaurants and dining?</p> <p>The second bullet point could do with providing greater clarity over how the non-A1 use must be complementary.</p> <p>In regards to the third bullet point, Policy E8 of the adopted local plan already proposes 500 square metres; therefore this policy is in conflict with the Plan for Stafford Borough.</p>	<p>Omit the 200m2 figure in</p> <p>Amend the policy text to read all major useage outside of boundary. (UVE)</p>

<p>Policy CAF1: Local Play, Sports and Recreational Facilities</p>	<p>The Borough area has an existing Open Space Sport and Recreation Assessment 2008 – updated in 2013. For the neighbourhood plan to be consistent with these documents, we suggest that CAF1 should be amended. This could include the Neighbourhood Plan identifying existing parks/ facilities, in which funding from contributions could be channelled towards.</p>	<p>No action</p>
<p>Policy CAF2: Green Infrastructure</p>	<p>There is concern that as drafted that this policy is not too dissimilar to adopted Policy N4 of the Plan for Stafford Borough and therefore could be rejected by the Examiner. Again, similar to the recommendation above, this policy could identify green spaces and environmental assets which it would be ‘desirable’ for contributions to be directed to.</p> <p>As a general observation, in the last paragraph the phrase ‘great weight shall be given’ should be reconsidered. It is up to the decision maker to decide ‘weight’, therefore this phrase should be changed to include the word ‘desirable’ rather than ‘weight’. Another observation is that the phrase ‘the overall kinetic and spatial experience of Stone’ is unclear and how this will be interpreted. The wording of policies should attempt to be unambiguous to aid decision makers.</p>	<p>No action</p>
<p>Policy CAF3: Community Assets</p>	<p>This policy is similar to Policy SB2 in the Plan for Stafford Borough Part 2, and could be rejected by the Examiner. We would suggest that the Neighbourhood Plan complements policy SB2 through identifying community facilities in the Neighbourhood Plan area that it wants to protect/enhance. It looks as if part of this this work has already been done earlier in the Neighbourhood Plan document under the ‘Community Assets and Facilities’ section.</p>	<p>HB to re-word policy. If it cannot be made different it is to be removed (UVE)</p>
<p>Policy CAF4: Protected Views and Vistas</p>	<p>This Policy should be linked to Policy N9 of the Plan for Stafford Borough which protects views and Vistas in the Historic Environment.</p> <p>Again the phrase ‘overall Kinetic and Spatial experience’ should be reconsidered.</p>	<p>HB to make reference to Policy N9 of Plan For Stafford Borough Part 2. (UVE)</p>

	<p>We would suggest that the policy also needs to clearly link to the previous gateways and views section which sets the context for this policy. One of these sections should also make clear what views are over conservation areas.</p> <p>Comments have been made suggesting that the last sentence of the policy would be better suited to stating that development should not 'significantly harm' views, rather than how the proposals would 'enhance them'.</p>	<p>No action</p> <p>No action</p>
<p>Policy CAF5: Local Green Space</p>	<p>A definition of local green could be provided in this section. The text of the policy should be edited so "<i>Local Green Space</i>" is in quotation marks. The first part of the second sentence should be amended to read. '<i>Development will only be allowed in exceptional circumstances...</i>'</p> <p>We recognise that this policy is currently being worked on by the Neighbourhood Planning Group, who are undertaking a separate consultation on Local Green Space.</p>	<p>Agreed to change to '<i>Development will only be allowed in exceptional circumstances...</i>' (UVE)</p>
<p>Neighbourhood Development Order</p>	<p>We Will be happy to comment on the Neighbourhood Development Order when we receive more information.</p>	

Stone Town Council – General Purposes Committee

7th February 2017

Governance and Accountability for Smaller Authorities in England

Report of Town Clerk

Introduction

1. The Council is required to follow proper practices with regard to its governance and accountability.
2. This report considers the latest guidance, and the extent to which these proper practices are met by the Town Council.

Background

3. As stated above, the Council is required to follow proper practices with regard to its governance and accountability. These “proper practices” are brought together in a document called “Governance and Accountability for Smaller Authorities in England”, which contains both statutory and non-statutory guidance. A full copy of this guidance is attached as an appendix.
4. The latest version of the guide has effect from the current financial year, so will affect the Council’s ability to certify the annual return to the external auditor which it will consider later in the year.
5. I have undertaken a review of the guide and have set out below areas which, in my view, the Council either does not currently comply with statutory requirements or, in the case of non-statutory guidance, does not comply with good practice. I emphasise that this is my view. It is part of the work of the internal auditor to comment each year on the Council’s internal control arrangements in completing Section 4 of the annual return to external audit. No adverse comments have been received from the internal auditor in recent years, but the 2016-17 review will be against the latest version of the guidance referred to above. The Committee are asked to consider whether the internal auditor should be asked specifically to consider this issue as part of that review and report back independently.

Outcome of Review – Areas Needing Consideration

Bank Reconciliations

6. Paragraph 1.10 of the guidance states that *“Statements reconciling each of the authority’s bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year-end, and reviewed by members of the authority.”*

7. Currently bank reconciliations are prepared monthly for the Council's main bank account, but less frequently for its other accounts. The reconciliations are not reviewed by members of the authority.
8. It is recommended that this Member review is introduced with immediate effect. This review could be undertaken by including bank reconciliation statements within this Committee's agendas, but this seems a cumbersome approach, and out of keeping with the Council's general approach to financial management.
9. My recommendation, therefore, would be to identify a group of six or so Members with the skills to undertake this task. Each bank reconciliation could then be reviewed by two Members on a rotational basis throughout the year, with the year-end bank reconciliations also being reported to the Council alongside the final accounts.

Effectiveness of Internal Control

10. Paragraph 1.20 of the guidance states that *"Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement."*
11. Currently, this is covered by the requirement placed on the internal auditor that the scope of the audit should be sufficient to enable the completion of Section 4 of the annual return. Section 4 covers internal controls and by signing it the internal auditor is certifying that *"in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this smaller authority."*
12. In my view, by including this requirement within the scope of internal audit the Council has discharged its responsibilities under Regulation 6 of the Accounts and Audit Regulations 2015. It is open to Members, however, to undertake their own review of the effectiveness of internal controls in addition to the audit review if they believe it is required.

Asset Register

13. Paragraph 2.25 of the guidance states that *"Authorities need to maintain a register of the fixed assets, long-term investments and other non-current assets that they hold."*
14. The Council does not currently have an asset register. Although the work to produce one has been planned for some time, it has not been possible to prioritise it compared with other necessary tasks. It will now need to become a priority, so that it is produced and in use by 31st March 2017.

Internal Audit

15. Paragraph 4.21 of the guidance states that *"Authorities should from time to time carry out a review of the effectiveness of their overall internal audit arrangements. The review should take place at least once every three years and also in the year of any change of internal audit provider or responsible finance officer. Any review should balance the authority's internal audit needs and usage. It should be designed to provide sufficient assurance for the authority"*

that standards are being met and that the work of internal audit is effective. Authorities judge the extent and scope of the review by reference to their own individual circumstances.” Paragraphs 4.22 to 4.26 of the guidance also go on to describe the nature of this review in more detail.

16. The last review of the Council’s internal audit arrangements was undertaken by this Committee on 15th April 2014, minute number GP14/118. It is therefore time for the next three-year review, for implementation in the 2017-18 financial year.
17. A separate report on today’s agenda considers this review in more detail.

Conclusion

18. This report has considered the Council’s governance and accountability against the published “proper practices” which take effect for the 2016-17 accounts.
19. The report has concluded that, whilst the Council’s processes accord with these proper practices in virtually every aspect, there are a small number of areas which need to be addressed.

Recommendations

20. In respect of **bank reconciliations**, it is recommended that:
 - a. The Council’s bank reconciliation processes should be amended in accordance with paragraph 9 above.
 - b. Subject to the acceptance of recommendation 20a above, a small group of Members should be nominated to undertake the review of bank reconciliations.
21. In respect of **the effectiveness of internal control**, it is recommended that:
 - a. The Committee determine that the Council’s responsibilities in respect of reviewing the effectiveness of internal control are met by the work required to be undertaken by the internal auditor.
 - b. If recommendation 21a above is not accepted, the Committee determine the approach to be taken to the annual review of the effectiveness of internal control.
22. In respect of the **asset register**, it is recommended that an asset register is produced by the end of the current financial year.
23. In respect of **internal audit**, to note that this item is considered later on today’s agenda.
24. Additionally, the Committee are asked whether or not they would want to request that the internal auditor undertake a further, independent review of the guidance to confirm the Council’s compliance or otherwise.

Governance and Accountability for Smaller Authorities in England

A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements

March 2016

This Guide is issued by the Joint Practitioners' Advisory Group (JPAG), and jointly published by the Society of Local Council Clerks, the National Association of Local Councils and the Association of Drainage Authorities.

JPAG is responsible for issuing proper practices in relation to the accounts of smaller authorities. Its membership consists of sector representatives from the Society of Local Council Clerks, the National Association of Local Councils and the Association of Drainage Authorities, together with stakeholder partners representing the Department of Communities and Local Government, the Department of Environment, Food and Rural Affairs, the Chartered Institute of Public Finance and Accountancy, the National Audit Office, and a representative of the external audit firms appointed to smaller authorities.

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Foreword

The Practitioners' Guide ('the guide') is issued by the Joint Practitioners' Advisory Group (JPAG) to support the preparation by smaller authorities in England of statutory annual accounting and governance statements found in the annual return.

This 2016 edition of the guide applies to annual returns in respect of financial years commencing on or after 1 April 2016. It can be applied voluntarily to annual returns covering the period 1 April 2015 to 31 March 2016 (with the exception outlined in paragraph 2.27 in Section 2 of the guide).

In accordance with Section 6 of the Local Audit and Accountability Act 2014, an authority is a 'smaller authority' if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5 million. For the purposes of the Accounts and Audit Regulations 2015, a smaller authority may also be referred to as a 'Category 2 authority'. This guide uses the term 'authority' to refer to all types of smaller authority.

Sections 1, 2 and 3 of the guide represent the proper accounting and governance practices (*'proper practices'*) referred to in statute. They set out for responsible finance officers the appropriate standard of financial and governance reporting for smaller authorities and are **mandatory**.

Section 4 of the guide sets out the non-statutory guidance relating to internal audit which authorities are required to take into account.

Section 5 of the guide (to be issued separately) provides supporting information and practical examples to assist smaller authorities to manage their governance and financial affairs and is not mandatory.

The guide is intended as a working tool for smaller authorities, providing not only the common 'rules' for completing an annual return for use by responsible finance officers, but also as a reference work for auditors, both internal and external, members, other officers and the public to aid understanding of the annual return and the reporting on the smaller authority's governance and finances within it.

For this reason, the guide is written with the intention to be as widely accessible as possible to all users within the constraints of it also representing the appropriate standards for public reporting by smaller authorities.

JPAG is committed to a regular review of the guide to ensure that it remains fit for purpose for all smaller authorities in England. The guide is supported by the technical support teams at SLCC, NALC and ADA where you may address any questions about the content of the guide or suggestions for its improvement.

Steve Parkinson
Chair, JPAG
March 2016

Section 1 - The Annual Governance Statement

Introduction

- 1.1 [The Accounts and Audit Regulations 2015](#) require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.
- 1.2 This guide represents the proper practices in relation to accounts that smaller authorities need to follow in preparing their annual governance statement.
- 1.3 The purpose of the annual governance statement is for an authority to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.
- 1.4 Smaller authorities prepare their annual governance statement by completing Section 1 of the annual return. This is in the form of a number of statements, known as assertions, to which the authority needs to answer 'Yes' or 'No'. This guide follows the order of Section 1 of the annual return and sets out the actions that authorities need to have taken either during the financial year or after the financial year-end to answer 'Yes' to each assertion.
- 1.5 The authority needs to have appropriate evidence to support a 'Yes' answer to an assertion, for example a reference in a set of formal minutes.
- 1.6 If an authority is not able to respond 'Yes' to any assertion, it needs to provide an explanation to the external auditor on a separate sheet describing how the authority will address the weaknesses identified.
- 1.7 To assist practitioners, a pro-forma annual return is available alongside this guide.

Annual Governance Statement assertions

Assertion 1: Financial management and preparation of accounting statements

We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.

To warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.8 **Budgeting.** The authority needs to prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial

year. It needs to monitor actual performance against its budget during the year, taking corrective action where necessary. A financial appraisal needs to be undertaken before the authority commences any significant project or enters into any long term commitments.

- 1.9 **Accounting records and supporting documents.** All authorities, including parish meetings where there is no parish council, need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. The authority needs to have satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged their duties under [Regulation 4 of the Accounts and Audit Regulations 2015](#). The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions, and maintain up to date accounting records throughout the year, together with all necessary supporting information. The accounting statements in Section 2 of the annual return need to agree to the underlying records.
- 1.10 **Bank reconciliation.** Statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year-end, and reviewed by members of the authority.
- 1.11 **Investments.** Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements are invested appropriately, in accordance with an approved strategy which needs to have regard to DCLG's statutory [Guidance on local government investments](#). If total investments are to exceed £500,000 at any time during a financial year an authority needs to produce and approve an annual Investment Strategy in accordance with the DCLG guidance.
- 1.12 **Statement of accounts.** The authority needs to ensure that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices.
- 1.13 Supporting information on financial management and preparation of accounting statements can be found in Section 5.

Assertion 2: Internal Control

We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.14 **Standing Orders and Financial Regulations.** The authority needs to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the manner in which tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.
- 1.15 **Safe and Efficient Arrangements to Safeguard Public Money.** Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts.
 - 1.15.1 Authorities need to have in place safe and efficient arrangements to safeguard public money. Where doubt exists over what constitutes money, the presumption is that that it falls within the scope of this guidance.
 - 1.15.2 Authorities need to review regularly the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers (the RFO) has formal responsibility for those affairs (see paragraph 1.9 above).
 - 1.15.3 Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members. Whilst this requirement has now been repealed, the 'two member signatures' control needs to remain in place until such time as the authority has put in place safe and efficient arrangements in accordance with paragraphs 1.15.4 to 1.15.7 of this guide.
 - 1.15.4 Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions. Authorities also need to approve

any decisions to enter into 'pooling' or 'sweep' arrangements whereby the bank periodically aggregates the authority's various balances via automatic transfers.

- 1.15.5 If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account.
 - 1.15.6 The authority needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
 - 1.15.7 Risk assessment and internal controls need to focus on the safety of the authority's assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time.
- 1.16 **Employment.** The remuneration payable to all employees needs to be approved in advance by the authority. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.
- 1.17 **VAT.** The authority needs to have robust arrangements in place for handling its responsibilities with regard to VAT.
- 1.18 **Fixed Assets and Equipment.** The authority's assets need to be secured, properly maintained and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt.
- 1.19 **Loans and Long Term Liabilities.** Authorities need to ensure that any loan or similar commitment is only entered into after the authority is satisfied that it can be afforded and that relevant approvals have been obtained. Proper arrangements need to be in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities.
- 1.20 **Review of effectiveness.** [Regulation 6 of the Accounts and Audit Regulations 2015](#) requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.
- 1.21 Supporting information on internal control can be found in Section 5.

Assertion 3: Compliance with laws, regulations and proper practices

We took all reasonable steps to assure ourselves that there are no matters of actual or potential noncompliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.

In order to warrant a positive response to this assertion, the following processes need to be in place and effective:

- 1.22 **Acting within its powers.** All authorities' actions are controlled by statute. Therefore, appropriate decision making processes need to be in place to ensure that all activities undertaken fall within an authority's powers to act. In particular authorities need to have robust procedures in place to prevent any decisions or payments being made that are *ultra vires*, i.e. that the authority does not have the lawful power to make. The exercise of legal powers needs always to be carried out reasonably. For that reason, authorities making decisions need always to understand the power(s) they are exercising in the context of their decision making.
- 1.23 **General power of competence.** In particular an authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully understood and exercised in accordance with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012.
- 1.24 **Regulations and proper practices.** Procedures need to be in place to ensure that an authority's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied. Authorities need to have particular regard to the requirements of the Accounts and Audit Regulations 2015.
- 1.25 **Actions during the year.** An authority needs to have satisfied itself that it has not taken any decision during the year, or authorised any action, that exceeds its powers or contravenes any laws, regulations, or proper practices.
- 1.26 Supporting information on compliance with laws, regulations and proper practices can be found in Section 5.

Assertion 4: Exercise of public rights

We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.

In order to warrant a positive response to this assertion the authority needs to have taken the following actions in respect of the previous year's annual return¹:

1.27 **Exercise of public rights.** The authority provided for the exercise of public rights set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 requires the RFO to have published, including on the authority's website or other website:

- Sections 1 and 2 of the annual return;
- a declaration that the status of the statement of accounts is 'unaudited'; and
- a statement that sets out details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights.

1.28 **External Auditor's Review.** A notice of the conclusion of the external auditor's limited assurance review of the annual return, together with relevant accompanying information, was published (including on the authority's website or other website) in accordance with the requirements of Regulation 16 the Accounts and Audit Regulations 2015.

1.29 A parish meeting may meet the publication requirements by displaying the information in question in a conspicuous place in the area of the authority for at least 14 days.

1.30 Supporting information on the exercise of public rights can be found in Section 5.

¹ If the annual return referred to is that for 2014/15 (in the case of voluntary application of this guide to the annual return for 2015/16), the relevant legislation was the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011.

Assertion 5: Risk Management

We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.

In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

- 1.31 **Identifying and assessing risks.** The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.
- 1.32 **Addressing risks.** Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.
- 1.33 Supporting information on risk management can be found in Section 5.

Assertion 6: Internal Audit

We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

In order to warrant a positive response to this assertion, the authority needs to have taken the following actions:

- 1.34 **Internal audit.** The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account internal auditing guidance for smaller authorities.
- 1.35 **Provision of information.** The authority needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit, including making available all relevant documents and records and supplying any information or explanations required.
- 1.36 Non-statutory guidance on internal audit can be found in Section 4.

Assertion 7: Reports from Auditors

We took appropriate action on all matters raised in reports from internal and external audit.

- 1.37. To warrant a positive response to this assertion, the authority needs to have considered all matters brought to its attention by its external auditor and internal audit and taken corrective action as appropriate.
- 1.38. Supporting information on reports from auditors can be found in Section 5.

Assertion 8: Significant events

We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.

To warrant a positive response to this assertion, the authority needs to have taken the following actions where necessary:

- 1.39. **Significant events.** The authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts.
- 1.40. Supporting information on significant events can be found in Section 5.

Assertion 9: Trust Funds (local councils only)

Trust funds (including charitable). In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.

- 1.41. Where a local authority acts as a sole managing trustee for a trust or trusts, to warrant a positive response to this assertion the authority needs to have made sure that it has discharged all of its responsibilities with regard to the trust's finances. This needs to include financial reporting and, if required, independent examination or audit. This is notwithstanding the fact that the financial transactions of the trust do not form part of the authority's accounts and are therefore not included in the figures reported on Section 2 of its annual return (see paragraph 2.30 below).
- 1.42. Supporting information on trust funds can be found in Section 5.

Approval process

- 1.43. The authority needs to approve the annual governance statement by resolution of members of the authority meeting as a whole, in advance of the authority approving the accounting statements in Section 2 of the annual return. The Chair of the meeting and the Clerk need to sign and date the annual governance statement and a minute reference entered.

Section 2 - The Statement of Accounts

Introduction

- 2.1. The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require all authorities to prepare a statement of accounts for each financial year in accordance with proper practices. This guide presents the proper practices in relation to accounts that smaller authorities need to follow in preparing their annual accounts and follows the order set out in Section 2 of the annual return. To assist practitioners, a pro-forma annual return is available alongside this guide.
- 2.2. For smaller authorities the statement of accounts needs to be prepared in accordance with, and in the form specified in, any annual return required by these proper practices in relation to accounts.
- 2.3. Section 2 of the annual return is a smaller authority's statement of accounts and takes the form of a summary income and expenditure account and a statement of balances. Where an authority's gross income or expenditure is not more than £200,000 for that year, or for either of the two immediately preceding financial years, the statement may take the form of a summary receipts and payments account.
- 2.4. An authority's statement of accounts needs to be in the form set out in Section 2 of the annual return. The figures entered in the relevant cells are the authority's receipts and payments for the year, or its income and expenditure, as appropriate. This guide assumes that most authorities maintain current records on a receipts and payments basis and convert these to income and expenditure at the year end, if necessary. Information and examples on the conversion process from receipts and payments to income and expenditure is provided in Section 5 and does not form part of proper practices.
- 2.5. All highlighted cells of the annual return need to be completed, including writing 'nil' or '0' in any cell that does not apply. Leaving cells blank may lead to questions by readers who may not be sure if the compiler intended a nil balance or whether an omission or error has occurred.
- 2.6. All figures in Section 2 of the annual return need to agree to the authority's primary accounting records. The RFO needs to be able to show how the figures in the annual return reconcile to those in the cashbook and other primary accounting records. Members need to see this reconciliation when they are asked to approve the

statement of accounts in the annual return. Interested persons inspecting the accounts have a legal right to inspect the accounting records and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records, including this reconciliation.

- 2.7. The accounting statements present two years accounts for the authority, side by side. The prior year figures can be taken directly from the previous year's annual return or, if this is the first year of accounts, the prior year figures will all be £0.
- 2.8. The figures for the preceding financial year are shown in the first column so that members, local electors, residents and other interested parties can easily see any significant changes that have occurred during the current year and help to set the context in which the accounts need to be viewed.
- 2.9. Where an error has been identified in the prior year's accounts, after the external auditor's review, which has resulted in the carried forward figure in Line 7 being amended, then the corrected figure needs to be carried forward to the current year's annual return. The authority must clearly indicate that the prior year column in the accounting statements is 'Restated' and inform the external auditor.
- 2.10. Authorities that change the basis on which their accounts are presented, i.e. from income and expenditure to receipts and payments (or vice versa), need to ensure that the comparative accounts in the annual return are shown on a consistent basis and are reported in Section 2 of the annual return by adding the word 'Restated' at the top of the prior year column, and explained by means of a note to the auditor.

Accounting statements

Line 1: Balances brought forward

- 2.11. This cell shows the opening figure for the summary of the smaller authority's annual accounts. It is the closing balance carried forward from the previous year's accounting statements – see paragraph 2.19 below. The amount in the current year cell in Line 1 should be the same figure as the 'balances carried forward' figure in the prior year column at Line 7.

Line 2: Precept or Rates and Levies

- 2.12. For precepting authorities, this cell shows the total precept received or receivable in the year. For internal drainage boards this cell shows the total of rates and special levies received or receivable in the year. This cell should contain only the value of

precepts or rates and levies received or receivable in the year. Any other receipts, including grants, are to be included in Line 3.

Line 3: Total other receipts

2.13. This cell shows the authority's total income or receipts for the year, less the precept or rates and levies figure shown in Line 2. It will therefore include any repaid investments, any monies borrowed to finance projects, proceeds from the sale of fixed assets, fees, charges, and grants such as council tax support grant.

2.14. Compilers of the accounting statements must exclude from the figure shown in Line 3 the value of any transactions recorded in the authority's accounting records arising from daily cash management activities. These transactions include transfers between bank current and deposit accounts and other short-term deposits. It is correct to record such transactions in the cash book for control and reconciliation purposes. However, they are not reported in the accounting statements because these transfers do not represent either receipts or payments, or income or expenditure for the authority.

Line 4: Staff costs

2.15. This cell shows all the costs incurred by the authority in relation to the employment of its staff. It includes employment expenses which are benefits (for example, mileage and travel expenses) but it does not include payments made in respect of office expenses reimbursed to employees or the costs of engaging agency staff or consultants (these expenses form part of the amount shown in Line 6). Where the authority makes deductions for PAYE and National Insurance, and pays employer's contributions for NI and pensions, then staff costs should include payments to HM Revenue and Customs and any pension contributions.

Line 5: Loan interest/capital repayments

2.16. This cell shows the total of capital and interest payments made by the authority in the year. It includes repayment of loan principal, whether as part of a scheduled repayment plan or as a special payment, and interest arising from any borrowing including bank overdrafts and credit cards.

2.17. Authorities preparing income and expenditure accounts need to make a provision in their accounts for any accrued interest payable at the year-end in accordance with the

terms of any loan. The accrued value of unpaid interest due would be shown in this cell.

Line 6: All other payments

2.18. This cell shows the authority's total expenditure or payments made in the year, less the total of the specific expenditure amounts shown in Lines 4 and 5. It will include the costs of purchasing fixed assets and undertaking capital projects as well as the costs of providing day to day services. Payments made in respect of investments need to be included, but not entries that result from daily cash management activities, such as transfers between bank current and deposit accounts or the making of short-term investments – see 2.14 above.

Line 7: Balances carried forward

2.19. This cell shows the closing figure for the balances of the authority after all of its financial transactions have been accounted for. The cell value is calculated by adding the amounts in Lines 2 and 3 to the balances brought forward in Line 1 and then deducting the sum of the amounts in Lines 4, 5 and 6.

Line 8: Total value of cash and short-term investments

2.20. This cell shows the actual value of the authority's cash and short-term investments in the form of cash held, current and deposit accounts plus any short-term investments. The figure should be equal to the corresponding figure in the authority's cash book.

2.21. Short-term investments, which mainly include deposit and savings accounts typically provided by banks, are those that display the following characteristics:

- are denominated in pounds Sterling;
- have a maturity of less than 12 months;
- the whole of the original sum invested can, from the time that the investment is made, be accessed for use by the authority without any reduction; and
- the authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

2.22. For authorities preparing accounts on a receipts and payments basis, the figure in Cell 8 will be the same that shown at Cell 7. For other authorities a statement needs to be prepared explaining the difference by reference to the adjustments that have been made to convert the accounts to an income and expenditure basis, particularly

accounting for debtors, creditors and provisions. Further information and examples on converting accounts from receipts and payments to income and expenditure are provided in Section 5.

2.23. The authority will need to reconcile this figure to its year-end bank account statements and submit the reconciliation to the external auditor. Further information on bank reconciliations can be found in Section 5.

Line 9: Total fixed assets plus long-term investments and assets

2.24. This cell shows the value of all the property the authority owns. It is made up of its fixed assets and long-term investments. The term fixed assets means the property, plant and equipment used by the authority to deliver its services. A long-term investment arises where the authority invests money in anything other than a short-term investment.

2.25. Authorities need to maintain a register of the fixed assets, long-term investments and other non-current assets that they hold.

2.26. The value of the cell at Line 9 is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. Authorities need to apply a reasonable approach to asset valuation which is consistent from year to year. Where an authority changes its method of asset valuation during a financial year, it will need to restate the prior year's figure in Line 9 of the annual return.

2.27. If an authority, other than an IDB, voluntarily applies this guide to its annual return for 2015/16, the asset register value of its assets at 31 March 2016 needs to be stated in Line 9 in accordance with the Practitioners' Guide for local councils issued in March 2014. This is a transitional requirement that applies to the 2015/16 annual return only.

2.28. Further information on fixed assets and long-term investments can be found in Section 5.

Line 10: Total borrowings

2.29. This cell shows the outstanding capital balance of all borrowings from third parties at the end of the year, including all loans but excluding bank overdrafts. Authorities need to maintain a record of all borrowings and similar credit arrangements entered

into, other than temporary bank overdrafts. Further information can be found in Section 5.

Line 11: Disclosure note re Trust funds (local councils only)

2.30. This cell requires a local council only to answer 'yes' or 'no' to whether it acts as sole trustee for, and is responsible for managing, Trust funds or assets. The council needs to ensure that the accounting statements in Section 2 of the annual return do not include any Trust transactions or balances (see paragraph 1.41 above).

Signature of Responsible Finance Officer

2.31. Notwithstanding who prepared the statement of accounts, it is the responsibility of the authority's RFO to certify it as either presenting fairly the financial position of the authority or properly presenting its receipts and payments, as the case may be. In so certifying the RFO confirms that proper practices have been followed in preparing the statement of accounts.

Signature of Chairman

2.32. After the RFO has signed the statement of accounts, the members of the authority meeting as a whole need to consider it and approve it by resolution. Alongside the RFO's certificate, the person presiding at the meeting at which the statement of accounts is approved needs to confirm, by signing and dating the statement at the bottom of Section 2 of the annual return, that the accounts have been approved by the authority in accordance with the Accounts and Audit Regulations 2015.

2.33. The authority needs to ensure that the accounting statements are signed by the RFO and approved by the authority, by the latest date in order for the RFO to comply with the duty to commence the period for the exercise of public rights so that it includes the first ten working days of July.

Accompanying information

2.34. There is no provision in the annual return for additional notes to explain and expand on the figures shown in the accounting statements. To address this, authorities need to provide the following accompanying information to the external auditor:

Explanation of variances

2.35. Authorities need to understand the changes in income and expenditure from year to year and their significance. The RFO needs to produce an explanation of

significant variances in annual levels of income, expenditure and balances shown in Section 2 of the annual return that provides a sufficiently detailed and meaningful analysis and explanation of the reasons for the change.

Bank Reconciliation.

- 2.36. The year-end bank reconciliation (see paragraph 1.10 above) needs to be provided to the external auditor together with the annual return and other accompanying documentation.
- 2.37. The external auditor may request that other information is provided to support their review of the annual return. The authority needs to comply with any such requests.
- 2.38. Supporting information on completion of the accounting statements can be found in Section 5.

Section 3: Proper practices in relation to accounts for a smaller authority that has decided to prepare accounts and be audited as a full audit authority

Introduction

- 3.1. Regulation 8(1) of the Local Audit (Smaller Authorities) Regulations 2015 allows smaller authorities with annual turnover exceeding £25,000 to decide to prepare a statement of accounts and be audited as if it were a relevant authority that is not a smaller authority. This is defined in the Regulations as a 'full audit authority'.
- 3.2. For the purposes of the Accounts and Audit Regulations 2015, a full audit authority is treated as a Category 1 authority.
- 3.3. Regulation 7 of the Accounts and Audit Regulations 2015, requires a Category 1 authority to prepare a statement of accounts in accordance with the regulations and proper practices in relation to accounts. Regulation 5 requires a Category 1 authority to prepare an annual governance statement in accordance with proper practices in relation to accounts.
- 3.4. The proper practices in relation to accounts for a full audit authority are set out in this guidance issued by JPAG.

Proper practices – Statement of accounts

- 3.5. JPAG recommends that, for financial years commencing on or after 1 April 2016, a full audit authority should follow the proper accounting practices found in UK GAAP (FRS 102) issued by the Financial Reporting Council².
- 3.6. Alternatively, a full audit authority may adopt as proper practices the Code of Practice on Local Authority Accounting in the UK issued by CIPFA/LASAAC.

Proper practices – Annual governance statement

- 3.7. JPAG recommends that a full audit authority should follow *Delivering Good Governance in Local Government: Framework*, published by CIPFA and SOLACE in 2007 and its subsequent addendum, published in 2012, which provides an updated example annual governance statement. A full audit authority may also wish to refer to *Delivering good governance in local government: A guidance note for English authorities*, published by CIPFA/SOLACE in 2012, which is intended to assist authorities

² The Financial Reporting Standard for Smaller Entities (the FRSSE) has been withdrawn for financial years commencing on or after 1 January 2016.

in reviewing their governance arrangements and can be used in conjunction with the Framework and the addendum.

- 3.8. Alternatively, a full audit authority may use the annual governance statement in Section 1 of the annual return (see Section 1 of this guide and the pro-forma annual return available alongside this guide).

Section 4: Non-statutory guidance for internal audit at smaller authorities

Introduction

- 4.1. A smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 4.2. The public sector internal audit standards, issued in 2013, have not been applied to smaller authorities. The information in this section of the Practitioners' Guide is therefore the non-statutory 'guidance' referred to in Regulation 5(1), and needs to be taken into account by smaller authorities in undertaking an effective internal audit.

Overview of internal audit

- 4.3. Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.4. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.
- 4.5. The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority. It is for each authority to decide, given its circumstances, what level of competency is appropriate, and to keep this issue under review.
- 4.6. Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control. Managing the authority's internal controls is a day-to-day

function of the authority's staff and management, and not the responsibility of internal audit.

- 4.7. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

Appointing an internal audit provider

- 4.8. It is a matter for the authority to determine how best to meet the statutory requirement for internal audit, having regard to its business needs and circumstances.
- 4.9. There are two key principles an authority should follow in sourcing an internal audit provider: independence and competence.

Independence

- 4.10. Independence requires the absence of any actual or perceived conflict of interest. It means that whoever carries out the internal audit role does not have any involvement in or responsibility for the financial decision making, management or control of the authority, or with the authority's financial controls and procedures.
- 4.11. It follows, for example, that the circumstances in which a member could demonstrate that they are sufficiently independent of the financial decision making and procedures of the authority are difficult to envisage. Such a member would need to exclude themselves entirely from key financial decisions by the authority in order to maintain their independence. Similarly, it would not be appropriate for any individual or firm appointed by the authority to assist with the authority's accounting records, preparation of financial statements or the annual return, to be also appointed to undertake the internal audit function. Conflicts of interest must be avoided, such as in cases where an external provider of accounting software or services to the authority, also offers internal audit services through an associate company, firm or individual.

Competence

- 4.12. There is no requirement for a person providing the internal audit role to be professionally qualified, but essential competencies to be sought from any internal audit service include:
- understanding basic book-keeping and accounting processes;

- understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management;
- awareness of relevant risk management issues; and
- understanding proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities.

4.13. There are various ways for an authority to source an internal audit service, for example:

- Appointing a local individual or a member of a panel of individuals administered by a local association or branch of NALC, SLCC or ADA. An individual will need to demonstrate adequate independence and competence to meet the needs of the authority.
- Employing a competent internal auditor with sufficient organisational independence and status to undertake the role.
- Purchasing an internal audit service from a principal local authority.
- Purchasing an internal audit service from a local firm or specialist internal audit practice. The firm needs to have an understanding of the local government legal framework and a number of professional firms offer a service to public bodies, authorities and commercial companies. For the largest authorities a specialist contractor appointment may be appropriate.

Scope of internal audit

4.14. It is a matter for the authority to determine the necessary scope and extent of its internal audit. When securing an internal audit service, the authority should make sure that it is proportionate to the needs, size and the circumstances of the authority.

4.15. The work of internal audit should be subject to an engagement letter on first appointment by the authority, setting out the terms of the appointment.

Engagement terms may include:

- roles and responsibilities;
- audit planning;
- reporting requirements;
- assurances around independence and competence;

- access to information, members and officers;
 - period of engagement;
 - remuneration; and
 - any other matters required for the management of the engagement by the authority.
- 4.16. Each authority should set out its key financial and other controls, usually in the form of standing orders and financial regulations. The smaller the authority, the less onerous these need to be. Similarly, the scope of internal audit at smaller authorities will be correspondingly less than at larger ones. The more complex the authority is or becomes, in terms of its organisation, range of services and number of employees the wider ranging the scope of internal audit may be.
- 4.17. It is not possible to draw up a standard internal audit programme to cover all authorities. This is because the audit programme must address the particular needs of each authority. Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

Annual internal audit report

- 4.18. The duties of internal audit relate to reporting on the adequacy and effectiveness of an authority's system of internal control. The minimum reporting requirement for internal audit to the smaller authority is met by completing the annual internal audit report on page 5 of the annual return. Internal audit may also report in greater detail to the authority as required.
- 4.19. The annual internal audit report focuses on ten internal control objectives covering an authority's key financial and accounting systems and concludes whether, in all significant respects, the internal control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the authority.
- 4.20. The annual internal report will inform the authority's response to assertions 2 and 6 in the annual governance statement.

Reviewing internal audit

- 4.21. Authorities should from time to time carry out a review of the effectiveness of their overall internal audit arrangements. The review should take place at least once every three years and also in the year of any change of internal audit provider or responsible finance officer. Any review should balance the authority's internal audit

needs and usage. It should be designed to provide sufficient assurance for the authority that standards are being met and that the work of internal audit is effective. Authorities judge the extent and scope of the review by reference to their own individual circumstances.

4.22. The review should be designed to assure the authority that it has maintained the standards of an adequate and effective internal audit of its risk management, control and governance processes. It should include, as a minimum, making an assessment of each of the following:

- the scope of internal audit;
- independence;
- competence;
- relationships with the clerk and the authority; and
- audit planning and reporting.

4.23. The review should be undertaken by the authority. It should not be undertaken by the external auditor or as part of the external auditor's review of the annual return, nor can it be delegated to an officer. Clearly it cannot be undertaken by internal audit, although it is good practice to seek their involvement in the process.

Authorities may wish to set up a small working party to carry out the review or utilise an existing committee. Whatever approach is followed, the results should be reported to a full meeting of the authority.

4.24. There is no single approach to review of internal audit that will suit all authorities. Much will depend upon the size of the authority and arrangements it already has in place for conducting the wider review of its system of internal control and risk management generally. The areas described above in paragraph 4.23 will normally be the starting point, but the effectiveness of internal audit should not be judged solely by the extent of compliance with expected standards. The review is primarily about effectiveness, not process. In essence, the focus of this review should be on the quality of delivery of the internal audit service, i.e. reliable assurance about the authority's internal controls and its management of risk.

4.25. As with any review, it should be evidence based. Wherever possible this should be gathered throughout the year. Sources may include:

- previous review and action plan;

- annual report by internal audit;
- periodic reports from internal audit, including internal audit plan, monitoring reports, and the results of any investigations;
- any reports by the external auditor; and
- the results of any other external reviews of internal control.

4.26. If the review identifies any areas for development or change in internal audit, an action plan should be produced for the authority to manage the remedial process. The action plan should set out the areas of improvement required, any proposed remedial actions, the people responsible for delivering improvement, and the deadlines for completion of the actions.

Governance and Accountability for Smaller Authorities in England

Section 5: Supporting information and practical examples

June 2016

The Practitioners' Guide is issued by the Joint Practitioners' Advisory Group (JPAG), and jointly published by the Society of Local Council Clerks, the National Association of Local Councils and the Association of Drainage Authorities.

JPAG is responsible for issuing proper practices in relation to the accounts of smaller authorities. Its membership consists of sector representatives from the Society of Local Council Clerks, the National Association of Local Councils and the Association of Drainage Authorities, together with stakeholder partners representing the Department of Communities and Local Government, the Department of Environment, Food and Rural Affairs, the Chartered Institute of Public Finance and Accountancy, the National Audit Office, and a representative of the external audit firms appointed to smaller authorities.

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Introduction

- 5.1. Sections 1, 2 and 3 of the Practitioners' Guide (the Guide) issued by the Joint Practitioners' Advisory Group represent the proper accounting and governance practices (*'proper practices'*) referred to in statute. They set out for responsible financial officers (RFOs) the appropriate standard of financial and governance reporting for smaller authorities and are mandatory.
- 5.2. Section 4 of the Guide sets out the non-statutory guidance relating to internal audit which smaller authorities are required to take into account.
- 5.3. This section of the Guide contains supporting information and practical examples to support practitioners in complying with proper practices as set out in Sections 1 and 2 of the Guide. As Section 5 is not part of proper practices, it cannot and does not set any mandatory requirements in respect of the annual return. It does however include references to statutory requirements where appropriate, such as the requirements around making provision for the exercise of public rights.
- 5.4. This section of the Guide follows the order of Sections 1 and 2, with supporting information relating to the annual governance statement preceding supporting information on the accounting statements.
- 5.5. General information about smaller authorities and their responsibilities can be found on the following websites:
[National Association of Local Councils](#)
[Society of Local Council Clerks](#)
[Association of Drainage Authorities](#)
- 5.6. In accordance with Section 6 of the Local Audit and Accountability Act 2014, an authority is a 'smaller authority' for a financial year if the higher of the authority's gross income for the year and its gross expenditure for the year does not exceed £6.5 million for that year or either of the two previous years. This section of the Guide uses the term 'authority' to refer to all types of smaller authority.

Annual governance statement

AGS assertion 1: Financial management and preparation of accounting statements

Budgeting

- 5.7. The preparation of an annual budget is one of the key statutory tasks to be undertaken by an authority, irrespective of its size. The budget has three main purposes:
- it results in the authority setting the precept for the year (or rates and special levies for IDBs);
 - subject to the authority's Financial Regulations, it gives the clerk and other officers overall authority to make spending commitments in accordance with the plans approved by members; and
 - it provides a basis for monitoring progress during the year by comparing actual spending against planned spending.
- 5.8. It is essential that authority members understand how the budget is put together and how it should be used in the running of the authority. Reviewing the budget against actual expenditure regularly gives members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take.
- 5.9. The key stages in the budgeting process are:
- decide the form and level of detail of the budget;
 - review the current year budget and spending;
 - determine the cost of spending plans;
 - assess levels of income;
 - bring together spending and income plans;
 - provide for contingencies and consider the need for reserves;
 - approve the budget;
 - confirm the precept or rates and special levies; and
 - review progress against the budget regularly throughout the year.

Accounting records and supporting documents

- 5.10. All authorities, including parish meetings where there is no parish council, need to appoint an officer, the RFO, to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972. The clerk to the authority is often also appointed as the RFO, but this is not automatically the case. The authority should formally determine in whom the responsibility vests, recognising that there are particular risks that arise in the unusual circumstances where an elected member is appointed (unpaid) as the RFO. Decisions about appointing the RFO should always be the subject of a full risk assessment and consideration evidenced in the minutes. The proper segregation of duties means that the Chairman of the authority or of the Finance Committee should never be appointed (even on a short-term basis) either as Clerk or as RFO.
- 5.11. The appointment of an RFO does not mean that members then have no responsibility for the financial health of the authority. On the contrary, members continue to be accountable

for ensuring that the authority does not live beyond its means, but the RFO takes on the duty of designing and implementing the accounting arrangements that will assure members that finances are being properly managed.

- 5.12. [Regulation 4 of the Accounts and Audit Regulations 2015](#) sets out the duties of the RFO and requirements relating to accounting records and financial control systems.
- 5.13. The RFO is responsible for determining, on behalf of the authority, the form of its accounting records and supporting records and its financial control systems. The RFO must also ensure, on behalf of the authority, that the financial control systems are observed and that the accounting records of the authority are kept up to date.
- 5.14. The accounting records must contain:
 - entries from day to day of all sums of money received and expended by the authority and the matters to which its income and expenditure or receipts and payments relate; and
 - a record of the assets and liabilities of the authority.
- 5.15. It is also good practice for the accounting records to contain a record of income and expenditure by the authority in relation to claims made for contribution, grant or subsidy from a government department or other public body.
- 5.16. The financial control systems must include:
 - measures to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
 - measures to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records;
 - measures to ensure that risk is appropriately managed; and
 - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.
- 5.17. It is also good practice for the financial control systems to include procedures for uncollectable amounts, including bad debts, only to be written off with the approval of members or, under delegated authority, the RFO and for the approval to be disclosed in the accounting records.
- 5.18. The basic record of receipts and payments is always the starting point of an accounting system and the majority of internal controls will work back to that record. A successful accounting system requires that the basic cash book is kept up to date and balances are regularly verified against a bank statement or the actual cash in the petty cash tin. This record will also agree with the supporting vouchers, invoices or receipts. Even though the arithmetic may be automatic on a computer based system it is necessary to check that the additions and balancing are correct. Where there is a computer based system, the reliability of information reported by the system depends on the quality and accuracy of data input, and how it is then processed, and so tests of the integrity of data input and processing should be considered. A member or officer may do the checking or verification.
- 5.19. Manually kept books of account, or an effective computerised accounting system, should provide the basis for the accounting statements, in that the accounting statements are compiled from the information recorded in the books. But the books of account are

important in themselves in the running of the authority throughout the year. A good set of books will allow an authority to appreciate at any time:

- the amounts that it has spent in the year, the income it has received and its financial commitments;
- whether, in the light of this information, its spending plans for the rest of the year are still affordable; and
- the assets that it owns (for example, land, buildings, vehicles, investments, cash) and the liabilities that it owes (for example, outstanding payments for goods and services, borrowings).

5.20. The record of the assets and liabilities of the authority required by Regulation means in practice the asset and investment register and record of loans and other debts.

Bank reconciliation

5.21. The most important accounting record maintained by authorities will be the cash book which is a register of all the payments made and receipts taken in by the authority. There may be a temptation to rely on the bank statement as a record of cash transactions. However, a cash book is essential because the statements provided by the bank will not necessarily be a reliable record of the authority's cash balances because:

- the bank can make errors and omissions in processing transactions – the authority needs its own records to provide a check on the bank statement;
- while electronic payments and receipts are instant, there can be considerable timing differences between, say, writing cheques to other parties and their being cashed by the bank, and between receiving income and it being credited to the authority's account once paid in; and
- the bank statement takes time to catch up with the actual cash flows of the authority and does not provide an up-to-date position.

5.22. The up to date cash book, therefore, provides the most accurate record of all income received and payments made, including cheques drawn.

5.23. Bank statements are important documents as they are evidence provided by an independent party of the state of the authority's cash balances. They contrast with the cash book, which is the authority's own record of its cash position. It is consequently an invaluable exercise to compare the balances on the bank statement with the balance in the cash book at any particular date and understand the reasons for any differences between them. This will reveal whether there are any errors, omissions or discrepancies in either the bank records or the cash book (for example, cheques drawn properly have been known to be altered by recipients before being banked).

5.24. The bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities. The year-end bank reconciliation is particularly important as it will provide evidence to support the total cash and short-term investments balance shown in Line 8 in Section 2 of the authority's annual return. As bank statements may be made up to different dates in the month, care should be taken, particularly at year-end, to ensure that the statement being reconciled includes balances as at 31 March.

- 5.25. Bank reconciliations should be performed on a regular basis and cover each of the authority's bank accounts. Most commonly, authorities will operate a current account through which most transactions are made, and possibly one or more deposit accounts. Some authorities will carry out a reconciliation every time they receive a bank statement, which is good practice as it identifies bank errors early on. It is for each authority to decide how regularly it wants to receive the assurance that a successful reconciliation can provide. Reconciling the cash book to bank statements should be reported to members, and the full reconciliation made available for their scrutiny each time it is done. Approval of the bank reconciliation by the authority or the chair of finance or another authority nominee is not only good practice but it is also a safeguard for the RFO and may fulfil one of the authority's internal control objectives.
- 5.26. There is a limited number of reasons for differences between bank statements and the cashbook, and most authorities will be able to use a standard layout for the bank reconciliation. The common reasons are:
- transactions in the bank statement that are not recorded in the cash book – this may include interest payable and bank charges, direct debits, standing orders and other automated payments that have been omitted from the cash book. None of these is an item for the reconciliation. Instead, the cash book should be updated to record all of these transactions, and the resulting balance is then brought into the reconciliation.
 - unpresented cheques – payments are recorded in the cash book when the authority commits itself to making them, usually by handing over a cheque, putting a cheque in the post or completing the instructions for an automated payment; the balance on the bank account will not reduce until several days later when the cheque or instruction is received by the bank and processed. Unpresented cheques therefore need to be deducted from the bank statement balance in the reconciliation.
 - payments into the bank which are outstanding (sometimes referred to as 'cash in transit') - receipts are recorded in the cash book when they come into the possession of the authority; however, they will not be recognised on the bank statement until after cash is banked or cheques are cleared. Payments into the bank which are outstanding from the bank statement therefore need to be added to the bank statement balance in the reconciliation.
- 5.27. A standard layout for a financial year-end bank reconciliation can be found in Appendix 1 on page 33.

Investments

- 5.28. It is unusual for an authority to hold its reserves other than in the form of easily accessible bank deposits or other short-term investments (see paragraph 2.21 in Section 2 of the Guide for a definition). Occasionally, circumstances require authorities to consider making other types of investments, for example when saving for a future capital project or while deciding how to apply the proceeds of an asset sale or a donation.
- 5.29. In deciding whether it is appropriate to make long-term investments, the authority should follow the [Guidance on local government investments issued by DCLG in 2010](#).
- 5.30. The authority's investment strategy will set out management arrangements for the investments held and procedures for determining the maximum periods for which funds may prudently be committed. The strategy should ensure and demonstrate that the

authority has properly assessed the risk of committing funds to longer term investments and complies with legislative requirements. Long-term investments in assets whose capital values may fluctuate carry considerable risks and require active management. Investment management is a specialist area. Authorities may wish to seek independent professional assistance when developing their investment strategy.

AGS assertion 2: Internal Control

Standing Orders and Financial Regulations

- 5.31. The first step in establishing a financial system is to identify the general rules applicable at authority or committee meetings and in carrying out the authority's business. These are set out in the authority's Standing Orders, Financial Regulations and other internal instructions. Model versions of Standing Orders and Financial Regulations are provided by NALC and ADA.
- 5.32. Standing Orders must include provisions for securing competition and regulating the manner in which tenders are invited. To comply with these requirements, authorities should set within their Financial Regulations a limit for the purchase of goods and services above which three estimates or quotes should be invited from persons or firms competent to do the work. Standing Orders will state a higher value above which competitive tenders in sealed envelopes should be invited. It is the responsibility of authorities to determine their own limits that are most appropriate to local circumstances.
- 5.33. As far as possible, a fully priced official order should be sent to suppliers in advance of delivery of goods. Official orders both commit a supplier to a price and help prevent unauthorised credit being granted in the authority's name. On receipt of invoices, verification that the relevant goods or services have been received should be obtained and invoices checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming the VAT. Practitioners should keep up to date with VAT Guidance issued by HM Revenue and Customs.
- 5.34. Procedures for the management of capital projects should also be covered by Standing Orders which should require payments only against certified completions under a planned and approved programme of works governed by a properly negotiated contract supervised by a named authority officer.

Safe and efficient arrangements to safeguard public money

Accounts for payment

- 5.35. The payments process should always be carried out in accordance with the authority's Financial Regulations. Cheques and other payments should only be released once confirmation has been obtained that adequate funds are available. All payments made since the last meeting should be reported to the next authority meeting. Members should never sign blank cheques or authorise funds transfers which are presented to them unsupported by the appropriate documentation.
- 5.36. The authority should develop specific control procedures for any payments by bank transfer, or other electronic means, taking into account the risks brought about by the ease and speed of these transactions and the difficulties faced in unravelling them should they go wrong.
- 5.37. If there is any doubt as to how much the authority owes to one of its regular suppliers, the supplier should be asked to send a statement of the authority's account. It would be appropriate to request statements as at 31 March each year to assist with the preparation of the annual return.

Receipts

- 5.38. Cash and cheques should be entered into the cash book on the date of receipt and banked promptly and intact (i.e. without any of the cash being kept back for spending).

Practitioners should be aware that some receipts may require VAT to be accounted for and paid over by the authority, particularly where sales of items are involved and certain thresholds have been reached. Once again, the RFO should be familiar and up to date with the rules governing such transactions. These are published by HM Revenue and Customs and accompanied by guidance for practitioners.

Cash

- 5.39. Before finalising and adopting procedures and internal control systems involving cash, the RFO should always check the requirements of insurers under Fidelity Guarantee insurance cover arrangements, which may well specify the amount, location and minimum security arrangements required regarding the handling of cash or bank balances.
- 5.40. The number of petty cash floats should be kept to a minimum and should not be used when an official order is more appropriate. The floats should be adequate in size to meet small items of expenditure and should not require reimbursement more frequently than once a month. Adequate records of the receipts and payments should be maintained for each float, including a VAT analysis, and regular reconciliation performed, usually with such regularity that successful reconciliation can be reported at each authority meeting.

Debt collection

- 5.41. Effective debt collection is an essential part of proper financial management. Authorities should ensure that invoices raised are paid promptly or that appropriate recovery action has been taken.
- 5.42. Debt monitoring arrangements should be in place covering all activities of the authority which involve receiving payment. For example, if the authority rents out a number of allotments, a separate record may be appropriate for that purpose. The record would need to include details of the person who owes the debt, the amount, any arrears brought forward at the start of the accounting period, amounts due in the year, amounts paid in the year, any debts written off, and a note of the current state of any recovery action taken.
- 5.43. At the end of each year, the record will need to be reconciled to ensure that the figures for arrears brought forward plus new amounts due, less new receipts and write-offs, balances to the total arrears to be carried forward.
- 5.44. Irrecoverable debts should be written off, after full consideration of the possibilities for, and the likely costs of, pursuing the debt. Uncollectible amounts, including bad debts, should only be written off with the approval of members, or under delegated authority, by the RFO. The approval should be shown in the accounting records.

Employment

- 5.45. Authorities with any employees are, by definition, employers and are required to apply Pay as You Earn (PAYE). PAYE taxes and employee and employer National Insurance contributions (NIC) should be calculated and recorded for every employee. Deductions should be paid to HMRC on or before the date prescribed. In addition, the general requirements of employment law apply but are not within the scope of this Guide.
- 5.46. HMRC guidance setting out the correct income tax and NIC treatment of parish clerks is set out in the [HMRC Employment Income Manual](#). This guidance confirms that a parish clerk is an office holder and that all office holders are subject to PAYE. This means that parish clerks:

- can never be considered as self-employed for tax or NIC purposes;
- cannot be paid 'gross'; and
- fall to be taxed under PAYE.

- 5.47. HMRC guidance confirms that where the RFO is a separate appointment, the RFO is also an office holder and is subject to the same income tax and NIC rules as the clerk.
- 5.48. Authorities should pay particular attention to situations where contractors are engaged to carry out the authority's services. Occasions may arise when contractors cease to be self-employed and become employees for tax purposes. Authorities should refer to [HMRC's Employment Status Indicator Tool](#) for further information.
- 5.49. As part of risk management arrangements, written confirmation should be sought from HMRC to ensure that payments for services are being correctly treated; otherwise authorities may find themselves with unexpected and significant liabilities to pay income tax and employers NIC. Care should also be taken when making any payments of expenses or allowances to non-employees, for example authority members, which should also be considered as falling within the scope of PAYE.
- 5.50. All employers are required by law to take out employers' liability insurance and decide the appropriate level of fidelity guarantee insurance. All cover should be risk based and kept under constant review to make sure it adequately reflects changes in circumstances.
- 5.51. Authorities should have regard to guidance on employment matters issued jointly by NALC and SLCC, or by ADA.

VAT

- 5.52. This can be a complex area and authorities are advised to refer to [guidance issued by HMRC](#).
- 5.53. Information on how to account for VAT in Section 2 of the annual return can be found at paragraphs 5.129 and 5.130 below.

Fixed assets and equipment

- 5.54. If the assets it owns or for which it is responsible are not being managed properly the authority is exposed to the risk of financial loss relating to:
- improper asset management – without the right management information, outdated patterns of use may run on unchallenged or unnoticed;
 - improper asset usage and maintenance – assets may not be fit for purpose, be underused or so out-of-date as to be incapable of satisfactory modernisation. Equally they may be capable of alternative, additional or more intensive use or be readily saleable. These opportunities may be missed where no comprehensive information on assets is available; and
 - asset ownership – the continued ownership of assets may be overlooked altogether and risks unmanaged.
- 5.55. These risks are most likely to be realised when information is poor. In particular where information about assets is not available or is out-of-date. The risk of financial loss can be greatly reduced by setting up an asset register which holds all the information needed.
- 5.56. An asset register is the starting point for any system of financial control over assets as it:
- facilitates the effective physical control over assets;

- provides the information that enables the authority to make the most cost effective use of its capital resources;
- ensures that no asset is overlooked or underutilised and is therefore used most efficiently;
- pools all the information available about each asset from across the authority and makes it available to every part of the authority;
- provides a record of the sources of evidence used to support the existence and valuation of assets to be covered by insurance;
- supports the annual return entry for capital assets by collecting the information on the cost or value of assets held; and
- forms a record of assets held for insurance purposes.

5.57. The key information needed in the asset register is:

- dates of acquisition, upgrade and disposal (it is useful to keep a record of disposed assets as an asset management tool);
- costs of acquisition and any expenditure which increases the life of the asset;
- if proxy cost is used for first valuation, a note of the method used for valuation and details of any professional advice received;
- useful life estimate;
- location;
- responsibility (it may be appropriate to assign responsibility for each asset to members of staff);
- present use and capacity, for example in terms of site area, internal floor areas, and measures of occupancy and/or usage;
- corresponding periodic measures of usage or occupation;
- any available indications of asset value and condition; and
- any regular charges for usage or occupancy.

5.58. Most assets should be first recorded in the asset register at their actual purchase cost. In some cases the purchase cost may not be known at acquisition or first recording and so a proxy cost may be substituted. A proxy cost is a value for the asset which is an estimate of its value by the authority which is based on external professional advice. Authorities may apply the insurance value of the asset at the time of first recording as a proxy. A proxy cost may be applied at the time of acquisition or first recording of an asset in the asset register only where the cost/value is not known.

5.59. In the special case where an authority receives an asset as a gift at zero cost, for example by transfer from a principal authority under a community asset transfer scheme, the asset should be included in the asset register with a nominal one pound (£1) value as a proxy for the zero cost. The use of the £1 proxy is particularly important in cases where an authority operates an asset registration system that requires a positive value for every asset. Any costs of bringing gifted assets into productive use should be expensed as revenue items.

5.60. Many authorities own assets that do not have a functional purpose or any intrinsic resale value (for example, a village pond or war memorial). These assets are often referred to as 'community assets'. Authorities should record community assets in the assets register in the same way as gifted assets.

5.61. The total value of an authority's assets recorded on the asset register as at 31 March each year is reported at Line 9 on the authority's annual return (see paragraphs 2.24 to 2.28 in Section 2 of the Guide and 5.137-5.141 below). It follows that users of the annual return

may ask for details of the assets whose total value is reported at Line 9, including about the method of valuation applied and about any changes in value to previously recorded assets. Authorities should be able to track and explain fully any changes in the asset register from year to year.

Loans and long term liabilities

- 5.62. Authorities may borrow money temporarily for cash flow purposes to fund payments in advance of receiving money from precepts, rates and special levies, or other sources during the year. Such loans will normally be in the form of arranged overdraft facilities and will be repaid as the anticipated receipts materialise.
- 5.63. Long-term loans will normally be associated with capital projects and these require borrowing approval before they can be arranged. For local councils, this is obtained by applying to the relevant Association of Local Councils, which act for the government in this regard. For IDBs, this is obtained from the Secretary of State for Environment, Food and Rural Affairs, in accordance with section 55 of the Land Drainage Act 1991.
- 5.64. Capital projects need to be managed carefully and authorities should ensure that accurate forecasts are made of the amounts and timings of future payments and receipts so that cash flow can be managed and the authority can be confident that the project can be afforded both in the short and longer term. Full financial appraisals are likely to be required before any borrowing or public grant approval is given.
- 5.65. Traditionally loans are obtained from the Public Works Loans Board (PWLB). Where other lenders or alternative forms of financing are being considered, authorities need to seek professional advice to ensure that they are properly informed of the risks and benefits and aware of all the implications.

AGS assertion 3: Compliance with laws, regulations and proper practices

Acting within its powers

- 5.66. Authorities in England operate within a legal framework which provides them with the necessary statutory powers and authority to deliver local public services. Authorities and their clerks/chief executives/RFOs should always be aware of, and have regard to, the legal power they are exercising when deciding on any action including to spend public money.
- 5.67. The clerk/chief executive is the authority's Proper Officer and the primary source of advice to the authority as they prepare to make decisions requiring the exercise of their legal powers. It would be unreasonable for an authority to make a decision when it as an entity does not, or members individually do not, understand what legal power they are exercising, or whether the power is current, applicable and correct.
- 5.68. To assist authorities and their clerks/chief executives/RFOs NALC, SLCC and ADA publish information on their websites.

Regulations and proper practices

- 5.69. Authorities are subject to a range of regulations, which can change more frequently than primary legislation. It is important, therefore, to be aware of new regulations that are issued as well as keeping up to date with the latest versions of existing ones. NALC, SLCC and ADA provide updates and training on developments in this area.
- 5.70. Of particular importance in relation to financial practices and procedures are the Accounts and Audit Regulations which cover the procedures authorities must follow in relation to the issuing of notices about the accounts and the exercise of public rights of inspection.
- 5.71. Also relevant to publication of financial information is the [Transparency Code for Smaller Authorities](#). This requires parish councils, internal drainage boards, charter trustees and port health authorities with an annual turnover not exceeding £25,000 to publish certain information set out in the Code. This enables local electors and local taxpayers to access relevant information about the authority's accounts and governance.
- 5.72. Parish and town councils with annual turnover in excess of £200,000 should comply with the [Local Government Transparency Code 2015](#).
- 5.73. Monitoring an authority's compliance with the relevant Transparency Code is not part of the external auditor's limited assurance review of the annual return.

Actions during the year

- 5.74. As part of its annual governance review to prepare its annual governance statement (see Section 1 of the Guide), an authority needs to scrutinise the actions it has taken during the year, and the decisions that it has made, and satisfy itself that it has acted properly within its powers and in accordance with any relevant Regulations.

AGS assertion 4: Exercise of public rights

- 5.75. Sections 25 to 27 of the Local Audit and Accountability Act 2014 contain provisions giving interested persons and local government electors certain rights of inspection of the accounts and accounting records. Local government electors may also question the auditor about the accounting records and make an objection to the auditor.
- 5.76. The rights in Sections 26 and 27 must be exercised within a period of 30 working days, during which period the authority must make the accounts and all supporting records available for inspection on reasonable notice and at all reasonable times.
- 5.77. In accordance with Regulation 12(3) of the Accounts and Audit Regulations 2015, the authority's RFO is responsible for commencing the 30 working day period as soon as possible after the statement of accounts has been approved by the authority and signed and dated by the person presiding at the meeting at which that approval is given. The RFO must also notify the local auditor of the date on which the period was commenced.
- 5.78. In accordance with Regulation 15(1), the RFO must ensure that the 30 working day period includes the first 10 working days of July following the end of the financial year to which the accounts relate.
- 5.79. In accordance with Regulation 15(2), the RFO must publish (including publication on the authority's website):
- the statement of accounts (Section 2 of the annual return) accompanied by:
 - a declaration, signed by the RFO, to the effect that the statement has not yet been reviewed by the external auditor and thus may be subject to change;
 - the annual governance statement (Section 1 of the Annual Return); and
 - a statement that sets out:
 - the period for the exercise of public rights;
 - details of how a notice should be given of an intention to inspect the accounting records and other documents;
 - the name and address of the local auditor; and
 - the provisions contained in sections 26 and 27 of the Local Audit and Accountability Act 2014 concerning the exercise of public rights.
- 5.80. In accordance with Regulation 15(3), the period for the exercise of public rights is treated as being commenced on the day after all of these obligations have been fulfilled.
- 5.81. Where an authority does not have its own website, publication may be on any website, provided that the information is accessible by any member of the public without registration or payment. A parish meeting may instead display the information in question in a conspicuous place in the area of the authority for at least 14 days.
- 5.82. Assertion 4 in the annual governance statement relates to the exercise of public rights 'during the year' which means in relation to the annual return for the previous financial year. For example, when completing the 2016/17 annual return, assertion 4 refers to the exercise of public rights for the 2015/16 annual return taking place in June/July 2016. The common period of inspection for the 2015/16 annual return is 1 to 14 July 2016. The earliest commencement date of the 30 working day inspection period is 3 June 2016 and the latest commencement date is 1 July 2016.

5.83. Information on the rights of interested persons and local government electors in respect of the accounts of their authority can be found in [Council Accounts – a guide to your rights](#) published by the National Audit Office.

Limited assurance review by the external auditor

5.84. In accordance with Regulation 13, after the conclusion of the period for the exercise of public rights, but no later than 30 September, the authority must publish (including on its website) the annual governance statement, statement of accounts and the external auditor's certificate and report – Sections 1, 2, and 3 of the annual return. Authorities must keep copies of these documents for purchase by any person at a reasonable sum and ensure that they remain available for public access for 5 years.

5.85. In accordance with Regulation 16, as soon as reasonably practicable after the conclusion of the external auditor's review, an authority must publish (including on its website):

- a statement:
 - that the review has been concluded and that the statement of accounts has been published; and
 - of the rights of inspection conferred by section 25 of the Local Audit and Accountability Act 2014 in relation to the statement of accounts, auditor's opinion, public interest report and auditor's recommendations;
- the address at which, and the hours during which, those rights may be exercised.

5.86. Where, following completion of the external auditor's review, an authority receives a letter or further report from the external auditor, such as a letter containing statutory recommendations or a Public Interest Report, the members must meet to consider it as soon as practicable. Following this consideration, the authority must publish the letter or report (including on its website) and make copies available for purchase on payment of a reasonable sum.

AGS assertion 5: Risk management

Background

- 5.87. Risk is an uncertain event or condition that, if it occurs, will have an effect on the achievement of an authority's objectives. Risk management is the process whereby authorities methodically address the risks associated with what they do and the services which they provide. The focus of risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences. Good risk management allows stakeholders to have increased confidence in the authority's corporate governance arrangements and its ability to deliver its priorities.
- 5.88. Risk management is not just about financial management; it is about protecting the achievement of objectives set by the authority to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation, and can impact on the ability to achieve desired outcomes. The authority generally and members individually are responsible for risk management.
- 5.89. Risk management is an ongoing activity that comprises four elements:
- identifying risks;
 - assessing risks;
 - addressing risks; and
 - reviewing and reporting.

Identifying risks

- 5.90. In order to manage risk, an authority needs to know what risks it faces. Identifying risks is therefore the first step in the risk management process.
- 5.91. It is not possible to present a suggested list of the specific risks which authorities face as the range, nature, complexity and scale of the business of authorities vary. Similarly, the priorities and service delivery objectives of one authority will differ from those of others. For this reason each authority should identify, for itself, the key risks to achieving successfully its priorities and service objectives. However, there are some typical categories of risks that might help in the process of risk identification:
- financial – loss of money;
 - security – fraud, theft, embezzlement;
 - property – damage to property;
 - legal – breaking the law or being sued;
 - IT – failure of IT systems or misuse; and
 - reputational – actions taken could harm the authority's public reputation.

Assessing risks

- 5.92. Once the authority has identified its key risks, the next step is to assess the potential consequences of a risk occurring (impact) and consider how likely this is (likelihood).
- 5.93. The assessment of potential impact and likelihood need not be any more complex than assigning a simple numerical score, say 1 – 3, and multiplying the two scores to arrive at a

risk assessment for each risk of high, medium or low. The risk assessment enables the authority to decide which risks it should pay most attention to when considering what measures to take to manage them.

5.94. Authorities could use a simple risk assessment matrix as follows:

Likelihood	Highly likely (3)	Medium (3)	High (6)	High (9)
	Possible (2)	Low (2)	Medium (4)	High (6)
	Unlikely (1)	Low (1)	Low (2)	Medium (3)
		Negligible (1)	Moderate (2)	Severe (3)
		Impact		

Addressing risks

5.95. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The response to risk, which is initiated within the organisation, is called 'internal control' and may involve one or more of the following standard responses:

- **Tolerate** the risk - for risks where the downside is containable with appropriate contingency plans; for some where the possible controls cannot be justified (e.g. because they would be disproportionate); and for unavoidable risks, e.g. terrorism.
- **Treat** the risk - a common response which can mean imposing controls so that the organisation can continue to operate; or setting up prevention techniques.
- **Transfer** the risk – buying in a service from a specialist external body or taking out insurance. Some risks cannot be transferred, especially reputational risk.
- **Terminate** the activity giving rise to the risk - it may be best to stop (or not to start) activities which involve intolerable risks or those where no response can bring the risk to a tolerable level.

5.96. Areas where there may be scope to use insurance to help manage risk include the following:

- The protection of physical assets owned by the authority – buildings, furniture, equipment, etc. (loss or damage).
- The risk of damage to third party property or individuals as a consequence of the authority providing services or amenities to the public (public liability).
- The risk of consequential loss of income or the need to provide essential services following critical damage, loss or non-performance by a third party (consequential loss).
- Loss of cash through theft or dishonesty (fidelity guarantee).
- Legal liability as a consequence of asset ownership (public liability).

- 5.97. The limited nature of internal resources in most authorities means that those wishing to provide services often buy them in from specialist external bodies. Areas where there may be scope to work with others to help manage risk include the following:
- Security for vulnerable buildings, amenities or equipment.
 - Maintenance for vulnerable buildings, amenities or equipment.
 - The provision of services being carried out under agency/partnership agreements with principal authorities.
 - Banking arrangements, including borrowing or lending.
 - Ad hoc provision of amenities/ facilities for events to local community groups.
 - Markets management.
 - Vehicle or equipment lease or hire.
 - Trading units (leisure centres, playing fields, burial grounds, etc.).
 - Professional services (planning, architects, accountancy, design, etc.).

Reviewing and reporting

- 5.98. Once the key risks have been identified and assessed they should be recorded, for example in a risk register. Members should review the risk register on a regular basis. This could be achieved by risk management being a standing item at authority or committee meetings.
- 5.99. An example of a simple risk register can be found in Appendix 1 on page 34.
- 5.100. Support for authorities wishing to improve their risk management arrangements, over and above that provided by this guidance, is available through training that may be requested from NALC, SLCC and ADA, or from other training providers. In identifying training needs, parish and town councils may wish to seek the professional input of their insurance provider and refer to various elements of the [National Training Strategy for town and parish councils in England](#).

AGS assertion 6: Internal audit

- 5.101. Section 4 of the Guide sets out the non-statutory 'guidance' referred to in Regulation 5(1) of the Accounts and Audit Regulations 2015, and needs to be taken into account by smaller authorities in undertaking an effective internal audit.
- 5.102. In addition to the information in Section 4, authorities may wish to consider the following list of the key systems and processes they can ask internal audit to review from time to time as part of its work:
- proper book-keeping including the cash book;
 - standing orders and financial regulations;
 - payment controls;
 - income controls;
 - budgetary controls;
 - petty cash procedure;
 - payroll controls;
 - asset control;
 - bank reconciliations;
 - year-end procedures; and
 - risk management arrangements.
- 5.103. This is not an exhaustive list and each authority will need to agree a specific programme of work with its internal audit provider each year.
- 5.104. Authorities should note that it is not part of internal audit's responsibility to review or 'sign off' the completed annual return. Internal audit report(s) should inform the authority's responses to assertions 2 and 6 in the annual governance statement. Internal audit reports should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

AGS assertion 7: Reports from auditors

- 5.105. Authorities will receive reports from both their internal and external auditors. An authority should consider the matters included in these reports and decide what action it needs to take to prevent recurrence of the issues raised. The consideration and decisions should be included in formal minutes.
- 5.106. Information regarding internal audit reporting is provided in paragraphs 4.18 to 4.20 of Section 4 of the Guide.
- 5.107. External auditors are required to carry out their work in accordance with the [Code of Audit Practice](#) and supporting guidance issued by the National Audit Office. [Auditor Guidance Note 2](#) (AGN02) provides the specified procedures that auditors follow when undertaking limited assurance engagements at smaller authorities.
- 5.108. The formal terms of engagement between external auditors and authorities are set out in the [Statement of responsibilities of auditors and audited bodies](#) issued by Public Sector Audit Appointments Limited. It summarises where the different responsibilities of auditors and of the authority body begin and end, and what is to be expected of the authority in certain areas.

AGS assertion 8: Significant events

- 5.109. The authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts.
- 5.110. For authorities accounting on a receipts and payments basis, the review of significant events should cover events that occurred during the financial year to ensure that they have been included in the accounting statements where appropriate.
- 5.111. For authorities accounting on an income and expenditure basis, the review of significant events should also cover events that occurred after the financial year-end but before the accounting statements are approved by the authority.

AGS assertion 9: Trust funds (local councils only)

- 5.112. Certain local authorities have powers to be appointed as trustee of local, usually charitable, trusts and fulfil this role as either custodian or managing trustee.
- 5.113. Charitable trusts in England are regulated by the Charity Commission which sets out minimum standards of accounting and audit requirements where these are not covered by the Trust Deed. The Charity Commission also requires annual reporting by registered charities.
- 5.114. Larger authorities meet this requirement via disclosure in the notes to the accounts which are covered by an audit opinion. For smaller bodies preparing an annual return there are no provisions for notes and so the required disclosure is achieved through a simple disclosure in the annual return.
- 5.115. If the authority has disclosed that it is a sole managing trustee it must also complete the associated assertion in the annual governance statement. In this way, small bodies meet the legal requirement to disclose each 'account of the body'. Auditors plan work around these disclosures as required.
- 5.116. Authorities should ensure that a separate bank account operates to receive income for each trust to which it is a managing trustee. If, exceptionally, the authority's bank account is used to receive monies intended for the trust or to pay for any expenditure on behalf of a trust (prior to recovery from the trust account), then these transactions, including any VAT, must be included in the annual return of the authority as being its own expenditure and income during the year and to the extent that they are yet to be recovered or paid over reconciled as debtor and creditor amounts. However, to simplify accounting and ensure separation, a separate bank account should be established for any trust as soon as possible and funds should never or only exceptionally mixed. The reserves of the authority should not include those belonging to any trust.
- 5.117. Meetings of the authority when it is acting as charity trustee must take place separately from those of the authority acting as the authority. Separate minutes must be kept. In order to avoid confusion, trust business should always be minuted separately from authority business. Separate notices and agendas for meetings should be issued.
- 5.118. The clerk should take responsibility for guiding the authority regarding the capacity, either as the authority or as trustees for a charity, in which members are meeting. The chairman should make clear to the meeting, at the outset and throughout, the capacity in which it is meeting, particularly if authority and trust meetings are held one after the other or where confusion around capacity is possible.
- 5.119. The value of trust property must not be shown in the authority's books of account and on the annual return as authority property. Trust assets held by the authority as custodian or managing trustee should, however, be recorded in the authority's asset register and identified there as 'charity assets held by the authority as trustee' with their value excluded from the total.

Accounting statements¹

Reporting on an income and expenditure basis

- 5.120. Current rules require authorities where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards. Authorities operating below the £200,000 threshold have the option to report either on an income and expenditure basis or on a receipts and payments basis.
- 5.121. The receipts and payments basis requires authorities only to consider their actual bank and cash transactions. The entries for the annual return will usually be taken straight from the summary totals in the cash book.
- 5.122. For authorities with annual turnovers between £200,000 and £6.5 million the annual return has to be prepared on an 'income and expenditure' basis. In income and expenditure accounts, the transactions for the year comprise all those instances in the twelve months where the authority has received economic benefits or given others economic benefits (irrespective of the year in which they are paid for).
- 5.123. For example, suppose an authority has its offices re-roofed in March but the builders do not issue an invoice until April and the authority does not settle the bill until May. The cash book will record a bank outgoing in May of the new financial year. However, the authority will have received the benefit of the works before the end of the financial year in March and have an obligation to pay the builders, even though their invoice has not arrived to confirm the exact amount due. In order to show the proper financial position of the authority for the previous financial year, expenditure should be recognised in March.
- 5.124. In contrast, someone might put down a refundable deposit in February on a booking for the hall in June. The cash book would record a cash receipt in February. However, the authority will not be providing any economic benefits to the booker (i.e. use of the hall) until June of the new financial year, and would be unwise to spend the cash receipt until the event takes place. The receipt would not then count as income in the previous financial year and would be treated as a prepayment to be accounted for in the new financial year.
- 5.125. Income and expenditure accounting thus gives a more sophisticated presentation of an authority's true financial position, focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.
- 5.126. Very few authorities will actually maintain their books of account on an income and expenditure basis. The cash book will be the main focus for day-to-day accounting and

¹ Accounting statements for joint arrangements, which may include joint committees, are no longer required under legislation and so the proper practices, supporting information and examples contained in the Guide do not apply to joint arrangements. Authorities should, however, understand the risks associated with how their share of the assets and liabilities is used by any joint arrangement in which they participate, as well as their share of annual income and expenditure employed in delivering the service managed by a joint arrangement. Authorities should also make sure that the appropriate shares of income, expenditure, assets and liabilities (including any year-end balances), are included as necessary within their own accounts. Joint arrangements are not bodies corporate and may not own assets, hold bank accounts in their own name, have employees or enter into any form of contract.

balancing off and reconciliation to the bank statement, and remains the most important control over the accounting system. Subsidiary records will be kept of the authority's debtors (people who owe the authority) and creditors (people the authority owes) based on invoices, but transactions will be made in the cash book for this activity only when cheques and cash are actually received or payments are made. This means that there will need to be a special exercise at the end of each financial year to convert the receipts and payments record represented by the cash book into the income and expenditure account required by section 2 of the annual return.

5.127. The exercise is a little complicated because care has to be taken to make adjustments for both ends of the financial year. For example, as well as adding in amounts owed at the end of the year that are not in the cash book, payments that are in the cash book but relate to amounts owed at the end of the previous year have to be taken out. The adjustments required comprise the following:

- **Debtors:** situations where the authority has provided goods or services before the end of the year, but has not yet been paid for them by 31 March. To convert 'receipts' into 'income' take the cash book totals for receipts and deduct the amount of debtors brought into the calculation of income for the previous year and add the amount of debtors outstanding at the end of this year.
- **Receipts in advance:** situations where the authority has received cash before the year end, but has not yet provided the relevant goods and services by 31 March. To convert 'receipts' into 'income' take the cash book totals for receipts and add the amount of receipts in advance excluded from the calculation of income for the previous year and deduct the amount of receipts in advance held at the end of this year.
- **Creditors:** situations where the authority has received goods or services before the end of the year, but has not yet paid for them by 31 March. To convert 'payments' into 'expenditure' take the cash book totals for payments and deduct the amount of creditors brought into the calculation of expenditure for the previous year and add the amount of creditors outstanding at the end of this year.
- **Deferred Grant:** arises only in situations where the authority receives a grant before the year end but some or all of the grant has not been spent by 31 March and the grant conditions require repayment of any balance not spent on the specified purpose for which the grant was given. To convert 'receipts' into 'income' take the cash book total of receipts and add the amount of deferred grant excluded from the calculation of income for the previous year and deduct the amount of grant held at the end of this year.
- **Prepayments:** situations where the authority has paid cash before the year end, but has not yet received the relevant goods or services by 31 March. To convert 'payments' into 'expenditure' take the cash book totals for payments and add the amount of prepayments excluded from the calculation of expenditure for the previous year and deduct the amount of prepayments made at the end of this year.
- **Stock:** consumable goods (for example bar supplies) purchased before the end of the year but which have not been used by 31 March. To adjust for stock in expenditure take the cash book totals for payments and add the amount of stock brought forward as an asset from the previous year and deduct the amount of stock held at the end of this year.

- **Provisions:** any other situation in which the authority has an obligation to make a payment, but it is uncertain when the payment will be due (for example, a claim has been made for compensation against the authority that is likely eventually to result in the authority making recompense). This is only likely to occur in rare circumstances. To adjust for provisions in expenditure take the cash book totals for payments and add the value of any provision that needs to be made for events taking place in this year and deduct the value of any provisions made in previous financial years and brought forward, to this financial year and where payment has been made to settle the obligation and those no longer required.

5.128. Authorities will need to have effective arrangements in place to identify and calculate the adjustments needed. These will include:

- deciding on a level of materiality for adjustments – income and expenditure needs to be shown fairly, but excessive accuracy is not beneficial. For instance, most authorities will have utilities bills that include prepayments for standing charges and payments in arrears for energy consumption that strictly should be adjusted for into their appropriate years. As this is a regular item of expenditure it is not usually worth apportioning individual bills across financial years, but just ensuring that four bills (if payable quarterly) are charged each year;
- making sure that a record is retained of the adjustments that were made in preparing the income and expenditure accounts for the previous financial year;
- examining entries in the cash book before 31 March for possible receipts in advance and prepayments and entries after 31 March for possible debtors and creditors;
- examining invoices after 31 March for possible debtors and creditors; and
- considering whether the authority has any other obligations arising from events that took place before 31 March that mean it will not be able to avoid making a payment at some time after 31 March.

5.129. For authorities reporting on the receipts and payments basis, the amount of VAT charged to customers and the VAT refund made by HMRC will be included in Line 3 (total other receipts); the amount of VAT paid to suppliers and any paid to HMRC will be included in Line 6 (all other payments).

5.130. For authorities reporting on an income and expenditure basis the amounts of VAT collected from customers, paid to suppliers, and payable to, or repayable by, HMRC will be posted to a Creditor Account which will result in a balance due to, or from, HMRC. This balance will be included in Creditors or Debtors as appropriate – i.e. in this case the only value of VAT to be included in the annual return figures will be any that is to be written off as irrecoverable (usually due to a partial exempt position on VAT).

Total other receipts (Line 3)

5.131. Proceeds from the disposal of fixed assets are known as capital receipts and are subject to statutory controls². Such proceeds cannot be used for revenue purposes and can only be used for capital purposes - that is the purchase of fixed assets, the making of capital grants, or the repayment of long-term loans. Authorities should keep separate records so that they can demonstrate compliance with this requirement. Where the total proceeds from the

² The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 apply only in relation to local authorities in England so do not apply to IDBs.

sale of a fixed asset is below a specified amount, currently £10,000, it is deemed to be *de minimis* and these requirements do not apply.

- 5.132. This does not affect the requirement to include such amounts in Line 3 when they are received, but is necessary to ensure that the authority complies with the appropriate statutory provisions.

Loan interest/capital repayments (Line 5)

- 5.133. Many authorities will not have any borrowings and will not therefore have interest or capital payment transactions. For those that have borrowed from the PWLB, the figure will be the payments made in the year in accordance with the PWLB repayment schedule.
- 5.134. If an authority goes overdrawn at the bank, then any interest or charges paid as a result of the overdraft should be included in this line. Bank charges other than those arising as a result of temporary borrowing should be included in Line 6.

Total value of cash and short-term investments (Line 8)

- 5.135. Short-term investments are defined in paragraph 2.21 of Section 2 of the Guide.
- 5.136. Where an authority holds short-term investments such as deposit or savings accounts, all year-end balances must be reported in detail within the bank reconciliation and be included in the sum of Line 8. Auditors may seek to confirm these account balances from time to time.

Total fixed assets plus long-term investments and assets (Line 9)

Fixed assets

- 5.137. The term fixed assets means property, plant and equipment with a useful life of more than one year used by the authority to deliver its services. Fixed assets are also known as non-current assets.
- 5.138. Fixed assets acquired in any year should be added to the asset register for management purposes (see paragraphs 5.54 – 5.61 for information about managing fixed assets). For accounting purposes, acquisitions and disposals of fixed assets should be treated as any other purchase or sale and recorded as part of annual payments or receipts, expenditure or income.
- 5.139. Proper practices in Section 2 of the Guide state that the value of the cell at Line 9 is taken from the authority's asset register which is up to date at 31 March and includes all capital acquisition and disposal transactions recorded in the cash-book during the year. A particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the asset register.
- 5.140. For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that in most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year until disposal. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation. For reporting purposes therefore, the original value of fixed assets will stay constant throughout their life until disposal.

5.141. If for some reason the authority decides that the basis of valuation should be changed, the change must be applied consistently to all relevant classes of fixed assets. In such an event, the value shown in Line 9 for the previous year should also be changed to the new basis and clearly marked as 'RESTATED'. The authority should provide a justification and explanation for the change.

Long-term investments

5.142. An authority may also hold assets in the form of long-term investments. Long-term investments are defined in paragraph 2.24 of Section 2 of the Guide. On acquisition, long-term investments should be recorded in the cash book as expenditure and therefore appear as part of the total in Line 6 (all other payments). Any asset created in this way should also be recorded on the asset register at its purchase cost. At year-end the asset will also appear within the sum at Line 9.

5.143. Where an authority acquires an investment with a fixed maturity date (for example, a three year savings bond), the investment should be accounted for as expenditure in the year (Line 6) and also as an increase in assets and long-term investment (Line 9) until its maturity. At maturity, the total (gross) proceeds should be recorded as income in Line 3 (total other receipts).

5.144. Any transaction costs should be recorded as other expenditure in Line 6. At maturity, the original acquisition value of the investment asset (which will remain unchanged over its term for the purposes of the annual return) should be removed from the total in Line 9.

5.145. Long-term investments should be recorded in the asset and investments register at original cost at acquisition (the purchase price) which for accounting purposes will remain unchanged until disposal. It is recognised that the market value of long-term investments may change over time; therefore, at each year end, the RFO should make a note in the asset register of the notional market value of each investment as at 31 March to inform readers. However, any real gain or loss compared to purchase cost will only ever be accounted for at the time of disposal when the total proceeds from the investment will be included in Line 3.

5.146. Any dividend or interest payments received during the year from investments should be recorded as income and reported in Line 3. Where the authority has made a contract to the effect that any dividends or interest receivable from an investment are 'rolled up' and only paid to the authority on the maturity of the investment (for example, as may be the case with certain fixed-term bonds), the 'rolled up' dividend and/or interest should only be reported in Line 3 if it has actually been received, that is, on the maturity of the investment.

5.147. When the authority has incurred expenditure by making a loan, grant or other financial assistance to a third party this transaction should be recorded as an expenditure item in the cash book. Any loan or other repayable amount should be added to the asset and investments register. The outstanding amount of any third party loan at 31 March each year, excluding interest, falls to be reported in the sum of Line 9. Any repayment of a loan or part of it, or any interest received should be recorded as an income item in the cash book when received and reported in annual return Line 3. This receipt will also be reflected as an increase in Line 7 (balances carried forward). Any repayments of loan principal must also be applied to reduce the amount of the loan outstanding on the asset and investments register.

5.148. When an authority receives shares following a de-mutualisation of a building society or similar institution this also creates a long-term asset.

Total borrowings (Line 10)

5.149. This figure will be the total amount outstanding at 31 March. If an authority has borrowings, they will usually be in the form of long-term loans from the PWLB. The capital value of instalment finance, including HP or leases which have not been classed as borrowing by DCLG, should not be included here. The total borrowings at 31 March should be easily calculated by reference to official loan schedules. The total borrowings figure in Line 10 should include the current portion of long-term debt.

Accompanying information

5.150. Authorities are required to provide to the external auditor certain supporting documentation for the accounting statements in section 2 of the annual return. These documents are the year-end bank reconciliation and an explanation of significant variances. These are minimum requirements and the auditor may ask for other information which the authority should provide. However, authorities should only send to the auditor the information that has been specifically requested.

Bank Reconciliation

5.151. The most important document to be provided is the bank reconciliation as it confirms the authority's books of account are supported by the bank's records. Because of its importance, the reconciliation should be prepared in sufficient detail so that it is clear what the year-end cash book and bank account balances are, and the nature of the items that reconcile the difference can be seen. The authority should carry out a separate reconciliation for each bank account operated by the authority although the results may then be summarised. The bank reconciliation should agree to the figure in Line 8 of Section 2 of the annual return.

5.152. See paragraphs 5.21 to 5.26 for more information about bank reconciliations. A standard layout for a financial year-end bank reconciliation can be found at Appendix 1 on page 33.

Explanation of significant variances

5.153. The other supporting documentation required to accompany the annual return is a brief explanation of significant variations from year to year between the figures in Section 2 of the annual return. 'Significant' is defined as being worthy of attention. A significant variance is one that would be of interest to the authority and to the public when looking at the figures in Section 2 of the annual return.

5.154. The purpose of showing comparative values in financial statements is so that the reader can observe and note any changes in levels of activity from one year to the next. The absence of significant variances from one year to the next implies that the authority has continued to provide expected services at the same level and approximately at the same cost as previously. Readers are therefore drawn to any items which are significantly different or unusual, as representing a possible change in the scope or level or cost of services they have come to expect.

5.155. The reason for providing the explanation of significant variances to the external auditor is to support the auditor's review of the figures in Section 2 of the annual return and to demonstrate the authority's understanding of its accounts and their movements. The auditor will compare the current year's figures to the previous year's figures to identify any

differences. Where there are significant differences, the auditor may be concerned that the figures for the current year could be incorrect. Authorities will be able to remove this doubt by providing clear and complete explanations for the differences.

- 5.156. For example, a reasonable expectation may be that staff costs should rise each year only by the level of wage inflation. Thus, if the clerk's remuneration had risen, from £2,500 in the previous year to £2,575 (3 per cent), this could reasonably be assumed to be attributable to a cost of living increase. However, if the remuneration had risen to £2,900, i.e. by 16 per cent, then the authority would need to explain the reason for the increase, to demonstrate that a mistake had not been made in recording staff costs. If the explanation was that the authority had implemented tighter new financial procedures that required the clerk to work more hours a week, this should be set out in a note which can be provided to the auditor.
- 5.157. Any change, or even the absence of change when one might be expected, can be considered as significant and the RFO should be prepared to explain any figure presented in the accounting statements. Generally, changes (either up or down) of 10 to 15 per cent and greater will almost certainly require a formal explanation. If the external auditor states a percentage figure in their letter accompanying the annual return, authorities should comply with it.
- 5.158. Where the value in Line 7 of Section 2 of the annual return does not equal the value in Line 8, this difference should be explained. This difference should only occur in cases where the authority's accounts are presented on an income and expenditure basis, and the most common explanation is the effect of debtors and creditors in the authority's statement of balances. It should be possible to provide the auditor with details of the year-end debtors and creditors showing how the net difference between them is equal to the difference between Lines 7 and 8.
- 5.159. In deciding what needs to be explained, authorities should think about noting the following:
- one-off items of spending or income from last year and this year;
 - regular items of spending and income where the relevant activity (for example the number of hall bookings) has risen or fallen between the two years or where prices have not changed in line with inflation (for example a price freeze on charges for hall rentals);
 - items of spending and income that used to be regular but which were made for the last time last year and do not feature in the current year (for example a grant to a sporting association that went out of existence); and
 - items of spending and income that were made for the first time in the current year and will be made regularly in future years (for example running expenses for a newly opened one stop shop facility).
- 5.160. As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year-end general reserve is significantly higher than the annual precept or rates and special levies, an explanation should be provided to the auditor.

Appendix 1: Example documents

Bank reconciliation

A standard layout for financial year-end bank reconciliation might look something like this. The model can be applied for reconciliations carried out at any time of the year.

Bank Reconciliation		Financial year ending 31 March 20XX	
Authority Name			
Prepared by _____ (Name and role (Clerk/RFO etc)) Date _____			
Approved by _____ (Name and role (RFO/Chair of Finance etc)) Date _____			
Balance per bank statements as at 31 March 20XX	£	£	
eg Current account	1,000.00		
High interest account	3,000.00		
Building society premium a/c	10,000.00		
Petty cash balance	10.00		
			14,010.00
Less: any un-presented cheques at 31 March (normally only current account)			
Cheque number 000154	(60.00)		
000157	(18.00)		
000158	(2.00)	(80.00)	
Add any unbanked cash at 31 March			
eg Allotment rents banked 31 March (but not credited until 1 April)	50.00	50.00	
Net bank balances as at 31 March 20XX			13,980.00
<i>The net balances reconcile to the Cash Book (receipts and payments account) for the year, as follows</i>			
CASH BOOK			
Opening Balance	15,280.00		
Add: Receipts in the year	6,500.00		
Less: Payments in the year	(7,800.00)		
Closing balance per cash book [receipts and payments book] as at 31 March 20XX (must equal net bank balances above and Section 2, line 8)	13,980.00		

Risk register

A simple risk register might look something like this:

Risk no.	Description (The risk is that...)	Impact (The impact on the authority would be...)	Likelihood score (1-3)	Impact score (1-3)	Risk rating (High, medium, low)	Response (What actions have been taken)
1	Items from the village hall may be damaged or stolen.	The cost of repair and replacement.	2	2	Medium (4)	Security arrangements reviewed and insurance in place.
2						
3						
4						

Local Councils, Internal Drainage Boards and other Smaller Authorities in England

Annual return for the year ended 31 March 2016

Every smaller authority in England with an annual turnover of £6.5 million or less must complete an annual return at the end of each financial year in accordance with proper practices summarising its activities. In this annual return the term 'smaller authority'* includes a Parish Meeting, a Parish Council, a Town Council and an Internal Drainage Board.

The annual return on pages 2 to 4 is made up of three sections:

- **Sections 1 and 2** are completed by the smaller authority. Smaller authorities must approve Section 1 before Section 2.
- **Section 3** is completed by the external auditor.

In addition, the **internal audit report** is completed by the smaller authority's internal audit provider.

Each smaller authority must approve Sections 1 and 2 of this annual return no later than 30 June 2016.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all highlighted sections. Do not leave any highlighted box blank. Incomplete or incorrect returns require additional external auditor work and may incur additional costs.

Send the annual return, together with the bank reconciliation as at 31 March 2016, an explanation of any significant year on year variances in the accounting statements, **your notification of the commencement date of the period for the exercise of public rights** and any additional information requested, to your external auditor by the due date.

Your external auditor will ask for any additional documents needed for their work. Unless requested, do not send any original financial records to the external auditor.

Once the external auditor has completed their work, certified annual returns will be returned to the smaller authority for publication or public display of Sections 1, 2 and 3. You must publish or display the annual return, including the external auditor's report, by 30 September 2016.

It should not be necessary for you to contact the external auditor for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides that can be downloaded from www.nalc.gov.uk or from www.slcc.co.uk or from www.ada.org.uk

*for a complete list of bodies that may be smaller authorities refer to schedule 2 to Local Audit and Accountability Act 2014

Section 1 – Annual governance statement 2015/16

We acknowledge as the members of:

Enter name of smaller authority here:

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016, that:

	Agreed		'Yes' means that this smaller authority:	
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			prepared its accounting statements in accordance with the Accounts and Audit Regulations.	
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.			has only done what it has the legal power to do and has complied with proper practices in doing so.	
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			considered the financial and other risks it faces and has dealt with them properly.	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.	
7. We took appropriate action on all matters raised in reports from internal and external audit.			responded to matters brought to its attention by internal and external audit.	
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.			disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.	
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	NA	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority and recorded as minute reference:

Minute Reference:

dated:

Signed by:

Chair:

dated:

Signed by:

Clerk:

dated:

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.

Section 2 – Accounting statements 2015/16 for

Enter name of smaller authority here:

	Year ending		Notes and guidance
	31 March 2015 £	31 March 2016 £	
			Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.
1. Balances brought forward			Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies			Total amount of precept or (for IDBs) rates and levies received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts			Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs			Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments			Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments			Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward			Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8. Total value of cash and short term investments			The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets			The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the smaller authority as at 31 March
10. Total borrowings			The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets. N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2016 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

Date

I confirm that these accounting statements were approved by this smaller authority on this date:

and recorded as minute reference:

Signed by Chair of the meeting approving these accounting statements.

Date

Section 3 – External auditor certificate and report 2015/16 Certificate

We certify that we have completed our review of the annual return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2016 in respect of:

Enter name of
smaller authority here:

Respective responsibilities of the body and the auditor

This smaller authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The smaller authority prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2016; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review the annual return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and does not provide the same level of assurance that such an audit would do.

External auditor report

(Except for the matters reported below)* on the basis of our review of the annual return, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the smaller authority:

(continue on a separate sheet if required)

External auditor signature

External auditor name

Date

Note: The NAO issued guidance applicable to external auditors' work on 2015/16 accounts in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

Annual internal audit report 2015/16 to

Enter name of smaller authority here:

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2016.

Internal audit has been carried out in accordance with this smaller authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this smaller authority.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.			
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.			
C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.			
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.			
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.			
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.			
G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.			
H. Asset and investments registers were complete and accurate and properly maintained.			
I. Periodic and year-end bank account reconciliations were properly carried out.			
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.			

K. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable

For any other risk areas identified by this smaller authority adequate controls existed (list any other risk areas below or on separate sheets if needed)

Name of person who carried out the internal audit

Signature of person who carried out the internal audit

Date

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2015/16 annual return

1. You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guide* which is updated from time to time and contains everything you should need to prepare successfully for your financial year-end and the subsequent work by the auditor. NALC, SLCC and ADA have helplines if you want to talk through any problem you encounter.
2. Make sure that your annual return is complete (i.e. no empty highlighted boxes), and is properly signed and dated. Avoid making amendments to the completed return. Any amendments must be approved by the smaller authority, properly initialled and explanation provided. Annual returns containing unapproved or unexplained amendments will be returned and may incur additional costs. **Smaller authorities must approve the annual governance statement before approving the accounts.**
3. Use the checklist provided below. Use a second pair of eyes, perhaps a Councillor or Board Member, to review the annual return for completeness before sending it to the external auditor.
4. Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must tell the external auditor about any change of Clerk, Responsible Finance Officer or Chair.
5. Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your smaller authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the accounting statements (**Section 2 on page 3**). You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guide*.
6. Explain fully significant variances in the accounting statements on **page 3**. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete analysis to support your explanation. There are a number of examples provided in the Practitioners' Guide* to assist you.
7. If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge. **From 2016 onwards, you must inform the auditor of the date set for the commencement of the period for the exercise of public rights.**
8. Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2015) equals the balance brought forward in the current year (Box 1 of 2016).
9. Do not complete Section 3 which is reserved for the external auditor.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All highlighted boxes have been completed?	
	All additional information requested, including the dates set for the period for the exercise of public rights , has been provided for the external auditor?	
Section 1	For any statement to which the response is 'no', an explanation is provided?	
Section 2	Smaller authority approval of the accounting statements is confirmed by the signature of the Chair of the approval meeting?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2016 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Sections 1 and 2	Trust funds – all disclosures made if a Council is a sole managing trustee? NB: Do not send trust accounting statements unless requested.	
Internal Audit report	All highlighted boxes completed by internal audit and explanations provided?	
<p>*Note: Practitioners' Guides are available from your local NALC, SLCC or ADA representatives or from www.nalc.gov.uk or www.slcc.co.uk or www.ada.org.uk.</p>		



The Planning Inspectorate

Report to Stafford Borough Council

by Mike Fox BA (Hons) Dip TP MRTPI

an Inspector appointed by the Secretary of State for Communities and Local Government

Date 28 December 2016

Planning and Compulsory Purchase Act 2004

(as amended)

Section 20

Report on the Examination of the Plan for Stafford Borough: Part 2

The Plan was submitted for Examination on 26 April 2016

The Examination Hearings were held between 19 July and 2 August 2016

File Ref: PINS/Y3425/429/13

Abbreviations used in this report

AA	Appropriate Assessment
AMR	Authority Monitoring Report
BCC	Birmingham City Council
CAJ	Court of Appeal Judgment
CPO	Compulsory Purchase Order
DCLG	Department for Communities and Local Government
dpa	dwellings per annum
DTC	Duty to Co-operate
EA	Environment Agency
FRA	Flood Risk Assessment
G&T	Gypsy and Traveller
HMA	Housing Market Area
HRA	Habitats Regulation Assessment
IR	Inspector's Report
KSV	Key Service Village
LDS	Local Development Scheme
LEP	Local Economic Partnership
LGS	Local Green Space
MOD	Ministry of Defence
NP	Neighbourhood Plan
OAN	Objectively assessed need (for housing)
PDL	Previously Developed Land
PPG	Planning Policy Guidance
PSB1	Plan for Stafford Borough: Part 1
PSB2	Plan for Stafford Borough: Part 2
RIE	Recognised Industrial Estate
SA	Sustainability Appraisal
SAC	Special Area of Conservation
SBC	Stafford Borough Council
SCC	Staffordshire County Council
SCI	Statement of Community Involvement
SDL	Strategic Development Location
SHLAA	Strategic Housing Land Availability Assessment
SHMA	Strategic Housing Market Assessment
sm	Square metres
<i>The Framework</i>	National Planning Policy Framework (also referred to as the NPPF)
WCML	West Coast Main Line
WMS	Written Ministerial Statement

Non-Technical Summary

This report concludes that the Plan for Stafford Borough: Part 2 provides an appropriate basis for the planning of the Borough over the plan period to 2031, provided that a number of main modifications [MMs] are made to it. Stafford Borough Council has specifically requested me to recommend any MMs necessary to enable the Plan to be adopted.

The MMs all concern matters that were discussed at the Examination Hearings. Following the Hearings, the Council prepared a schedule of the proposed modifications. The MMs were subject to public consultation over a six week period. I have recommended their inclusion in the Plan after considering all the representations made in response to consultation on them.

The Main Modifications can be summarised as follows:

- Delete reference to the settlement boundaries extending beyond the plan period;
- Include plan to identify MOD Site 4 as Ministry of Defence Protected Area; and
- Amend Stone settlement boundary to exclude land on the edge of Westbridge Park to the east/south-east of the A520 Stafford Road and to the west/south-west of the Trent and Mersey Canal.

Introduction

1. This report contains my assessment of the Plan for Stafford Borough: Part 2 (PSB2) in terms of Section 20(5) of the Planning & Compulsory Purchase Act 2004 (as amended). It considers first whether the Plan's preparation has complied with the duty to co-operate. It then considers whether the Plan is sound and whether it is compliant with the legal requirements. The National Planning Policy Framework or *the Framework* (paragraph 182) makes it clear that in order to be sound, a Local Plan should be positively prepared, justified, effective and consistent with national policy.
2. The starting point for the Examination is the assumption that the local planning authority has submitted what it considers to be a sound Plan. The Plan for Stafford Borough: Part 2, submitted in April 2016, is the basis for my Examination. It is the same document that was published for consultation in December 2015.

Main Modifications

3. In accordance with section 20(7C) of the 2004 Act the Council requested that I should recommend any main modifications [MMs] necessary to rectify matters that make the Plan unsound or not legally compliant and thus incapable of being adopted. My report explains why the recommended MMs, all of which relate to matters that were discussed at the Examination Hearings, are necessary. The MMs are referenced in bold in the report in the form **MM1**, **MM2**, and **MM3**, and are set out in full in the Appendix.
4. Following the Examination Hearings, the Council prepared a schedule of proposed MMs and carried out a Sustainability Appraisal (SA) Addendum in relation to them. The MM schedule was subject to public consultation for six weeks. I have taken account of the consultation responses in coming to my conclusions in this report.

Policies Map

5. The Council must maintain an adopted policies map which illustrates geographically the application of the policies in the adopted development plan. When submitting a local plan for Examination, the Council is required to provide a submission policies map showing the changes to the adopted policies map that would result from the proposals in the submitted local plan. In this case, the submission policies map comprises the set of plans identified as 'Plan for Stafford Borough Settlement Boundaries' as set out in Examination Documents Ref. P2-A2 to P2-A18.
6. The policies map is not defined in statute as a development plan document and so I do not have the power to recommend main modifications to it. However, a number of the published MMs to the Plan's policies require further corresponding changes to be made to the policies map. These changes apply to policy maps P2-A2 (Stafford) and P2-A3 (Stone), where the geographic illustration of policies on the submission policies map is not justified and changes to the policies map are needed to ensure that the relevant policies are effective.

7. These further changes to the policies map were published for consultation alongside the MMs [Examination Document P2-Q6].
8. When the Plan is adopted, in order to comply with the legislation and give effect to the Plan's policies, the Council will need to update the adopted policies map to include all the changes proposed in Document P2-Q6, entitled 'Schedule of Main Modifications Post Examination'.

Assessment of Duty to Co-operate (DTC)

9. Section 20(5)(c) of the 2004 Act requires that I consider whether the Council complied with any duty imposed on it by section 33A in respect of the Plan's preparation.
10. The Council states that it has worked closely with key stakeholders, service providers and statutory agencies in relation to Part 1 of the Plan (PSB1), which covers the strategic aspects such as the overall provision of development, and the sustainable development hierarchy, including the allocation of Strategic Development Locations (SDLs) for Stafford and Stone. The four SDLs allocated in PSB1 provide for a large proportion of the Borough's development requirements over the plan period (including 6,400 dwellings out of the 10,000 dwelling requirement to 2031). Part 2 – this Plan – identifies the settlement boundaries for Stafford, Stone and the Key Service Villages (KSVs) within the strategic parameters already established in PSB1.
11. Within this context, I agree with the Council that there are no strategic matters included in PSB2. I also note that the Council consulted with all the DTC organisations and that seven responses were received¹, all of which confirmed that there are no DTC matters of importance to raise, and that the consensus is that there are no cross-boundary issues raised in the Plan.
12. In response to representations that the Council should have engaged with Birmingham City Council (BCC) in seeking to meet the city's unmet housing needs, I note that firstly, the Council engaged with BCC during the preparation of the Plan and that no formal requests were made to SBC for assistance in terms of housing provision. Secondly, the Plan area is outside both the Greater Birmingham Housing Market Area (HMA) and the Greater Birmingham and Solihull Local Enterprise Partnership (LEP). I therefore consider there is not a case for the Council to answer in this regard, and in any event, this will be a strategic matter for a future PSB1 to address.
13. In view of the above considerations, I am satisfied that where necessary the Council has engaged constructively, actively and on an on-going basis in the preparation of the Plan and that the DTC requirement has therefore been met.

Assessment of Soundness

Background

14. The Borough of Stafford comprises the county town of Stafford and the market town of Stone, together with several villages within a large rural hinterland. At the time of the 2011 Census, the Borough's population was around

¹ SBC: Regulation 22 (1) (c) Submission Consultation Statement [Examination Document P2-A20].

130,600, just over half of whom lived in the town of Stafford. As the lead member on the Council for Planning stated on the opening day of the Hearings, the Borough is committed to growth and was designated as a Growth Point in July 2008 by the Government of the time.

15. The Borough is set to grow during the plan period (to 2031). Its strategic parameters for overall growth and its geographic distribution within a sustainable settlement hierarchy have already been established in PSB1, which was adopted in June 2014.

Main Issues

16. Taking account of all the representations, the written evidence and the discussions that took place at the Examination Hearings, I have identified 10 main issues upon which the soundness of the Plan depends. Under these headings my report deals with the main matters of soundness rather than responding to every point raised by representors.

Issue 1 – Does the Plan provide the most appropriate spatial strategy for the development of the Borough of Stafford over the plan period?

The Spatial Context

17. The scope of Part 2 of the Plan (PSB2) is to establish a sustainable framework for the effective delivery of Part 1 of the Plan (PSB1). Its purpose is to complement the strategic policies in PSB1. As a recent Court of Appeal Judgment (CAJ)² has noted, in preparing a development plan, the local planning authority must have regard to any other development plan document already adopted, such as a core strategy (or in Stafford's case, PSB1).
18. The CAJ states that the relevant policies in *the Framework*³, properly understood, do not require every development plan document within its broad definition of a 'Local Plan' to fulfil all the requirements described in paragraph 47. Therefore *the Framework* does not require a development plan document, which is dealing with the allocation of sites (or in Stafford's case for a framework for accommodating future development) for an amount of housing provision which has already been found sound, to address the question of whether further housing provision will need to be made.
19. The CAJ goes on to say that: "*Considering the limited objectives of TLP 2 [in Stafford's case PSB2]...the Inspector was not in my view required to embark upon an inquiry as to what the OAN might be or whether or not the defendant had a five-year supply of housing... The establishment of a new housing requirement for the defendant's administrative area was not a task which TLP2 had set itself*"⁴.
20. It is therefore clear that it is not for me to re-examine the strategic issues which were covered in PSB1. These were considered in the PSB1 Examination and have been found to be sound following its Examination. A number of representations concentrate at least in part on matters such as objectively

² Court of Appeal Judgment (CAJ): *Oxted Residential Ltd v Tandridge District Council*; 29 April 2016 [Ref 2016 EWCA Civ 414] [Examination Document P2-K3].

³ DCLG: National Planning Policy Framework (*the Framework*); March 2012 [Examination Document P2-F1].

⁴ CAJ *Oxted Residential Ltd v Tandridge District Council*, paragraph 38; April 2016 [Examination Document P2-K3].

assessed need for housing (OAN) and the Borough's five year housing land supply matters. For the above reasons these also are not matters to be re-examined in this Examination.

Sustainability Appraisal (SA) and Habitats Regulation Assessment (HRA)

21. PSB1 was subject to a detailed SA, which looked at a range of realistic alternatives, and changes were consequently made. The Inspector's Report (IR) into PSB1 confirmed that the SA was robust. A Part 2 SA has also been undertaken⁵ and it has incorporated the requirements of a Strategic Environmental Assessment. Natural England has confirmed⁶ that it agrees with the SA conclusion and recommendations and that the Plan is not required to meet the Habitat Regulation Assessment (HRA). I have no reason to disagree with this view.
22. The SA concludes that there are no negative social or economic effects arising from the Plan. On environmental matters, the SA concludes that policy SB1 (settlement boundaries) has potential minor negative effects in relation to noise and light pollution; soil protection; loss of greenfield land and biodiversity; loss of viable habitat through employment development; and loss of water environment. Only one of the six Special Areas of Conservation (SACs) – Cannock Chase SAC - which are partly located within or adjacent to the Borough would experience some impact. However, the SA also concludes that policies N2 (climate change) and N4 (the natural environment and green infrastructure) in the adopted PSB1 provide mitigation to satisfactorily reduce these negative effects.
23. The Plan for Stafford Borough should be read as a whole, and there are no SA recommendations which suggest that any more reasonable alternatives should have been selected. I note that the Council is working with stakeholders to mitigate environmental impacts, largely through determining planning applications. The process is working well with appropriate financial contributions funding mitigation work and environmental strategies. The Council also puts proposals in Neighbourhood Plans (NPs) through a screening assessment.
24. Some of the SA criteria and conclusions were questioned at the relevant Hearing session; these mainly referred to matters which were considered in the PSB1 SA, such as affordable housing provision and alternative sites for major development, e.g. in relation to Birmingham's housing needs (which I have considered above). As I have already stated, it is not the remit of this Plan to re-examine matters which have already been considered in PSB1.
25. A more recent SA Addendum has been issued in relation to the three main modifications which were subject to public consultation. I deal with this document under Issue 2 (c) in relation to the Stone settlement boundary.

⁵ PSB2 Sustainability Appraisal (SA) [Examination Document P2-A19].

⁶ Letter from Natural England; 13 July 2015 [Appendix to SBC examination Statement – Issue 2 – Sustainability Appraisal (SA) and Habitats Regulation Assessment (HRA); June 2016 [Examination Document P2-M2a].

Green Belt

26. Another strategic issue which was raised in written representations and at the Hearings is the Green Belt. There are two areas of Green Belt within the Borough which together account for about a quarter of the areal extent of the Borough. Spatial Principle 7 (SP7) is a commitment to keep the existing Green Belt boundaries intact, whilst policy E5 in PSB1 identifies three major brownfield sites within the Green Belt where limited infilling or partial or complete redevelopment would be acceptable in principle.
27. Any changes to the boundary of the Green Belt within the Borough need to be determined in the context of a strategic review, and not as part of this Plan. I also consider that the submitted Plan, together with the relevant modifications to the settlement boundaries, enable PSB1 to be implemented in accordance with national policy, both in terms of overall provision of development and in the achievement of a sustainable hierarchy of development distribution. I therefore consider that the exceptional circumstances mentioned in paragraph 83 of *the Framework* for altering the Green Belt boundaries do not currently exist in relation to the Plan before me.

Issue 1 - Conclusion

28. I therefore conclude in relation to Issue 1 that there is no case for re-examining the strategic issues which have been considered at the PSB1 Examination, and that the SA and HRA requirements have been satisfactory met in relation to PSB2. I therefore have no soundness concerns in relation to Issue 1.

Issue 2 – In terms of housing provision, is the Plan effective in delivering the adopted strategy of the Plan (PSB1) in terms of its use of settlement boundaries to deliver the Plan's strategic housing requirement, as identified in policy SB1- use of settlement boundaries

(a) Is the principle of using settlement boundaries acceptable?

29. The initial intention of the Council was to prepare a site allocations plan⁷. The Council, however, has subsequently stated that it is confident that sufficient land can be identified within the settlement boundaries it has defined around the towns of Stafford and Stone and around the Key Service Villages (KSVs) to deliver a minimum of 10,000 dwellings over the plan period. For this reason it does not consider that it has a requirement to extend the settlement boundaries to enable the development of additional sites.
30. Several representations opposed the concept of settlement boundaries and supported development allocations in PSB2. These can be summarised as (a) the settlement boundaries are a moratorium on housing development in the Borough through the 'back door'; (b) they set a maximum level of development, contrary to national policy, as expressed in paragraph 47 of *the Framework*, to boost significantly the supply of housing; (c) they rule out major brownfield opportunities to boost the supply of housing from sustainably located sites outside the settlement boundaries; and (d) they are an artificial

⁷ SBC: Examination Statement – Issue 1 – Legal Requirements, Scope of Part 2 of the Local Plan and Duty to Cooperate, paragraph 1.2.1; June 2016 [Examination Document P2-M1a].

and restrictive framework for managing the growth of the two largest and most sustainable settlements of Stafford and Stone.

31. The Council stated that if the settlement boundaries were to be used as a moratorium on housing development, it would be refusing many more housing developments than it currently does, with the latest evidence showing that the housing potential arising from recent planning permissions is exceeding the Plan provision by a margin of over 10%. The Plan also states that the figure of 10,000 dwellings in the plan period does not represent a ceiling or a maximum⁸. For these reasons I do not consider that the concept of settlement boundaries represents a moratorium on housing development through the back door, and neither does the Council set out to cap the 10,000 dwelling provision in the Plan. Therefore the Plan does not in principle run counter to the Government's aim to boost significantly the supply of housing.
32. It is true that there are major brownfield opportunities which lie outside the settlement boundaries, such as the decommissioned MOD site at Cold Meece. The settlement boundaries, however, reflect the sustainable development hierarchy in PSB1. Should the Council decide to change the strategy of the Plan to include these major sites in the rest of the Borough, this should be done as part of a review of PSB1 rather than through this Examination. There is, however, an emphasis on bringing forward brownfield land within the settlement boundaries, in accordance with national policy, although I recognise that the supply of such sites is limited.
33. Stafford and Stone are the most sustainable locations for development in the Borough. Provision needs to be found to enable sufficient development to ensure that the Borough as a whole meets its minimum housing provision and that 70% and 10% respectively can be located within these towns. In principle, the concept of settlement boundaries is appropriate, and I consider below whether there are reasons to justify extending these boundaries.

(b) Are the criteria for delineating the settlement boundaries appropriate?

34. There was some criticism that the settlement boundaries in the Plan are arbitrary and do not follow an established methodology, although there is also substantial support for the criteria set out in the Plan.
35. Spatial Principle 7 (SP7) in PSB1 sets out criteria for delineating settlement boundaries. PSB2 builds on these with a number of additional considerations which are collectively described as the methodology for establishing the settlement boundaries.
36. These considerations, which are listed in paragraph 2.11 of the Plan, comprise the following factors – (a) recognised physical features; (b) completed sites and sites with extant planning permission; (c) previous residential development boundaries from the now superseded Local Plan⁹; (d) environmental and landscape designations; (e) scale of new development for which provision needs to be made in the Plan; (f) extent of domestic garden land on the edge of settlements; (g) NP proposals for new development; and (h)

⁸ PSB2, paragraph 2.4.

⁹ Stafford Borough Local Plan 2001.

SDLs. I am satisfied that these criteria, together with the reference in the Plan to SP7, comprise a robust methodology for the delineation of settlement boundaries.

37. Concern was expressed at the Hearings that the settlement boundaries incorporating the above methodology would "*freeze the settlements in time*" and are "*an opportunity to shut up shop*", and as such would not be sustainable. Criterion (e), however, ensures that the settlement boundaries need to be drawn to ensure that sufficient development land is made available to meet the needs of the Plan during the plan period. I therefore endorse the Council's modification as necessary for soundness in relation to its justification and accordance with national policy, to limit the duration of the settlement boundaries to the plan period by deleting the words "*and beyond*" from paragraph 2.26 of the submitted Plan **[MM1]**.

(c) Have the settlement boundaries been drawn in accordance with the criteria as set out in the Plan?

38. Several representations, whilst accepting the criteria for the delineation of the settlement boundaries, nevertheless consider that the boundary lines have not been drawn in accordance with these criteria, and are seeking amendments to allow for more development.
39. I have considered these representations and I set out my conclusions in the following paragraphs.

Stafford settlement boundary

40. Extension of Stafford East Strategic Development Land (SDL): There is broad agreement between the Council and representors that the 600 dwelling scheme at Stafford East will be built out within ten years. Extending this SDL to the east would deliver a further 1,250 dwellings¹⁰ in a relatively unconstrained and sustainable location. I note, however, the comments made by the PSB1 Inspector, that the land does not need to be identified to deliver the proposed development strategy, and that this matter could be reconsidered in the future when the Plan is reviewed¹¹. The Inspector's comments are still appropriate; I demonstrate below that the Plan is on track to deliver its four SDLs within the plan period, and that the most appropriate time to reconsider the inclusion of sustainable sites like the one in question is at the time of the review of PSB1.
41. Land adjacent to Cornwall Drive and Truro Way, off Baswich Lane, Stafford: The site, with an estimated yield of 19-24 dwellings, was required for the proposed Eastern Distributor Road, which has now been partially abandoned, and it is no longer required for the highway scheme. The site has well defined physical boundaries and does not conflict with any of the PSB2 criteria, and it is considered in the strategic housing land availability assessment (SHLAA) to be available immediately. The representations state that there is a heavy reliance in the Plan on the deliverability of two of the three SDLs in Stafford within the plan period (which I consider below). However, I agree with the

¹⁰ Answer given by the Council on Day 3 of the Examination Hearings.

¹¹ Stafford BC – The Plan for the Borough (PSB1) – Inspector's Report (IR) paragraph 81.

Council that the site is not needed now, and I therefore consider that the settlement boundary does not need to be changed.

42. Land at Ashflats Lane, Stafford: The site, to the south-west of Stafford's urban area, has the potential to yield around 320 new homes. It is located beyond the settlement boundary, and it is contained by the M6 motorway, the Stafford to Birmingham railway and the A449 main road. It is sustainably located, subject to appropriate mitigation from the significant noise impacts of both the two highways (especially the M6) and the railway. It is my view, however, that the strategic housing requirements of PSB1 can be provided satisfactorily without recourse to developing new homes on this site. I therefore consider that the site is not needed now, and for this reason the settlement boundary does not need to be changed.
43. Land at Tixall Road/Blackheath Lane Junction, Stafford: The site, on the eastern edge of the Stafford settlement boundary, includes a hamlet of around 10 dwellings with potential for up to two infill houses. The Council considers that Blackheath Lane forms a strong physical and defensible line and for this reason there is no justification to change the settlement boundary at this location. I see no reason to disagree with the Council's logic here.
44. Milford Road, Stafford: The greenfield site, on the eastern fringe of the urban area of Stafford, has potential for around 225 dwellings. The site is well located in relation to schools, shops and other facilities. It is my view, however, that the strategic housing requirements of PSB1 can be provided satisfactorily without recourse to developing new homes on this site.
45. Site 4, MOD, Stafford: This site is located within the Stafford settlement boundary. The modification to identify this land as a MOD protected area **[MM2]** is necessary for soundness in relation to its accordance with national policy. Thus a change to the settlement boundary here is not necessary to the soundness of the Plan.

Stone settlement boundary

46. Land within the settlement boundary at Westbridge Park, Stone: The area lies on the edge of Westbridge Park, to the east/south-east of the A520 Stafford Road and to the west/south-west of the Trent and Mersey Canal. It is currently occupied by a surface car park and other land and buildings in community use, including a leisure centre and tennis courts. The Council considers that the boundary line is carefully drawn, so as to exclude the area of Green Infrastructure to the south-west, thus limiting the area included within the proposed settlement boundary at this location to previously developed land (PDL). Following the publication of the MMs, the Council commissioned a SA Addendum¹², and I respond to this document below.
47. The Council's considerations need to be weighed against the four principal arguments against inclusion of this land within the Stone settlement boundary, which were made in representations and at the Hearings and which I set out below.

¹² LUC: Plan for Stafford Borough Part 2: Main Modifications – Sustainability Appraisal Addendum; September 2016 [Examination Document P2-Q4].

(i) *The Trent and Mersey Canal as a clear boundary*

48. The canal forms a clear physical boundary and any deviation would appear contrived. The settlement boundary in the submitted Plan deviates from this boundary, to a significantly less pronounced physical feature, which approximates to the boundary of an area of previously developed land (PDL).
49. From studying the written material and the policies map, as well as from my own observation, it is my view that the Trent and Mersey Canal is a clear, obvious and defensible physical feature, and as such accords with the first criterion in the methodology for defining settlement boundaries, as set out in paragraph 2.11 [1] of the submitted Plan. This is also the view of the residents of Stone who responded to the Plan, and Stone Town Council, a number of whom spoke at the Hearings. The Council, in its response, does not comment on this consideration. In the light of the above considerations, I attach considerable weight to the argument that the canal should be the settlement boundary at Westbridge Park.

(ii) *Flood risk*

50. The area is located within a flood risk zone; much of the land lies within flood zone 2, with a smaller area within flood zone 3. The Environment Agency (EA) initially objected to a recently submitted planning application on the area in question for the development of a food store with ancillary café, car parking and associated access, landscaping and other works at the Westbridge Sports Centre, based on the absence of an acceptable flood risk assessment (FRA). The Part 1 Inspector also expressed concern that parts of the site are subject to flood risk¹³. Increased intensity of development would also increase surface water run-off. I share the concern of the EA, as expressed in its letter to the Council¹⁴, especially in the light of paragraphs 99 and 100 of *the Framework*.
51. The Council argues firstly that much of the land within the Stone town centre boundary also falls within flood zones 2 and 3, and that "*this does not preclude land from being included in the settlement boundary*"; and secondly, that the EA, in a further letter since the end of the Examination Hearings¹⁵, states that it has no objection to a planning application for retail development on the land in question, subject to a number of conditions being attached, should planning permission be granted.
52. Regarding the Council's first point, I am not persuaded by the argument that because, historically, town centre development occurred in flood zones, this justifies future development being developed in these zones. This would fly in the face of the heightened awareness we now have of flooding issues, the social and environmental issues and economic costs of flooding, and the climate change agenda, which is integral to our understanding of sustainable development.
53. In relation to the Council's second argument, I note the reference to technical solutions now offered by the EA to overcome flood risk associated with development on the land in question, and the fact that the EA has withdrawn

¹³ IR paragraph 91.

¹⁴ Letter from EA to SBC dated 23 June 2016 [Examination Document Ps-N13].

¹⁵ Letter from EA dated 7 September 2016 [Examination Document P2-O9: Appendix 3 to Council's Statement in Response to the Main Modifications].

its objection to the proposed development. However, this does not change the location of the land within flood zones 2 and 3. Whilst I see no reason to disagree with the EA's latest advice in relation to the proposal for a food store, in strategic terms the issue of flood risk is an important consideration against the inclusion of this land within the Stone settlement boundary.

(iii) *Retail provision*

54. The potential of the land for retail development is perhaps the key reason for the Council's wish to depart from what I consider to be the clear and logical settlement boundary following the canal at Westbridge Park. Policy Stone 1 in the adopted PSB1 makes provision for 1,700 sm (net) of new convenience (food) retailing and 400 sm (net) of new comparison (non-food) retailing at Stone town centre. However, the PSB1 Examination Inspector stated that the retail element of a proposal for developing at Westbridge Park is questionable, since the site lies outside the town centre¹⁶ and referred to the lack of a sequential retail assessment. Apart from the applicant's submission, no independent assessment was presented to the Part 2 Examination. I also heard evidence at the Hearings referring to alternative sites for retail development either within Stone town centre or closer to the town centre than Westbridge Park.
55. Since the end of the Examination Hearings, the Council has instructed an independent retail consultant to assess the applicant's study and this has now been published¹⁷. This independent assessment looks at the sequential test in accordance with the requirements of paragraph 26 of *the Framework* to see whether there are any available and suitable sites in sequentially preferable locations; it looks at the potential impacts of the proposal on defined centres; and it then makes some recommendations.
56. In relation to the sequential test, the assessment states that Crown Wharf was raised at the Examination Hearings. It includes designated heritage assets such as the listed buildings at the boatyard site and the assessment states that redevelopment, including the boatyard site (necessitating the relocation of a number of small businesses), to accommodate the proposed development of the food store would appear to be inappropriate. I have no information before me to demonstrate that, in design and viability terms, the development of a food store of the size proposed would preserve or enhance the character or appearance of the important canal side heritage environment. I am not therefore persuaded that the Crown Wharf option, which was advocated in several representations, is a realistic sequential option.
57. The assessment also dismisses the former garden centre site (mentioned in representations), as insufficient in size to accommodate the proposed food store. It also advises that there are no other potential sites for the development of a retail food store within or on the edges of the town centre. I also note that no robust evidence before me challenges these statements.

¹⁶ IR paragraph 91.

¹⁷ Peter Brett Associates Ltd: Letter to the Council, concentrating on retail and town centre planning policy issues connected with planning application 16/24242/FUL – Proposed Superstore, Westbridge Park, Stone; 1 September 2016 [Examination Document P2-Q9: Appendix 2 to Council's Statement in Response to the Main Modifications].

58. In terms of retail impact, the independent assessment advises that the town centre has a relatively low vacancy rate, a relatively strong comparison retail offer, a healthy presence of independent retailers and a pleasant and safe environment. However, it also points out that there are some larger vacant units in the town centre which could benefit from new national multiple retailers. Against this background, the independent study advises that there will be no significant impact on existing, committed or planned investment within the Borough's defined centres.
59. The assessment accepts that some of the impacts on the convenience goods turnover of existing food stores within Stone town centre would be relatively high. It weighs this conclusion against the evidence that at least one town centre store is overtrading by £16.7 million against company benchmark turnover figures, and it also states that the cumulative impact of the proposed food store would be unlikely to compromise trading at any of the existing town centre stores to the point of closure. However, this critical conclusion was not tested during the Examination, and it seems to me that some assessment of the potential of the 'larger vacant units' in the town centre should be undergone before a firm conclusion could be drawn in relation to justifying amending the settlement boundary at Stone, as shown in the submitted Plan.
60. In the light of the above considerations, I am not persuaded that the concerns of the PSB1 Inspector have been entirely overcome. I therefore conclude that the retail considerations are not sufficiently compelling for me to agree with the Council's arguments for keeping to the settlement boundary at Westbridge Park as indicated in the submitted Plan.

(iv) Impact on the character and appearance of the area

61. The final consideration concerns the potential impact that the proposed location of the settlement boundary in the submitted Plan is likely to have on the character and appearance of the area, and in particular whether it would preserve or enhance the character or appearance of the settings of the two nearby conservation areas and individual listed buildings.
62. The area is located within the setting of several prominent buildings within the Stone Conservation Area, including The Moorings, a former canal-side warehouse (grade II), The Priory, an eighteenth century residence (grade II*), and the striking Church of St Michael (grade II*), whose tower can be seen from many places, including Westbridge Park. These buildings and their sylvan context are critical to the character of the impressive gateway to the town centre, which can be viewed from the A520 by Westbridge Park, and this is a feature which is clearly valued by local people. The area is adjacent to the canal, which is also a designated heritage asset within the Trent and Mersey Canal Conservation Area. Whilst I agree with the Council that the view is spoiled by the blue Westbridge sports centre, most of the land is still open and enables the setting of the above mentioned heritage assets to be fully appreciated from the park.
63. Planning legislation requires that a local planning authority shall have special regard both to the desirability of preserving listed buildings or their settings, and also to the desirability of preserving or enhancing the character or

appearance of a Conservation Area or its setting¹⁸, or in this case, two Conservation Areas. Section 12 of *the Framework* makes it clear that great weight should be given to the conservation of designated heritage assets and that significance can be harmed by development within its setting, which I consider would be the case here.

64. From my site visits, one of which was accompanied, I consider that the redevelopment of this land for housing, retail, office or commercial development, at heights of at least two storeys, would impact on the open nature of the site, which, together with the adjacent park, allows for significant views of both Conservation Areas and many of the heritage assets within them. I consider that the quality of their settings would be eroded by further development, if the land were included within the settlement boundary for Stone.
65. I agree with the PSB1 Inspector who states: "*The introduction of new buildings, car parks and roads also could begin to change the character of this fringe of the park, and erode the appearance of this important gateway into the town and its historic Conservation Area, as well as impacting on SBC's Green Infrastructure Strategy*"¹⁹. I find this statement encapsulates the most powerful argument in favour of modifying the proposed settlement boundary to exclude the Westbridge Park land as indicated in the submitted Plan.
66. The Council argues that the proposed food store development would lead to less than substantial harm and that its impact on the setting of the listed buildings and the character and appearance of the Conservation Areas would be outweighed by the benefits of the scheme.
67. *The Framework* draws a distinction between 'substantial harm' to a designated heritage asset and 'less than substantial harm', and in the latter case, it states that this harm should be weighed against the public benefits of the proposal, including securing its optimum viable use (paragraph 134). There is no precise definition in *the Framework* of these two terms, although 'substantial harm' is equated with "*total loss of significance*" (paragraph 133). The PPG states that assessing whether there is substantial harm derives not only from a heritage asset's physical appearance but also from its setting²⁰. However, the same paragraph in the PPG also advises that in general terms, substantial harm is a high test, and on balance I accept that this high test has not been met in the situation at Westbridge Park that I have been describing.
68. The impact of two-storey buildings on the Westbridge Park land would affect public views of the Conservation Areas from one of the most important vantage points, if not the most important vantage point, in the town. This view of the setting to the Conservation Areas is clearly valued by local people. I therefore attach significant weight to this consideration.

Westbridge Park Summary

69. I consider that the arguments advanced by the Council for the deviation of the settlement boundary from the canal at Westbridge Park are significantly

¹⁸ The Planning (Listed Buildings and Conservation Areas) Act 1990, (Sections 66 and 72).

¹⁹ IR paragraph 91.

²⁰ PPG: ID18a-017-20140306 *How to assess if there is substantial harm?*

outweighed by the planning, environmental and conservation grounds that I have summarised above; furthermore, the Council's arguments cannot in my view be justified by any of the eight criteria for defining settlement boundaries as set out in the submitted Plan, all of which I consider to be sound.

70. Although in technical terms, flood risk could be overcome in relation to the proposed development for a food store and community development, I am not aware of the details of any required flood prevention works and I cannot therefore be satisfied that any such works would not impact visually on the setting of the two Conservation Areas.
71. Whilst I accept that there would be some economic and social benefits associated with proposals for retail and community related development at Westbridge Park, I am not persuaded, for the reasons stated, that the retail benefits necessarily outweigh the impact on the vitality and viability of the town centre. In any event, I am not convinced that new development here would outweigh the visual harm, albeit less than substantial, which would result from the development potential that would arise should the settlement boundary as proposed in the submitted Plan were to remain.
72. The recently issued SA Addendum states that the MM for the Stone settlement boundary is: *"expected to result in additional minor effects in relation to SA objectives 1 (employment), 2 (economic diversity), 3 (vitality and viability), 7 (access for all), 10 (health, safety and wellbeing) and 16 (community identity)"*.
73. The SA Addendum gives a neutral score on the impact of the submitted Plan's settlement boundary at Stone on landscape and historic character. Whilst I agree that there might be some minor gains in a number of areas identified in the SA Addendum, it is clear from the representations and discussions at the Hearing sessions that the overwhelming 'community identity' view is to keep the existing open area as it is. In terms of vitality and viability, again for the reasons I have already stated, I am not convinced by the evidence before me that the impact on the town centre would be largely benign. I therefore come to a different conclusion to that of the SA Addendum.
74. In coming to my conclusion, I am mindful both of the requirement in paragraph 132 of *the Framework* to give great weight to the conservation of a heritage asset, and the recent Barnwell CAJ²¹, which states that an Inspector needs to give considerable importance and weight to the desirability of preserving the setting of listed buildings when carrying out a balancing exercise in planning decisions, and by extension to local plan soundness conclusions.
75. In the light of the above considerations, I conclude that the proposed modification **[MM3]** to realign the settlement boundary to the route of the canal to the south of the A520 Stafford Road is necessary for the Plan to be sound on the grounds of being justified and accordance with national policy.
76. Land north of Trent Road, Stone: The site, with potential for 24 dwellings, is almost surrounded by the Stone settlement boundary, and I agree with the

²¹ CAJ: Barnwell Manor Wind Energy Ltd v East Northants DC, English Heritage, National Trust and SSCLG [2014] EWCA Civ 137.

promoters that the site is not located in open countryside. Although the site was allocated in the previous Local Plan for housing, no development proposals came forward, and Stone has exceeded its provision of 10% of the Borough's total within the sustainable settlement hierarchy by around 13.8%²². It is not therefore true to state that the Council is displaying a "we have reached our target attitude"; the Council has exceeded its requirement for housing at Stone by a reasonable margin. Although the site is in a sustainable location, it is not required to meet the strategic distribution of new housing as set out in PSB1.

77. Land at Saddler Avenue/Blackie's Lane Junction, Stone: This site, with potential for about 10 dwellings, lies just outside the Stone settlement boundary. As with the site to the north of Trent Road, the site was allocated in the previous Local Plan for housing, but no development proposals came forward. Although the site is in a sustainable location, it is not required to meet the strategic distribution of new housing as set out in PSB1.
78. Land at Marlborough Road, Stone: This site, with potential for 114 dwellings is currently the subject of an appeal. The site is adjacent to the Stone settlement boundary in open countryside and is in a sustainable location. It is not necessary to achieve Stone's target in the sustainable settlement hierarchy in accordance with PSB1 Spatial Principle 4. Although the site is in a sustainable location, it is not required to meet the strategic distribution of new housing as set out in PSB1.

Other parts of the Borough

79. Land adjacent to the boundary of Rugeley: This site, with a potential yield of 243 dwellings, is located in the Green Belt. It will be for the Council to determine whether to amend the boundaries of the Green Belt at any future review of PSB1, and it would be premature at this time to modify the Plan to amend the settlement to include this land for development.
80. Land at Grange Farm, Hixon: This site, with potential for around 50 dwellings, is located to the south-east of the Hixon settlement boundary. The boundary has already been drawn so as to include new sites for development, and this site is not required for inclusion within the settlement boundary at this time.
81. The former Wedgwood Memorial College sites, Barlaston: These brownfield sites, with potential for 35-40 dwellings, are located within the Barlaston settlement boundary. As such, residential development is acceptable in principle.
82. Land east of Old Road and west of the canal, Barlaston: This site has potential for 45 dwellings on about one third of the site and it is proposed by the scheme's promoters for inclusion in the Plan as a safeguarded site. It is located within the Green Belt to the north of the Barlaston settlement boundary. The settlement boundary already includes new sites for development, and this site is not required for inclusion in the Plan for new housing at this time. Furthermore, it will be for the Council to determine whether to amend the boundaries of the Green Belt at any future review of

²² See the Council's Issue Statement, Table 1, page 2 [Examination Document P2-M3a].

PSB1, and it would be premature at this time to modify the settlement boundary of Barlaston to enable development.

83. Land at Cold Meece: This is a large brownfield site which has been decommissioned by the MOD. A first phase of around 150 dwellings is being sought for inclusion in the Plan by the scheme's promoters. The site does not form part of the sustainable settlement hierarchy. As such, its development for housing and other uses would be in conflict with the strategy of PSB1. This consideration outweighs its brownfield status. It will be for the Council to determine whether to amend the PSB1 strategy at any future review.
84. Land at Stowe Lane, Hixon: This site, with potential for 90 dwellings is currently at appeal. The site is outside the NP boundary, which progressed to its referendum on 15 September 2016 and was 'made' on 22 November 2016. It is my view, however, that the strategic housing requirements of PSB1 can be provided satisfactorily without recourse to developing new homes on this site.
85. Land to the north-east of Tittensor: This site, with potential for up to 60 dwellings, lies in the Green Belt. It will be for the Council to determine whether to amend the boundaries of the Green Belt at any future review of PSB1, and it would be premature at this time to modify the settlement boundary of Tittensor to enable the development of the land for housing.
86. Land to the south of the Green at Weston: This site has potential for 40-50 dwellings. The scheme promoters argue that the KSV, which has around 500 households with some facilities, should have the opportunity to attract development. The PSB1, however, looks at the KSVs as a whole, and the amount of new housing in the KSVs already exceeds its planned proportion in the sustainable settlement hierarchy by a significant margin (12%). I am not therefore convinced that there is a strong case to change the settlement boundary at Weston to accommodate this proposed development.
87. Land at Pure CF Furniture Depot, Barlaston: This site, with potential for 24 apartments, is currently used for storage and has brownfield status. Its location is close to shops and other community facilities, and it is therefore highly sustainable. Its location is also where the settlement boundary is very constricted. However, it is a Green Belt location, and it would be premature to include this site within the settlement boundary for Barlaston to enable the development of housing prior to a Green Belt review.
88. Land at Barlaston Lea Cottage, Barlaston: This site is enclosed by trees and lies within the Green Belt, outside the Barlaston settlement boundary. Although the scheme promoter argues that the site is perceived as part of the village, my perception at the accompanied site visit was of a rural site, and in any event, it would be premature to amend the settlement boundary to enable the development of this site for housing prior to a Green Belt review.

Issue 2 - Conclusion

89. I conclude on the basis of the evidence before me that, subject to the above modifications, the principle of establishing settlement boundaries is justified; that the criteria are appropriate and, that it sets out appropriate settlement

boundaries to enable the housing provision in PSB1 to be met with an appropriate degree of flexibility. I also conclude that none of the settlement boundaries in the submitted Plan need to be extended on any soundness grounds.

Issue 3 – Is the Plan effective in its potential overall delivery of housing over the plan period?

90. Several representations stated that the settlement boundaries were drawn too tightly around the existing settlements, with insufficient flexibility to respond to change or under-delivery of housing during the remainder of the plan period. There were also requests for freeing up the development potential in some of the KSVs in order to enable them to grow organically. Regarding the appropriate level of flexibility during the Hearings, several respondents stated that somewhere in the region of 10-20% was required to provide the necessary level of provision to ensure that a minimum of 10,000 dwellings would be completed during the plan period. Some representations argued for a review of the Green Belt, particularly in relation to those KSVs which are surrounded by or severely constrained from further growth by the Green Belt.
91. I consider that three key factors are relevant to assess whether the settlement boundaries are restricting development in the Borough to an unacceptable degree. Firstly, it is necessary to look at the housing provision in the Plan in relation to the objectively assessed need (OAN) for housing in the Borough. Secondly, it is necessary to assess the potential of sites within the settlement boundaries to deliver the overall housing provision in the Plan. Thirdly, this potential needs to be further considered in view of the importance of the four proposed SDLs which are planned to deliver 64% of the 10,000 houses provided for in the Plan, and to consider how likely they are to deliver the amounts proposed in the Plan in their entirety within the plan period.

(a) Housing provision in relation to OAN

92. The IR into PSB1 states (paragraph 31) that the proposed level of housing provision in the Plan takes account of the additional households to be formed in Stafford Borough between 2011 and 2031 and includes an element of further growth, from 461 dwellings per annum (dpa) to 500 dpa, i.e. an increase of 10.85%, in keeping with Stafford's role as a growth point. The 10,000 dwelling provision in the adopted PSB1 is therefore starting from a position of exceeding the minimum provision required through considering its OAN in isolation.
93. I therefore conclude that the Plan provision of 10,000 dwellings is predicated on a growth strategy, which as paragraph 2.4 clearly states, does not represent a ceiling, in accordance with national policy.

(b) Potential of sites within the settlement boundaries to deliver the overall housing provision in the Plan.

94. In response to the representations which maintain that the settlement boundaries are too tightly drawn to enable the Plan to deliver a minimum of 10,000 dwellings over the plan period, I requested an updated assessment of the potential for housing within these boundaries. The Council produced a

Note²³ which identifies completions since the start of the plan period, commitments with planning permission and in the case of the SDLs, the residual site provision, within Stafford and Stone, as well as the situation within the KSVs. The Note also includes an assessment of potential future supply within the settlement boundaries.

95. The Note indicates that the total potential for new homes within these boundaries is estimated at 11,107 dwellings out of a Plan requirement for 10,000 dwellings (an overprovision of 11.1%). When the estimated yield from completed and committed sites in the Rest of the Borough (i.e. outside the settlement boundaries) is added to the above figure, there is an overall housing provision of 11,699 dwellings (i.e. an overprovision of 11.7%).
96. From the evidence submitted to the Examination, I consider that this estimation of over-provision in relation to the PSB1 dwelling provision is realistic. 2,258 dwellings (19.3%) have been completed since the start of the plan period, and a further 4,274 dwellings (36.5%) are on committed sites of greater than 10 dwellings.
97. The bulk of this provision, 4575 dwellings (39.1%) is expected to come from the remainder of the SDLs, which I consider to be realistic for reasons that I set out in some detail below. This leaves an estimated potential of 592 dwellings (5.9%) on sites which are estimated to yield 10 or more dwellings, and these are set out in the Council's evidence²⁴. Although some representations consider that there are uncertainties concerned with the delivery of some of the potential of the SDLs during the plan period, there was no robust questioning of the other sources of housing within the Note. Furthermore, the Note does not make an allowance for future small site delivery over the remainder of the plan period.
98. This level of provision has been criticised as being too close to the minimum figure. Whilst the figure of 11.7% is considerably lower than the 20% recommended by a number of participants at the Hearings, the Council makes the point that the housing provision in the Plan is one of the key variables in assessing the adequacy of the infrastructure provision. A significant increase in housing delivery above that provided for in the Plan would run the risk of the quantum of development being out of line with some aspects of infrastructure provision, resulting in possible shortages of key services, such as school places or the capacity of the physical infrastructure, such as drainage, to the overall detriment of the community. There could also be issues in relation to the sustainable balance between homes and jobs.
99. In the light of the above considerations, I am satisfied that the level of flexibility, at around 11.7%, is appropriate for the effectiveness of the Plan.

(c) The effectiveness of the four SDLs to deliver housing within the plan period.

100. The implementation of the four SDLs within the plan period is critical to the Plan's effectiveness. These SDLs account for 64% of the PSB1 target of

²³ Council's Response to Inspector's Request regarding Housing Provision and Flexibility within Settlement Boundaries; 21 July 2016 [Examination Document P2-N6].

²⁴ Ibid, Section 2.

10,000 dwellings. In view of their importance and the considerable doubts expressed by several representors, I requested a Council response to five key questions²⁵: (a) the views of the lead developers on scheme progress; (b) implementation prospects of the Western Access Route; (c) other critical components of infrastructure that will impact on the progress of any of the SDLs; (d) implementation prospects for the Stone SDL; and (e) the realism of the rates of delivery, especially in the light of slippage that has already occurred.

101. The Council responded with a Note²⁶, and a number of the representors also submitted written evidence. In the light of these written submissions and the discussion at a session specifically dedicated to this matter, I have a number of comments:

Stafford West SDL

102. This SDL, comprising an estimated 2,200 dwellings, is programmed for completion by the end of the plan period (2031). The key concern was that the success of this scheme could be at risk by delays in the completion of the Western Access Route, and in particular the bridging of the West Coast Main Line (WCML), by 2020/21. This link is necessary to enable the full development potential of the Stafford West SDL to be realised. It should be noted that planning permission has been granted for 250 dwellings on the former Castleworks site (80 dwellings) and land south of Doxey Road (170 dwellings). Over the five year period a total of 630 dwellings are programmed for completion up to 2020/21, which will require 380 dwellings to be granted planning permission and completed across the rest of the Stafford West SDL. This is acceptable in highway terms prior to completion of the Western Access Route.

103. Evidence presented at the Hearings demonstrated that all the WCML improvements affecting the railway beneath the bridge, e.g. signalling and track layout, are now in place; and that the bridge improvements are now largely complete, so that rail based issues are no longer a constraint on scheme implementation.

104. Planning permission for the bridging of the WCML was approved in November 2015, and I note the Council's comments that the majority of the necessary finance is already committed to the scheme, with the prospect that the significant land acquisition costs included in the funding calculations may be less than expected. This optimism is supported by a letter of commitment from the major land owner. Although the legal agreement is not yet in place, the Council and the other main parties are confident that this will occur to enable the implementation to keep to the trajectory, which is included in the Council's Implementation Update²⁷.

105. The Council's view is also in line with the business case for the Western Access Route²⁸, and although the signing of the agreement will no doubt reduce any

²⁵ Note from Inspector (MF1) – Inspector Questions; 19 July 2016 [Examination Document P2-N1].

²⁶ Council Response to Note MF1; 1 August 2016 [Examination Document P2-01].

²⁷ Council Response to Note MF2: SDL Implementation Update [Examination Document P2-02a].

²⁸ Staffordshire County Council: Stafford Western Access Route-Major Scheme Business Case Main Report; January 2015 [Referred to in Examination Document P2-01d, at foot of page 7].

uncertainty, the evidence before me does not point to the likelihood that the current lack of a signed agreement will hold back scheme implementation.

106. Commitment to the implementation of the Stafford West SDL within the plan period is contained within a SCG²⁹, dated 29 October 2013, between the Council and the developers/landowners. Although not every aspect of detail has yet been agreed between the main parties, it is clear from reading this document that the parties are serious about making the scheme happen.
107. Also, a master plan for Stafford West³⁰ was agreed by the Council's Planning Committee in March 2015, and I note that the scheme developers are progressing with pre-application technical studies prior to submitting planning applications later in 2016 on the majority of sites in the SDL.
108. The other main area of concern relates to the timing of a parallel Compulsory Purchase Order (CPO), and I note some slippage has taken place since its programming in the above-mentioned Western Access Route business case. The business case, however, points to agreement between the principal land owners, to the extent that a CPO may not need to be progressed by Staffordshire County Council (SCC). Nevertheless, the lack of CPO progress could potentially result in significant slippage if significant disagreements between the landlords and the landowners cannot be resolved in the next year or so.
109. The Council has also increased the annual completions figure at Stafford West SDL post 2021/22 from 143 dpa to 154 dpa. I cannot find a documented reason for this increase, which provides an additional 140 dwellings towards the full complement of 2,200 dwellings within the plan period which can be realistically delivered. However, this level of increase is in line with the recent track record of delivery and I can see no strong argument to doubt that this will happen.
110. I do not share the views expressed by some representors that the factors I have referred to above are likely to significantly delay scheme implementation as set out in the Council's updated trajectory. The pessimism is restricted to the developers who are not involved in the scheme.
111. My conclusion on Stafford West SDL is that although there are still financial and legal hurdles to be crossed, the scheme has a realistic prospect of the delivery of 2,200 dwellings by the end of the plan period, in line with PSB1.

Stafford North SDL

112. This SDL, comprising an estimated 3,100 dwellings, is programmed to be completed by the end of the plan period (2031). The key concern is whether the speed of development envisaged by the Council is realistic. Several planning permissions have been granted, and the first houses were delivered ahead of schedule. At the current time, there are planning permissions for 475 dwellings including 100 units already completed. I note that a master plan for the remaining larger housing sites within the SDL was agreed by the

²⁹ SCG for strategic development locations – land west of Stafford, between Taylor Wimpey UK Ltd; Lord Stafford's Estate; Bellway Homes Ltd; and St Gobain; 29 October 2013 [Examination Document P2-P10].

³⁰ Burley Fields: A Masterplan Framework for Land to the West of Stafford; March 2015 [Examination Document P2-J19].

Council on 16 November 2016, with an implementation rate of 205 dpa from 2021/22 onwards, which is endorsed by the prospective developers.

113. Concern is expressed whether the wider SDL, beyond the land parcels which already have planning permission, is to deliver imminently. I note that a planning application for 700 has been submitted, whilst the developers for the large sites in the SDL have confirmed the trajectory in the Council's 5 year housing land supply statement³¹ of 100 dwellings in 2018/19, with 185 new dwellings in 2019/20 and 225 units in 2020/21. In this context, the projected rate of 205 dpa to the end of the plan period appears reasonable.
114. It was also drawn to my attention that the Council refused a planning application on the SDL earlier in 2016, as evidence that progress is going to be slow. The Council explained that the refusal related to detailed design considerations and not to the principle of development on this site. This does not strike me as evidence that the remainder of the site cannot fulfil a short to medium term trajectory in line with the Council's figures.
115. My conclusion on Stafford North SDL is that, based on the agreed masterplan, the scheme has a realistic prospect of the delivery of 3,100 dwellings by the end of the plan period, in line with PSB1.

Stafford East SDL

116. PSB1 identifies delivery of 600 dwellings, and the two planning permissions already granted give an enhanced total of 634 new homes, although the subsequent reserved matters permission reduced this to 631 new houses, i.e. still an increase on the Council's trajectory. It is envisaged that the scheme will be built out by 2021/22. I therefore have no doubts that the scheme will be completed before the end of the plan period.

Stone West SDL

117. The SDL is for 500 dwellings over the period 2015/16 – 2025/26, to be implemented at a rate of around 40-50 dpa. Although there has been a two year slippage, and 31 conditions to discharge, I note that the scheme developers have confirmed a rate of 30 dwellings in 2017/18 and 80 dpa in subsequent years, up to 2023/24. Even if the number of outlets is reduced from two to one, halving of the implementation rate to 40 dpa would still ensure that the scheme would be built out by the end of the plan period.

Issue 3 – Conclusion

118. I conclude on the basis of the evidence that the Plan's housing provision, predicated on a growth strategy, is realistic in its proposed housing delivery over the plan period. This conclusion takes account of site potential within the settlement boundaries and in particular on the effectiveness of the four SDLs to deliver around 6,400 dwellings over the plan period, in line with PSB1.

³¹ Examination Document P2-L1.

Issue 4 – Is the distribution of development in accordance with the sustainable hierarchy?

119. Given my conclusion on the above matter, I am satisfied that the delivery of 6,400 dwellings in the SDLs in the two most sustainable towns in the settlement hierarchy in the Borough would ensure that Spatial Principle 4 in PSB1, which sets targets for the distribution of housing development to 70% in Stafford; 10% in Stone; 12% in the Key Service Villages; and 8% in the rest of the Borough, will be largely adhered to. The Plan is therefore sound in this respect.

Issue 5 – In terms of employment provision and facilitating economic growth, are policies SB3 and RIE1 effective in delivering the adopted strategy of the Plan (PSB1) in its delineation of its Recognised Industrial Estate Boundaries and protection of employment use within these protected areas? Is the lack of a site-specific policy for Trentham Gardens sound?

Does policy SB3 strike the right balance between focus and flexibility?

120. Spatial Principle 2 in the adopted PSB1 provides a sustainable framework for delivering economic growth across the Borough, whilst Spatial Principle 5 sets out the broad distribution, with 56% of all employment focused on Stafford, 12% on Stone and the remaining 32% across the rest of the Borough. Policy SB3 in the submitted Plan seeks to protect existing employment sites in a context of a shortfall of 2ha³² in Stafford and a small overall Borough surplus of 6 ha above a total requirement of 160 ha identified by the Council. This includes a substantial commitment both in Stafford and Stone. Clearly, the loss of existing employment sites to other uses could undermine this balance across the Borough, and especially in Stafford, and for this reason, policy SB3 is required in order to contribute towards the sustainable housing/employment balance in PSB1.

121. A representation seeks to allocate additional land to the south of the Stone Business Park. However, policy Stone 2 in PSB1 identifies at least 18 ha at this location, and there is no need to increase this sizeable provision for employment land at Stone.

122. I therefore consider that policy SB3 provides the right balance between focus and flexibility and is therefore justified.

*Are the Recognised Industrial Estate (RIE) boundaries drawn appropriately?
Are any of the proposed RIE boundaries inadequately defined or inappropriate in principle?*

123. Policy RIE1 sets out the RIEs, which are concentrations of employment in rural areas, and which are recognised as important contributors to the rural economy. The policy also refers to the relevant RIE boundaries which are shown on a series of inset maps. The methodology for defining the RIE boundaries is generally supported, although some representations seek to enlarge the RIEs at Hixon Airfield, Ladfordfields, Moorfields, Pasturefields and Raleigh Hall.

³² SBC Employment Provision Update; March 2016 [Examination Document P2-L20].

124. The Council argues that it is important that new development in the lower levels of the hierarchy is not allowed to significantly exceed the proportional split set out in PSB1 policy SP5 and I support this sustainable approach to the development distribution in the Plan. Expansion at Moorfields near to Stone, would be contrary to Green Belt policy, and I agree with the Council that none of the RIEs should be expanded beyond the boundaries in the submitted Plan.

Is there a need for a policy to address the future of Trentham Gardens?

125. Trentham Gardens is a major tourist facility, attracting around 3 million visitors per annum. A representation seeks to include a site specific policy to deliver new development within this heritage asset, arguing that it is: *"imperative, therefore, that an effective planning policy is in place to assist in delivering the remainder of the enabling development with a mechanism that facilitates a balanced assessment of the plethora of competing aims and interests"*³³.

126. Whilst I note the commitment of the scheme promoter to achieve new development which is sympathetic to its heritage asset and other contextual matters, I agree with the Council that a combination of PSB1 policies N8 (landscape character); N9 (historic environment); E2 (sustainable rural development); and E6 (tourism) has been sufficient to enable successful regeneration of the Trentham Estate and Gardens in recent years, and can no doubt do so again. I also consider that a detailed, site specific policy for Trentham Gardens runs the risk of becoming outdated, in which case it could become counterproductive.

Issue 5 - Conclusion

127. I conclude from the evidence before me that policies SB3 and RIE1 set an effective framework for delivering economic development and employment provision in the Borough. I also conclude that the PSB1 strategic policies referred to above would enable new sustainable development which would be appropriate to the sensitive environmental and heritage context of Trentham Gardens.

Issue 6 – Should the Plan define retail frontages and if so what would be the appropriate policy wording?

128. PSB1 policy E8 (town, local and other centres) provides a clear strategic context to strengthen the role and enhance the vitality and viability of Stafford and Stone town centres, whose boundaries, together with primary shopping areas are defined in the plan. A key part of the Council's strategy is to ensure flexibility within town centres; within the context of PSB1 policy E8, the Council does not consider it is necessary to define retail frontages, which it maintains could restrict the flexibility of uses within town centres. The definition of town centres and primary shopping areas accords with the advice in paragraph 23 [3] of *the Framework*.

129. The Council's view that the retail provision in the Plan needs flexibility, based on its assessment of its local circumstances, is in line with the aim of national

³³ Statement on behalf of Trentham Leisure Ltd and St Modwen, paragraph 1.4; 30 June 2016 [Examination Document P2-M6b].

policy, as expressed in section 1 of *the Framework*, to build a strong, competitive economy. There were no representations in response to the Council's stance of retail flexibility within town centres, and I conclude that I have no soundness concerns on this matter.

Issue 7 – Is the provision for gypsy and traveller accommodation sound?

130. As part of my Introductory Note to the Council³⁴, I stated that, whilst I found the work that the Council has already carried out in assessing Gypsy and Traveller (G&T) pitch requirements was helpful, I requested to see in more detail how the Council intended to plan for the remaining unmet needs, bearing in mind that national policy seeks a plan-led approach to meeting G&T need. The Council's response to my Note³⁵ stated that its Gypsies and Travellers Accommodation Needs Assessment³⁶ identifies an additional requirement of 43 pitches for the period 2012/13 – 2026/27, and that the Council has already made significant progress towards meeting this requirement with planning permission granted for 36 pitches at St Albans Road, Stafford.
131. Moreover, the Council intends to include G&T accommodation in its updated SHMA. In these circumstances I consider that there is insufficient evidence of a need for making specific G&T allocations in the Plan.
132. One representation argued that the Plan did not include criteria for assessing planning applications for G&T sites. However, PSB1 policy C6 provides an effective and soundly based framework for decision making on G&T sites.
133. On the basis of the above evidence, I conclude that the Plan is justified, effective and conforms to national policy in relation to G&T accommodation.

Issue 8 – Does policy SB2 strike a sustainable balance between focus and flexibility in relation to the protection of social and community facilities?

134. Policy SB2 seeks to protect community facilities through preventing their change of use to non-community uses. This is consistent with PSB1 spatial principle 6, which seeks to sustain the social and economic fabric of communities and paragraph 28 of *the Framework*, which has similar objectives. The policy requires demonstration that a site has been marketed for an alternative social or community use for over 12 months. This has been the subject of representations arguing, on the one hand that the period is too short and should be at least 18 months, whilst other representations have argued to do away with the marketing requirement altogether.
135. Whilst there is a need for flexibility to ensure properties are not disused for too long, I consider that the test in policy SB2 is not unduly onerous, and that a 12 month marketing period strikes the right balance between being focused on protecting social and community facilities, which once gone are often difficult to replace, whilst being flexible enough to take account of changing circumstances. I therefore conclude that the Plan is sound in this respect.

³⁴ Inspector's Introductory Note; May 2016 [Examination Document P2-K1].

³⁵ SBC's Response to Inspector's Introductory Note; May 2016 [Examination Document P2-K2].

³⁶ Examination Document P2-E16].

Issue 9 – Is the Plan an appropriate vehicle for allocating Local Green Space (LGS)?

136. The Council has drawn my attention to paragraph 77 in *the Framework*, which states that Local Green Space (LGS) designation will not be appropriate for most green areas or open space, although it sets criteria, including the need for local community support. The Council, in response to representations in support of LGS designation at Falmouth Avenue, Stafford and Tilling Drive, Stone, states that NPs are the most appropriate way to designate LGS, in view of the second bullet point in paragraph 77 (referring to significance to a local community). The Council also stated that as part of the Local Plan review process, LGS will be considered as a strategic issue, and that there may be 'a call for sites' process to facilitate this.
137. Several representors make the point that the Falmouth Avenue area is not included in a NP, although strong community support for the proposal for LGS in this area is clearly evident, including through a petition. However, the site in question is located outside the Stafford settlement boundary, where the presumption is against development in principle.
138. Although I note the concerns of local residents, who wish to achieve LGS status as soon as possible, I am satisfied that the Falmouth Avenue site is protected from development in this Plan and that the opportunity will exist for a reappraisal when the strategic part of the Plan is to be reviewed, something the Council has committed to doing as and when the need arises.
139. On the basis of the above considerations, I conclude that it is appropriate to consider the designation of areas of LGS as a strategic matter. It should be considered for inclusion in PSB1 through the next review process, whilst there is nothing to stop communities designating LGS in NPs at any time. I therefore agree with the Council that this Plan is not the appropriate vehicle for allocating LGS.

Issue 10 – Is the provision in the Plan for development management, taking account of uncertainties and risks and monitoring, sound?

140. The Council states that the Plan (Parts 1 and 2) plus the NPs provide sufficient guidance to cover all necessary aspects of development management. It also states that it will continue to monitor changes to national policy and make the necessary assessment through its Authority Monitoring Report (AMR), and also through the review process.
141. Some representations maintain that the Plan has no proper recourse to a plan, monitor and manage approach within an appropriate policy context. However, the AMR provides an annual check on housing delivery in relation to the strategic provision as set out in PSB1, whilst a review will need to be triggered if the housing completions fall below the trajectory. I therefore do not consider that the Council's monitoring arrangements in general, or the indicators and targets in Appendix E to PSB1, are ineffective. My own assessment is that the monitoring arrangements comply with the PPG³⁷, both in terms of the frequency of monitoring and in the topics covered.

³⁷ PPG Ref ID: 12-027-20140306 *What is the role of the Authority Monitoring Report?*

142. The Council states that the PSB2 policies have been worded to take account of uncertainties and risks whilst providing sufficient flexibility for applicants and the ability to address changed circumstances. I have no robust evidence before me to challenge the Council's view on this.

143. I conclude from the evidence submitted that the Plan, together with PSB1 and where appropriate the NPs, provides a sound framework for development management, dealing with risks and uncertainty and monitoring.

Assessment of Legal Compliance

- (a) My examination of the compliance of the Plan with the legal requirements is summarised in the table below. I conclude that the Plan meets them all.

LEGAL REQUIREMENTS	
Local Development Scheme (LDS)	The Local Plan has been prepared in accordance with the Council's LDS, dated 2016, although its scheduled adoption is likely to be in early 2017.
Statement of Community Involvement (SCI) and relevant regulations	The SCI was adopted in February 2016. Consultation on the Local Plan and the MMs has complied with its requirements.
Sustainability Appraisal (SA)	SA has been carried out and is adequate.
Habitats Regulations Assessment (HRA)	The letter from Natural England, dated 13 July 2015 sets out why a Habitats Regulations AA Screening Report for Part 2 of the Plan is not necessary.
National Policy	The Plan complies with national policy except where indicated and MMs are recommended.
2004 Act (as amended) and 2012 Regulations.	The Plan complies with the Act and the Regulations.

Overall Conclusion and Recommendation

- (b) The Plan has a number of deficiencies in respect of soundness for the reasons set out above, which mean that I recommend non-adoption of it as submitted, in accordance with Section 20(7A) of the 2004 Act. These deficiencies have been explored in the main issues set out above.
- (c) The Council has requested that I recommend MMs to make the Plan sound and capable of adoption. I conclude that with the recommended main modifications set out in the Appendix, the Plan for Stafford Borough Part 2 satisfies the requirements of Section 20(5) of the 2004 Act and meets the criteria for soundness in the National Planning Policy Framework.


Mike Fox


Inspector

This report is accompanied by an Appendix containing the Main Modifications.

Plan for Stafford Borough Part 2 - Publication (Submission Version)

Schedule of Main Modifications

Modification Number	Policy/paragraph	Page no.	Proposed Change
P2-MM1	2.26	11	Delete the words “and beyond” from the end of paragraph 2.26 of the submitted plan.
P2-MM2	Stafford Settlement Boundary	Policy Map reference P2-A2	<p>Identify land owned by the Ministry of Defence to the north-west of Sandon Road, Stafford known as ‘MOD Site 4’ as Ministry of Defence (MOD) Protected Area (see map below).</p> 

Modification Number	Policy/paragraph	Page no.	Proposed Change
P2-MM3a	Stone Settlement Boundary	Policy Map reference P2-A3	<p>Amend the Stone settlement boundary to exclude the land on the edge of Westbridge Park which is located to the east/south-east of the A520 (Stafford Road) and to the west/south-west of the Trent and Mersey Canal, currently occupied by a surface car park and other community uses, including a leisure centre and tennis courts.</p> 
P2- MM3b	2.46	16	<p>The southern edge of the northern part of the town boundary runs along the Trent and Mersey Canal but crosses the canal to include the developed area of Westbridge Park in the boundary.</p>

Plan for Stafford Borough Part 2 - Publication (Submission Version)

Schedule of Additional Modifications

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
Chapter 1: Introduction					
P2-AM1	Stafford Borough Council amendments	1.1	2	Amend the last sentence: “The purpose of the Local Plan is to set out a vision for the development of the Borough, <u>to create</u> objectives to guide growth, and <u>produce</u> policies to make sure that new development meets local needs in line with national policy”.	Typographical Error
P2-AM2	Stafford Borough Council amendments	Heading, 1.6 -1.7 and Table 1	3	Delete the following: What is the Publication Document? 1.6 Following consultation on the ‘Plan for Stafford Borough Part 2 Proposals’ which closed in July 2015, this document is the ‘Plan for Stafford Borough Part 2 – Publication’. The document sets out a number of boundaries and policies to guide decision-making on planning applications. As the core direction of travel has been established in the adopted Plan for Stafford Borough (June 2014), there are limits to the changes contained within the Plan for Stafford Borough Part 2. Following responses received on the Part 2 Proposals document, amendments have been made to the settlement and Recognised Industrial Estate boundaries, Local Green Spaces, Community Facilities and retail boundaries. This next stage provides members of the public and key stakeholders with the opportunity to make	Explanatory text no longer required

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason														
				<p>representations on the soundness of any paragraph and policy in the document, and of the legal compliance of the Plan's content and the process used in its preparation.</p> <p>1.7 Once the consultation stage on this Publication document is completed, the Council will assess the representations received and produce a Submission version of the Plan for Stafford Borough Part 2 for an independent Examination. Following the Examination and receipt of an Inspector's Report, the Plan for Stafford Borough Part 2 (modified as necessary in line with the Inspector's Report's conclusions) will then be formally adopted by the Council.</p> <p>Table 1 Timetable for the production of the Plan for Stafford Borough Part 2</p> <table border="1" data-bbox="1025 858 1789 1182"> <thead> <tr> <th>Milestone</th> <th>Target Date</th> </tr> </thead> <tbody> <tr> <td>Commencement</td> <td>Underway</td> </tr> <tr> <td>Proposals consultation</td> <td>Completed July 2015</td> </tr> <tr> <td>Publication of the Plan for Stafford Borough Part 2 - representations invited on soundness and legal compliance</td> <td>December 2015</td> </tr> <tr> <td>Submission to the Secretary of State</td> <td>April 2016</td> </tr> <tr> <td>Examination</td> <td>July 2016</td> </tr> <tr> <td>Adoption</td> <td>December 2016</td> </tr> </tbody> </table>	Milestone	Target Date	Commencement	Underway	Proposals consultation	Completed July 2015	Publication of the Plan for Stafford Borough Part 2 - representations invited on soundness and legal compliance	December 2015	Submission to the Secretary of State	April 2016	Examination	July 2016	Adoption	December 2016	
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Adoption	December 2016																		

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
				<p>Replace with the following:</p> <p><u>“Preparation of the Plan</u></p> <p><u>In June and July 2015 ‘The Plan for Stafford Borough Part 2 Proposals’ sought views on the proposed Settlement Boundaries for Stafford, Stone, the Key Service Villages, Recognised Industrial Estates, Local Green Space, Community Facilities, and retail boundaries. The document also considered Gypsies, Traveller and Travelling Show people provision.</u></p> <p><u>‘The Plan for Stafford Borough Part 2 Publication’, was published in November 2015 and the statutory stage of seeking representations on soundness and legal compliance took place during December 2015 and January 2016. The document was submitted for independent Examination in April 2016”.</u></p>	
P2-AM3	Stafford Borough Council amendments	1.8	4	<p>Delete the following:</p> <p>1.8 In preparing the Plan for Stafford Borough Part 2 Publication document, a wide range of evidence, technical studies and consultations concerning the adopted Plan for Stafford Borough has been taken into account. There is now the opportunity to make final representations on the soundness and legal compliance of the Publication document prior to the Examination process.</p> <p>You can make comments on-line through our on-line consultation system at http://staffordbc-consult.objective.co.uk/portal/ Or via post to the following address: Forward Planning, Civic Centre, Riverside, Stafford, ST16 3AQ Or by e-mail to forwardplanning@staffordbc.gov.uk</p> <p>If you wish to respond to the Proposals consultation please provide your feedback to Stafford Borough Council by 12 noon on Monday 25th January 2016.</p>	Explanatory text no longer required

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
				<p>If you need this information in large print, Braille, other language or on audio cassette please contact: 01785 619000</p> <p>Replace with:</p> <p><u>“For further information on the Plan for Stafford Borough or any other planning policy enquires, please contact the Forward Planning team using the details below: Forward Planning team Stafford Borough Council Civic Centre Riverside Stafford ST16 3AQ</u></p> <p><u>Telephone: 01785 619 000 Fax: 01785 619 473 Email: forwardplanning@staffordbc.gov.uk</u></p> <p><u>All documents are available on the Borough’s Council website at http://www.staffordbc.gov.uk/forwardplans. If you require this document in an alternative format (e.g. large print) please contact the Forward Plans team using the details above”.</u></p>	
P2-AM4	Stafford Borough Council amendments	1.10	4	<p>Amend the last two sentences:</p> <p>“A similar process will be <u>has been</u> carried out in producing the Plan for Stafford Borough Part 2. <u>The Sustainability Appraisal to support this Publication</u> document can be found at www.staffordbc.gov.uk/sustainability-appraisal”</p>	Text updated to reflect changes since Publication.

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
Chapter 2. Settlement Proposals					
P2-AM5	Stafford Borough Council amendments	2.1	5	Amend the last sentence: “The majority of the growth is to occur at key settlements identified in the <u>Sustainable Settlement Hierarchy</u> , identified through Spatial Principle 3 (SP3).”	Typographical Error
P2-AM6	Stafford Borough Council amendments	2.4	6	Amend the second to last sentence: “In addition, and more importantly for the work of Part 2, the Plan for Stafford Borough also establishes a clear intent that, in order to promote patterns of development that are sustainable, growth should be distributed to reflect the % <u>percentage</u> split established in Spatial Principle 4 (SP4).” Amend the last sentence: “One of the ways that the Plan can control the direction of change is by establishing settlement boundaries for each of the settlements in the <u>Sustainable Settlement Hierarchy</u> .”	Typographical Error
P2-AM7	Stafford Borough Council amendments	2.8	7	Amend the second to last sentence: “Firstly, it explains the approach to development to be applied either side of the boundary (once established), and secondly it lists the criteria that will be used in defining the boundary itself (this <u>these</u> criteria are also to be used prior to establishing the boundary).” Amend the last sentence: “Essentially, the Plan establishes the principle of support for <u>sustainable</u> development inside the boundary, and seeks to restrict development outside the boundary.”	Typographical Error
P2-AM8	Stafford Borough	2.19	10	Amend the following:	Typographical

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
	Council amendments			“The National Planning Policy Framework sets out the <u>G</u> overnment's commitment to maintaining areas of <u>G</u> reen <u>B</u> elt and states that these designations should only be reviewed in exceptional circumstances. There has been no need to review the <u>G</u> reen <u>B</u> elt within Stafford Borough as ample <u>sufficient</u> land is available in locations outside of the greenbelt to meet the development needs of the Borough”.	Error
P2-AM9	Stafford Borough Council amendments	2.23	11	Amend the last sentence: “The <u>p</u> olicy <u>m</u> ap will be updated once a Neighbourhood Plan is adopted.”	Typographical Error
P2-AM10	Stafford Borough Council amendments	2.26	11	Amend the first sentence: “For each settlement in the <u>S</u> ustainable <u>D</u> evelopment <u>H</u> ierarchy, a <u>s</u> ettlement <u>b</u> oundary has been established.”	Typographical Error
P2-AM11	Stafford Borough Council amendments	2.27	12	Amend the first sentence: “The settlements in the <u>S</u> ustainable <u>S</u> ettlement <u>H</u> ierarchy were selected primarily due to their service provision and community facilities.”	Typographical Error
P2-AM12	Stafford Borough Council amendments	2.33- 2.34	13	Delete the following: 2.33 The vast majority of Local Green Space identified in the Proposals Document did not receive responses from the local community, and therefore the Council is unable to assess adequately how these Local Green Spaces might meet the criteria set out in the NPPF, notably bullet point 2 of paragraph 76 which states the following: “where the green area is demonstrably special to a local community and holds a particular local significance, for example because of its beauty, historic significance, recreational value (including as a playing field), tranquillity or richness of its wildlife”. 2.34 In the very few instances where representations have been received	Explanatory text no longer required as it relates to the consultation response to the Proposals document.

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
				which do potentially support designation as Local Green Space, there is nonetheless insufficient comprehensive evidence to demonstrate how the criteria of the NPPF have been met, and to distinguish local views about the relative importance of protecting land as greenspace from general expressions of opposition to further local development.	
P2-AM13	Stafford Borough Council amendments	2.35	14	Amend the first sentence: “The most appropriate vehicle to make an assessment to designate a Local Green Space is through Neighbourhood Plans, either prepared by a <u>Parish Council</u> or a Neighbourhood Forum.”	Typographical Error
P2-AM14	Stafford Borough Council amendments	2.45	16	Amend the first sentence: “Stone is the second largest settlement in the <u>Sustainable Settlement Hierarchy</u> , it is the location for one of the key Strategic Development Locations for housing allocated in the Plan for Stafford Borough.”	Typographical Error
P2-AM15	Stafford Borough Council amendments	2.46	16	Amend the last sentence: “From here the boundary runs along the back of the boat yards and light industry south of Newcastle <u>Road</u> before incorporating a site which has planning permission for 9 houses (13/19771/FUL), a site which has planning permission for 33 houses (14/21338/FUL), and excluding the un-developed previous HP17 allocation (from the Local <u>Stafford Borough Plan</u> 2001).”	Typographical Error
P2-AM16	Stafford Borough Council amendments	2.47	16	Amend the first sentence: “The boundary of the Walton part of Stone has been drawn to include the areas of land allocated for residential and employment uses in the <u>Plan</u> for Stafford Borough.”	Typographical Error

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
P2-AM17	Stafford Borough Council amendments	2.49	17	Amend the first sentence: “The Barlaston <u>Settlement Boundary</u> is consistent with Strategic <u>Spatial</u> Principle SP7 within the adopted Plan for Stafford Borough, and has been developed in consultation with the Parish Council who are preparing the Neighbourhood Plan.”	Typographical Error
P2-AM18	Stafford Borough Council amendments	2.50	17	Delete and amend 2 nd sentence and replace with the following: “Eccleshall Parish Council are producing <u>have produced</u> a <u>Neighbourhood Plan</u> for the Parish of Eccleshall and are proposing to allocate which includes allocating sites for residential use. in their Plan . <u>This was made on 26 July 2016.</u> Delete and amend the 3 rd sentence and replace with the following: “The settlement boundary is consistent with Strategic <u>Spatial</u> Principle SP7 and in accordance with the draft-emerging Eccleshall Neighbourhood Plan”.	Updated following progress on the Neighbourhood Plan
P2-AM19	Stafford Borough Council amendments	2.51	17	Amend the first sentence: “To the north of the village the boundary has been drawn to include the allocations proposed within the Eccleshall <u>Neighbourhood Plan</u> , which are bordered by the River Sow.” Amend the third sentence: “To the <u>south east</u> the boundary differs from the previous RDB and continues to run along Green Lane, as a clear edge of the settlement. In the <u>south west</u> the boundary has been drawn to include an area of land next to the school that is allocated for housing <u>in the</u> in-emerging <u>Neighbourhood Plan</u> .”	Typographical Error

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
				Amend the last sentence: "To the west the boundary has not been altered from the previous RDB it runs around Bishop Lonsdale School and behind St Chads Road incorporating houses at the north west corner of the village and Holy Trinity Church."	
P2-AM20	Stafford Borough Council amendments	2.52	17	Delete and amend the final two sentences and replace with the following: 'Gnosall Parish Council's Neighbourhood Plan <u>was made/adopted on 24 November 2015 and includes</u> are producing has produced a neighbourhood plan for the Parish of Gnosall and are proposing to allocate sites for residential use in their Plan '. The settlement boundary is consistent with <u>Strategic Spatial</u> Principle 7 and in accordance with the emerging Gnosall Neighbourhood Plan.'	Updated following progress on the Neighbourhood Plan
P2-AM21	Stafford Borough Council amendments	2.56	18	Amend the second to last sentence: "Hixon Parish Council are <u>have produced</u> ing a <u>Neighbourhood Plan for the Parish of Hixon and are proposing to</u> <u>which</u> allocate sites" Amend the last sentence: "The settlement boundary is consistent with <u>Strategic Spatial</u> Principle 7 and in accordance with the emerging Hixon Neighbourhood Plan."	Updated following progress on the Neighbourhood Plan
P2-AM22	Stafford Borough Council amendments	2.57	18	Amend the last sentence: "The western boundary edge has been drawn around the boundary line of properties on <u>Sycamore Drive</u> and then includes a site which has planning permission for 81 houses (14/21267/REM)."	Typographical Error
P2-AM23	Stafford Borough Council amendments	2.58	19	Amend last two sentences: "Colwich Parish Council are producing <u>have produced</u> a <u>Neighbourhood</u>	Updated following progress on the

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
				Plan for the Parish of Colwich (which contains 2 KSVs Great Haywood and Little Haywood / Colwich) and are proposing to <u>and have allocated</u> sites in their Plan. The settlement boundary is consistent with <u>Strategic Spatial</u> Principle SP7 and in accordance with the emerging Colwich Neighbourhood Plan.”	Neighbourhood Plan
P2-AM24	Stafford Borough Council amendments	2.60	19	Amend last two sentences: “Colwich Parish Council are producing <u>have produced</u> a <u>Neighbourhood Plan</u> for the Parish of Colwich (which contains 2 KSVs Great Haywood and Little Haywood / Colwich) and are proposing to <u>and have allocated</u> sites in their Plan. The settlement boundary is consistent with <u>Strategic Spatial</u> Principle SP7 and in accordance with the emerging Colwich Neighbourhood Plan.”	Typographical Error and updated following progress on the Neighbourhood Plan
P2-AM25	Stafford Borough Council amendments	2.61		Amend the second sentence: “The boundary then cuts in and excludes the land associated with St Mary's <u>Convent</u> , the playing fields and the abbey.” Amend the last sentence: “To the south the boundary runs along the Trent and Mersey <u>Canal</u> and excludes Church Farm, but includes the Railway <u>Cottages</u> .”	Typographical Error
P2-AM26	Stafford Borough Council amendments	2.63	20	Amend the first sentence: “Yarnfield is a KSV wholly surrounded by <u>Green Belt</u> .” Amend the second sentence: “The <u>Green Belt</u> designation restricts the acceptability of (and thus scope for) residential proposals in this location.”	Typographical Error

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P2-AM27	Stafford Borough Council amendments	2.64	20	Amend the last sentence: “Otherwise the southern part of the proposed settlement boundary is not different from the previous RDB (from the now superseded <u>Stafford Borough</u> Local Plan 2001), it runs along the boundary of the <u>Green Belt</u> designation.”	Typographical Error
Chapter 3: Retail Boundaries					
P2-AM28	Stafford Borough Council amendments	3.3	21	Amend the first sentence: “The adopted Plan for Stafford Borough, at paragraph 7.15, states that the need for a primary and secondary frontage policy (and the location of defined frontages if a different approach is appropriate) will be considered in the subsequent Site Allocation <u>Development Plan</u> Document.”	Typographical Error
P2-AM29	Stafford Borough Council amendments	3.4-3.6	21	Amend the first sentence of 3.4: “Eccleshall Local Centre is a key service centre in the rural area. It has a more substantial retail offer than any of the other <u>Key Service Villages</u> and consequently is regarded as a Local Centre.” Amend the last sentence of 3.5: “The methodology used and a full description of the boundaries can be found in the <u>Retail Proposals Background Paper</u> .” Amend the last sentence of 3.6: “This boundary is to be used in conjunction with <u>Policy E8</u> of the Plan for Stafford Borough.”	Typographical Error
P2-AM30	Stafford Borough Council amendments	3.8	22	Amend the first sentence:	Typographical Error

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				“The village and neighbourhood shops listed in Policy E8 of the Plan are: Barlaston, Gnosall, Great and Little Haywood, Hixon, Tittensor, Weston, Woodseaves, Yarnfield, Stafford neighbourhood centres at Baswich, Holmcroft, Parkside, Rising Brook, Wildwood and Weston Road, and Stone Local Centre at Walton.”	
Chapter 4: Recognised Industrial Estate Boundaries					
P2-AM31	Stafford Borough Council amendments	4.2	23	<p>Delete second to last sentence of the paragraph and footnote 4 and make amendments:</p> <p>“The majority of this has is the planning consent for B1, B2 & B8 uses at the Meaford Power Station Site (as recognised in Policy E5). An extension of time application(4) is currently under consideration”.</p> <p>Footnote 4 “Application 14/21379/EXT0 is an extension of time application on Outline Planning permission number 98/35897/OUT as previously extended by planning approval number 10/13609/EXT”</p>	Application approved and text is no longer relevant
P2-AM32	Stafford Borough Council amendments	4.4	23	<p>Amend the last sentence:</p> <p>“The Plan for Stafford Borough has established that there is no need to carry out a Green Belt Review to achieve the development requirements for the Plan period 2011 – 2031, and therefore, no boundary alterations are proposed to this RIE.”</p>	Typographical Error
P2-AM33	Stafford Borough Council amendments	4.8	24	<p>Amend the first sentence:</p> <p>“The eastern boundary of Hixon RIE is defined by the Church Lane leading from the A51 north towards Hixon <u>V</u>illage.”</p>	Typographical Error

Modification Number	Source of Modification	Policy/paragraph	Page no.	Proposed Change	Reason
P2-AM34	Stafford Borough Council amendments	5.1	26	<p>Amend second sentence onwards to read :</p> <p>“This document demonstrated a need for 43 new pitches over the Plan period up to 2027. The Council has already made significant progress towards meeting the requirement, of 43 new pitches over the Plan period with the granting of permission for 36 new pitches at St Albans Road (13/19256/FUL). This means that there are only 7 pitches required to meet the identified need up to 2031.”</p>	Typographical Error
P2-AM35	Stafford Borough Council/Ministry of Defence	2.38/2.39	14/15	<p>The Settlement Boundary at Stafford will be amended to include the land in the ownership of the Ministry of Defence as shown in the map below:</p> 