

Audit and Standards Committee – Tuesday 30 July 2019

2018/19 Statement of Accounts

Recommendations

I recommend that:

- a. Members approve the 2018/19 Statement of Accounts as attached to this report.
- b. Members approve the letters of representation from the County Treasurer.
- c. Members delegate authority to the County Treasurer and the Chairman to make any final amendments to the accounts as deemed necessary by the external auditors.

Report of the County Treasurer

Summary

The 2018/2019 Statement of Accounts is attached as Appendix 4 to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

The Code of Practice is updated annually and for 2018/2019 there were no major changes. However the Accounts and Audit Regulations 2015 changed the statutory deadlines from 2017/18 onwards. The draft accounts must be produced by 31st May each year and approved by the Audit and Standards Committee by 31st July. These new deadlines are challenging for all local authorities and audit firms as it means compressing three months' of work into two months.

As part of normal year end processes I am required to make written representation to the auditors expressing an opinion as to whether the accounts give a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations. My letters are attached as Appendices 2 and 3 to this report and I would welcome discussion regarding any matters covered by the letters. The committee members are asked to approve the letters.

Revenue Outturn

1. We spent £3.6 million less than the budget for our day to day activities, this is 0.7% less than the revised budget of £505.2 million. This underspend has arisen as a result of spending controls being put in place during the year, in

order to provide transition funding for the 2019/20 MTFS as set out in the MTFS report for 2019/20 to 2024/25.

2. The Health and Care Directorate has seen increasing pressures over recent years due to rising demographic pressures and challenging market conditions. The cost of new nursing placements continues to be higher than the cost of existing placements and this placed a pressure of £11.7m on this service area during the year. Various initiatives were used to mitigate this pressure including block booking beds at a lower cost and reforming the pathway to support the Dynamic Purchasing System. The allocation of the additional Improved Better Care Fund was welcomed in this service area and has helped to ensure it kept its spending within budget. Additional cost reductions have also been made in this service area by a variety of means including holding vacancies, lower reliance on agency and interim staff and implementing new ways of working. Spending controls also generated significant cost reductions in Learning Disability and Mental Health placements, these were realised from various sources including agreeing further Continuing Health funding and making contract cost reductions.
3. During the year, numbers of Looked After Children increased significantly and expenditure on independent sector placements increased as a result. The service has had a high level of vacancies during the year and the cost reductions generated by this have been offset by an increase in agency staff as the level of vacancies is not sustainable. Cost reductions identified in Education Services helped to reduce the overspends elsewhere in order to bring the Families and Communities Directorate in at a small underspend position.
4. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall underspend of £4.5 million. This has arisen from two main areas, the review of the transport budget and the two Waste to Energy contracts. There has been good contract management combined with increased income from third parties. In addition the concessionary fares budget achieved a small cost reduction following the conclusion of contractual discussions.
5. Support services underspent by £1.1m as a result of staffing vacancies and implementing spending controls. Additional income was received in some areas. The centrally controlled budgets had small underspends at the end of the year, plus there was £1.3 million of the Contingency budget remaining unspent. The transformational spend totalled £13.2m utilising receipts generated in the period. In order to provide one-off funding for the MTFS, £5 million has been contributed to the Exit and Transition Fund as part of the one-off resources required for the next two years.
6. The final position is an underspend of £3.6 million and this amount will transfer into general balances.

The table compares the budget with the final outturn (spending) for 2018/2019				
	Budget	Outturn	Carry Forward	Over / (Under) spend
	£m	£m	£m	£m
Health and Care				
Public Health and Prevention	4.809	4.809		0.000
Adult Social Care & Safeguarding	39.977	38.552		(1.425)
Care Commissioning	175.880	175.629	3.500	(0.251)
Health and Care Total	220.666	215.490	3.500	(1.676)
Families and Communities				
Children's Services	114.822	116.513		1.691
Children's Public Health	(4.546)	(4.546)		0.000
Education Services	12.782	10.872		(1.910)
Culture and Communities	5.894	5.965		0.071
Rural	2.155	2.148		(0.007)
Community Safety	8.702	8.702		0.000
Families and Communities Total	139.809	139.654		(0.155)
Economy, Infrastructure and Skills				
Business and Enterprise	1.422	1.215		(0.207)
Infrastructure and Highways	26.577	26.312		(0.265)
Transport, Connectivity and Waste	39.217	35.179		(4.038)
Skills	2.620	2.478		(0.142)
EI&S Business Support	1.135	1.298		0.163
Economy, Infrastructure and Skills Total	70.971	66.482		(4.489)
Corporate Services	38.564	36.746		(1.818)
Trading Services	(0.436)	(0.436)		0.000
Total Portfolio Budgets	469.574	457.936	3.500	(8.138)
Centrally Controlled Items				
Interest on Balances and Debt Charges	35.323	35.105		(0.218)
Pooled Buildings and Insurances	12.953	12.329		(0.624)
Contingency	1.340	0.000		(1.340)
Contribution to Exit and Transition Fund	0.000	5.000		5.000
Transformational Spend	(15.000)	(13.242)		1.758
Centrally Controlled Total	34.616	39.192		4.576
Net Revenue Budget / Expenditure	504.190	497.128	3.500	(3.562)

Capital Outturn

7. In 2018/2019, our final capital spend was £108.5 million, compared to £128.4 million in 2017/2018. This investment was funded from a variety of sources including grants from the Government totalling £56.5 million and borrowing of £22.8 million.
8. The capital spend of £108.5 million includes £13.2 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue cost reductions, this includes salary costs of staff supporting transformational activities, redundancy costs, preventative measures and other projects designed to generate efficiencies in services. Capitalising this expenditure was included in the revenue budget for 2018/19.
9. The capital outturn position is summarised in the table below;

	£m
Health and Care	2.4
Families and Communities	17.1
Economy, Infrastructure and Skills	70.5
Finance and Resources	3.8
Traded Services	1.5
Transformational Spend	13.2
Grand Total	108.5

10. Our achievements during the year include the following:
 - Continued construction of a new secondary school in Burton, plus construction of a new primary school, Henshurst Ridge in Burton;
 - Significant extensions to a number of secondary schools plus some laboratory refurbishments;
 - Purchase of land in Lichfield in preparation for a second Dementia Centre of Excellence;
 - Work is underway on the new Greenwood House development;
 - Moving Lichfield library to new premises;
 - Work on the Stafford Western Access Route is well progressed;
 - Work on the A50 in conjunction with Highways England has now completed and this is fully open and operational;

- The continued roll out of superfast broadband to rural and isolated communities, we now have circa 96% coverage across the county;
- There is further economic development at Keele, on the IC6 development and in Cannock, on the Mill Green development, these schemes are in progress.

Interpretation and comment on the main financial information

11. The Comprehensive Income and Expenditure Statement shows the amount that services have cost to provide and the amount of income received to fund them. A deficit on this statement means that the cost of services has not been covered by income and may need to be funded by taxpayers in future years. However, not all the charges in this statement are actual cash and these notional charges are required by statute, these are shown in detail in Note 4. This statement is showing a small deficit on the provision of services of £16.8 million which is a decrease from the previous year's deficit of £44.0 million. The cost of services has reduced from £507.7 million in 2017/18 to £491.5 million in 2018/19 which is as expected given the cost reductions included in the budget and the reducing level of funding available.
12. In 2018/19, there has been a prior period adjustment made to the accounts as a result of a data cleanse exercise that was undertaken across Property, Plant and Equipment. This has meant opening balances have been restated on financial statements and these are labelled as such. The value of Property, Plant and Equipment has been reduced by 0.9% as assets that we no longer own have been removed. This is an adjustment which does not impact on the cash balances or the useable reserves of the County Council.
13. Two new International Financial Reporting Standards (IFRS) have come into effect in 2018/19 and these have introduced some new notes and amended some existing ones. One of the changes has been to the way in which we account for the interest payable on our long term borrowing which has resulted in a contribution to reserves of £15m in 2018/19. This contribution will be used to fund the additional interest charges in future years and is not a cash windfall.
14. The total of assets less liabilities in 2018/19 is £89.4 million, a reduction from 2017/18 which was £163.3 million. The main reason for this reduction is an increase in the Council's share of any liabilities associated with the pension fund. This liability has increased by £180.3 million and part of this increase is due to the recent judgement issued on the McCloud case, guidance on which was issued in July 2019. It should be noted that this liability is notional; it is not cash-backed and it is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion.

Reserves and Balances

15. There are two types of reserves, those that are cash-backed and hold money set aside for specific purposes and those which are notional and exist for accounting purposes.

16. The amalgamated capital reserves (that is, money set aside for capital expenditure) have increased by £19.9 million. This reflects the decisions we have made on funding our capital programme. These amalgamated reserves include capital receipts and unspent capital grants which we can use in future years.
17. Earmarked revenue reserves (excluding school reserves) have increased by £44.3 million as a result of the £15 million contribution deriving from the introduction of a new financial standard (see paragraph 13 above) and as a result of decisions made to carry forward specific grants in order to fund expenditure in 2019/20.
18. After taking account of the outturn, the General Fund Balance total was £30.4 million as at 31 March 2019.
19. School reserves have decreased by £1.4 million to £24.7 million. School reserves can reduce as a result of academy conversions and for other reasons such as schools using their reserves for specific projects or to support their revenue budgets.

Pension Fund

20. Despite a large fall in global equity markets towards the end of December 2018, the subsequent recovery meant that the market value of the Pension Fund in 2018/19 had continued to increase from previous years. Equity markets recovered as concerns over global interest rate hikes reduced and with positive steps gained in global trade discussions. The Fund achieved a return of 8.1% over the year and was valued at £5,118.4 million at 31st March 2019, the highest ever annually reported value.

Format of the Statement of Accounts

21. We have to produce the accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. In this report I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future.
22. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 276065.
23. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

List of Background Documents/Appendices:

Accounts and Audit Regulations 2015

Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

Contact Details

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Ref: Audit/EY1819

Date: 31st July 2019

Dear Mr Clark

Management Representation Letter

This letter of representations is provided in connection with your audit of the financial statements of Staffordshire County Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Staffordshire County Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority



Accounting in the United Kingdom 2018/19. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.



2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the County Council, Cabinet and Audit & Standards Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 July 2019.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.



G. Comparative information– prior period adjustment

We represent, to the best of our knowledge and belief, the following:

1. The financial statements adjusted to reflect disposals are complete.
2. The amounts involved are set out in Note 47 to the financial statements.
3. The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's financial statements.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Accounting Estimates Valuation of Pension Asset/Liabilities and Property, Plant and Equipment

1. We believe that the measurement processes, including related assumptions and models, used to determine the above accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.
3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the council financial statements due to subsequent events.



Yours faithfully,

Rob Salmon County Treasurer

Martyn Tittley (Chair of the Audit & Standards Committee)



30 July 2019

Suresh Patel

Associate Partner

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This letter of representations is provided in connection with your audit of the financial statements of Staffordshire Pension Fund (“the Fund”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2018 to 31 March 2019 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2019, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in

accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 that are free from material misstatement, whether due to fraud or error.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. Whilst we had cause to report the Fund to the Pensions Regulator in December 2018, for non-compliance with Regulation, in respect of sending out 100% of the Annual Benefit Statements by 31 August 2018, this matter was rectified and closed off, as having a satisfactory outcome, by the Pension Regulator in February 2019.
5. Apart from the previous point, there have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2018/19 to the most recent meeting of the Pension Committee and Pension Panel on 12 July 2019, and Audit and Standards Committee on 30 July 2019.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at 31 March 2019. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
8. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Staffordshire Pension Fund Annual Report 2018-19.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary, Douglas Green from Hymans Robertson LLP as at 31 March 2016, has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine accounting estimates in the financial statements have been consistently applied and are appropriate in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019.

Yours faithfully,

Rob Salmon
County Treasurer (Section 151 Officer)

Councillor Martyn Tittley
Chair, Audit and Standards Committee