Staffordshire County Council

County Buildings, Stafford
DDI (01785) 276133
Please ask for Julie Plant
Email: julie.plant@staffordshire.gov.uk

Audit and Standards Committee

Tuesday 8 December 2020
14:00
Meeting to be conducted using Microsoft Teams - Microsoft Teams

NB. Attendance by the public and press is via webcast only which can be viewed here - https://staffordshire.public-i.tv/core/portal/home

John Tradewell
Director of Corporate Services
30 November 2020

A G E N D A

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of the Meeting held on 12 October 2020** (Pages 1 - 4)

4. **Annual Governance Statement 2019/20** (Pages 5 - 52)

   Report of the Director of Corporate Services

5. **Training on Statement of Accounts**

   Training to be provided at the meeting by the County Treasurer.

6. **Statement of Accounts 2019/20** (Pages 53 - 208)

   Report of the County Treasurer

7. **Report of those Charged with Governance (ISA 260) - Staffordshire County Council** (Pages 209 - 268)

   Report of Ernst and Young

8. **Internal Audit Plan 2020/21 - Update** (Pages 269 - 286)

9. **Forward Plan** (Pages 287 - 296)

10. **Exclusion of the Public**

The Chairman to move:-

"That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated below".

PART TWO

a) Exempt minutes of the meeting held on 12 October 2020 (exemption paragraph 3) (Pages 297 - 300)

11. **Strategic Risk Register - COVID-19 Response Debrief Report (exemption paragraph 3)** (Pages 301 - 312)

(Exemption paragraph 3)

Report of the Director of Corporate Services

12. **Special Educational Needs and Disabilities (SEND) Update (exemption paragraph 3)** (Pages 313 - 316)

(Exemption paragraph 3)

13. **Third Party Access - Final Audit Report 2020/21 (exemption paragraph 3)** (Pages 317 - 346)

(Exemption paragraph 3)

14. **Scheme of Delegation - Final Audit Report 2019/20 (exemption paragraph 3)** (Pages 347 - 362)

(Exemption paragraph 3)

15. **Update on Deer Call Out Services - Implementation of Previous Recommendations (exemption paragraph 3)** (Pages 363 - 370)

(Exemption paragraph 3)

16. **Bank Mandate Fraud - Final Internal Audit Investigation Report (exemption paragraph 3)** (Pages 371 - 402)

(Exemption paragraph 3)

Membership

Derek Davis, OBE	Ann Edgeller
Martyn Tittley (Chairman)	David Brookes
Carolyn Trowbridge (Vice-	Richard Ford

Chairman)	Helen Fisher
Ross Ward	Philip Atkins, OBE
Bernard Williams	Keith Flunder
Paul Northcott	Keith James
Susan Woodward	
Alastair Little	

Note for Members of the Press and Public

Filming of Meetings

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.

Minutes of the Audit and Standards Committee Meeting held on 12 October 2020

Present: Martyn Tittley (Chairman)

Attendance

Derek Davis, OBE	Ann Edgeller
Carolyn Trowbridge (Vice-Chairman)	Richard Ford
Ross Ward	Helen Fisher
Paul Northcott	Philip Atkins, OBE
Susan Woodward	Keith Flunder
Alastair Little	

=
Apologies: Bernard Williams and David Brookes

PART ONE

19. Declarations of Interest

Councillor Little declared a non-pecuniary interest in item number 25 relating to a Parental Leave Policy for Members.
Councillor Flunder formally recorded his involvement in discussions as the community representative, on County Council land transactions within his Division which was included in the Council's Strategic Property and Asset Management arrangements – see item 29.

20. Minutes of the Meeting held on 30 July 2020

RESOLVED: That the minutes of the meeting held on 30 July 2020 be approved as a correct record and signed by the Chairman.

21. Annual Report on Information Governance

The Director of Corporate Services submitted his Annual Report on the work of his Information Governance Unit for the period to 31 March 2020.

The report detailed activity under the Data Protection, Freedom of Information, Environmental Information, Transparency, and Regulation of Investigatory Powers (RIPA) legislation. The management of information and compliance with requirements was subject to inspection by various national Commissioners, the most recent inspection having been conducted by the RIPA Commissioner.

During the initial stages of the COVID emergency, the Unit had been instrumental in the management of data relating to Staffordshire residents who were classed as Extremely Vulnerable and had worked closely with IT colleagues to develop effective ways of managing the high volumes of data.

Members queried the systems in place to address the risk of Cyber attack and considered details of the ongoing development of the Cyber Security Incident Plan, the proposal to invest in a Security and Information Events Solution (SIEM) and the ongoing testing of the Council's systems to maintain its Public Services Network accreditation without which access to government shared services would not be permitted.

Concluding the Director reported that work continued on the Information Asset Register to meet GDPR requirements and on the provision of relevant training to officers, following a temporary pause in training activity due to the reprioritisation of the Unit's workload to accommodate COVID related demands.

RESOLVED – That the Annual Report be noted and a report be submitted to a future meeting of this Committee on the measures in place to address the risk of Cyber - attack.

22. Cabinet Office - National Fraud Initiative

The County Treasurer submitted proposals to participate in the 2020 National Fraud Initiative, a Cabinet led data matching exercise amongst public sector organisations which provided a useful tool for detecting and preventing fraud and errors in payments made by the Council.

The report detailed the categories of datasets made by the Council which would be shared as part of the exercise and on the process to be adopted for notifying persons affected by the data sharing exercise. It was noted that data on Direct payments and payments relating to Residential Care Homes had previously been a key area for the Council to review. Currently, due to the designation of that data as Patient Data by the Department for Health it was not currently accessible, however, discussions were underway on the redesignation of that information.

A new area for attention was COVID 19 related transactions with the Cabinet Office looking to extend the scope of the exercise to include datasets on Business Rates Relief and Business Support Grants.

Members queried the availability of information on 'Lessons Learnt' during the COVID emergency.

RESOLVED – That:

(i) the Councils involvement in the National Fraud Initiative 2020 be noted, and

(i) the COVID Incident Management Teams 'Lessons Learnt' report be submitted to this Committee for consideration.

23. Final Accounts 2019/20 Progress Report

On behalf of Ernst Young, the Councils external auditors, Steve Clark, Partner at EY reported on progress of the audit of the Councils accounts for 2019/20. He reported on action being taken to address a delay in work due to staff illness, giving an assurance that the finalised accounts would be submitted to this Committee on 9 December 2020.

Steve Clark also reported that as part of the audit of the Pension Fund, work was now progressing on the issuing of Assurances to scheme employers.

The County Treasurer acknowledged that nationally external auditors were experiencing problems securing staffing resources and confirmed that the December 2020 date was acceptable with the delay having no significantly adverse effect on the preparation of the Councils budget for 2021/22.

RESOLVED – That the current position in respect of the audit of the Councils accounts 2019/20 be noted.

24. Code of Conduct for Members - Report on the Management of Complaints

The Director of Corporate Services reported on 12 complaints/alleged breaches of the Code of Conduct for members for the period January 2019- September 2020, explaining that the extended reporting period aimed to correspond as closely as possible with the next Annual Governance Statement, the period for which had been extended to 30 November 2020.

The Director summarised the nature of each complaint/allegation received and detailed the action taken. He highlighted the proactive attitude demonstrated by County Councillors towards maintaining high standards of behaviour, both by this Committee in acting to strengthen the Code using locally agreed changes, and by individual members responding swiftly to remedy allegations against them.

Members called for measures to support them when subjected to disproportionate attacks by the public both via Social Media or more directly, and referred to the potential effect on their mental well-being of persistent/vexacious personal attacks.

RESOLVED – That the report be noted and the Director of Corporate Services examine ways of supporting members when subjected to a disproportionate degree of personal attack.

25. Parental Leave Policy for Members

The Director of Corporate Services submitted a draft Parental Leave Policy for Members explaining that it had been drawn up by a joint member/officer working group. The Policy, which included guiding principles to enable members to fulfil their role whilst benefiting from Parental Leave, was intended to provide a positive environment for members with family responsibilities in order to secure cross community representation on the Council.

The Policy included a detailed procedure to be followed by applicants with the decision ultimately made jointly by the relevant political Group Leader and a member of the Council's Senior Leadership Team. It was envisaged that this joint responsibility would address any potential concerns that a decision could be based on personal relationships rather than on the applicant's circumstances.

The Director reported on the need for the Policy to be approved by full Council for inclusion in the County Council's Constitution due to its direct relevance to elected members.

RESOLVED- That full Council be recommended to approve the proposed Parental Leave Policy for Members.

26. Forward Plan

The Committee considered the Forward Plan/Work Programme for its future meetings noting that the Plan would be updated to reflect decisions made at this meeting.

27. Exclusion of the Public

RESOLVED – that the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below.

The Committee proceeded to consider the following items:

28. Exempt Minutes of the Meeting held on 30 July 2020

29. Strategic Property and Asset Management Audit Review - Progress Report (exemption paragraph 3)

30. Joint Funding and Billing - CCGs Continuing Healthcare - Final Audit Report 2019/20 (exemption paragraph 3)

31. Special Guardianship Payments - Final Audit Report 2020/21 (exemption paragraph 3)

32. Update on Approved Mental Health Professionals - Implementation of Previous Recommendations (exemption paragraph 3)

Chairman

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 08 December 2020

Annual Governance Statement 2019/20

Recommendation

I recommend that the Committee:

a. Approve the Annual Governance Statement (AGS).

Report of the Director of Corporate Services

Report

Background

1. The attached AGS has been prepared in line with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) issued in 2016 and covers the following headings:

   a. What are we responsible for;
   b. The aim of the governance framework
   c. The governance framework
   d. Review of how effective our governance framework is
   e. Significant governance issues

2. Following on from the above, Annex 1 reproduces “The Annual Review of the Effectiveness of the Governance Framework including the system of internal control – 2019/20.” This document has been instrumental in producing the AGS and details appropriate sources of assurance.

3. In recognition of the importance of the AGS, CIPFA /SOLACE guidance provides for it to be signed off by the Chief Executive and the Leader of the Council following consideration by the Committee.

Equalities Implications

4. There are no direct implications arising from this report.

Legal Implications

5. The preparation and publication of the AGS is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

Resource and Value for Money Implications

6. There are no direct resource implications arising from this report. Significant internal control issues with specific reference to mitigation actions emanating from the Corporate Risk Register will need to be considered against the resources available and the Council's "appetite for risk".

Risk Implications

7. An inadequate Governance Framework can lead to loss of reputation and finance and external censure.

Climate Change Implications

8. There are no direct implications arising from this report.

List of Background Documents/Appendices:

Appendix 1 – Report of the Corporate Governance Working Group
Appendix 2 – Annual Governance Statement 2019/20

Contact Details

Report Author:	Lisa Andrews
Job Title:	Head of Audit and Financial Services
Telephone No.:	01785 276402
E-Mail Address:	lisa.andrews@staffordshire.gov.uk

ANNEX 1

REPORT OF THE CORPORATE GOVERNANCE WORKING GROUP

THE ANNUAL REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK, INCLUDING THE SYSTEM OF INTERNAL CONTROL – 2019/2020

INTRODUCTION AND CONTEXT

Appendix 1 has been drafted in response to the need to formerly define the Framework leading to the production of the Annual Governance Statement (AGS).

Appendix 2 details the assurance gathering process used to prepare the AGS.

Appendix 2a details an example of a Controls Assurance Statement

Appendix 3 details the extent to which the various sources of assurance contribute to the mitigation of risk.

Good practice suggests that a review of the effectiveness of the Governance Framework should be undertaken prior to producing the AGS

WORKING PAPERS

The review has been undertaken following consideration of a number of Supporting Papers:

- Annual Review of the Code of Corporate Governance (Supporting Paper 1)
- Progress against significant control issues contained within the 2018/19 AGS (Supporting Paper 2)
- Annual Audit Letter 2018/19 (Supporting Paper 3)
- Internal Audit Outturn Report 2019/20 and Performance against the UK Public Sector Internal Audit Standards (Supporting Paper 4)
- Other Sources of Assurance – Statutory Officers (Supporting Paper 5)
- Other Sources of Assurance - Miscellaneous (Supporting Paper 6)

OVERALL CONCLUSION

It is considered that all required components to demonstrate good governance are in place as are appropriate action plans. Sources of assurance have been clearly defined and are varied. A number of recommendations have been identified and have been incorporated into the action plan to be addressed in 2020/21.

SUPPORTING PAPER 1

ANNUAL REVIEW OF THE CODE OF CORPORATE GOVERNANCE

The annual review of corporate governance was been undertaken in accordance with the CIPFA / SOLACE document entitled “Delivering Good Governance in Local Government: Framework 2016”. Following an evaluation of the requirements within the updated framework a revised Code of Corporate Governance was presented to the Audit & Standards Committee at their meeting of 30th July 2019 which included a detailed action plan. Progress against the action plan has been reviewed during 2019/20 and an updated Code of Corporate Governance and subsequent action plan has been reported to the Audit & Standards Committee on 30th July 2020.

Attachments

Single Sheet Local Framework

Code of Corporate Governance Action Plan 2019/20 - Progress Extract

Staffordshire County Council Corporate Governance Framework

Principles, Statutory Obligations and Organisational Objectives

- Meeting Statutory Obligations
- Implementing local vision
- Working together to achieve a common purpose
- Adherence to Ethical Values
- Meeting Organisational Objectives
- Taking effective decisions
- Developing Members and Officers
- Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents: Annual Review / Production

Annual Outturn Performance and Finance Reports
Annual Information Governance Statement
Corporate Information Security Policy
Corporate Property Strategy
Corporate Risk Register
Delegations from/to Directors
Strategic & Delivery Plans
Innovation & Efficiency Board
ICT Strategy
Medium Term Financial Strategy
Members Allowances Scheme
Prudential Code & Treasury Management Strategies
Risk Management Policy Statement
Statement of Accounts
Strategic Plan
Staffordshire Strategic Partnership Priorities

Key Documents: Ad-Hoc Review / Production

Business Continuity Plans
Change Management Framework
Communications Strategy
Community Engagement Framework
Constitution
Corporate Procurement Strategy and Regulations
Equality and Diversity Information
Financial Regulations
Health and Safety Policies
Information Governance Framework
Fraud, Bribery & Corruption Policy
Internet Transparency Pages
Member/Officer Relations
Members' Code of Conduct
Officer Employment Procedure Rules
Officers' Code of Conduct
Schemes of Delegation
Performance Management Framework
Record of Decisions
Whistle Blowing Policy

Contributory Processes/ Regulatory Monitoring

Annual Governance Statement
Audit and Standards Committee
Budget Accountability Statements
Corporate Governance Working Group
Corporate H&S Process
Corporate Intranet
Council Tax Leaflet / Information
Customer Feedback Process
County Treasurer
Consultative Forums
External Audit
Finance and Resources
Head of Paid Service
H&S Champion
Independent Remuneration Panel
Inspectorate Reports
Internal Audit
Job Descriptions
Job Evaluation Process
Law & Governance
Member Training
Monitoring Officer
My Performance Conversation
Schedule of Council Meetings
Scrutiny Framework
Staff Induction
Staff Surveys
Staffordshire Web
Organisational Development
Safer Recruitment
Staffordshire Magazine

CODE OF CORPORATE GOVERNANCE ACTION PLAN 2019/20- Updated for Progress

Action Point	SLT Lead	Progress
A Refresh of the Code of Conduct for Members in line with the March 2019 report to Audit & Standards Committee	31st March 2020 Head of Law and Democracy	This has been completed.
To continue to complete and embed the recommendations made in the 2018 Gifts and Hospitality audit report which include the declarations of interest	31st August 2019 Head of Law and Democracy	A new form has been designed together with a revised format for the register of declarations of interest.
To implement the Peer review recommendation regarding strategic engagement and visioning with Partner Organisations	31st March 2020 Head of Strategy/SLT/CEO	Network Staffordshire have been developing its 'Vision for Staffordshire' by considering what partners need to work on together in order to be more aspirational for the people of Staffordshire. Three strategic, place-based priorities have been identified: • Place Branding – commissioning a new 'place brand' for Staffordshire and a 3-year programme of communications, marketing and media to enhance Staffordshire's brand with government, business and other stakeholders. • 5G – The Staffordshire and Stoke-on-Trent LEP and Staffordshire University are leading work to explore how to bring a full fibre and 5G network to the County at pace with a view to securing a growth deal from Government. • Data Institute – based on the work done by Staffordshire Police with KPMG to develop a proof concept for an 'Office for Data Analytics' the County and Keele University are leading the implementation phase.
To complete the work that has commenced with Social Enterprise UK to develop a proposal and a draft policy.	revised to September 2019.	A draft Social Value framework has been produced. This will be discussed at the People

	Head of Commercial Services	helping People Board. Two external social value assessment tools are now being considered for adoption.
To ensure ongoing greater visibility and ownership of the Corporate Risk Register, together with regular monitoring and updating of individual risk areas.	Ongoing Director of Corporate Services	Ongoing – currently considering digital risk register options which will facilitate the risk owners being able to identify, record and monitor risks relating to their specific areas on a regular basis.
To complete the update exercise of the current Schemes of Delegation to ensure that they are fit for purpose in light of revised organisational requirements.	December 2019. Director of Corporate Services	Ongoing – the Director of Corporate Services and County Solicitor are updating these at present. This is a key strand of the Governance Review led by the County Solicitor.
To complete the review of the MPC which is a year 1 priority in the People Strategy	31 March 2020 Head of HR/OD	A review of MPC has been completed and reported to SLT including options on a replacement. The alternative – 'imanage' is currently being rolled out to staff through a series of online training sessions. .
To review the current HR policies in operation to ensure that they reflect the needs of the business	First tranche to be completed by 31 March 2020. Head of HR/OD	A review of the HR policies has commenced, and a prioritised work plan agreed. Slightly behind schedule due to capacity; although additional capacity has now been secured.
To refresh the risk management policy and strategy	July 2019. Head of Audit & Financial Services	Ongoing. – will need to reflect any updated arrangements proposed by the potential digital solution.

SUPPORTING PAPER 2

PROGRESS AGAINST SIGNIFICANT CONTROL ISSUES CONTAINED WITHIN THE 2018/19 AGS

It is a role of the Corporate Governance Working Group to ensure that action plans for those significant internal control issues reported in the AGS are both defined and implemented.

Review Reference	Key Action	SLT Lead Officer	Progress as at March 2020
Annual Governance Statement 1	To continue to work with the various NHS bodies as part of the Sustainability and Transformation Plan in order to improve the health and care provision within Staffordshire.	Director of Health and Care	Work has progressed in these areas. This has also been further developed by the working arrangements between the Council and the NHS are part of the COVID 19 response. **(carried forward as AGS 5)**
Annual Governance Statement 2	A detailed action plan has been prepared in order to address the significant areas of weakness identified as part of the joint Ofsted and CQC inspection of the SEND service. Appropriate governance arrangements to be adopted to ensure appropriate action is taken to implement the recommendations made to address the concerns raised by the review.	Director of Families and Communities	The Family Strategic Partnership Board has been added to the governance arrangements and holds the SEND partnership board to account to delivery. The WSOA recommendations are all progressing although the sheer volume of applications for assessments for EHCPs means that the service is constantly experiencing massive pressure and hampering performance improvement. Short-term measures to assist with capacity and process have been implemented but will take some time to impact. The roll out of the district hub model is landing well with schools and partners although CCG engagement is a consistent issue across all areas of vulnerable children. **(Carried forward as AGS 1)**

Annual Governance Statement 3	To continue to undertake transformational change in order to address the significant financial pressures facing the Council, whilst meeting statutory requirements.	Director of Corporate Services and County Treasurer	Significant Transformation continues, including: • A Corporate Services Directorate has been created and significant savings have been made throughout Corporate Services. • The Council has instigated a change programme in Children's Services which involve an £8m+ investment and aims to reduce Looked after Children numbers by a third over 5 years**.(carried forward as AGS 3)**
Annual Governance Statement 4	To complete the transformation of Children's Services through the place based and community model to better manage demand within the Children's system.	Director of Families and Communities	The go-live date for the new model is April 2021. A proposed district integrated and whole system model has been discussed with senior leaders of the function and will be further refined over the spring/summer of 2020. The restorative practice model training has been delivered to 800+ staff and the training will continue during 2020**.(carried forward as AGS 4)**
Annual Governance Statement 5	To ensure that the Council has sufficient capacity and capability to deliver transformational change as well as securely delivering on business as usual processes against the backdrop of ensuring a balanced Medium-Term Financial Strategy.	Chief Executive and Senior Leadership Team	Capacity and Capability is closely monitored. Through the reporting process to SLT and Cabinet, the council makes sure that the right capacity and capability are available, and that they are used in the right place at the right time to deliver transformational change. **(to closely monitor moving forward.)**
Annual Governance Statement 6	To ensure that we have a digital road map and necessary infrastructure in place to fully explore and exploit the opportunities offered via the digital and community enablers to deliver transformational change across all services provided by the Council.	Chief Executive and Director of Corporate Services	A Digital Strategy has been created which brings together all the key digital activity into one plan enabling a properly thought through approach to Digital. This is overseen by an internal Digital Board

			chaired by the Chief Executive. Significant change has already been delivered, including most recently making the Council's process for dealing with highways enquiries a purely digital service. **(to closely monitor moving forward.)**
Annual Governance Statement 7	To be vigilant against the potential failure of key providers/suppliers and to ensure that suitable business continuity arrangements are in place should such an event occur.	Chief Executive and Senior Leadership Team	This is an ongoing activity, which is aided, in great part, by the new rigour which accompanies our procurement processes. Particular attention has been paid in the adult social care area with a dedicated team to work with care agencies and suppliers who are demonstrating signs of instability. **(carried forward as AGS 6)**
Annual Governance Statement 8	Nationally there has been a delay in the publication of the Better Care Fund (BCF) planning requirements which has impacted on all Health & Wellbeing Board areas. As a result, there is a potential emerging risk regarding BCF monies received in respect of delayed transfer of care funding via the CCG's. The situation will be closely monitored to ensure that action is taken as appropriate in order to mitigate any loss of funding.	Director of Corporate Services & County Treasurer	This issue has been resolved and the funding passported through. **(completed)**
Annual Governance Statement 9	To be alert to the possibility of unforeseen contraventions of governance arrangements and situations where weaknesses in governance arrangements are exposed by isolated events.	Chief Executive and Senior Leadership Team	There is, in the past three years, a much-improved culture of rigour and self-discipline around procurement, which is welcome. Internal Audit have been very successful in identifying the few cases in which processes have not been followed properly. **(carried forward as AGS 9)**
Annual Governance 10	To ensure that action continues to actively manage the threat of cyber related attacks to the County Council.	Director of Corporate Services	Cyber remains a high priority. The council has tested itself against the Cyber Essentials standard and made changes to comply, including:

			• Mobile devices now managed under a mobile device management platform • Improvements to server/client device patching processes • Increased user awareness through mandatory training • Improved controls around privileged access • Ongoing software compliance programme e.g. removal of Windows 7, Server 2008, SQL 2008 and other unsupported software • Policy updates and ongoing improvements. **(carried forward as AGS 7)**

Conclusion

The review of actions detailed within the 2018/19 AGS has confirmed that whilst significant progress has been made, a number are long term in their nature and therefore for the purposes of the 2019/20 AGS key actions AGS 1, AGS 2, AGS 3, AGS 4, AGS 7,AGS 9 and AGS 10 should be carried forward. These are particularly relevant as a result of COVID-19.

SUPPORTING PAPER 3

ANNUAL AUDIT LETTER 2018/19

The Annual Audit Letter 2018/19 was submitted to the Audit and Standards Committee on 28 January 2020.

Extract from Annual Audit Letter

‘Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2019.

Executive Summary

We are required to issue an annual audit letter to Staffordshire County Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▸ Financial statements	Unqualified opinion - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▸ Consistency of other information published with the financial statements	Other information published with the Financial Statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that a qualified ‘except for’ conclusion with respect to the Council’s arrangements to secure economy, efficiency and effectiveness in the use of your resources was appropriate. A joint Ofsted and CQC inspection of the local Staffordshire area was carried out to judge the effectiveness of implementation of special educational needs and disabilities (SEND)reforms as set out in the Children’s and Families Act 2014. The inspection identified a number of significant areas of weakness in practice, resulting in the requirement for the Authority and Staffordshire Clinical Commissioning Groups to issue a Written Statement of Action. We acknowledge the challenges faced by the Authority in working with SEND partners where the Authority has limited direct control. Given the findings of the report we have concluded the Authority is not working effectively with partners to deliver required services and outcomes to the local population, specifically in respect to SEND.

<u>Conclusion (from SCC perspective)</u>

The Extract from the Annual Audit Letter provides an unqualified opinion for financial statements of 2018/19. A ‘qualified except for’ conclusion was given in relation to the 2018/19 opinion over the Council’s arrangements for securing economy, efficiency and effectiveness following the Joint Ofsted and CQC inspection of the effectiveness of education needs and disabilities (SEND) reforms set out in the Children’s and Families Act 2004.

SUPPORTING PAPER 4

INTERNAL AUDIT OUTURN REPORT 2019/20 AND PERFORMANCE AGAINST THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Extract of Overall Conclusion:

Based on the above, an **"Adequate Assurance"** opinion has been given on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2019/20. This year's audit plan has been dominated with audit activities which support not only the Children and Families System Transformation and Special Education Needs and Disabilities (SEND) but also the Council's digital transformation programme, Adults and the Children's Financial Services Transformation Programme and the Care Commissioning Programme. Internal Audit has continued to adopt agile auditing approaches within our audit processes, that has allowed the Internal Audit Service to provide a just-in time and proactive approach to support the right projects at the right depth and focus, at the right time. This approach has been adopted specifically within our on-going project work as part of the Adults and Children's Financial Services Transformation Programme; the Adult Social Care Digital by Design Project focusing on the development of the Web Portal and the Office 365 Project during 2019/20. Some high-level issues have been raised in 2019/20 within these areas and the Internal Audit Service will continue to support the design and implementation of a robust control environment in 2020/21.

In quarter three of 2019/20, Internal Audit revisited the Council's new property governance structure including the new framework for decision making following the limited assurance opinion awarded in December 2016. Our final audit report was reported to the Audit & Standards Committee in full at its December 2019 meeting and although a limited assurance opinion was again awarded, the internal audit review confirmed that significant improvements had been made, most notably the introduction of a revised decision-making structure for property-related matters and the establishment of a Property Sub Committee of Cabinet to tighten up the property governance arrangements in place. Further time is included in the 2020/21 Internal Audit Plan to give on-going assurance in this area.

Several audit reviews have also been carried out within SEND in-year focusing on progress made in implementing the written statement of actions (two reviews carried out); and two audits relating to SEND governance; one reviewing the governance structure and management oversight in place for the SEND District Inclusion Model and the other reviewing the local decision making groups operating at both county and district levels. Some high-level issues have been raised within these reviews and their implementation will be monitored during 2020/21. SEND will continue to be a key focus for the 2020/21 Internal Audit Plan.

Following the successful launch of My HR and My Finance back in September 2017 and November 2017 respectively, the Internal Audit Service has continued to support Accountancy in relation to both systems. In 2019/20, our ICT audit work in this area has focused on the development, testing and implementation of the BACS secure file transfer process and the upgrade of My Finance, both of which received a positive assurance opinion. All agreed recommendations relating to My HR and My Finance have continued to be monitored in year along with all the other agreed recommendations made as part of the suite of financial systems audit work carried out in 2019/20.

The payroll control environment for the Council's core payroll has continue to improve and again in 2019/20, the payroll system has been awarded an adequate assurance opinion, with no high level issues raised and fewer audit recommendations made overall (A total of 11 recommendations have been made in 2019/20 compared with 13 recommendations in 2018/19 and 16 recommendations in 2017/18 highlighting a positive direction of travel). However, this year the Schools' compliance element of the assessment has not achieved the benchmark with limited assurance opinions being awarded for three school establishments. Also, control weaknesses relating to payroll processes operating at schools have continued to be identified in 2019/20 and it is worth noting that more control weaknesses have been identified this year when compared to last year.

The main financial systems element of the assessment has achieved the benchmark with all areas audited in this category being awarded a positive assurance opinion i.e. adequate or substantial assurance. Three other system audit reviews in 2019/20 have identified high level issues which have resulted in these reviews being awarded limited assurance opinions. For one of these reviews, a number of concerns have been raised relating to the use and payment of settlement agreements. The nature of this review along with the other two that are at draft report stage (namely Corporate Governance - Scheme of Delegation; and Joint Funding and Billing (CCGs/CHC) are currently being considered by management. Where appropriate, details will be incorporated into the Annual Governance Statement for 2019/20.

It is noted that the overall number of limited assurance opinions being awarded across all categories of our work continues to remain fairly static with 10 limited assurance opinions awarded in 2019/20 compared with 11 in 2018/19 and 12 in 2017/18. An analysis of the high-level control issues arising from these reviews indicates that improvements to governance arrangements are required for some areas of business operation as well as high-level control issues noted relating to officer non-compliance with agreed policy, best practice and procedures. The non-completion of key tasks and the failure to complete tasks consistently and correctly along with poor record keeping and a lack of management checks were common themes arising from these reviews. One reason for this may be due to issues of capacity within the Council to undertake key activities. The issue of capacity has been identified in previous years as a potential concern also. With the impact of the COVID 19 pandemic affecting the whole of the Council at the end of 2019/20 and continuing into the new financial year, capacity may continue to be an area of concern over the next 12 months. It is important that the key actions identified in these audits are addressed, implemented as agreed and progress monitored to ensure that the necessary steps have been taken to strengthen the control environment. This will continue to be a key focus for the 2020/21 Internal Audit Plan.

SUPPORTING PAPER 5

OTHER SOURCES OF ASSURANCE - STATUTORY OFFICERS

The Chief Finance Officer (County Treasurer)/Context

Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. In response to the requirements of Section 151 of the Local Government Act 1972, the County Council has designated the Chief Finance Officer to be responsible for the administration of these affairs.

In response to the requirements of Section 25 of the Local Government Act 2003, the Chief Finance Officer has a duty to report to the Authority on:

- the adequacy of the proposed reserves
- the robustness of the budget

In response to Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer has a duty to report to the Council if the Authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the Authority
- is about to make an unlawful entry in the Council's accounts

In addition, the Chief Finance Officer is required to make a report under Section 114 if it appears that the expenditure incurred and/or proposed in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

The Monitoring Officer/Context

The role of the Monitoring Officer is a statutory one, the office having been created under Section 5 of the Local Government and Housing Act 1989. Every Local Authority must have a Monitoring Officer and since 2001 that office cannot be held by the person who is the head of that Authority's paid service, nor by the Section 151 Officer, though there are no other formal qualification requirements.

If it at any time appears to (the Monitoring Officer) him that any proposal, decision or omission

- by the Authority;
- by any Committee or Sub-committee of the Authority;
- by any person holding any office or employment under the Authority;
- by any Joint Committee on which the Authority are represented, or;

- in the course of the discharge of functions of the Authority by or on behalf of the Authority's Executive.

constitutes, has given rise to or is likely to or would give rise to –

- a contravention of any enactment or rule of law by the Authority, by any Committee or Sub-committee of the Authority, by any person holding any office or employment under the Authority, by any such Joint Committee, or by the Authority's Executive or any person on behalf of the Executive, or

- any such maladministration or injustice as is mentioned in Part 3 of the Local Government Act 1974 where the Ombudsman has conducted an investigation;

then the Monitoring Officer is required to prepare a report to the Authority's Executive (if it relates to executive functions), or in all other cases to the Authority, with respect to that proposal, decision or omission, and in doing so is required to consult so far as practicable with the Authority's Head of Paid Service and their Chief Finance Officer.

Conclusion

Neither the Monitoring Officer nor the Chief Finance Officer has had occasion to use their statutory powers of intervention in 2019/20.

SUPPORTING PAPER 6

OTHER SOURCES OF ASSURANCE – MISCELLANEOUS

SECTION A SELECT COMMITTEES

We have effective processes in place. We have a number of Select Committees, the responsibilities of which reflect our focus on key outcomes. We make sure Cabinet Members are held accountable for their actions and we give members an opportunity to assess the impact of the Council's work in their local area. We will continue to develop these initiatives.

SECTION B CORPORATE DIRECTORS/RISK OWNERS

Assurance Statements are in the process of being reviewed as part of the review of our Risk Management processes (see below). In the interim, Statements continue to be completed for the Corporate Governance risk heading. The Assurance Statement is reproduced at **Appendix 2a**.

SECTION C CORPORATE RISK MANAGEMENT /STRATEGIC RISK REGISTER

The format of the Corporate Risk Register continues to be revised as the County Council undertakes it transformation programme. Currently the Head of Audit and Financial services is exploring the use of a digital solution for the completion and update of the strategic risks which will facilitate continuous review. The Audit and Standards Committee has received ongoing updates regarding significant risks during 2019/20. A further briefing will be provided at its December 2020 meeting regarding the lessons learnt from the initial response to the pandemic.

SECTION D EXTERNAL REVIEWS/INSPECTIONS

Our Children's Services maintained their 'Good' rating from Ofsted at the February 2019 inspection.

Positive feedback was received from the latest Peer Challenge regarding our governance processes.

A detailed joint action plan was prepared in order to address the significant areas of weakness identified as part of the joint Ofsted and CQC inspection of the SEND service. Consequently, as part of the final accounts process the External Auditor issued a qualified (except for) value for money conclusion for 2018/19**.** During 2019/20 work has progressed to ensure that the actions contained in the joint action plans have been addressed. There remain several actions outstanding in respect of these matters. This has been raised as a significant governance matter in the 2019/20 AGS action plan.

As set out in the 2019-20 Annual Performance Review Guidance (November 2019), following the Annual Performance Review meeting, officials in the Cities and Local Growth Unit undertook a review to look at the performance of each LEP across the three themes: governance, delivery and strategic impact. The outcome for each theme has been confirmed as follows:

* Governance: - Good

* Delivery: - Good
* Strategic Impact: - Requirements Met

SECTION E STANDARDS BOARD/OMBUDSMAN

- Our Audit and Standards Committee received an Annual Report in October 2020 on the management of elected member related complaints. No significant matters were identified. The LGSCO Annual Review Letter for 2019/20 was received by the CGWG and subsequently submitted to Pre-Cabinet in September 2020. The main actions highted related to taking steps to improve response times to implement recommendations and agreed actions. A number of whistleblowing issues have been considered by the Monitoring Officer (4 in 2019/20 and 2 subsequent to the production of the AGS) and where appropriate will be considered by the Corporate Governance Working Group in due course.

Conclusions

Section A

- **An effective system of scrutiny is in place.**

Section B

- **Our system of controls assurance is currently being reviewed and updated.**

Section C

- **The format and content of the Corporate Risk Register is to be reviewed and updated.**

Section D

- **Our Children's Services maintained their 'Good' rating from Ofsted.**
- **Positive feedback was received from the Peer Challenge regarding our governance processes.**
- **A detailed joint action plan has been prepared in order to address the significant areas of weakness identified as part of the joint Ofsted and CQC inspection of the SEND service. The implementation of the action plan will be overseen by the Family Strategic Partnership Board Consequently, as part of the final accounts process for 2018/19 the External Auditor issued a qualified (except for) value for money conclusion.**

Section E

- **The Audit and Standards Committee received the Annual Report on the management of elected member related complaints. No major issue reported.**
- **The Local Government Social Care Ombudsman did uphold a complaint regarding the management of deprivation of liberty safeguards for deciding not to assess low and medium priority cases and taking too long to deal with urgent applications**.
- **A number of whistleblowing issues (4 related to 2019/20 and 2 subsequently received in 2020) are being considered by the Monitoring Officer and will be considered by the Corporate Governance Working Group in due course.**

- **The 2019/20 Information Governance Annual Report provided assurance regarding compliance with the Data protection Act 2018 and GDPR Freedom of Information Act 2000, Environmental Information Regulations 2004 and the Local Government Transparency Code 2014.This report was presented to the Audit & Standards Committee in October 2020**.

APPENDIX 1

THE ANNUAL GOVERNANCE STATEMENT - FRAMEWORK

Annual Governance Statement
Signed by the Leader of the Council and the Chief Executive to accompany the Statement of Accounts

Key documents/functions/process guidelines

- Local Code of Corporate Governance
- Strategic Plan
- Medium Term Financial Strategy and Annual Delivery Plans
- Council Constitution
- Risk Management
- Procurement Regulations and Financial Regulations
- HR Policies, procedures and codes of conduct
- Anti-Fraud, corruption and bribery policy and Whistleblowing arrangements

Audit & Standards Committee
Independent review and approval

Council and Directorate policies, plans and risks

Draft Annual Governance Statement
Corporate Governance Working Group responsible for drafting AGS, evaluate assurances and supporting evidence

Internal Audit to evaluate the effectiveness of the risk management, control and governance processes.
(Required by the Accounts and Audit Regulations 2015)

Provision of ongoing assurance on adequacy and effectiveness of controls over key risks								
Performance Management and Data Quality	External Inspections – e.g. Ofsted, Care Quality Commission)	Financial Control Assurance (Section 151 Officer)	Legal and Regulatory Assurance (Monitoring Officer)	Members' Assurance	Internal Audit	External Audit	Risk Management	Assurances by Directors/Risk Owners

APPENDIX 2

THE AGS – ASSURANCE GATHERING PROCESS

Stage 1 – Establish principal statutory obligations and organisational objectives

The Strategic Plan is underpinned by three interconnected priority outcomes providing a simple and clear focus. The people of Staffordshire will: • Have access more good jobs and share the benefits of economic growth • Be healthier and more independent for longer • Feel safer, happier and more supported in and by their community The associated Delivery Plan defines a set of Commissioning Priorities which are consistent with these outcomes.

Stage 2 – Identify principal risks to achieving Commissioning Priorities

The Corporate Risk Register currently comprises 14 risk categories. Going forward, risks will be cross-referenced to our Strategic Plan.

Stage 3 - Identify and evaluate key controls to manage principal risks

The Corporate Risk Register currently defines key controls (documents and processes) for each specific risk area. Each control is evaluated. Going forward, key controls will be cross-referenced to our Strategic Plan.

Stage 4 – Obtain assurances on effectiveness of key controls

As defined within Appendix 1 to this report and Section 11 of the AGS

Stage 5 – Evaluate assurances and identify gaps in control / assurances

As defined within Appendix 3 to this report and Section 11 of the AGS

Stage 6 – Action Plan to address weaknesses and ensure continuous improvement of the system of corporate governance

As defined within the Corporate Risk Register and Section 14 of the AGS

Stage 7 – Annual Governance Statement

As considered by the Corporate Governance Working Group

Stage 8 – Report to Members

As considered by the Audit and Standards Committee

APPENDIX 2A

EXAMPLE OF A CONTROLS ASSURANCE STATEMENT

CORPORATE GOVERNANCE

Risk Details

Risk Description	Failure to maintain effective corporate governance arrangements resulting in a breakdown in internal controls, the non-achievement of objectives and loss of reputation
Risk Owner	Director of Corporate Services – John Tradewell
Associated Risk Owners	Corporate Governance Working Group
Sources of Assurance	Risk Owner and Associated Risk Owners, plus Internal and External Audit

Key Controls and Processes

Annual Governance Statement	Customer Feedback Process	Members Code of Conduct
Business Continuity Framework	Delegations to/from Directors	Officers Code of Conduct
Code of Corporate Governance	Fraud, Bribery and Corruption Policy including the Integrity Policy Statement	Record of Decisions
Committees (Scrutiny/Select / Audit and Standards)	Member/Officer Relations	Risk Management Policy Statement
Constitution	Member Training	Schedule of Council Meetings
Corporate Risk Register	Members Allowances Scheme	Whistle Blowing Policy

Controls Assurance**

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
Annual Governance Statement	Annual Governance Statement	Corporate Governance Working Group Audit and Standards Committee Review Monitoring Officer County Treasurer Head of Paid Service	3
Business Continuity Framework	Staffordshire Prepared Website Business Continuity Website SCC Shared drive for Civil Contingencies Defined Work Programme approved	Testing of Business Continuity Plans Corporate Governance Working Group Staffordshire Civil Contingencies Unit Staffordshire Resilience Forum Exercise Aurora	2
Code of Corporate Governance	Code of Corporate Governance Annual Action Plan	Audit and Standards Committee Assessment Corporate Governance Working Group	3

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
	Internal Audit Review in 19/20 resulting in Substantial Assurance	Monitoring Officer County Treasurer Head of Paid Service	
Committees	Scrutiny (Select) Committee Audit and Standards Committee	<u>Scrutiny (Select) Committee</u> Examples of effective scrutiny include Integration and the work on the Budget <u>Audit and Standards Committee</u> Delivery of training Review of the effectiveness of the Audit & Standards Committee undertaken.	3 3
Constitution	Constitution	Reviews overseen by the Audit and Standards Committee Corporate Services resource Monitoring Officer	2
Corporate Risk Register	Corporate Risk Register	Audit and Standards Committee - Corporate Risk Register – Senior Leadership Team Corporate Governance Working Group	2
Customer Feedback Process	<u>See</u> Risk Category 1	<u>See</u> Risk Category 1	
Delegations to/from Directors	Delegations to Directors Delegations from Directors Corporate Governance Action Plan	Delegations to Directors Review of Delegations to Directors Review of sub delegation schemes	2
Integrity Policy Statement	Integrity Policy	Development of E-Learning Fraud Awareness Tool Fraud, Bribery & Corruption Policy	2
Member / Officer Relations	Member / Officer Relations	Member/Officer protocol Strategic Delivery Managers 'Buddy' support system with nominated Democratic Services officers Monitoring Officer	3

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
Member Training	Member Training PDR system linked to political skills	Municipal Journal Councillor Development Achievement Award (Former Winners) Member Induction Process Regular Training Events	3
Members Allowances Scheme	Members Allowances Scheme	Internal Audit Report Independent Remuneration Panel	3
Members Code of Conduct	Members Code of Conduct	Overseen by Audit and Standards Committee Member investigations by Audit and Standards Committee – where appropriate Member Training Monitoring Officer	3
Officers Code of Conduct	Officers' Code of Conduct	Annual Declaration of Interests Confidentiality Letters Procurement – declaration forms	2
Record of Decisions	Record of Decisions	Corporate Services resource	3
Risk Management Policy Statement	Risk Management Policy Statement	Corporate Risk Management Leads Corporate Governance Working Group Embedding of risk management in Transformation process	1 (By virtue of need to revise and update the Statement and accountabilities)
Schedule of Council Meetings	Schedule of Council Meetings	Corporate Services resource	3
Whistle Blowing Policy	Whistle Blowing Policy	Annual review by CGWG	2

****Key**

Key Control	Key documents and process identified within a specific risk category that are in place or required to be put in place in order to contain the risk to an acceptable level.
Evidence of Control	Name of a document or a process / procedure that governs the identified control.
Sources of Assurance (if available)	E.g. Internal / External Audit inspections, Audit & Standards Committee, Cabinet, Scrutiny Panels, Internal Reviews, Control Self-assessment.
Control Rating	1 (Limited) – The stated control requires major revision and/or there is little evidence of the effectiveness of the control framework.

	2 (Adequate) – The stated control requires only minor revision and/or the effectiveness of the control framework can be partly evidenced by reference to Sources of Assurance. 3 (Substantial) – The stated control has been in place all year and does not require revision. The effectiveness of the control framework can be substantially evidenced by reference to Sources of Assurance.

Annual Governance Statement

“Following consultation (where appropriate with Directorates) in terms of Control Rating, I am satisfied that, in relation to the Corporate Governance Strategic Risk Category, the stated level of compliance against required standards gives a true and fair view of the control frameworks in place. Where any Control Rating is assessed as “Limited” an appropriate Action Plan will be defined and implemented during 2019/20.”

John Tradewell
Director of Corporate Services
Date: 31st July 2020

APPENDIX 3

The AGS – SOURCES OF ASSESSMENT - COVERAGE

Risk Ref	Risk Category	Risk	Scrutiny	Internal Audit	External Agencies	Director/ Risk Owner	Statutory Officers
1	Planning and Performance	Failure to establish and communicate clear plans and objectives and monitor performance	✔	✔	✔	✔	
2	Service Delivery	Failure to maintain day to day service provision	✔	✔	✔	✔	✔
3	Corporate Governance	Failure to maintain effective corporate governance arrangements	✔	✔	✔	✔	✔
4	Human Resources	Failure to resource safely, effectively and efficiently – manage the implications of a reducing headcount – handle poor performance	✔	✔		✔	✔
5	Organisational Development	Failure to ensure the workforce has the appropriate knowledge and skill set	✔	✔		✔	
6	Health and Safety	Failure to protect staff / third parties from injury	✔	✔	✔	✔	✔
7	Procurement	Failure of ensure the procurement process provides best value	✔	✔		✔	✔
8	Law and Democracy and Information Governance	Failure to comply with key legislation or legal requirements	✔	✔	✔	✔	✔

9/10	Financial Management	Failure to provide sufficient finance to enable the Council to meet its objectives and ensure income and expenditure is contained within the budget and is properly accounted for	✔	✔	✔	✔	✔
11	Change Management	Failure to manage corporate projects and organisational change	✔	✔	✔	✔	
12	Information Management	Failure to transform services throughout Staffordshire by the innovative use of ICT	✔	✔	✔	✔	
13	Property	Failure to provide, protect and maintain property that will deliver a suitable and safe working environment for staff and visitors	✔	✔	✔	✔	
14	Business Continuity	Failure to maintain service delivery in the event of major disruption	✔	✔	✔	✔	

Notes:

(1) Internal Auditing is an independent, objective assurance and consulting activity designed to add value and 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, controls and governance processes *(UK Public Sector Internal Audit Standards and CIPFA Local Government Application Note).*

(2) External audit evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving an opinion on the financial statements. Where external audit identify any weaknesses in such systems, external audit will draw them to the attention of the Council, but external audit cannot be expected to identify all weaknesses that exist. External audit are not responsible for forming an opinion on the adequacy of systems of internal control and were appointed by the Audit Commission.

Staffordshire County Council

Staffordshire County Council

Annual Governance Statement 2019 – 2020

Contents

1. Scope of Responsibility

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. We have approved and introduced a Code of Corporate Governance. You can get a copy of the code from our website at www.staffordshire.gov.uk.

This statement explains how we have followed the code and also meets the requirements of the Accounts and Audit Regulations 2015, Regulation 6(1) (a) and (b), which requires the Council to prepare and publish an Annual Governance Statement (AGS).

2. What is Governance

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- Leadership and management
- Performance and risk management
- Stewardship of public money; and
- Public engagement and outcomes for our citizens and service users.

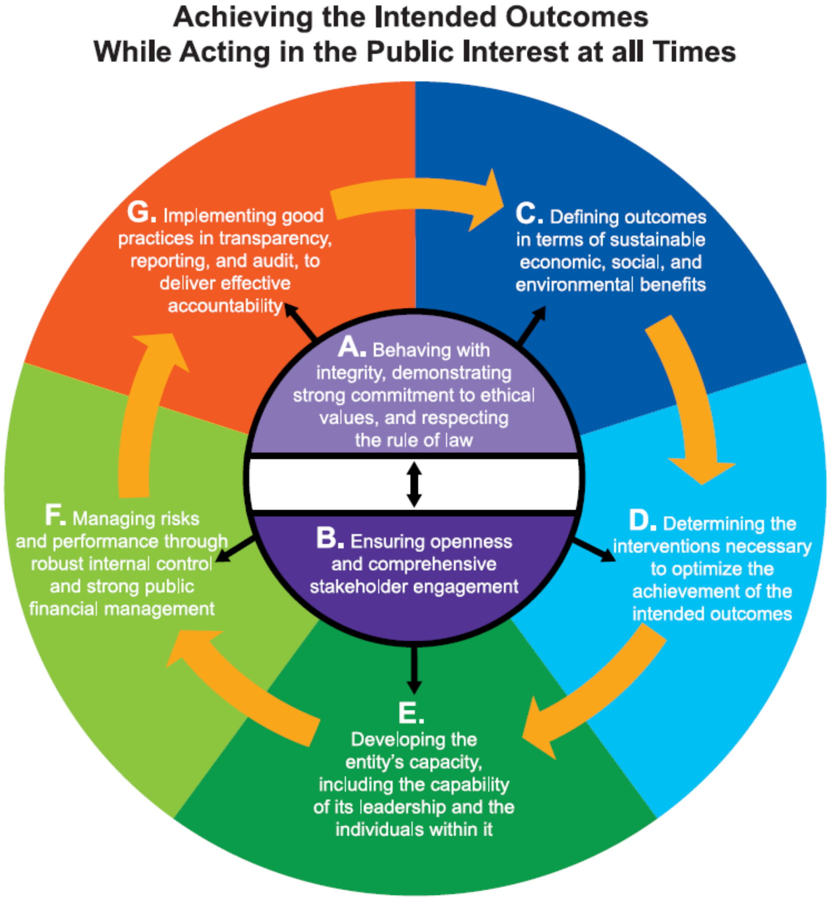
3. What is the purpose of a Governance Framework?

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvement in the way that it operates
- Enables human, financial, environmental and other resources to be managed efficiently and effectively
- Properly maintains records and information
- Ensures its values and ethical standards are met.

4. What are the key elements of SCC's Governance Framework?

The Council aims to achieve good standards by adhering to the seven code principles below, which form the basis of the Council's Code of Corporate Governance which can be reviewed



The following page provides a summary of actions and behaviours undertaken by the Council in relation to each of the seven core principles and associated sub principles.

5. Single Sheet Framework

Governance Framework - Principles, Statutory Obligations and Organisational Objectives

A- Behaving with Integrity and Adherence to Ethical Values and Respecting the Rule of Law
B- Ensuring openness and comprehensive stakeholder engagement

- Implementing Local Vision
- Taking Effective Decisions
- Working Together to achieve a common objective
- Developing Members and Officers
- Adherence to Ethical Values
- Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents/Annual Review/Production

- Annual Outturn Performance and Finance Reports
- Annual Information Governance Statement
- Corporate Information Security Policy
- Corporate Property Strategy
- Corporate Risk Register
- Delegations from/to Directors
- Business Plan
- Innovation & Efficiency Board
- ICT Strategy
- Medium Term Financial Strategy
- Members Allowances Scheme
- Prudential Code & Treasury Management Strategies
- Risk Management Policy Statement
- Statement of Accounts
- Strategic Plan
- Staffordshire Strategic Partnership Priorities

Key Documents Adhoc Review/Production

- Business Continuity Plans
- Change Management Framework
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Procurement Regulations
- Equality and Diversity Information
- Financial Regulations
- Health and Safety Policies
- Information Governance Framework
- Fraud, Bribery & Corruption Policy
- Internet Transparency Pages
- Member/Officer Relations
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Partnership Policy
- Performance Management Framework
- Record of Decisions
- Schemes of Delegation
- Whistle Blowing Policy

Contributory Processes/ Regularity Monitoring

- Annual Governance Statement
- Audit and Standards Committee
- Budgetary Accountability Statements
- Corporate Governance Working Group
- Corporate H&S Process
- Corporate Intranet
- Council Tax Leaflet / Information
- Customer Feedback Process
- County Treasurer
- Consultative Forums
- External Audit
- Finance Business Partners
- Go Training Platform
- H&S Champion
- Independent Remuneration Panel
- Inspectorate Reports
- Internal Audit
- Job descriptions
- Job evaluation process
- Law & Governance
- Member training
- Monitoring Officer
- MPC process
- Scrutiny Framework
- Staff Induction
- Schedule of Council Meetings
- Staff Surveys
- Staffordshire Web
- Organisational Development
- Safer Recruitment

6. What are the key roles of those responsible for developing and maintaining the Governance Framework?

The Council	• Approves the Strategic Plan • Approves the Constitution (including Procurement Regulations and Financial Regulations). • Approves key policies and budgetary framework
Cabinet	• The main decision-making body of the Council • Comprises nine Cabinet Members (including the Leader and Deputy Leader) and four Support Members who have responsibility for particular portfolios
Audit & Standards Committee	• Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control • Promotes high standards of member conduct • Approves the Annual Statement of Accounts and Annual Governance Statement
Scrutiny (Select) Committees	• There are four Select Committees aligned to the Council's corporate priorities • They hold Cabinet and Officers to account and scrutinise performance
Chief Executive & Senior Leadership Team	• Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council in the development of future policy and budgetary issues • Oversees the implementation of council policy
Chief Financial Officer (Section 151)	• Accountability for developing and maintaining the Council's governance, risk and control framework • Contribute to the effective corporate management and governance of the Council
Monitoring Officer	• To report on contraventions or likely contraventions of any enhancement or rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. To establish and maintain registers of member interests and gifts and hospitality. To advise Members on the interpretation of the Code of Conduct for Members and Co-opted Members • Overall responsibility for the maintenance and operation of the confidential reporting procedure for employees (whistleblowing) and contributes to the effective corporate management and governance of the Council
Internal Audit	• Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework • Delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity • Makes recommendations for improvements in the management in risk
External Audit	• Audit/review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding in the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion)
Managers **Employees**	• Responsible for developing, maintaining and implementing the Council's governance, risk and control framework • Contribute to the effective corporate management and governance of the Council • Personal Responsibility for their own actions and to ensure compliance with policies and procedures of the Council.

7. What is the Annual Governance Statement?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.
In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarizes the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment.
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at Staffordshire County Council for the year ended 31st March 2020 and up to the date of approval of the Statement of Accounts. It should be noted however that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. We have had the governance framework in place from 1 April 2019, and up to that date, we approved the Statement of Accounts.

8. What is a Governance Assurance Framework?

Assurance provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved. An assurance framework is the structure within which Members and Senior Management identify the principal risks to the Council meeting its key objectives and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

A governance assurance process is in place to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

9. What is the Council's Governance Assurance Framework?

Annual Governance Statement

Signed by the Leader of the Council and the Chief Executive to accompany the Statement of Accounts

Key documents/functions/process guidelines

- Local Code of Corporate Governance
- Strategic Plan
- Medium Term Financial Strategy and Annual Delivery Plans
- Council Constitution
- Risk Management
- Procurement Regulations and Financial Regulations
- HR Policies, procedures and codes of conduct
- Anti-Fraud, corruption and bribery policy and Whistleblowing arrangements

Audit & Standards Committee

Independent review and approval

Council and Directorate policies, plans and risks

Draft Annual Governance Statement

Corporate Governance Working Group responsible for drafting AGS, evaluate assurances and supporting evidence

Internal Audit to evaluate the effectiveness of the risk management, control and governance processes.
(Required by the Accounts and Audit Regulations 2015)

Provision of ongoing assurance on adequacy and effectiveness of controls over key risks								
Performance Management and Data Quality	External Inspections – e.g. Ofsted, Care Quality Commission)	Financial Control Assurance (Section 151 Officer)	Legal and Regulatory Assurance (Monitoring Officer)	Members' Assurance	Internal Audit	External Audit	Risk Management	Assurances by Directors/Risk Owners

10. How has the Annual Governance Statement been prepared?

In preparing the Annual Governance Statement the Council has:

- Reviewed the Council's existing governance arrangements against the CIPFA/SOLACE 'Delivering Good Governance in Local Government framework – 2016 Edition good practice guidance'
- Assessed the Council's Local Code of Corporate Governance to reflect this guidance which includes the seven principles of good governance and associated required actions and behaviours taken by the Council that demonstrate robust governance arrangements are in place
- Evaluated the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

Consideration of what constitutes a significant governance issue for consideration of inclusion within the statement. Although the CIPFA/SOLACE framework does not prescribe set criteria, best practice in this area has been published. Following approval by the Corporate Governance Working Group the following has been agreed as a guide to inform the completion of the 2018/19 statement:

- Does it undermine/threaten the achievement of organisational objectives?
- Is it a significant failure to meet the principles (and sub principles) of good governance?
- Is it an area of significant concern to an inspector, external audit or regulator?
- Has the Monitoring Officer, Section 151 Officer, Head of Internal Audit or the Audit Committee recommended that it be included?
- Is it an issue of public or stakeholder concern?
- Is it an issue that cuts across the organisation and requires cooperation to address it?

11. How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements including our system of internal control. Our review of how effective our systems and procedures are is supported by the work of the Corporate Governance Working Group and the Chief Internal Auditor's annual report. The review also includes comments made by the External Auditor's and other review agencies and inspectors.

This review found that we had all the necessary parts of the framework in place. The particular areas that have led to this conclusion are described in more detail below

- The annual review of the code of corporate governance has been carried out in line with the requirements of the CIPFA / SOLACE document entitled "Delivering Good Governance in Local Government: Framework 2016" , the Corporate Governance Working Group are confident that current documents and processes represent an effective governance framework.
- The review of actions aimed at improving our arrangements for corporate governance has confirmed that we have made good progress in addressing the key issues raised in the 2018/19 Annual Governance Statement. Where appropriate these have been carried forward into the 2019/20 statement.
- The Chief Internal Auditor's annual report 2019/20 which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides and opinion on the effectiveness of these arrangements. **Internal**

Audit gave an adequate assurance opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2019/20. The key points highlighted from the report are:

a)This year's audit plan has been dominated with audit activities which support not only the Children and Families System Transformation and Special Education Needs and Disabilities (SEND) but also the Council's digital transformation programme, Adults and the Children's Financial Services Transformation Programme and the Care Commissioning Programme. Internal Audit has continued to adopt agile auditing approaches within our audit processes, that has allowed the Internal Audit Service to provide a just-in time and proactive approach to support the right projects at the right depth and focus, at the right time. This approach has been adopted specifically within our on-going project work as part of the Adults and Children's Financial Services Transformation Programme; the Adult Social Care Digital by Design Project focusing on the development of the Web Portal and the Office 365 Project during 2019/20. Some high-level issues have been raised in 2019/20 within these areas and the Internal Audit Service will continue to support the design and implementation of a robust control environment in 2020/21.

b)In quarter three of 2019/20, Internal Audit revisited the Council's new property governance structure including the new framework for decision making following the limited assurance opinion awarded in December 2016. Our final audit report was reported to the Audit & Standards Committee in full at its December 2019 meeting and although a limited assurance opinion was again awarded, the internal audit review confirmed that significant improvements had been made, most notably the introduction of a revised decision-making structure for property-related matters and the establishment of a Property Sub Committee of Cabinet to tighten up the property governance arrangements in place. Further time is included in the 2020/21 Internal Audit Plan to provide on-going assurance in this area.

c)Several audit reviews have also been carried out within SEND in-year focusing on progress made in implementing the written statement of actions (two reviews carried out); and two audits relating to SEND governance; one reviewing the governance structure and management oversight in place for the SEND District Inclusion Model and the other reviewing the local decision making groups operating at both county and district level. Several high-level issues have been raised within these reviews and their implementation will be monitored during 2020/21. SEND will continue to be a key focus for the 2020/21 Internal Audit Plan.

d) However, this year the Schools' compliance element of the assessment has not achieved the benchmark with limited assurance opinions being awarded for three school establishments. Also, control weaknesses relating to payroll processes operating at schools have continued to be highlighted in 2019/20 and it is worth noting that an increased number of governance related control weaknesses have been identified this year when compared to last year.

e) A number of reviews were still at the draft report stage namely, a number of concerns have been raised; the use and payment of settlement agreements, Corporate Governance - Scheme of Delegation; and Joint Funding and Billing (CCGs/CHC) and are currently being considered by management. Where appropriate, details will be incorporated into the Annual Governance Statement for 2019/20.

f) It is noted that the overall number of limited assurance opinions being awarded across all categories of our work continues to remain fairly static with 10 limited assurance opinions awarded in 2019/20 compared with 11 in 2018/19 and 12 in 2017/18. An analysis of the high-level control issues arising from these reviews indicates that improvements to governance arrangements are required for some areas of business operation as well as high-level control issues noted relating to officer non-compliance with agreed policy, best practice and procedures. The non-completion of key tasks and the failure to complete tasks consistently and correctly along with limited record keeping and a lack of management checks were common themes arising from these reviews. One reason for this may be due to issues of capacity within the Council to undertake key activities. The issue of capacity has been identified in previous years as a potential concern also. With the impact of the COVID 19 pandemic affecting the whole of the Council at the end of 2019/20 and continuing into the new financial year, capacity may continue to be an area of concern over the next 12 months. It is important that the key actions identified in these audits are addressed, implemented as agreed and progress monitored to ensure that the necessary steps have been taken to strengthen the control environment. This will continue to be a key focus for the 2020/21 Internal Audit Plan.

-
- An unqualified opinion from the External Auditor was issued on the financial statements for 2018/19. In respect of the 2018/19 opinion over the Council's arrangements for securing economy, efficiency and effectiveness it was concluded that a 'qualified except for' conclusion be awarded, following the Joint Ofsted and CQC inspection of the effectiveness of education needs and disabilities (SEND) reforms set out in the Children's and Families Act 2004. Given the findings of the report it was concluded that 'the Authority was not working effectively with Partners to deliver required services and outcomes to the local population, specically in relation to SEND'.
- Annual review of how effective our internal audit is. It was reported to the Audit and Standards Committee as part of the 2019/20 Annual Outturn report that we have an effective system of internal audit in place, as measured against set conditions, which include:

  - How well we follow the new Public Sector Internal Audit Standards together with the Local Government Application Note;
  - Results of the External Quality Assessment performed by a representative of CIPFA has concluded Full Compliance with the Standards
  - Our main performance results;
  - Feedback from the Chief Finance Officer (County Treasurer).

- During 2019/20 the Monitoring Officer and the Chief Finance Officer did not have to use their official powers.
- We have effective processes in place. Our scrutiny arrangements provide for Select Committees, the responsibilities of which reflect our focus on key outcomes.
- We have a developing system of confirming that our controls are working via Corporate Directors. Where necessary, we implement appropriate action plans to strengthen our controls. The recommendations made within internal audit reports are implemented as agreed in order to strengthen the control environment. The process is overseen and monitored by the Audit & Standards Committee for high level recommendations.
- Our Children's Services maintained their 'Good' rating from Ofsted at the February 2019 inspection.
- Positive feedback was received from the latest Peer Challenge regarding our governance processes.
- A detailed joint action plan was prepared in order to address the significant areas of weakness identified as part of the joint Ofsted and CQC inspection of the SEND service. Consequently, as part of the final accounts process the External Auditor issued a qualified (except for) value for money conclusion for 2018/19**.** During 2019/20. There remain several actions outstanding in

respect of these matters. This has been raised as a significant governance matter in the action plan.

- As set out in the 2019-20 Annual Performance Review Guidance (November 2019), following the Annual Performance Review meeting, officials in the Cities and Local Growth Unit undertook a review to look at the performance of each LEP across the three themes: governance, delivery and strategic impact. The outcome for each theme has been confirmed as follows:

  - Governance: - Good
  - Delivery: - Good
  - Strategic Impact: - Requirements Met

- The Audit and Standards Committee received the Annual Report on the management of elected member related complaints in October 2020, no major issues were identified.
- The LGSCO Annual Review Letter for 2019/20 was received by the CGWG and subsequently submitted to Pre-Cabinet in September 2020. The main actions highted related to taking steps to improve response times to implement recommendations and agreed actions.
- The 19/20 Annual Complaints reports have been produced and considered by Corporate Review Committee.
- The 2019/20 Information Governance Annual Report provided assurance regarding compliance with the Data protection Act 2018 and GDPR Freedom of Information Act 2000, Environmental Information Regulations 2004 and the Local Government Transparency Code 2014.This report was presented to the Audit & Standards Committee in October 2020.
- A number of whistleblowing issues have been considered by the Monitoring Officer (4 in 2019/20 and 2 subsequent to the production of the AGS) and where appropriate will be reported to the Corporate Governance Working Group in due course.

12. Impact of COVID 19 on Governance Arrangements in place

In March 2020 the Country experienced a worldwide pandemic from the Coronavirus which created significant challenges for the County Council. A number of changes were made to the governance arrangements supporting the decision-making process as per the following legislation

- The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020
- The Local Authorities & Police and Crime Panels (Coronavirus) Flexibility of Local Authority & Police and Crime Panel Meetings (England & Wales) Regulations 2020.
- Additional guidance provided on running Council meetings was produced by Lawyers in Local Government & Association of Democratic Service Officers.

Additional Governance changes have occurred in response to the challenges as per the following minute extracts which have been approved by relevant Cabinet meetings:

- **Cabinet Meeting - 15 April 2020**

The County Council's Response to COVID-19
Decision – (a) That the progress made to date in responding to the current Coronavirus pandemic be noted.

(b) That the additional government funding of £22.296m be allocated to the 2020/21 revenue budget with authority given to individual members of the Senior Leadership Team (in consultation with the Leader and Deputy Leader where practicable) to incur expenditure (up to a maximum of £2m per item of expenditure) against this budget where it is considered necessary by the Council 's Incident Management Team or the Senior Leadership Team (sitting as Gold Command) to address the implications arising from the Covid-19 emergency. Any items of expenditure in excess of £2m will continue to require authorisation by Cabinet in the usual way.

- **Cabinet Meeting - 20 May 2020**

Staffordshire County Council's Response to Coronavirus COVID-19
Decision – (a) That the progress of Staffordshire County Council's response to coronavirus COVID-19 be noted.

(b) That the Council's Thanks be formally extended to its staff, care workers and volunteers for their efforts to support the response.

(c) That it be agreed that the additional government grant of £15.4m be allocated to the 2020/21 revenue budget.

(d) That further extra funding of £4.3m from the additional grant to support care providers, as set out in Table 1 to the report, be approved.

(e) That authority be given to individual members of the Senior Leadership Team (in consultation with the Leader and Deputy Leader where practicable) to incur further expenditure from the £15.4m budget up to a maximum of £2m per item of expenditure where it is considered necessary by the Council's Incident Management Team or the Senior Leadership Team to address the implications arising from the COVID-19 emergency. Any items of expenditure in excess of £2m will continue to require authorisation by Cabinet in the usual way.

- **Cabinet meeting -19 August 2020:**

5. Delegation of authority to issue Directions under the Health Protection (Coronavirus, Restrictions) (England) (No. 3) Regulations 2020

Decision – (a) That the process for the issuing of direction notices under the Health Protection (Coronavirus, Restrictions) (England) (No.3) Regulations 2020 by Staffordshire Council be approved.

(b) That authority to issue direction notices, restricted to direction notices that do not constitute key decisions, as well as the review of those direction notices, be delegated to the Chief Executive, in consultation with the Director for Health and Care in his capacity as director of Public Health.

(c) That in the event of the Chief Executive not being available for any reason, authority to issue and review direction notices, may be exercised by the Deputy Chief Executive and Director for Children's Services or the Director for Environment, Infrastructure and Skills, in consultation with the Director for Health and Care in his capacity as director of Public Health.

(d) That in the event of the Director of Public Health not being available, for any reason, the consultation for the issue of the direction shall be deputised to a Consultant in Public Health in accordance with his sub scheme of delegation.

(e) That before issuing notices in accordance with (b) above, the Chief Executive will inform the Leader, Deputy Leader, Cabinet Member for Health, Care and Wellbeing and the Local Member of the intention to issue such notices.

As part of the response phase to the Pandemic an action plan has been produced in-conjunction with the Civil Contingency Unit and has captured the initial key learning points arising from the responses phase of the COVID 19 pandemic. These will be considered in the coming years and will help to shape the future direction of the Authority and provides an opportunity to reflect on organisational priorities. This report has been considered by Cabinet and also the Audit & Standards Committee at its meeting in December 2020.

It is pleasing to note that there were no noteworthy delays to the production of the Head of Audit Opinion because of the disruption caused by COVID 19. The Outturn report was produced and presented to the Audit & Standards Committee on 30 July 2020. The key performance indicators for the internal audit service were also met in 2019/20. Moving forward for 2020/21 the Head of Audit Opinion will be shaped in line with the recently published 'CIPFA guidance to Internal Auditors, Leadership Teams and Audit Committees for Local Government Bodies addressing the risk of a limitation of scope arising from COVID 19 disruptions.

During 2019/20 the additional COVID 19 related expenditure was covered by the additional grant provided. The impact on 2020/21 remains fluid and will continue to be monitored. Moving forward there will be increased financial pressures in all services due to the pandemic, in addition to the pressures caused by changes in the population (for example, an increasing elderly population, health issues, increasing numbers of looked after children, unemployment and so on). The financial impact of coronavirus will continue to be felt in Staffordshire for some time to come and it will be necessary to revise the MTFS in the light of the work being undertaken as part of the council's recovery arrangements. The impact of reduced income from business rates and council tax will be felt in 2021/22 and beyond which is received via the collection fund.

13.How has the Council addressed the governance improvement actions from 2018/19?

The Annual Governance Statement 2018/19 contained the following key actions. Details of the issue and how it has been addressed are provided below:

Review Reference	Governance Issue	Target Date	Progress as at March 2020
Annual Governance Statement 1	To continue to work with the various NHS bodies as part of the Sustainability and Transformation Plan in order to improve the health and care provision within Staffordshire.	Ongoing - Director of Health and Care	Work has progressed in these areas. This has also been further developed by the working arrangements between the Council and the NHS are part of the COVID 19 response.
Annual Governance Statement 2	A detailed action plan has been prepared in order to address the significant areas of weakness identified as part of the joint Ofsted and CQC inspection of the SEND service. Appropriate governance arrangements to be adopted to ensure appropriate action is taken to implement the recommendations made to address the concerns raised by the review.	March 2020 Director of Families and Communities	The Family Strategic Partnership Board has been added to the governance arrangements and holds the SEND partnership board to account to delivery. The WSOA recommendations are all progressing although the sheer volume of applications for assessments for EHCPs means that the service is constantly experiencing massive pressure and hampering performance improvement. Short-term measures to assist with capacity and process have been implemented but will take some time to impact. The roll out of the district hub model is landing well with schools and partners although CCG engagement is a consistent issue across all areas of vulnerable children.
Annual Governance Statement 3	To continue to undertake transformational change in order to address the significant financial pressures facing the Council, whilst meeting statutory requirements.	Ongoing Director of Corporate Services and County Treasurer	Significant Transformation continues, including: • A Corporate Services Directorate has been created and significant savings have been made throughout Corporate Services. • The Council has instigated a change programme in Children's Services which involve an £8m+ investment and aims to reduce Looked after Children numbers by a third over 5 years.

Page 47

Annual Governance Statement 4	To complete the transformation of Children's Services through the place based and community model to better manage demand within the Children's system.	March 2020 Director of Families and Communities	The go-live date for the new model is April 2021. A proposed district integrated and whole system model has been discussed with senior leaders of the function and will be further refined over the spring/summer of 2020. The restorative practice model training has been delivered to 800+ staff and the training will continue during 2020.
Annual Governance Statement 5	To ensure that the Council has sufficient capacity and capability to deliver transformational change as well as securely delivering on business as usual processes against the backdrop of ensuring a balanced Medium-Term Financial Strategy.	Ongoing Chief Executive and Senior Leadership Team	Capacity and Capability is closely monitored. Through the reporting process to SLT and Cabinet, the council makes sure that the right capacity and capability are available, and that they are used in the right place at the right time to deliver transformational change.
Annual Governance Statement 6	To ensure that we have a digital road map and necessary infrastructure in place to fully explore and exploit the opportunities offered via the digital and community enablers to deliver transformational change across all services provided by the Council.	Ongoing Chief Executive and Director of Corporate Services	A Digital Strategy has been created which brings together all the key digital activity into one plan enabling a properly thought through approach to Digital. This is overseen by an internal Digital Board chaired by the Chief Executive. Significant change has already been delivered, including most recently making the Council's process for dealing with highways enquiries a purely digital service.
Annual Governance Statement 7	To be vigilant against the potential failure of key providers/suppliers and to ensure that suitable business continuity arrangements are in place should such an event occur.	Ongoing - Chief Executive and Senior Leadership Team	This is an ongoing activity, which is aided, in great part, by the new rigour which accompanies our procurement processes. Particular attention has been paid in the adult social care area with a dedicated team to work with care agencies and suppliers who are demonstrating signs of instability.
Annual Governance Statement 8	Nationally there has been a delay in the publication of the Better Care Fund (BCF) planning requirements which has impacted on all Health & Wellbeing Board areas. As a result, there is a potential emerging risk	Ongoing Director of Corporate	This issue has been resolved and the funding passported through.

	regarding BCF monies received in respect of delayed transfer of care funding via the CCG's. The situation will be closely monitored to ensure that action is taken as appropriate in order to mitigate any loss of funding.	Services & County Treasurer	
Annual Governance Statement 9	To be alert to the possibility of unforeseen contraventions of governance arrangements and situations where weaknesses in governance arrangements are exposed by isolated events.	Ongoing Chief Executive and Senior Leadership Team	There is, in the past three years, a much-improved culture of rigour and self- discipline around procurement, which is welcome. Internal Audit have been very successful in identifying the few cases in which processes have not been followed properly.
Annual Governance 10	To ensure that action continues to actively manage the threat of cyber related attacks to the County Council.	Ongoing Director of Corporate Services	Cyber remains a high priority. The council has tested itself against the Cyber Essentials standard and made changes to comply, including: • Mobile devices now managed under a mobile device management platform • Improvements to server/client device patching processes • Increased user awareness through mandatory training • Improved controls around privileged access • Ongoing software compliance programme e.g. removal of Windows 7, Server 2008, SQL 2008 and other unsupported software • Policy updates and ongoing improvements.

14.What are the Key Governance Matters for 2019/20?

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2020/21.

Review Reference	Governance Matters identified and action to be taken	Target Date	Lead Officer
AGS 1	To continue to address the key concerns raised through the CQC/Ofsted report to ensure that the governance elements within the SEND arrangements have been addressed fully in a timely manner.	March 2021	Helen Riley – Director for Families & Communities
AGS 2	To ensure that a robust strategy and action plan to address Climate Change within the County including how we will provide place-based leadership in order to reduce our carbon footprint.	March 2021	Daryl Eyers – Director for Economy, Infrastructure & Skills
AGS 3	To ensure the delivery of a balanced MTFS set against the financial challenges emerging from the COVID 19 crisis.	Ongoing	Rob Salmon – County Treasurer
AGS 4	To deliver the aspiration to create a single approach to ensure that the Childrens operating system transforms safely and the restorative practice model is implemented.	March 2021	Helen Riley – Director for Families & Communities
AGS 5	To review the arrangements surrounding the operation of the STP to ensure that we are working as efficiently as possible. This will be covered as part of the work of the Health Scrutiny Committee on urgent care.	Ongoing	Richard Harling – Director of Health & Care
AGS 6	To be vigilant against the potential failure of key providers/suppliers and to ensure that suitable business continuity arrangements are in place to deal with an event, should it occur.	Ongoing	John Tradewell – Director of Corporate Services
AGS 7	To continually review the cyber security risks and threats to the Councils ICT network to ensure they are sufficiently protected and secured.	Ongoing	John Tradewell – Director of Corporate Services
AGS 8	To respond to the findings of the lessons learnt exercise for the COVID 19 response phase jointly conducted with the Civil Contingencies Unit.	September 2020	John Henderson – Chief Executive and John Tradewell – Director of Corporate Services
AGS 9	To continue to be alert to the possibility of unforeseen contraventions of governance arrangements and situations where weaknesses in governance arrangements are exposed by isolated events. In particular to the governance	Ongoing	Chief Executive and Senior Leadership Team

	weaknesses identified within the Internal Audit Outturn regarding maintained schools		
AGS 10	To fully implement the outstanding audit recommendations relating to the property governance follow up report thereby strengthening the control environment in this area.	December 2020	John Tradewell – Director of Corporate Services

15.Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council’s Code of Corporate Governance, have been effectively operating during the year with the exception of those areas outlined at paragraph 14. Over the next year we will be taking steps to tackle the issues listed above, so we can further improve our governance arrangements. We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness, and we will monitor these improvements as part of our next annual review.

Signed: ____________________________________

Alan White
Leader of Staffordshire County Council

Date: ________________

Signed: ____________________________________

John Henderson
Chief Executive of Staffordshire County Council

Date: ________________

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 08 December 2020

Statement of Accounts 2019/20

Recommendations

I recommend that the Committee:

a. Approve the 2019/20 Statement of Accounts as attached to this report.

b. Approve the letter of representation from the County Treasurer.

c. 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

Report

Background

1. The 2019/2020 Statement of Accounts is attached as **Appendix 1** 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).

2. The Code of Practice is updated annually and for 2019/2020 there were no major changes.

3. 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 letter for the County Council is attached as **Appendix 2** to this report and I would welcome discussion regarding any matters covered by the letter. The committee members are asked to approve the letter.

Revenue Outturn

4. We spent £53,000 less than the budget for our day to day activities, this is 0.01% less than the revised budget of £513.4 million. This underspend is an example of our excellent financial management and despite the requirement to deliver savings, services have stayed within their budgets.

5. Towards the end of the financial year, the global coronavirus pandemic stuck the country and a national lockdown was implemented just over a week before the 31 March. Due to this timing, the 2019/2020 accounts do not include much of the

financial impact of the pandemic, there is £680,000 of additional expenditure incurred prior to 31 March which was funded from the government grant paid out to local authorities in late March.

6. The Health and Care Directorate has seen increasing pressures over recent years due to rising demographic pressures and challenging market conditions. There have been additional government grants for this service area in recent years and the Adult Social Care precept. Combined with preventative measures and savings initiatives this has brought spending on adult social care under control, resulting in an overall saving against the budget of the Directorate. Whilst the Older Peoples service has still overspent, the process of block booking beds has resulted in lower costs per bed. Despite these measures, managing the continuing trend of increasing prices in the provider market and developing alternative cost-effective strategies continues to prove particularly difficult. The ongoing associated cost-reduction measures outlined above will continue to carry a high level of risk. Staffing restructures and vacancies have resulted in savings, along with the renegotiation of contracts and a reduction in the number of Learning Disability placements required in residential or nursing homes.

7. During the year, Children's Services has forecast an overspend due to increasing numbers of Looked After Children and increasing costs of placements. At the end of March 2020, there were 1,218 Looked After Children, a reduction from the peak of 1,257 in autumn 2019 but still an increase from the number at the beginning of the year which was 1,175 in April 2019. The service was allocated the Adults and Children's Social Care Support Grant of £6.051m during the year and this partly mitigated the overspend, however the final outturn was an overspend of £5.732 million. Children's social care is coming under increasing financial pressure and a business plan is in place to transform the system. Investment has been made in the service in the MTFS for 2020/2021 to facilitate this transformation.

8. In addition, there are significant transport costs in Education Services which has resulted in an overspend and this is an area of continuing pressure going forward. Whilst Cultural and Rural services reached a breakeven position, Community Safety made a saving as a result of some one-off gains.

9. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall underspend mainly arising from the Transport, Connectivity and Waste service. There is a saving in concessionary fares as a result of a recent successful defence of an English National Concessionary Transport Scheme claim made by an operator which has finally been settled by a Department for Transport adjudication. There has been investment in new equipment and vehicles for Household Waste Recycling Centres and additional income from the Waste to Resources plant which has generated a saving in this area.

10. Corporate Services has achieved a small underspend by the end of the year and has managed to make a contribution to the IT reserve in order to recognise the importance of cyber security and mitigate against the risk of an attack.

11. The centrally controlled budgets had small underspends at the end of the year, including some additional grant received at the end of the year. There are pressures

on insurances due to increasing premiums and increasing numbers of claims. The Contingency budget of £4 million remained unspent at the end of the year and this can now be transferred to reserves to be available for future investment requirements.

12. The final position is an underspend of £53,000 and this amount will transfer into general balances. The revenue outturn is shown in more detail in the table below:

The table compares the budget with the final outturn (spending) for 2019/2020				
	Budget	**Outturn**	**Carry Forward**	**Over/(Under) spend**
	£m	**£m**	**£m**	**£m**
Health and Care				
Public Health and Prevention	2.245	2.245		0.000
Adult Social Care & Safeguarding	38.227	36.497		(1.730)
Care Commissioning	174.171	171.764		(2.407)
Health and Care Total	**214.643**	**210.506**		**(4.137)**
Families and Communities				
Children's Services	109.115	114.847		5.732
Children's Public Health	(1.565)	(1.565)		0.000
Education Services	27.067	28.804		1.737
Culture and Communities	5.787	5.787		0.000
Rural	2.151	2.156		0.005
Community Safety	8.108	7.556		(0.552)
Families and Communities Total	**150.663**	**157.585**		**6.922**
Economy, Infrastructure and Skills				
Business and Enterprise	1.144	1.026		(0.118)
Infrastructure and Highways	25.518	26.229		0.711
Transport, Connectivity and Waste	39.228	36.564		(2.664)
Skills	2.312	2.240		(0.072)
EI&S Business Support	1.064	0.870		(0.194)
Economy, Infrastructure and Skills Total	**69.266**	**66.929**		**(2.337)**
Corporate Services	**36.339**	**36.037**		**(0.302)**
Covid-19 Expenditure	**0.000**	**0.680**		**0.680**
Trading Services	**(1.030)**	**(1.030)**		**0.000**
Total Portfolio Budgets	**469.881**	**470.707**		**0.826**
Centrally Controlled Items				
Interest on Balances and Debt Charges	31.590	31.590		0.000
Pooled Buildings and Insurances	13.627	13.767		0.140
Contingency	4.000	0.000	4.000	0.000
Covid-19 Funding	0.000	(0.680)		(0.680)

Transformational Spend	(5.719)	(5.719)		0.000
Local Services Support Grant	0.000	(0.339)		(0.339)
Centrally Controlled Total	**43.498**	**38.619**	**4.000**	**(0.879)**
Net Revenue Budget / Expenditure	**513.379**	**509.326**	**4.000**	**(0.053)**

Capital Outturn

13. In 2019/2020, our final capital spend was £106.7 million, compared to £108.5 million in 2018/2019. This investment was funded from a variety of sources including grants from the Government totalling £46.5 million and borrowing of £17.8 million.

14. The capital spend of £106.7 million includes £5.7 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.

15. The capital outturn position is summarised in the table below;

	£m
Health and Care	0.6
Families and Communities	13.0
Economy, Infrastructure and Skills	81.4
Finance and Resources	4.2
Traded Services	1.8
Transformational Spend	5.7
Grand Total	**106.7**

16. Our achievements during the year include the following:

    a. Continued construction of a new primary school, Henshurst Ridge in Burton and a new primary school at Branston Locks;
    b. Significant extensions to a number of schools including St Stephens Primary School and Manor Hill First School;
    c. Commencement of work on three major projects for residential care for adults with Hillfield House Nursing Home being refurbished and two new residential homes being built at Histon Hill and Rowley Hall;
    d. Work is progressing on the new Greenwood House development;
    e. ICT have successfully completed two large projects, the Data Centre Network Refresh and Libraries Public Access Device refresh;

f. Work on the Stafford Western Access Route is continuing;
g. Work on the Lichfield Southern Bypass continues to make good progress;
h. Highways work undertaken to facilitate the Mill Green development in Cannock;
i. Pot hole repairs carried out with £10 million of grant being spent;
j. The continued roll out of superfast broadband to rural and isolated communities;
k. Economic developments at Branston Locks and Keele IC6 were completed while the i54 extension project is in progress.

Interpretation and comment on the main financial information

17. 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 surplus on the provision of services of £6.2 million which is an increase from the previous year's deficit of £17.9 million. The cost of services has remained broadly similar across the two years with income from taxation and grants also remaining similar in order to fund those services. The surplus on the provision of services has largely arisen from a reduction in Other Operating Expenditure, see Note 6 for further details.

18. In 2019/20, there were no new International Financial Reporting Standards and therefore no new notes or changes to the financial statements have been required.

19. The total of assets less liabilities in 2019/20 is £517.0 million, an increase from 2018/19 which was £88.3 million. The main reasons for this increase is an increase in the amount of cash and short term investments held at the balance sheet date, plus the Council's share of any liabilities associated with the pension fund has reduced. This liability has reduced by £334.8 million. It should be noted that this liability is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion. Cash held at the 31 March was higher than the previous year due to a large government grant relating to the pandemic which was received a few days prior to the end of the financial year.

Reserves and Balances

20. 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. The cash-backed reserves are called usable reserves while those which are for accounting purposes only are called unusable.

21. The unusable reserves have increased by over £300m as a result of the reduction in the pension liability, as described in paragraph 16 above.

22. The amalgamated capital reserves (that is, money set aside for capital expenditure) have increased by £14.5 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.

23. Earmarked revenue reserves (excluding school reserves) have increased by £32.7 million as a result of decisions made to carry forward specific grants in order to fund expenditure in 2020/21.

24. After taking account of the outturn, the General Fund Balance total was £35.5 million as at 31 March 2020.

25. School reserves have decreased by £3.6 million to £21.1 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

26. The Pension Fund suffered a fall in value in 2019/2020. This was principally due to the financial market turbulence and subsequent large falls in global equity markets in March 2020, brought about by the spread of the Coronavirus. The Fund achieved a return of -5.8% over the year meaning it was valued at £4,741.8 million at 31 March 2020.

Format of the Statement of Accounts

27. 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.

28. 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.

29. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

List of Background Documents/Appendices:

Appendix 1 – Draft Statement of Accounts 2019/20
Appendix 2 – Management Representation Letter

Contact Details

Report Author:	Rob Salmon
Job Title:	County Treasurer
Telephone No.:	01785 276350
E-Mail Address:	rob.salmon@staffordshire.gov.uk

Statement of Accounts
for
2019/2020

This report is available in other formats such as in large print and Braille, or you can get it in other languages. If you need a copy of this report in another format or language, phone us on 01785 276065.

Contents

Introduction

This Statement of Accounts gives you an overall impression of our finances.

Accounting rules and practices are complex and difficult to understand, and there are some technical words and terms that we have to use. We have tried to make this statement as clear and understandable as possible in the circumstances. To help you, at the back of this document, we have provided a glossary to explain some of the financial and accounting terms we have had to use.

The Statement of Accounts for 2019/2020 was available for inspection from 3 August to 11 September 2020. The formal audit of our accounts began on 8 June 2020 and we received an unqualified opinion on the accounts on XX 2020. This means that, in the auditors' opinion, our accounts presented a true and fair view of our financial position.

Our external auditors are Ernst and Young LLP. Their address is:

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ.

We have both revenue and capital spending. Broadly, our comprehensive income and expenditure account relates to income received in the year and spending for items used in the year. Our capital account relates to items we have bought and which will be used for more than one year.

To help you, we have explained the various sections in the Statement of Accounts below.

Narrative Statement by the County Treasurer

This provides a brief background to the budget for 2019/2020, the final financial position and an assessment of our financial prospects in the future.

Statement of Accounting Policies

This specifies the accounting practices we have used to prepare the accounts. We provide other notes to explain the information we have given. We have prepared the accounts and statements in line with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards (IFRS). If we have not been able to do this fully, we say so in the accompanying notes. The Code of Practice is updated each year and there have been no new Standards adopted in 2019/2020.

.

Introduction

Comprehensive Income and Expenditure Statement

This covers income and spending on all services which are paid for from Council Tax, Revenue Support Grant and Non-Domestic Rates. The spending for each service includes charges made by the various trading organisations we run. This account is a summary of the resources we have created and used in the year.

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, accounted for as 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Balance Sheet

This sets out our financial position on 31 March 2020 and includes all our funds apart from the Staffordshire Pension Fund.

Cash Flow Statement

This statement summarises the cash that has been paid to us and which we have paid to other organisations.

Staffordshire Pension Fund

We run the Staffordshire Pension Fund. We have included the accounts of the pension fund in our statement of accounts. As a result, the independent auditors' report and the statements of assurance cover both our accounts and the Pension Fund accounts. You can get copies of the full annual report for the Pension Fund on the website at www.staffspf.org.uk

Glossary

Wherever possible we have tried not to use technical terminology. We have provided a glossary which aims to simplify and explain this terminology if we have used it.

Narrative Statement by the County Treasurer

Introduction

I am pleased to introduce our statement of accounts for 2019/2020.

This year we have continued to manage our finances carefully, investing across the county to help create more jobs for Staffordshire people, providing care and support for people who need our help, and keeping council tax low to protect local taxpayers.

We have reaffirmed our priorities to reflect both county-wide and national issues. The three priority outcomes, which are clearly connected to ensure that the people of Staffordshire will:

- Be able to access more good jobs and share the benefits of economic growth;
- Be healthier and independent for longer;
- Feel safer, happier and more supported in their community.

Revenue Budget

The Medium Term Financial Strategy (MTFS) provides the background for our revenue and capital budgets, decisions on council tax, cost reductions and investment plans. We have developed it alongside our Strategic Plan and together they provide the direction and financial framework that we need to deliver our programme of change and to achieve improvements in our services and the way we work.

The County Council approved a revenue budget of £508.6 million on providing services during 2019/2020. This money came from government grants of £36.8 million, council tax of £355.2 million (after adjusting for any surplus or deficit) and £118.9 million of business rates. It also includes a contribution to general balances of £5.0 million and a contribution from our reserves of £2.7 million. The contribution to general balances was planned in the 2018/2019 MTFS as part of the plan to repay overspends from previous years. Staffordshire has a good track record of generating cost reductions and 2019/2020 was no exception with £40.3 million included in the budget.

In 2016/2017, the government first allowed local authorities to raise additional money from council tax for the costs of adult social care. The government stated that the increase could be as much as 3% but the total increase cannot exceed 6% for the three years of 2017/2018 to 2019/2020. The County Council increased its council tax by 3% for adult social care in both 2017/2018 and 2018/2019 meaning that the limit of 6% was reached, therefore there was no increase for adult social care in 2019/2020. In accordance with the referendum limits, the County Council increased its council tax by 2.95% in 2019/2020. Most other local authorities approved similar increases and Staffordshire's council tax rate remains the third lowest of any English County Council.

In 2018/2019, the County Council submitted a bid to be a business rates pilot along with all other local authorities in Staffordshire. Unfortunately that bid was not successful, however another bid was submitted for 2019/2020 which was successful. This has meant that 75% of all business rates collected in the county has been retained and all authorities have been part of this pilot including Stoke on Trent City Council, all District and Borough Councils and the Office for the Police, Fire and Crime Commissioner. Fortunately the success of this bid was known at the time the MTFS was approved and any additional income expected from the pilot was included in the 2019/2020 budget.

Narrative Statement by the County Treasurer

Final Outturn

We spent just £53,000 less than the budget for our day to day activities, this is 0.01% less than the revised budget of £513.4 million. This demonstrates our excellent financial management and good budgetary controls which have allowed spending to be so close to budget in 2019/2020.

At the First Quarter Budget Monitoring report, a small forecast overspend of £0.7 million was shown and over the course of the year, although forecasts have varied, the final position is very similar. The final outturn position is summarised in the table on page 11.

The Health and Care Directorate has seen increasing pressures over recent years due to rising demographic pressures and challenging market conditions. There have been additional government grants for this service area in recent years and the Adult Social Care precept. Combined with preventative measures and savings initiatives this has brought spending on adult social care under control, resulting in an overall saving against the budget of the Directorate. Whilst the Older Peoples service has still overspent, the process of block booking beds has resulted in lower costs per bed. Despite these measures, managing the continuing trend of increasing prices in the provider market and developing alternative cost-effective strategies continues to prove particularly difficult. The ongoing associated cost-reduction measures outlined above will continue to carry a high level of risk. Staffing restructures and vacancies have resulted in savings, along with the renegotiation of contracts and a reduction in the number of Learning Disability placements required in residential or nursing homes.

During the year, Children's Services has forecast an overspend due to increasing numbers of Looked After Children and increasing costs of placements. At the end of March 2020, there were 1,218 Looked After Children, a reduction from the peak of 1,257 in autumn 2019 but still an increase from the number at the beginning of the year which was 1,175 in April 2019. The service was allocated the Adults and Children's Social Care Support Grant of £6.051m during the year and this partly mitigated the overspend, however the final outturn was an overspend of £5.732 million. Children's social care is coming under increasing financial pressure and a business plan is in place to transform the system. Investment has been made in the service in the MTFS for 2020/2021 to facilitate this transformation.

In addition there are significant transport costs in Education Services which has resulted in an overspend and this is an area of continuing pressure going forward. Whilst Cultural and Rural services reached a breakeven position, Community Safety made a saving as a result of some one-off gains.

In the Economy, Infrastructure and Skills Directorate, the service achieved an overall underspend mainly arising from the Transport, Connectivity and Waste service. There is a saving in concessionary fares as a result of a recent successful defence of an English National Concessionary Transport Scheme claim made by an operator which has finally been settled by a Department for Transport adjudication. There has been investment in new equipment and vehicles for Household Waste Recycling Centres and additional income from the Waste to Resources plant which has generated a saving in this area.
Corporate Services has achieved a small underspend by the end of the year and has managed to make a contribution to the IT reserve in order to recognise the importance of cyber security and mitigate against the risk of an attack.

Narrative Statement by the County Treasurer

The centrally controlled budgets had small underspends at the end of the year, including some additional grant received at the end of the year. There are pressures on insurances due to increasing premiums and increasing numbers of claims. The Contingency budget of £4 million remained unspent at the end of the year and this can now be transferred to reserves to be available for future investment requirements. The small overall underspend will transfer into general balances.

During the final quarter of the financial year, the coronavirus outbreak expanded across the world and was declared a global pandemic. On 23rd March, the UK went into a state of lockdown with people remaining in their homes in order to reduce the spread of the disease. This has had serious financial consequences for the whole country and certainly for local authorities. Due to the timing, there was little impact on the finances of 2019/20 and there was expenditure of £680,000 in this year on items relating to the pandemic such as personal, protective equipment. The government has allocated additional funding to local authorities to help with these unexpected costs and £680,000 of this grant was used in 2019/2020 to fund the expenditure. The future impact is discussed below.

Schools

Spending on schools is paid for through a Dedicated Schools Grant (DSG) from Central Government and both the expenditure and grant income are included in the financial statements. Separate reporting arrangements exist for schools, governing bodies and LEAs which means that they are not included in the table on page 10. We received £288.0 million in DSG during 2019/2020 and added £3.9 million which was brought forward from 2018/2019, giving us a total of £291.9 million to spend in 2019/2020. From this total, £0.4 million remains unspent (see note 32 on page 70). After allowing for all spending from reserves including capital investment, overall school reserves have decreased by £3.6 million to £21.1 million at the end of the year.

The SEND High Needs block has overspent by £3.6 million and is the main reason why the balance on the DSG reserve has reduced to £0.4 million by the end of the year. Regulations have been issued by the government to ensure that council tax payers do not have to fund any deficit in this reserve.

Capital Programme

In 2019/2020, our final capital spend was £106.7 million, compared to £108.5 million in 2018/2019. This investment was funded from a variety of sources including grants from the Government totalling £46.4 million and borrowing of £17.8 million.

The capital spend of £106.7 million includes £5.7 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 and redundancy costs.

The achievements we have made during the year include the following.

- Continued construction of a new primary school, Henshurst Ridge in Burton and a new primary school at Branston Locks;

- Significant extensions to a number of schools including St Stephens Primary School and Manor Hill First School;
- Commencement of work on three major projects for residential care for adults with Hillfield House Nursing Home being refurbished and two new residential homes being built at Histon Hill and Rowley Hall;
- Work is progressing on the new Greenwood House development;
- ICT have successfully completed two large projects, the Data Centre Network Refresh and Libraries Public Access Device refresh;
- Work on the Stafford Western Access Route is continuing;
- Work on the Lichfield Southern Bypass continues to make good progress;
- Highways work undertaken to facilitate the Mill Green development in Cannock;
- Pot hole repairs carried out with £10 million of grant being spent;
- The continued roll out of superfast broadband to rural and isolated communities;
- Economic developments at Branston Locks and Keele IC6 were completed while the i54 extension project is in progress.

We use borrowing to fund our capital programme when other sources of finance are not sufficient and we monitor our borrowing to ensure it remains affordable. The County Council's Treasury Management Strategy sets out the limits around the borrowing and the indicators we will use to monitor it. Our capital financing requirement reflects the total amount that would need to be financed if the County Council was to cease operating. This requirement at the end of 2019/2020 is £706.2 million. To put this in context, the fair value of all our long term assets is £1,838.8 million therefore the capital financing requirement is 38.4% of this.

You can get more information on our overall 2019/2020 figures for revenue and capital in the report to Cabinet on 17 June 2020, 'Final Financial Outturn Report for 2019/2020'.

http://moderngov.staffordshire.gov.uk/documents/s137310/Final%20Financial%20Outturn%20Report%20for%20201920.pdf

The Financial Statements

There are four financial statements in the accounts; these are the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cashflow Statement. 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. These notional charges mean that the figures in this statement are different from the final outturn figures described above. The outturn shows the cash position of services and how their spending compared with their budgets. This statement is showing a surplus on the provision of services of £6.3 million which is an increase from the previous year's deficit of £17.9 million. The net cost of services has remained broadly similar from £491.5 million in 2018/2019 to £499.9 million in 2019/2020. The Families and Communities Directorate has seen the largest increase in its costs which reflects the overspend in Children's Services, whilst Corporate Services and centrally controlled budgets have seen the greatest reduction, again reflecting the MTFS savings in those service areas.

Narrative Statement by the County Treasurer

The Movement in Reserves Statement shows the final balances of the County Council's general fund and other reserves and this statement shows the money available to support services in future years. The general fund balance is £35.5 million and other earmarked reserves are £146.5 million, of which £21.1 million relates to schools and cannot be spent on other services. Overall, general balances have increased during 2019/2020, which is in line with the contribution included in the MTFS and the intention to increase balances to mitigate the risks inherent in service budgets.

Our reserves are reviewed annually to ensure they are still required and are at the correct level; this occurs as part of our budget setting process in February. The reserves were last reviewed in February 2020 and were deemed to be sufficient with the additional contributions. The review formed part of a report to the County Council which can be viewed here:

http://moderngov.staffordshire.gov.uk/documents/s133704/County%20Council%20report%20v4.pdf

The Balance Sheet also shows the amount held in reserves, both usable and unusable, as well as the liabilities that will need to be paid in future years. The total of assets less liabilities in 2019/2020 is £517.5 million, an increase from 2018/2019 which was £88.3 million.

The main reasons for the increase in overall net assets are the larger amount of cash and short term investments held on 31st March and the reduction in the pensions liability. The reasons behind the increase in cash and short term investments are twofold, firstly since March 2019 we have made a decision to keep cash in more liquid forms so that it is readily available and secondly the government paid us some grant for 2020/2021 in advance at the end of March and so we held this cash in its entirety at 31st March.

The pensions liability has reduced by £334.8m as at 31st March; this liability relates solely to the Council and is not the liability of the whole Pension Fund. It should be noted that this liability is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion. The liability is an estimate of the value of all the pensions that will need to be paid in the future, compared with projections of the Pension Fund's value. However many factors will change between now and when the pensions are actually paid.

The Cashflow Statement shows how the County Council has managed its cash during the year and would highlight whether there was a problem with the amount of cash coming in or flowing out of the organisation. There has been an increase in the cash balance held as at 31st March 2019 as a result of our planning for Brexit.

Pension Fund

The Pension Fund suffered a fall in value in 2019/2020. This was principally due to the financial market turbulence and subsequent large falls in global equity markets in March 2020, brought about by the spread of the Coronavirus. The Fund achieved a return of -5.8% over the year meaning it was valued at £4,744.5 million at 31 March 2020. More detail on the Fund's assets and liabilities can be seen in the Pension Fund Account and separate Net Assets Statement on pages 99 and 100.

Narrative Statement by the County Treasurer

Outlook

In 2019/2020 we have managed to achieve a small underspend, as a result of services living within their means, which is hugely important to the financial sustainability of this council. This approach of sound financial management will continue to be necessary as the council faces an uncertain future. This has increased our general balances and earmarked reserves which we will need to be available for future investment requirements.

Cases of coronavirus in the UK began to rise during March 2020 and therefore the financial impact will be felt during the 2020/2021 financial year. There is minimal impact in 2019/2020 with only £680,000 of spend and that has been funded from the government grant. However, the impact on 2020/2021 will be severe, current forecasts indicate that the County Council will spend around £44 million responding to the pandemic and this includes expenditure on PPE for care homes and schools, food parcels, additional payments to care providers and payments to businesses. The government has allocated the County Council a grant of £42.9 million to respond to the crisis and this is not expected to fund all the financial impact of the pandemic. We have carried out a review of the impact of the coronavirus pandemic on the Council's going concern position and this is summarised in Note 1 to the Accounts on page 30.

Looking ahead, the remainder of 2020/2021 and future years is very uncertain with a national and indeed, global recession being forecast. The government had planned a Spending Review in the summer or early autumn of 2020 because there should have been one during 2019 but this was postponed due to Brexit negotiations. The green paper on funding for social care has been planned for some time but is yet to be published. It is hoped that the Spending Review can still happen and that it will cover more than one year in order to provide some financial certainty for local authorities. Publishing the green paper will also help with a longer term solution to funding social care. Authorities can only use their reserves once and without an increase in the overall level of funding allocated for social care and SEND it will place local government in an unsustainable financial position. In addition, there has been consultation on the future of the business rates scheme and various pilots have been in place, including the one Staffordshire has participated in this year. Although the government has said there will not be any changes announced to the business rates scheme in 2020/2021, the longer term must include some changes to a scheme that has been in place since 2013.

The budget for 2020/2021 identified an additional £21.9 million of cost reductions, over and above those already planned. The government allowed local authorities to increase the general part of the council tax by up to 2% in this financial year and the Adult Social Care precept could also be increased by 2% therefore we have increased council tax by 3.99% in total in 2020/2021. Whilst we managed to balance the budget for 2020/2021 and 2021/2022, this is dependent on cost reductions being achieved. The MTFS contains significant risks and these will be monitored going forward.

All of this means that we are faced with some important financial challenges and risks over the medium term. We will face increasing financial pressures in all services due to the pandemic, in addition to the pressures caused by changes in the population (for example, an increasing elderly population, health issues, increasing numbers of looked after children, unemployment and so on). The financial impact of coronavirus will continue to be felt in Staffordshire for some time to come and it will be necessary to revise the MTFS in the light of the work being undertaken as part of the council's recovery arrangements. The impact of reduced income from business rates and council tax will be felt in 2021/2022 as it will come to us via the collection fund.

We still have a £62m cost reduction programme approved as part of the MTFS. It is essential that we achieve the cost reductions we have agreed to make, and that we continue to ensure the government is aware of the impact on our finances both short term and in the longer term. We are continuing to work with residents, voluntary groups, partners or the private sector to find new ways to improve lives and to get the county back on its feet. We are also working with public sector partners across Staffordshire in order to ensure the funding available is used most effectively.

Non Financial Performance

We use a variety of indicators to measure how we are performing against our priority outcomes. The outstanding debt indicator has been a concern during the year and this has been monitored carefully. Although it is now flagged as amber, rather than red, there remains a risk that the debt level increases due to the pandemic. These indicators, together with a summary of our performance in 2019/2020, can be viewed here:

http://moderngov.staffordshire.gov.uk/documents/s136364/Integrated%20Performance%20Report%20201920%20-%20Quarter%204.pdf

This is the Quarter Four Integrated Performance Report which also contains budget monitoring information.

Narrative Statement by the County Treasurer

Format of the Statement of Accounts

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. Please send any comments to:

Rachel Spain
Corporate Finance Manager
1 Staffordshire Place
Tipping Street
Stafford
ST16 2DH.

E-mail: rachel.spain@staffordshire.gov.uk

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.

The full statement will also be available on our website (www.staffordshire.gov.uk).

Rob Salmon CPFA
County Treasurer
Date: 8th December 2020

Narrative Statement by the County Treasurer

	The table compares the budget with the final outturn (spending) for 2019/2020			
	Budget	**Outturn**	**Carry Forward**	**Over/(Under) spend**
	£m	**£m**	**£m**	**£m**
Health and Care				
Public Health and Prevention	2.245	2.245		0.000
Adult Social Care & Safeguarding	38.227	36.497		(1.730)
Care Commissioning	174.171	171.764		(2.407)
Health and Care Total	**214.643**	**210.506**		**(4.137)**
Families and Communities				
Children's Services	109.115	114.847		5.732
Children's Public Health	(1.565)	(1.565)		0.000
Education Services	27.067	28.804		1.737
Culture and Communities	5.787	5.787		0.000
Rural	2.151	2.156		0.005
Community Safety	8.108	7.556		(0.552)
Families and Communities Total	**150.663**	**157.585**		**6.922**
Economy, Infrastructure and Skills				
Business and Enterprise	1.144	1.026		(0.118)
Infrastructure and Highways	25.518	26.229		0.711
Transport, Connectivity and Waste	39.228	36.564		(2.664)
Skills	2.312	2.240		(0.072)
EI&S Business Support	1.064	0.870		(0.194)
Economy, Infrastructure and Skills Total	**69.266**	**66.929**		**(2.337)**
Corporate Services	**36.339**	**36.037**		**(0.302)**
Covid-19 Expenditure	**0.000**	**0.680**		**0.680**
Trading Services	**(1.030)**	**(1.030)**		**0.000**
Total Portfolio Budgets	**469.881**	**470.707**		**0.826**
Centrally Controlled Items				
Interest on Balances and Debt Charges	31.590	31.590		0.000
Pooled Buildings and Insurances	13.627	13.767		0.140
Contingency	4.000	0.000	4.000	0.000
Covid-19 Funding	0.000	(0.680)		(0.680)
Transformational Spend	(5.719)	(5.719)		0.000
Local Services Support Grant	0.000	(0.339)		(0.339)
Centrally Controlled Total	**43.498**	**38.619**	**4.000**	**(0.879)**
Net Revenue Budget / Expenditure	**513.379**	**509.326**	**4.000**	**(0.053)**

Audit Opinion

To follow

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the County Treasurer;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and

- Approve the Statement of Accounts.

The County Treasurer's Responsibilities

The County Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the County Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The County Treasurer has also:

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

COUNTY TREASURER'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Rob Salmon CPFA
County Treasurer
Date: 8th December 2020

Chairman's Certificate

I confirm that the 2019/2020 Statement of Accounts for Staffordshire County Council and Staffordshire Pension Fund were approved by the Audit and Standards Committee on 8th December 2020.

Chairman of Audit and Standards Committee
Date: 8th December 2020

Statement of Accounting Policies

1 General

The Statement of Accounts shows the Authority's transactions for the 2019/2020 financial year and its position at the year end of 31 March 2020. In preparing the accounts we have followed the accounting practices set out in the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020' (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance including the Accounts and Audit Regulations 2015.

The accounts are prepared on a going concern basis. The accounting convention used is mainly historical cost, other than for certain items of property, plant and equipment and financial instruments, which are held at fair value.

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'.
- The objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

2 Accruals of Income and Expenditure

The Statement of Accounts has been prepared on the accruals basis, which means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- We recognise revenue from the sale of goods and services in accordance with the performance obligations of the contract
- We record supplies as expenditure when they are used. Where there is a gap between the date supplies are received and when they are used, they may be carried as stock in the Balance Sheet
- We record expenses in relation to services received (including provided by employees) when the service is received rather than when payments are made.
- We account for interest receivable on investments and payable on borrowings on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure have been recognised, but cash has not been received or paid, we record a debtor or creditor for the relevant amount in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Property, plant and equipment

Recognition

We capitalise expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment, if future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains the asset and restores the level of service provision but does not enhance the asset (i.e. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

Assets are split into component parts (e.g. land, buildings and services) where the component is a significant proportion of the overall value. Where an individual component is then replaced, the carrying amount of the old component is replaced by the value of the new component.

Measurement

Assets are initially measured at cost made up of the purchase price and costs associated with bringing the asset to the location and condition necessary for it to be used as intended.

The Authority employs an external Royal Institution of Chartered Surveyors (RICS) qualified valuer to provide a valuation of its assets.

We classify non-current assets into groupings given by the Code. We value them on the following basis:

- We include property assets in the Balance Sheet at the amount that would be paid for them in their existing use, or at Depreciated Replacement Cost (DRC). DRC is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration.
- We include infrastructure assets and assets under construction in the Balance Sheet at the cost we originally paid.
- We include vehicles, plant, furniture and equipment on the Balance Sheet at depreciated historic cost, as a proxy measurement of 'Current Value'.
- If we do not know the original cost of community assets, we include them in the Balance Sheet at a value of £1 each. If we know the original cost of community assets, these are held on the balance sheet at that cost
- We include surplus assets that we do not currently need in the Balance Sheet at fair value, measured at the highest and best use price for the asset.

We will revalue non-current assets again on a rolling five-year programme, with the effective valuation date of the 30th March. However, in the meantime we will make changes to the valuation of assets if there are major changes which would have a significant effect on an asset's fair value, residual value or useful life.

We review the value of each category of assets and the value of major individual assets at the end of each financial year, to see if there is any reduction in market value or impairment to the asset.

If there are any changes in asset valuations, we deal with this in the following way:

Reduction in valuation

- We write the loss off against the Revaluation Reserve, if there is a balance in that reserve.
- If there is no balance in the reserve, we charge the loss to the relevant service revenue account.

Increase in valuation

Any loss charged to the relevant service revenue account is reversed out, any remaining increase is added to the Revaluation Reserve.

Disposal of assets

When we sell an asset or take it out of use, we take the value of the asset off the Balance Sheet (including any reserve valuations) and include the gain or loss on selling it in the Comprehensive Income and Expenditure Statement.

When we sell assets, we do not record any loss as a cost that has to be met from council tax because we provide for the cost of non-current assets under separate arrangements for capital financing. We add amounts to the Capital Adjustment Account from the Movement in Reserves Statement.

We record amounts we receive from selling assets in the Usable Capital Receipts Reserve. We can then only use this money to buy new assets or set it aside to reduce the amount we owe in loans.

Schools

We have assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the County Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them, and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

4 Basis of charge for using property, plant and equipment

We reflect depreciation (loss in value) charges in the Comprehensive Income and Expenditure Account, and we work the loss out based on the opening valuation of the asset. Any Revaluation Reserve an asset has from a previous upward revaluation is amortised to the Capital Adjustment Account. We do this on all property, plant and equipment in line with the following policy:

- We charge for all non-current assets and components of non-current assets with a set useful life. We work this charge out using the straight-line method (which assumes that the value of the asset will reduce by an equal amount each year of its life).
- We do not do this for land, assets under construction or those assets held for sale.
- We work out the charge for buildings assuming that their expected lives range from 15 to 60 years.
- We expect the life of infrastructure assets, for example, roads, bridges and footpaths, to be 50 years.
- The expected lives of vehicles, plant, furniture and equipment range from five to 20 years.
- We work out charges for new assets from the financial year following the year that we buy them.
- We assume that an asset has no value at the end of its useful life.

We do not have to raise council tax to cover depreciation. However, under the Local Authorities (Capital Finance and Accounting) 2003 Regulations (amended in 2008), we have set aside an amount of revenue to repay any debt equal to 4% of the borrowing supported by government grant at the beginning of the year. Where we have used unsupported borrowing to pay for an asset, we will repay that borrowing over the life of that asset. We only start to repay the borrowing for assets which are completed. If depreciation is different from this amount, we make a transfer to or from the Capital Adjustment Account to cover the difference. As a result, we replace depreciation with revenue provision in the Movement in Reserves Statement by transferring the amount to or from the Capital Adjustment Account.

5 Assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell. No depreciation is charged whilst an asset is classified as assets held for sale.

6 Heritage assets

The Museums and Archives services hold the County Council's heritage assets. The assets are held at Shugborough, in the Shire Hall Gallery, in County Buildings and in the Judge's House. We account for these assets in accordance with our policy on property, plant and equipment. We show these assets on the Balance Sheet at insurance valuation and this value will be updated each year.

The carrying amounts of these assets are reviewed where there is evidence of impairment, for example where an asset has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with our policy on impairment. It is extremely unlikely that we would dispose of any heritage assets, however if a disposal were to take place then the proceeds would be accounted for in accordance with our policy on disposing of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

7 Leases

We apply the Code's definition of a finance lease as a lease that transfers substantially all the risks and rewards of ownership of an asset (even though title to the property may not be transferred). An operating lease is any lease that is not a finance lease.

Council as Lessee

Finance Leases
We assess all leases to determine whether they are operating leases or finance leases under International Accounting Standard (IAS)17. Where we have decided that a lease is a finance lease then we show the assets in the Balance Sheet and show the related costs for renting them in the future. The Authority recognises finance leases as assets and liabilities at the lower of the present value of the minimum lease payments and the fair value at the inception of the lease. The Authority's incremental borrowing rate on PWLB loans has been used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset.

Operating Leases
We use various assets which we have accounted for as operating leases. In the Balance Sheet we do not show the related costs for renting them in the future. We include the annual lease rentals in the appropriate service lines in the Comprehensive Income and Expenditure Statement each year and the outstanding commitments for future years are shown in the notes to the accounts where the value is significant.

Council as Lessor

Finance Leases
The Authority is not lessor of any finance leases.

Operating Leases
We lease out property and have a number of operating leases. We include income from these leases in the appropriate service lines in the Comprehensive Income and Expenditure Statement and in the notes to the accounts where the value is significant. Income is recognised in accordance with the payment terms in the lease agreements. The associated assets are retained on the balance sheet.

8 Inventories

We keep stock and stores in several departments and if the amount of stock is significant, we show it in the Balance Sheet. We reflect stock and stores in the accounts at the lower of their cost or their sale value (after deductions). This practice is in line with the requirements of IAS2 (Inventories). Some stock, for example stationery, is fully included in the Comprehensive Income and Expenditure Account in the year we buy it.

For work in progress we do a temporary valuation at the end of the year and record this in the Balance Sheet. The amount we show is what we could reasonably get if we sold the asset in its state at the time.

8 Pensions

We take part in two different pension schemes that meet the needs of employees in particular services. All the schemes give members defined benefits that are related to their pay and length of service. One scheme is for teachers and one is for other employees, as follows:

- Teachers'
  This is an unfunded scheme (that is, there is no fund set aside to pay future pensions) run by the Department for Education. The pension cost we charge to the accounts is the contribution rate set by the Department for Education.

- Other employees
  Other employees, depending on certain conditions, can join the Local Government Pension Scheme (LGPS), which we run. The pension costs we charge to our accounts for these employees are equal to the contributions we pay to the pension scheme for these employees, including the effect of any actuarial changes. See Note 41 for further detail.

The liabilities of Staffordshire Pension Fund attributable to the County Council are included in the balance sheet on an actuarial basis, using the project unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projected earnings for current employees.

We discount liabilities to their value at current prices, using a discount rate of 5.5% (based on the rate of return on high-quality corporate bonds, (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years).

The assets of Staffordshire Pension Fund attributable to the County Council are also included in the balance sheet at their fair value:
- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pensions liability is analysed into the following components:

Service cost, which comprises:

- Current service cost – the increase in liabilities as a result of years of service earned this year, shown in the CIES on the appropriate service line where the employee worked;
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, this is included in the surplus or deficit on the provision of services in the CIES;
- Net interest on the net defined benefit liability or (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the CIES, this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements, which comprise:

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

We charge the general fund with the amount due to the Pension Fund during the year or directly to pensioners and not the amount calculated in accordance with the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

We also have restricted powers to choose to pay retirement benefits to people who retire early. We add together any liabilities we expect to arise as a result of this in the year of the decision to pay the benefits. We account for these using the same policies we use for the Local Government Pension Scheme.

10 Reserves

In line with the Code we split our reserves between those which are 'usable' (contain resources which can be used to fund activities in the future) and 'unusable' reserves (those which are used to facilitate accounting adjustments required by statute).

11 Revenue expenditure funded from capital under statute

Where we have incurred expenditure during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. We have charged this expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. We have then made a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account to reverse out the amount charged so that there is no impact on the level of council tax.

12 Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities

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

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

13 Interest on balances

During the year we invest cash and pay the interest earned into the revenue account as interest receivable. We have also made a contribution (similar to interest) to certain reserves and provisions.

14 VAT

Income and spending do not include amounts related to VAT. VAT we collect is paid to HM Revenue & Customs (HMRC). The VAT we pay is reclaimed from HMRC.

15 Government grants and contributions

We receive grants from government and other bodies and we account for grants as income in the Comprehensive Income and Expenditure Statement when there are no conditions attached or when the grant conditions have been met. If we do not know the actual amount of grant we will receive, we use an estimate. If the grant conditions have not been met, and we do not have reasonable assurance that the conditions will be met, then we show the grant in the Balance Sheet as a creditor as it may have to be returned to the grant providing body.

If a grant has not been spent at the end of the year but the conditions have been met, then it is shown in the usable reserves section of the Balance Sheet.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

16 Private finance initiative (PFI)

We have four PFI schemes, which we account for in line with the Code.

The assets of these schemes are included in the Balance Sheet. We also have a liability in the Balance Sheet to show that we owe the contractor further payments for these assets. The value of the building assets has been determined by our in-house valuer. At the end of the contracts, the assets of these schemes will be owned by the Council and will remain on the Balance Sheet.

We have shown the payment to the contractor in three places in the Comprehensive Income and Expenditure Account, as a cost to the service, as part of interest payable and to depreciate the asset. The Waste PFI scheme also receives income from the electricity generated by the plant, this is accounted for as income in the Comprehensive Income and Expenditure Account.

We have transferred land to the contractor next to the new Sir Graham Balfour School with planning permission for a housing development. The value of this land (about £2 million) has resulted in lower contract payments. We have treated this as deferred consideration in the Balance Sheet. We reduce the value of this over the life of the contract.

17 Endowment and trust funds

We run 24 of these funds. They mostly include small amounts received from private individuals, which we have invested to provide an income each year. They do not form part of our accounts.

18 Financial Instruments

In line with the Code, financial liabilities and financial assets are shown in the Balance Sheet when we become a party to the contractual provisions of the financial instrument.

Financial Liabilities

We measure financial liabilities at their fair value (the price that would be paid to transfer a liability) and report this in the notes to the accounts. The carrying value in our Balance Sheet is shown at amortised cost, which includes the principal amount we borrowed, with adjustments for stepped interest, premiums and discounts and accrued interest. The method used to calculate the amortised cost is called the ‘effective interest rate method’.

In the Comprehensive Income and Expenditure Account, we base the yearly charges for interest due on our loans on the carrying amount of the liability. This represents the amount we owe for the year under the loan agreement.

To help us manage our loans over the long term, we continuously review what we owe and occasionally take out new loans and pay off others. Restructuring loans in this way is known as ‘loan rescheduling’.

Where premiums and discounts have been charged for restructuring loans, regulations allow us to spread the impact on the General Fund Balance over future years. We have a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

Lender option borrower option (LOBO)

We have taken out a number of loans which have a fixed interest rate for a set period. After that period the lender can change the interest rate. We can choose whether to repay the loan or to accept the higher interest rate. These are called lender option borrower option (LOBO) loans. Some LOBOs have a stepped interest rate with a lower rate for the fixed period and a higher rate afterwards. For these LOBO loans the Code requires us to smooth the interest charged to the revenue account over the life of the loan using a method called the Equivalent Interest Rate (EIR).

Financial Assets

We can classify financial assets based on their cashflow characteristics and our business model for holding the financial assets. This gives rise to three methods of accounting:

- *Amortised cost*
  These are investments that we hold in order to collect contractual cash flows that are solely payments of principal and interest. Financial assets at amortised cost are initially measured at fair value and subsequently measured at their amortised cost. The amount presented in our Balance Sheet includes the outstanding principal receivable plus accrued interest.

- *Fair value through profit or loss (FVPL)*
  When there are no contractual cash flows, we measure financial assets at FVPL. These assets are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Comprehensive Income and Expenditure Account.
  We measure the fair value of these assets in accordance with the following three levels:
  Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3 inputs – unobservable inputs for the asset.

When we derecognise these assets, any gains and losses are credited or debited to the Comprehensive Income and Expenditure Statement.

- *Fair value through other comprehensive income (FVOCI)*
  Where there are no contractual cash flows, we can irrevocably elect to account for a financial asset (such as shares in a company) through FVOCI instead of FVPL. Any gains and losses from changes in fair value would be taken to the Financial Instruments Revaluation Reserve instead of the Comprehensive Income and Expenditure Account.

Expected credit losses

We recognise expected credit losses on our financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Credit losses for our treasury investments are expected to be minimal and CIPFA has ruled that no credit losses be recognised for financial assets made with central or local government.

19 Cash and cash equivalents

We are required to disclose our policy on how we define cash and cash equivalents; this includes a definition of investment balances.

Cash and cash equivalents include the following classes of financial assets that can be called upon at short-notice (less than 3 months) and (if necessary) turned into cash:

- Cash in hand
- Money Market Fund balances
- Call accounts with banks or building societies
- Overnight fixed term deposits with banks or building societies

The Authority’s bank overdraft is presented as part of the cash and cash equivalents on the face of the balance sheet, as the amounts are an integral part of the Council’s cash management.

Investment balances are typically longer-term commitments either where cash cannot be realised quickly or where there is a risk that the value of the investment will change over time:

- Fixed term deposits greater than one day in duration
- Treasury bills and gilts
- Certificates of deposit
- Multi-lateral development bank investments

20 Interests in companies

In our accounts, we record interests in companies and other organisations as investments on the balance sheet. Currently we have interests in three companies, Entrust (49% holding), Penda (50% holding) and Nexxus (100% holding). The investments in Entrust, Penda and Nexxus are not currently material in value and are not shown on our balance sheet.

21 Employee Benefits

We have shown an amount in the Comprehensive Income and Expenditure Statement which relates to the cost of employees carrying forward leave entitlement. The full cost of staff retiring or being made redundant has also been shown in the Comprehensive Income and Expenditure Statement. These amounts have not affected the amount raised by council tax as they have been posted to the Accumulated Absences Reserve and Pensions Reserve within unusable reserves in the Movement in Reserves Statement.

22 Pooled Budgets

Staffordshire County Council and the Staffordshire Clinical Commissioning Groups have entered into a framework agreement under Section 75 of the National Health Service Act 2006. This is a pooled fund arrangement known as the Better Care Fund. The Council is the host partner of the fund. Each partner accounts separately for the income, expenditure, assets and liabilities which relate to or arise from expenditure on individual schemes and its interest in pooled funds. Further information is shown in Note 27 to the accounts.

23 Accounting Standards Issued but Not Yet Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code.

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. Implementation of IFRS 16 has been deferred until 1st April 2021 for Local Government.
- IAS19 Employee Benefits will require the remeasurement of the net pension asset or liability following plan amendments, curtailments and settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and no prediction can be made of the possible accounting impact.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2018/2019 Gross expenditure £m	2018/2019 Gross income £m	2018/2019 Net expenditure £m		2019/2020 Gross expenditure £m	2019/2020 Gross income £m	2019/2020 Net expenditure £m
316.9	(118.8)	198.1	Health and Care	323.2	(126.7)	196.5
583.6	(420.9)	162.7	Families and Communities	551.1	(363.3)	187.8
118.6	(47.2)	71.4	Economy, Infrastructure and Skills	127.6	(53.8)	73.8
78.7	(33.5)	45.2	Corporate Services	63.8	(19.5)	44.3
31.7	(13.9)	17.8	Centrally Controlled Costs	17.7	(3.2)	14.5
(3.7)	0.0	(3.7)	Non distributed costs	(17.0)	0.0	(17.0)
1,125.8	**(634.3)**	**491.5**	**Cost of services**	**1,066.4**	**(566.5)**	**499.9**
		65.0	Other operating expenditure (Note 6)			39.9
		51.9	Financing and investment (income)/expenditure (Note 7)			54.6
		(590.5)	Taxation and non-specific grant income (Note 8)			(600.7)
		17.9	**Deficit/(Surplus) on provision of services**			**(6.3)**
		(60.5)	Deficit/(Surplus) on revaluation of non current assets			(51.6)
		132.8	Remeasurement of the net defined benefit liability/(asset) (Note 41)			(371.3)
		72.3	**Items that will not be reclassified to the deficit on the provision of services**			**(422.9)**
		0.0	**Items that may be reclassified to the deficit on the provision of services**			**0.0**
		72.3	**Other comprehensive expenditure/(income)**			**(422.9)**
		90.2	**Total comprehensive expenditure/(income)**			**(429.2)**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, accounted for as 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £m	Schools (Note 5) £m	Other Reserves Revenue (Note 5) £m	Amalgamated General Revenue Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Amalgamated Capital Reserves £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 1 April 2018	**(26.2)**	**(26.1)**	**(48.4)**	**(74.5)**	**(3.2)**	**(21.5)**	**(24.7)**	**(125.4)**	**(37.9)**	**(163.3)**
IFRS9 transitional arrangements (Note 44)	**0.0**	**0.0**	**(15.2)**	**(15.2)**	**0.0**	**0.0**	**0.0**	**(15.2)**	**0.0**	**(15.2)**
Movement in reserves during 2018/2019										
Deficit on the provision of services	**17.9**	0.0	0.0	**0.0**	0.0	0.0	**0.0**	**17.9**	0.0	**17.9**
Other comprehensive (income)/ expenditure	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**	**0.0**	72.3	**72.3**
Total comprehensive income and expenditure	**17.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**17.9**	**72.3**	**90.2**
Adjustments between accounting basis and funding basis under regulations (Note 4)	**(49.8)**	0.0	0.0	**0.0**	3.2	(22.0)	**(18.8)**	**(68.6)**	68.6	**0.0**
Net (increase)/decrease before transfers to earmarked reserves	**(31.9)**	**0.0**	**0.0**	**0.0**	**3.2**	**(22.0)**	**(18.8)**	**(50.7)**	**140.9**	**90.2**
Transfers (to)/from earmarked reserves	**27.7**	1.4	(29.1)	**(27.7)**	0.0	0.0	**0.0**	**(0.0)**	0.0	**(0.0)**
(Increase)/decrease in year	**(4.2)**	**1.4**	**(29.1)**	**(27.7)**	**3.2**	**(22.0)**	**(18.8)**	**(50.7)**	**140.9**	**90.2**
Balance at 31 March 2019 carried forward	**(30.4)**	**(24.7)**	**(92.7)**	**(117.4)**	**0.0**	**(43.5)**	**(43.5)**	**(191.3)**	**103.0**	**(88.3)**
Movement in reserves during 2019/2020										
(Surplus) or Deficit on the provision of services	**(6.3)**	0.0	0.0	**0.0**	0.0	0.0	**0.0**	**(6.3)**	0.0	**(6.3)**
Other comprehensive (income)/ expenditure	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**	**0.0**	(422.9)	**(422.9)**
Total comprehensive income and expenditure	**(6.3)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(6.3)**	**(422.9)**	**(429.2)**
Adjustments between accounting basis and funding basis under regulations (Note 4)	**(27.9)**	0.0	0.0	**0.0**	(6.4)	(8.1)	**(14.5)**	**(42.4)**	42.4	**0.0**
Net (increase)/decrease before transfers to earmarked reserves	**(34.2)**	**0.0**	**0.0**	**0.0**	**(6.4)**	**(8.1)**	**(14.5)**	**(48.7)**	**(380.5)**	**(429.2)**
Transfers (to)/from earmarked reserves	**29.1**	3.6	(32.7)	**(29.1)**	0.0	0.0	**0.0**	**0.0**	0.0	**0.0**
(Increase)/decrease in year	**(5.1)**	**3.6**	**(32.7)**	**(29.1)**	**(6.4)**	**(8.1)**	**(14.5)**	**(48.7)**	**(380.5)**	**(429.2)**
Balance at 31 March 2020 carried forward	**(35.5)**	**(21.1)**	**(125.4)**	**(146.5)**	**(6.4)**	**(51.6)**	**(58.0)**	**(240.0)**	**(277.5)**	**(517.5)**

Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves includes those amounts which the Council are not able to use to provide services. This category of reserves includes those reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold (an example would be the Revaluation reserve). Furthermore it includes reserves that hold timing differences shown in the Movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019		Notes	31 March 2020
£m			£m
1,751.9	Property, plant and equipment	12	1,766.5
8.4	Heritage assets	13	9.6
28.1	Long term debtors	16	32.3
30.4	Long term investments	15	30.4
1,818.8	**Long term assets**		**1,838.8**
10.5	Assets held for sale	19	16.2
11.5	Short term investments	15	64.1
1.5	Inventories		1.4
104.4	Short term debtors	17	112.5
46.4	Cash and cash equivalents	18	79.0
174.3	**Current assets**		**273.2**
(0.3)	Short term borrowing		(0.4)
(104.5)	Short term creditors	20	(136.6)
(36.0)	Long term borrowing repayable within one year	15	(39.0)
(7.4)	PFI and finance leases deferred liability	15	(7.5)
(6.2)	Accumulated absences creditor	22	(7.5)
(154.4)	**Current liabilities**		**(191.0)**
(0.8)	Long term creditors		(0.6)
(12.3)	Long term provisions	21	(20.1)
(415.9)	Long term borrowing	15	(413.1)
(1,128.2)	Pension scheme liability	41	(793.4)
(78.9)	PFI and finance lease liability	15	(74.8)
(66.3)	PFI third party financing liability	37	(62.8)
(48.0)	Capital grants receipts in advance	33	(38.7)
(1,750.4)	**Long term liabilities**		**(1,403.5)**
88.3	**Net assets**		**517.5**
(191.3)	Usable reserves (Movement in Reserves Statement)		(240.0)
103.0	Unusable reserves	22	(277.5)
(88.3)	**Total reserves**		**(517.5)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2018/2019		**2019/2020**
£m		**£m**
17.9	Net deficit on the provision of services	**(6.3)**
(160.4)	Adjustments to net deficit on the provision of services for non cash movements	(179.1)
102.5	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	86.9
(40.0)	Net cash flows from Operating activities (Note 23)	(98.5)
(4.6)	Investing Activities (Note 24)	59.5
21.0	Financing Activities (Note 25)	6.4
(23.6)	Net (increase)/decrease in cash and cash equivalents	(32.6)
22.8	Cash and cash equivalents at the beginning of the reporting year (Note 18)	46.4
46.4	**Cash and cash equivalents at the end of the reporting year (Note 18)**	**79.0**

1. Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

1) There is a high degree of uncertainty regarding future levels of funding for local government. The Council has undertaken a rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.

2) The Council has four PFI contracts to provide schools, children's homes, waste disposal and street lighting facilities. The accounting policies for PFI schemes have been applied to these arrangements and the assets are recognised as non-current assets in the Balance Sheet. These contracts have to be accounted for in this way as we have assessed that they meet the requirements of the applicable accounting standard IFRIC 12.

3) The McCloud judgement may impact on pension costs in future years. The exact impact is not yet known and will be calculated by the actuary. The accounts currently reflect the latest estimate of these additional costs.

4) The Council acts as the accountable body for the Stoke and Staffordshire Local Enterprise Partnership (SSLEP). We account for the transactions of the SSLEP and hold balances on its behalf. However, the Council does not make decisions about how the funds should be used and separate accounts are produced for the SSLEP. In the Council's accounts we have included balances of £13.3m in cash and cash equivalents (notes 15 and 18) and earmarked reserves (note 5).

5) The Council holds interests in three companies, Entrust (49% holding), Penda (50% holding) and Nexxus (100% holding). We have judged that these holdings are immaterial to the Council both qualitatively and quantitively, and there is therefore no requirement to prepare group accounts.

6) <u>Coronavirus - Going Concern Impact Assessment</u>

Since the 2020/2021 budget was set, Covid-19 has become a global pandemic requiring a combined response from public sector services and having a severe impact on the economy. It is not known how long the current situation is going to last, however assessments of the potential financial implications for the remainder of 2020/2021 are being kept under constant review.

Our latest estimates were reported to Cabinet on 21st October 2020 and indicate that the financial impact of Covid-19 to the Council in 2020/2021 could be in the region of £44.3m, with a likelihood of further financial implications in future years.

1. Critical Judgements in Applying Accounting Policies (Cont'd.)

Our estimate for 2020/2021 assumes:

- Additional direct costs incurred by the Council of £31.1m, relating primarily to adult social care, support of vulnerable children and the provision of personal protective equipment;
- Reduction in income collected through fees and charges of £2.8m;
- Impact on the Council's savings plans for 2020/2021 as efforts have been refocused on Covid-19 measures, totalling £10.3m.

In addition to these costs, there is expected to be an impact on the local economy, which will result in a reduction in the business rates the Council expects to receive in 2020/2021; this is initially estimated at £1m. There will also be a loss of council tax income, due to more residents applying for council tax relief. The anticipated impact on the collection fund is £8.6m over 3 years and this will be built into the refresh of our Medium Term Financial Strategy (MTFS).

The Council has currently received three payments of general grant from Central Government intended to support the additional pressures of continuing to provide vital services during the pandemic while protecting both workforce and local residents. These grants total £42.9m; £0.6m of this funding was used in March 2020 and the remainder is available for the offset of costs incurred in 2020/2021.

There is an estimated funding shortfall of £2m in 2020/2021, which together with the potential impact on the collection fund will be funded from other in-year savings and use of reserves. Work is currently undeway to refresh the MTFS and develop plans to mitigate the financial pressures resulting from the pandemic. This will ensure that we remain financially resilient and maintain a balanced budget in line with our statutory duties.

There may be a need to use reserves to support the budgetary pressure in the short-term. As at 1st April 2020, the Council had £45m in general balances, which could be used in part to support the MTFS.

The Council is also closely monitoring its cashflow position to ensure that there are sufficient funds available to meet its financial obligations. The decision has been taken to hold cash in short-term investments so that the Council has the ability to respond rapidly to any situation in an uncertain and changing environment. As at 30th September 2020, the Council holds a total of £212.1m in cash and short-term investments.

The Council has produced a detailed cashflow forecast to 31st March 2021, which is used to monitor actual trends in line with expectations. There is also a high-level 5 year forecast prepared as part of the MTFS planning. This information has been used to extend the cashflow forecast for a further 12 months beyond the current year. The Council does not currently anticipate that it will need to borrow for cashflow purposes over the life of the current MTFS.

We recognise that there is a high degree of inherent uncertainty relating to the Covid-19 pandemic. For example, it is not clear how severe the second spike will be, what restrictions will be put in place to mitigate this and what additional funding will be made available by Central Government to support the operations of the Council. However, we are satisfied that the Council has resilience in terms of budgetary planning, proven financial management arrangements, available reserves and cash flow and that it is appropriate to use the going concern basis in the preparation of the 2019/2020 financial statements.

2. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment valuation	Operational assets are revalued in accordance with the Council's accounting policy on Property, Plant and Equipment. Asset valuations are based on market prices and are periodically reviewed to ensure the Council does not materially misstate its non-current assets. The outbreak of coronavirus has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to predict the longevity and severity of the impact of coronavirus on the economy. Therefore, values have been based on the situation prior to the pandemic on the assumption that values will be restored when the real estate market becomes more fluid.	A reduction in the estimated valuation of assets would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). An increase in estimated valuations would result in increases to the Revaluation Reserve, and/or reversals of previous negative revaluations to the CIES, and/or gains being recorded as appropriate in the CIES.
Property, plant and equipment depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. If funding streams were reduced, in so far as it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. The Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied in producing the accounting entries necessary for the accounts. The ongong impact of the coronavirus pandemic has created uncertainty around illiquid asset values.	The effects on the net pensions liability of changes in individual assumptions can be measured, including the impact of the McCloud judgement. The actuary provides a sensitivity analysis which is shown in Note 41.
Impairment Allowance for Doubtful Debts	The Council has made an impairment allowance against debtor balances. It is not certain that this impairment allowance would be sufficient as we cannot assess with certainty which debts will be collected or not.The economic uncertainty around the coronavirus pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected.
Britain leaving the European Union	There is still a high level of uncertainty about the implications of Britain leaving the European Union. It is not currently possible to predict the impact that Brexit will have on the UK economy. In preparing the accounts, we have followed the guidance of our valuers and actuaries.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

3. Events After the Balance Sheet Date

On 8th December 2020 the County Treasurer authorised the Statement of Accounts to be issued. When preparing the accounts we have considered events between the date we produced the balance sheet and 8th December 2020.

Three schools have converted to academy status during this period. This does not have an impact on the Council's financial position as at 31st March 2020, therefore the financial statements and notes have not been adjusted in respect of this.

4. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital & revenue expenditure.

	Usable Reserves			
2019/2020	**General Fund Balance**	**Capital grants unapplied**	**Capital receipts reserve**	**Movement in unusable reserves**
Adjustments primarily involving the Capital Adjustment Account:	**£m**	**£m**	**£m**	**£m**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(71.0)	0.0	0.0	71.0
Capital grants and contributions applied	67.6	0.0	0.0	(67.6)
Revenue expenditure funded from capital under statute	(5.7)	0.0	5.7	0.0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(62.7)	0.0	0.0	62.7
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	29.2	0.0	0.0	(29.2)
Capital expenditure charged against the General fund balance	0.8	0.0	0.0	(0.8)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	11.6	(11.6)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	3.5	0.0	(3.5)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	23.4	0.0	(23.4)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	11.3	(11.3)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure statement are different from finance costs chargeable	0.6	0.0	0.0	(0.6)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 22)	0.5	0.0	0.0	(0.5)
Employers pension contributions and direct payments to pensioners payable in the year	(23.6)	0.0	0.0	23.6
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	2.7	0.0	0.0	(2.7)
Adjustments involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.3)	0.0	0.0	1.3
Total adjustments	**(27.9)**	**(8.1)**	**(6.4)**	**42.4**

4. Adjustments Between Accounting Basis and Funding Basis Under Regulations (Cont'd)

2018/2019	Usable Reserves: General Fund Balance	Usable Reserves: Capital grants unapplied	Usable Reserves: Capital receipts reserve	Movement in unusable reserves
Adjustments primarily involving the Capital Adjustment Account:	**£m**	**£m**	**£m**	**£m**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(63.7)	0.0	0.0	63.7
Capital grants and contributions applied	69.5	0.0	0.0	(69.5)
Revenue expenditure funded from capital under statute	(13.2)	0.0	13.2	0.0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(72.9)	0.0	0.0	72.9
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	29.1	0.0	0.0	(29.1)
Capital expenditure charged against the General fund balance	0.1	0.0	0.0	(0.1)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	24.9	(24.9)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	2.9	0.0	(2.9)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10.0	0.0	(10.0)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sales proceeds credited as part of the gain/loss on disoposal	0.6	0.0	0.0	(0.6)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 22)	1.1	0.0	0.0	(1.1)
Employers pension contributions and direct payments to pensioners payable in the year	(36.0)	0.0	0.0	36.0
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(0.7)	0.0	0.0	0.7
Adjustments involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.4	0.0	0.0	(1.4)
Total adjustments	**(49.8)**	**(22.0)**	**3.2**	**68.6**

5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/2020.

	Balance at 1 April 2018	Transfers out 2018/2019	Transfers in 2018/2019	Balance at 31 March 2019	Transfers out 2019/2020	Transfers in 2019/2020	Balance at 31 March 2020
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
General Fund:							
Information technology	(3.9)	1.7	(1.9)	(4.1)	0.8	(1.4)	(4.7)
PFI equalisation	(0.8)	0.1	(0.4)	(1.1)	0.0	(0.5)	(1.6)
Other Service Reserves	(0.3)	0.0	(0.2)	(0.5)	0.1	0.0	(0.4)
Trading services appropriation reserve	(4.0)	1.7	(1.1)	(3.4)	2.4	(1.9)	(2.9)
Other insurance reserves	(1.6)	0.7	(0.3)	(1.2)	0.0	(0.5)	(1.7)
Business Rates Pool	(3.5)	0.0	(1.6)	(5.1)	0.0	(1.4)	(6.5)
Revenue carried forward	(34.3)	21.8	(64.8)	(77.3)	43.7	(74.0)	(107.6)
Total earmarked reserves	**(48.4)**	**26.0**	**(70.3)**	**(92.7)**	**47.0**	**(79.7)**	**(125.4)**

5. Transfers to/from Earmarked Reserves (Cont'd)

School Reserves

Under the Education Reform Act 1988, if we have given a budget to a school and they have not spent it, they can still use that money, even though, technically it is held in our reserves. In other words, these unspent balances represent a special form of reserve which is not available for us to use. The schools revenue balances we hold in this way currently total £15 million. Schools also hold balances of £6.1 million for specific purposes, most of which relate to the standards fund formula capital programme.

Since 1997/1998 a loan scheme has been working for schools, where they can borrow money from overall school balances to pay for small capital-related projects. The 'loans' to schools are interest-free if under £100,000 and they must repay them over no more than five years.

	Balance 31 March 2018	**(Increase)/ reduction**	**Balance 31 March 2019**	**(Increase)/ reduction**	**Balance 31 March 2020**
Delegated revenue budgets	**£m**	**£m**	**£m**	**£m**	**£m**
Primary schools	(16.3)	2.0	(14.3)	1.4	(12.9)
Secondary schools	(1.4)	0.0	(1.4)	0.2	(1.2)
Special	(1.9)	0.4	(1.5)	0.4	(1.1)
Pupil Referral Unit	(0.2)	(0.1)	(0.3)	0.0	(0.3)
	(19.8)	**2.3**	**(17.5)**	**2.0**	**(15.5)**
Outstanding loans	0.5	0.2	0.7	(0.2)	0.5
Net school reserves as 31st March	(19.3)	2.5	(16.8)	1.8	(15.0)
Earmarked reserves	(6.8)	(1.1)	(7.9)	1.8	(6.1)
Total	**(26.1)**	**1.4**	**(24.7)**	**3.6**	**(21.1)**

6. Other Operating Expenditure

2018/2019 £m		2019/2020 £m
0.3	Levies	0.3
1.9	Impairment on assets held for sale	0.3
62.8	Losses on the disposal of non current assets*	39.3
65.0	**Total**	**39.9**

*The losses on disposal include the reclassification of school assets for newly created academies. These are accounted for as leased assets and they amount to £51.7 million (£66.2 million in 2018/19) on Academy and Foundation conversions and gains of £12.4m (£2.4 million in 2018/19) on non school asset disposal.

7. Financing and Investment Income and Expenditure

2018/2019 £m		2019/2020 £m
33.4	Interest payable and similar charges	33.0
25.7	Pensions interest cost and expected returns on pension assets	27.2
(5.2)	Interest receivable and similar income	(5.0)
(2.0)	Trading Services Surplus (Note 26)	(0.6)
51.9	**Total**	**54.6**

8. Taxation and Non-Specific Grant Income

2018/2019 £m		2019/2020 £m
(338.8)	Council tax income	(353.1)
(104.1)	NNDR	(130.6)
(53.2)	Non-ringfenced government grants (Note 33)	(37.8)
(94.4)	Capital grants and contributions	(79.2)
(590.5)	**Total**	**(600.7)**

9. Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from unallocated general fund resources by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Council's earmarked general reserves are shown in the Movement in Reserves Statement and in Note 5. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/2019 Net Expenditure Chargeable to the General Fund	2018/2019 Adjustments between the Funding and Accounting Basis (Note 10)	2018/2019 Net Expenditure in the Comprehensive Income and Expenditure Statement		2019/2020 Net Expenditure Chargeable to the General Fund	2019/2020 Adjustments between the Funding and Accounting Basis (Note 10)	2019/2020 Net Expenditure in the Comprehensive Income and Expenditure Statement
£m	£m	£m		£m	£m	£m
236.5	(38.4)	198.1	Health and Care	223.5	(27.0)	196.5
174.5	(11.8)	162.7	Families and Communities	198.5	(10.7)	187.8
88.8	(17.4)	71.4	Economy, Infrastructure and Skills	82.2	(8.4)	73.8
51.5	(6.3)	45.2	Corporate Services	45.2	(0.9)	44.3
7.7	10.1	17.8	Centrally Controlled Costs	(11.9)	26.4	14.5
0.0	(3.7)	(3.7)	Non distributed costs	0.0	(17.0)	(17.0)
559.0	**(67.5)**	**491.5**	**Cost of services**	**537.5**	**(37.6)**	**499.9**
2.2	62.8	65.0	Other operating expenditure (Note 6)	0.6	39.3	39.9
26.2	25.7	51.9	Financing and investment (income)/expenditure (Note 7)	27.4	27.2	54.6
(590.5)	0.0	(590.5)	Taxation and non-specific grant income (Note 8)	(600.7)	0.0	(600.7)
(3.1)	**21.0**	**17.9**	**Deficit/(Surplus) on provision of services**	**(35.2)**	**28.9**	**(6.3)**
(26.2)			**Opening General Fund Balance**	(30.4)		
(4.2)			Surplus/Deficit on General Fund Balance in Year	(5.1)		
(30.4)			**Closing General Fund Balance at 31 March**	**(35.5)**		

10. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/2020

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£m	£m	£m	£m
Health and Care	(30.2)	3.2	0.0	**(27.0)**
Families and Communities	(29.7)	18.0	1.0	**(10.7)**
Economy, Infrastructure and Skills	(9.2)	0.8	0.0	**(8.4)**
Corporate Services	(5.0)	4.2	(0.1)	**(0.9)**
Centrally Controlled Costs	41.6	(12.7)	(2.5)	**26.4**
Non distributed costs	0.0	(17.0)	0.0	**(17.0)**
Net Cost of Services	**(32.5)**	**(3.5)**	**(1.6)**	**(37.6)**
Other income and expenditure for the Expenditure and Funding Analysis	39.3	27.2	0.0	**66.5**
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services	**6.8**	**23.7**	**(1.6)**	**28.9**

Adjustments between Funding and Accounting Basis 2018/2019 Comparative Figures

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (a)	Net change for the Pensions Adjustments (b)	Other Differences (c)	Total Adjustments
	£m	£m	£m	£m
Health and Care	(34.3)	1.6	(5.7)	**(38.4)**
Families and Communities	(29.7)	20.7	(2.8)	**(11.8)**
Economy, Infrastructure and Skills	(13.3)	1.3	(5.4)	**(17.4)**
Corporate Services	(4.6)	1.9	(3.6)	**(6.3)**
Centrally Controlled Costs	34.2	(11.6)	(12.5)	**10.1**
Non distributed costs	0.0	(3.7)	0.0	**(3.7)**
Net Cost of Services	**(47.7)**	**10.2**	**(30.0)**	**(67.5)**
Other income and expenditure for the Expenditure and Funding Analysis	62.8	25.7	0.0	**88.5**
Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services	**15.1**	**35.9**	**(30.0)**	**21.0**

(a) Adjustments for Capital Purposes

For Services - this represents the cost of capital and the cost of repaying borrowing used in prior years.

For Taxation and Specific Grant Income - this reflects income from capital grants received in the year.

(b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

For Services - this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

(c) Other Differences

For Services - notional charges representing the costs of employees' annual leave, the cost to the Pension Fund of employees retiring early and contributions to or from earmarked reserves.

For Taxation and Specific Grant Income - the council tax and business rates amounts reflect the actual collection funds for both those funding streams.

11. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2018/2019 £m		2019/2020 £m
	Expenditure	
414.2	Employee benefits expenses	375.8
690.9	Other service expenses	650.1
63.7	Depreciation, amortisation and impairment	71.0
33.4	Interest payments	33.0
0.3	Precepts and levies	0.3
62.8	Loss on disposal of assets	39.3
1,265.3	Total expenditure	1,169.5
	Income	
(174.2)	Fees, charges and other service income	(165.6)
(5.2)	Interest and investment income	(5.0)
(442.9)	Income from council tax and non-domestic rates	(483.7)
(625.1)	Government grants and contributions	(521.5)
(1,247.4)	Total income	(1,175.8)
17.9	**Deficit/(Surplus) on the Provision of Services**	(6.3)

The deficit/(surplus) on provision of services includes many transactions which are not cash based. These notional transactions are then reversed out of the General Fund and are not funded by council tax. There is more detail in Note 4.

Fees, charges and other service income has been broken down across services below.

2018/2019 £m		2019/2020 £m
(47.1)	Health and Care	(82.3)
(42.0)	Families and Communities	(26.7)
(45.9)	Economy, Infrastructure and Skills	(30.7)
(25.3)	Corporate Services	(22.7)
(13.9)	Centrally Controlled Costs	(3.2)
	Non distributed costs	
(174.2)	**Net Cost of Services**	(165.6)

12. Property, Plant and Equipment

Movements on Balances in 2019/2020

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
Cost or Valuation							
At 1 April 2019	723.3	316.1	1,036.3	7.7	6.1	**2,089.5**	282.4
Additions	14.5	5.0	77.8	0.3	4.4	**102.0**	1.2
Revaluation increases recognised in the Revaluation Reserve	37.0	5.3	0.0	0.7	0.0	**43.0**	4.5
Revaluation increases/ (decreases) recognised in the Deficit on the Provision of Services	(13.5)	0.0	0.0	(0.1)	(0.8)	**(14.4)**	0.0
Derecognition - Disposals	(59.3)	(2.3)	0.0	(1.1)	0.0	**(62.7)**	0.0
Assets Reclassified (to) / from Held for Sale	(6.7)	0.0	0.0	3.2	(6.3)	**(9.8)**	0.0
Reversal of Impairment spend	(9.9)	(1.4)	(7.7)	0.0	0.0	**(19.0)**	0.0
Other movements in cost or valuation	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
At 31 March 2020	**685.4**	**322.7**	**1,106.4**	**10.7**	**3.4**	**2,128.6**	**288.1**

12. Property, Plant and Equipment (Cont'd)

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 2019	(16.9)	(127.7)	(193.0)	0.0	0.0	**(337.6)**	(41.6)
Depreciation Charge	(13.2)	(9.1)	(20.3)	0.0	0.0	**(42.6)**	(7.9)
Depreciation written out to the Revaluation Reserve	8.2	3.5	0.0	0.0	0.0	**11.7**	3.6
Depreciation written out to the Deficit on the Provision of Services	2.1	0.0	0.0	0.0	0.0	**2.1**	0.0
Derecognition - Disposals	2.1	2.2	0.0	0.0	0.0	**4.3**	0.0
Derecognition - Other	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
Other movements in Depreciation and Impairment	0.1	0.0	0.0	(0.1)	0.0	**0.0**	0.0
At 31 March 2020	**(17.6)**	**(131.1)**	**(213.3)**	**(0.1)**	**0.0**	**(362.1)**	**(45.9)**
Net Book Value							
At 31 March 2020	**667.8**	**191.6**	**893.1**	**10.6**	**3.4**	**1,766.5**	**242.2**
At 31 March 2019	**706.4**	**188.4**	**843.3**	**7.7**	**6.1**	**1,751.9**	**240.8**

12. Property, Plant and Equipment (Cont'd)

Comparative Movements in 2018/2019

Cost or Valuation	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 2018	702.2	307.0	968.4	9.2	47.8	**2,034.6**	270.1
Additions	17.6	3.7	68.6	0.2	11.8	**101.9**	1.2
Revaluation increases recognised in the Revaluation Reserve	48.8	7.8	0.0	1.0	0.0	**57.6**	11.1
Revaluation increases/ (decreases) recognised in the Deficit on the Provision of Services	(5.8)	0.0	0.0	0.0	(7.8)	**(13.6)**	0.0
Derecognition - Disposals	(70.0)	(2.1)	0.0	(2.5)	0.0	**(74.6)**	0.0
Assets Reclassified (to)/ from Held for Sale	41.3	0.0	0.0	(0.2)	(45.6)	**(4.5)**	0.0
Reversal of Impairment spend	(10.8)	(0.3)	(0.7)	0.0	(0.1)	**(11.9)**	0.0
Other movements in cost or valuation	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
At 31 March 2019	**723.3**	**316.1**	**1,036.3**	**7.7**	**6.1**	**2,089.5**	**282.4**

12. Property, Plant and Equipment (Cont'd)

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 2018	(14.3)	(122.8)	(174.0)	0.0	0.0	**(311.1)**	(37.3)
Depreciation Charge	(12.0)	(9.8)	(19.0)	0.0	0.0	**(40.8)**	(7.5)
Depreciation written out to the Revaluation Reserve	6.0	3.1	0.0	0.0	0.0	**9.1**	3.2
Depreciation written out to the Deficit on the Provision of Services	1.4	0.0	0.0	0.0	0.0	**1.4**	0.0
Derecognition - Disposals	2.0	1.8	0.0	0.0	0.0	**3.8**	0.0
Derecognition - Other	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
Other movements in Depreciation and Impairment	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
At 31 March 2019	**(16.9)**	**(127.7)**	**(193.0)**	**0.0**	**0.0**	**(337.6)**	**(41.6)**
Net Book Value							
At 31 March 2019	**706.4**	**188.4**	**843.3**	**7.7**	**6.1**	**1,751.9**	**240.8**
At 31 March 2018	**687.9**	**184.2**	**794.4**	**9.2**	**47.8**	**1,723.5**	**232.8**

12. Property, Plant and Equipment (Cont'd)

Valuations

The Council revalues Property, Land and Buildings on a rolling five year programme on a current value basis as set out in Accounting Policy Note 2. All valuations were carried out externally by Catriona Banks MRICS, Distrcit Valuer Services. Valuations of land and buildings were carried out with an effective date of 31st March 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Instution of Chartered Surveyors. Summary values are shown in the following table:

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m
2019/2020						
Carried at historical cost	2.4	191.6	893.1	0.0	2.9	1,090.0
Carried at valuation						
Revaluation in 2015/16	120.5	0.0	0.0	0.0	0.0	120.5
Revaluation in 2016/17	225.8	0.0	0.0	0.0	0.0	225.8
Revaluation in 2017/18	10.4	0.0	0.0	0.0	0.0	10.4
Revaluation in 2018/19	208.2	0.0	0.0	0.2	0.0	208.4
Revaluation in 2019/20	100.5	0.0	0.0	10.4	0.5	111.4
	667.8	191.6	893.1	10.6	3.4	1,766.5

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Archives £m	Museums £m	County Buildings & Judges House £m	Total Assets £m
Cost or Valuation				
1 April 2018	5.6	2.5	0.3	**8.4**
At 31 March 2019	**5.6**	**2.5**	**0.3**	**8.4**
Cost or Valuation				
1 April 2019	5.6	2.5	0.3	**8.4**
Additions	1.2	0.0	0.0	1.2
At 31 March 2020	**6.8**	**2.5**	**0.3**	**9.6**

13. Heritage Assets (Cont'd)

Archives

The Council has a number of archived documents held across various Record Offices and Libraries. They are reported in the Balance Sheet at insurance valuation. These insurance valuations are updated annually.

The archived collections include a number of significant documents such as The Sutherland Papers valued at £1.2 million and a printed book collection valued at £1 million.

Museums

The County Council Museum collection contains various objects, photographs and ephemera covering a wide range of subjects within the fields of Staffordshire's social and agricultural history, and, to a lesser extent, crafts and industry. The Museum collection includes 19th century horse drawn carriages with a total value of £0.3 million.

The Council's Art collection is located at Shire Hall. This includes fine art collections by artists associated with Staffordshire and decorative art collections by contemporary craftsmakers.

County Buildings and Judges House

The asset described as County Buildings is a late Victorian Grade II listed building which houses the Council Chamber and other County Council offices and meeting rooms. The Judges House sits within County Buildings and is used to accommodate Justices of the Peace occasionally but is now primarily used for member meetings.

Both these buildings contain historical artefacts including oil paintings, antique silver cutlery and mayoral regalia.

14. Interests in Companies

The Council has a 49% share of the company Entrust which provides education support services to schools. This share was purchased in 2012/2013 for £30.2m and the company began trading in April 2013. The value of this investment was written down to £Nil in the year ended 31st March 2019.

The remaining balance of the long term investment on the balance sheet is money we have invested in two local authorities.

15. Financial Instruments

Categories of Financial Instruments

Under accounting regulations, the Council needs to break down the 'financial instruments' (relating to our investment, lending and borrowing activities) shown on the Balance Sheet into various categories. A financial instument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and this breakdown is shown below.

	Long - Term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£m	£m	£m	£m
Financial assets				
At amortised cost:				
Investments	30.4	30.4	11.5	64.1
Call accounts and short term deposits			4.5	3.8
Bank Overdraft	0.0	0.0	(22.2)	(10.1)
At fair value through profit & loss				
Cash equivalents *	0.0	0.0	64.1	85.3
Total investments and cash equivalents	**30.4**	**30.4**	**57.9**	**143.1**
At amortised cost				
Trade receivables	0.0	0.0	101.4	99.6
Loss allowance	0.0	0.0	(12.1)	(14.4)
Total Financial Assets	**30.4**	**30.4**	**147.2**	**228.3**
Financial liabilities				
At amortised cost:				
Loans	(415.9)	(413.1)	(36.0)	(39.0)
Total borrowings	**(415.9)**	**(413.1)**	**(36.0)**	**(39.0)**
PFI and finance lease liabilities	(78.9)	(74.8)	(7.4)	(7.5)
Total other long term liabilities	**(78.9)**	**(74.8)**	**(7.4)**	**(7.5)**
Trade and other creditors	0.0	0.0	(95.0)	(98.2)
Total creditors	**0.0**	**0.0**	**(95.0)**	**(98.2)**
Total Financial Liabilities	**(494.8)**	**(487.9)**	**(138.4)**	**(144.7)**

Investments and borrowing are classified as current if the Council is likely either to settle the balances or to receive proceeds within 12 months. Interest owed to or payable by the Council within the next 12 months is shown in the Balance Sheet as at 31 March under the "current" category.

15. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities

Financial assets, financial liabilities, debtors and creditors are carried in the Balance Sheet at amortised cost.

Financial instruments must be shown at 'fair value'. Fair value is the price that would be be received to sell an asset, or paid to transfer a liability in an arms-length transaction between market participants at the measurement date.

The Council has estimated fair value by calculating the net present value of the remaining cash flows. This gives an estimate, in today's terms, of the value of the payments in the future and this is shown in the table below. The assumptions made when calculating fair values are:

- Loans borrowed have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bernudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The rate used for other long-term loans and investments is the rate applicable on the date of valuation for a similar instrument with the same duration.
- No early repayment or impairment of loans is recognised for any financial instrument.
- The fair value of short-term instruments is assumed to approximate to the carrying value.

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

- Level 1. Fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2. Fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates for similar instruments.
- Level 3. Fair value is determined using unobservable inputs, e.g. non-market data.

The fair values calculated are as follows:

		31 March 2019	31 March 2019	31 March 2020	31 March 2020
	Fair value level	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
		£m	**£m**	**£m**	**£m**
PWLB - maturity	**2**	399.9	619.2	400.1	632.8
PWLB - equal instalments of principal	**2**	0.1	0.2	0.1	0.1
Lender option borrower option	**2**	51.9	89.1	51.9	99.5
Total borrowings		**451.9**	**708.5**	**452.1**	**732.4**

The fair value of the liabilities held at amortised cost is higher than the carrying amount as at 31 March 2020. This is because the Council has a number of fixed rate loans where at the balance sheet date, the interest rates are higher than the current rates available from the market for similar loans.

15. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities (Cont'd)

	Fair value level	31 March 2019 Carrying amount £m	31 March 2019 Fair Value £m	31 March 2020 Carrying amount £m	31 March 2020 Fair Value £m
Deposits with banks and building societies	2	4.5	4.5	3.8	3.8
Local authority deposits	2	41.9	49.5	94.5	102.1
Financial assets held at amortised cost		**46.4**	**54.0**	**98.3**	**105.9**
Money market funds	1	64.1	64.1	85.3	85.3
Financial assets held at fair value		**64.1**	**64.1**	**85.3**	**85.3**
Financial Assets		**110.5**	**118.1**	**183.6**	**191.2**

The fair value and carrying amount for money market funds and bank and building society deposits are broadly the same at 31 March 2020 as interest rates being received are similar to market rates. The fair value of the local authority deposits is higher at 31 March 2020 as the interest rate on similar investments is now lower than when the investments were originally made.

The equity investment represents the Council's 49% share of the education support services company, Entrust. This investment is valued at cost, plus the Council's share of any profit or loss made by the company not at fair value (See note 14 for further detail).

15. Financial Instruments (Cont'd)

Gains and Losses

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

	2018/2019			2019/2020		
	Financial Liabilities at amortised cost £m	Financial Assets at amortised cost £m	Total £m	Financial Liabilities at amortised cost £m	Financial Assets at amortised cost £m	Total £m
Interest expense / Reduction in fair value	(33.4)	0.0	**(33.4)**	(33.0)	0.0	**(33.0)**
Total expense in Surplus or (Deficit) on the Provision of Services	**(33.4)**	**0.0**	**(33.4)**	**(33.0)**	**0.0**	**(33.0)**
Interest income / Increase in fair value	0.0	5.2	**5.2**	0.0	5.0	**5.0**
Total income in Surplus or (Deficit) on the Provision of Services	**0.0**	**5.2**	**5.2**	**0.0**	**5.0**	**5.0**
Net (loss) /gain for the year	**(33.4)**	**5.2**	**(28.2)**	**(33.0)**	**5.0**	**(28.0)**

16. Long Term Debtors

31 March 2019 £m		31 March 2020 £m
0.5	Deferred consideration (PFI)	0.4
27.6	Other long term debtors	31.9
28.1	**Total**	**32.3**

As part of the Two Schools PFI scheme, we transferred land next to the new Sir Graham Balfour School over to the contractor. The land had planning permission for a housing development. The value of this land was about £2 million and this has resulted in lower contract payments. This is the deferred consideration and is being written down over the life of the PFI contract.

The other long term debtors shown above includes an amount that relates to Stoke on Trent City Council (£11.7m). This debt arose when this organisation was part of the County Council. The organisation makes payments to us to service the debt.

There is an amount of £19.3m relating to Section 106 developer contributions which are due to fund capital schemes, however the money has not yet been received.
There is also a debt relating to the Black Country Reinvestment Society of £0.7m which arose when we gave the Society money for it to lend out to small businesses in Staffordshire. As these businesses grow they repay the loan and the Society repays us.

17. Short Term Debtors

31 March 2019 £m		31 March 2020 £m
109.9	Trade debtors	117.4
2.3	Prepayments	3.3
4.3	VAT (due to us)	6.2
(12.1)	Allowance for doubtful debts (debts we think may not be paid)	(14.4)
104.4	**Total**	**112.5**

18. Cash and Cash Equivalents

The balance of cash and equivalents is made up of the following elements:

31 March 2019 £m		31 March 2020 £m
(22.2)	Bank overdraft	(10.1)
4.5	Call accounts and short-term deposits *	3.8
64.1	Money Market Funds *	85.3
46.4	**Total cash and cash equivalents**	**79.0**

* In accordance with the appropriate guidelines, these balances are defined as "cash and cash equivalents" because they are all accessible by the Council at short notice. The cash is held in various accounts with banks and Money Market Funds earning a market rate of interest.

19. Assets Held for Sale

31 March 2019	Short term assets held for sale	31 March 2020
£m		**£m**
9.6	**Balance outstanding at start of year**	10.5
5.1	Assets newly classified as held for sale	12.2
0.0	Assets reclassified as surplus	(1.7)
(0.5)	Assets reclassified as operational	0.0
0.0	Assets reclassified as under construction	(0.4)
(1.6)	Impairments/ Revaluations	0.0
(2.1)	Assets sold	(4.4)
10.5	**Balance outstanding at year-end**	**16.2**

Although there are some assets classified as held for sale that have been brought forward from the previous year, it is envisaged that all of these assets will have been sold by the end of March, therefore the Council does not hold assets held for sale which would be classified as non-current.

20. Short-Term Creditors

31 March 2019		31 March 2020
£m		**£m**
(94.3)	Trade and other creditors	(100.2)
(5.9)	Tax and money owed to HM Revenues and Customs	(5.3)
(4.3)	Money received in advance	(31.1)
(104.5)	**Total**	**(136.6)**

21. Provisions

We hold various provisions in line with schemes of management that set out the financial arrangements for how they are used. We regularly review the balances we hold. A summary of the balances held on each provision is shown below.

Long term provisions

	Business Rates Appeals	Insurance		Long Term Provisions Total
		Before LGR	After LGR	
	£m	£m	£m	£m
Balance at 1 April 2019	(4.4)	(1.0)	(6.9)	**(12.3)**
Amounts used in 2019/2020	5.7	0.2	4.3	**10.2**
Amounts contributed to provision	(13.5)	(0.3)	(4.2)	**(18.0)**
Balance at 31 March 2020	**(12.2)**	**(1.1)**	**(6.8)**	**(20.1)**

The provision for business rates appeals represents the County Council's share of any provisions made by the District and Borough Councils of Staffordshire

Our insurance arrangements are a combination of insurance with other providers and money we provide ourselves. The balances we hold are to meet claim payments, motor vehicle and fire (education properties) insurance claims which are not covered by other insurers. We have split the provisions between those before local government reorganisation (LGR) - 31 March 1997 and those after that date. When we have paid all claims relating to before 31 March 1997, we will share any profit or loss with Stoke-on-Trent City Council in line with the transfer of property agreement.

22. Unusable Reserves

31 March 2019		31 March 2020
£m		£m
(218.1)	Revaluation reserve	(240.1)
(840.6)	Capital adjustment account	(849.0)
17.5	Financial instruments adjustment account	17.0
1,142.5	Pensions reserve	794.4
0.0	Available for Sale reserve	0.0
(4.5)	Collection fund adjustment account	(7.3)
6.2	Accumulated absences account	7.5
103.0	**Total Unusable Reserves**	**(277.5)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/2019			2019/2020	
£m	£m		£m	£m
	(192.7)	**Balance at 1 April**		(218.1)
(66.0)		Upward revaluation of assets	(59.7)	
3.8		Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	9.3	
	(62.2)	Surplus on revaluation of non-current assets not posted to the deficit on the provision of services		(50.4)
3.4		Difference between fair value depreciation and historical cost depreciation	4.1	
33.4		Accumulated gains on assets sold or scrapped	24.3	
	36.8	Amounts written off to the Capital adjustment account		28.4
	(218.1)	**Balance at 31 March**		**(240.1)**

22. Unusable reserves (Cont'd)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/2019		2019/2020
£m		£m
(869.0)	**Balance at 1 April**	**(840.6)**
28.5	IFRS9 Transitional arrangments	**0.0**
0.0	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	0.0
63.7	Charges for depreciation and impairment of non current assets	71.0
13.2	Revenue expenditure funded from capital under statute (REFCUS)	5.7
72.9	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	62.7
(36.9)	Adjusting amounts written out of the Revaluation Reserve	(28.4)
112.9	Net written out amount of the cost of non current assets consumed in the year	**111.0**
	Capital financing applied in the year:	
(13.2)	Use of the Capital Receipts Reserve to finance new capital expenditure (including REFCUS)	(17.0)
(69.5)	Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	(67.6)
(2.9)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3.5)
(29.1)	Statutory provision for the financing of capital investment charged against the General Fund balance	(29.2)
1.7	Capital expenditure charged against the General Fund	(2.1)
(113.0)		**(119.4)**
(840.6)	**Balance at 31 March**	**(849.0)**

22. Unusable reserves (Cont'd)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time benefits come to be paid.

2018/2019 £m		2019/2020 £m
974.8	**Balance at 1 April**	1,142.5
132.8	Actuarial (gains)/losses on pension assets and liabilities	(371.2)
(1.1)	Reversal of items relating to retirement benefits debited or credited to the deficit/surplus on the provision of services in the Comprehensive Income and Expenditure Statement	(0.5)
36.0	Employer's pension contributions and direct payments to pensioners payable in the year	23.6
1,142.5	**Balance at 31 March**	**794.4**

23. Cash Flow Statement - Operating Activities

The cash flows from operating activities includes the following items:

2018/2019 £m		2019/2020 £m
(5.4)	Interest received	(5.3)
23.7	Interest paid	23.3

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

2018/2019 £m		2019/2020 £m
(39.9)	Depreciation	(41.6)
(22.9)	Impairment and downward valuations	(28.4)
(2.0)	Increase/(Decrease) in impairment of bad debts	(2.3)
6.5	(Increase)/Decrease in creditors	(33.9)
10.9	Increase/(Decrease) in debtors	10.2
0.4	Increase/(Decrease) in stock valuation	0.0
(35.9)	Pension benefits charged in excess of contributions	(23.6)
(11.5)	Prepayment of pension contributions	(12.8)
(76.7)	Net carrying amount of non-current assets sold	(62.7)
10.7	Other non-cash items charges to the net Surplus or Deficit on the Provision of Services	16.0
(160.4)		**(179.1)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities

2018/2019 £m		2019/2020 £m
98.5	Capital grants credited to surplus or deficit on the provision of services	69.9
10.0	Proceeds for the sale of PPE, investment property and intangible assets	23.4
(6.0)	Other items for which the cash effects are investing or financing cash flows	(6.4)
102.5		**86.9**

24. Cash Flow Statement - Investing Activities

2018/2019 £m		2019/2020 £m
108.5	Purchase of property, plant and equipment, investments and intangible assets	100.4
(13.6)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(23.6)
0.0	(Receipts)/purchases of short-term and long-term investments	52.6
(99.5)	Other receipts from investing activities	(69.9)
(4.6)	**Net cash flows from investing activities**	**59.5**

25. Cash Flow Statement - Financing Activities

2018/2019 £m		2019/2020 £m
0.0	Cash receipts of short and long-term borrowing	0.0
6.0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	6.4
15.0	Repayments of short and long-term borrowing	0.0
21.0	**Net cash flows from financing activities**	**6.4**

26. Trading Operations

We have the following trading service which we run as a business providing services to departments.

2018/2019							2019/2020
Net (surplus)/ deficit		Turnover	Expenditure	Trading (surplus)/ deficit	Other items Capital charge	Other	Net (surplus)/ deficit
£m		£m	£m	£m	£m	£m	£m
(2.0)	County Fleet Care	(3.4)	1.8	**(1.6)**	1.0	0.0	**(0.6)**
(2.0)	**Total**	**(3.4)**	**1.8**	**(1.6)**	**1.0**	**0.0**	**(0.6)**

Trading Unit	Details of nature of unit
County Fleet Care	The unit supplies and maintains vehicles on behalf of the Council. Vehicles include highways vehicles, schools transport vehicles and a range of vehicles used to support vulnerable adults in the county.

27. Pooled Budgets

Better Care Fund

In 2019/2020 Staffordshire County Council and the Staffordshire Clinical Commissioning Groups entered into a Section 75 Framework Agreement of the National Health Service Act 2006 pooled fund arrangement, known as the Better Care Fund. Staffordshire County Council is the Host Partner for the pool. The total value of the pool was £112.4m.

Each Partner accounts separately for the income, expenditure, assets and liabilities which relate to or arise from expenditure on Individual Schemes and its interest in Pooled Funds.

In accordance with the agreement, the income and expenditure included in Staffordshire County Council accounts and detailed below relates to income received from CCG's and spent by the County Council as the Lead Commissioner for these services.

Section 75	**2018/2019**		**2019/2020**	
	£m	£m	£m	£m
Funding provided to the pooled budget:				
East Staffordshire CCG	(2.9)		(3.1)	
South East Staffordshire & Seisdon CCG	(5.2)		(5.4)	
Cannock Chase CCG	(3.1)		(3.2)	
North Staffordshire CCG	(4.9)		(5.1)	
Stafford & Surrounds CCG	(3.5)		(3.6)	
Stoke on Trent CCG	(0.2)		(0.2)	
		(19.8)		(20.6)
Expenditure met from the pooled budget		19.8		20.6
County Council share of net surplus/deficit arising on the pooled budget		**0.0**		**0.0**

The following memorandum account shows the gross income and expenditure of the scheme in

	2018/2019		**2019/2020**	
Funding provided to the Pooled Budget:	£m	£m	£m	£m
Clinical Commissioning Groups	(62.1)		(71.8)	
Department for Communities & Local Government	(31.0)		(40.6)	
		(93.1)		(112.4)
Expenditure met from the Pooled Budget:				
Clinical Commissioning Groups	42.4		51.1	
Staffordshire County Council	42.5		52.5	
District & Borough Councils	8.2		8.8	
		93.1		112.4
Net position on the pooled budget		0.0		0.0

28. Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	2018/2019 £m	2019/2020 £m
Basic Allowance	0.6	0.6
Special Responsibility Allowance	0.4	0.4
Expenses	0.0	0.0
Total	**1.0**	**1.0**

29. Officers' Remuneration

The remuneration paid to the Council's senior officers is set out in the table below. The definition of senior officer is:

an officer whose salary is £150,000 or more
a statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989
a non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989

Officer	Year	Salary, fees and allowances £	Performance related pay £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Chief Executive - John Henderson	**2018/2019**	188,375	15,000	0	0	0	203,375
Chief Executive - John Henderson - **note 1**	**2019/2020**	188,375	15,000	0	0	0	203,375
Director of Health and Care - Richard Harling	**2018/2019**	153,875	11,262	0	0	0	165,137
Director of Health and Care - Richard Harling **note 2**	**2019/2020**	153,875	11,262	0	0	0	165,137
Director of Families and Communities	**2018/2019**	139,427	0	9,963	0	32,904	182,294
Director of Families and Communities	**2019/2020**	142,216	0	8,740	0	34,985	185,941
Director of Economy, Infrastructure and Skills	**2018/2019**	114,644	10,709	7,777	0	30,102	163,232
Director of Economy, Infrastructure and Skills	**2019/2020**	116,843	10,854	6,253	0	31,413	165,363
Director of Strategy, Governance and Change	**2018/2019**	93,645	0	6,105	0	22,100	121,850
Director of Corporate Services **Note 3**	**2018/2019**	35,522	0	2,035	0	8,383	45,940
Director of Corporate Services **Note 3**	**2019/2020**	142,216	0	7,225	0	34,985	184,426

29. Officers' Remuneration (Cont'd)

Officer	Year	Salary, fees and allowances £	Performance related pay £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Section 151 Officer, Director of Finance & Resources	**2018/2019**	135,149	0	10,220	187,176	23,175	355,720
Section 151 Officer, Director of Finance & Resources **Note 3**	**2019/2020**	0	0	0	0	0	0
Section 151 Officer, County Treasurer **Note 4**	**2018/2019**	22,725	0	1,564	0	5,363	29,652
Section 151 Officer, County Treasurer **Note 4**	**2019/2020**	111,173	0	5,313	0	27,307	143,793

Notes for clarification

This note is a disclosure of in year salary payments.

Note 1 The Chief Executive is not part of the Local Government Pensions Scheme.
Note 2 The Director of Health and Care is not part of the Local Government Pensions Scheme.
Note 3 The Director of Finance and Resources was made redundant as of January 2019. A New Director of Corporate Services role replaces both the Director of Finance and Resources and Director of Strategy, Governance and Change.
Note 4 The Statutory Role of Section 151 Officer has been taken by a Senior Employee as of January 2019.

29. Officers' Remuneration (Cont'd)

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are as follows. The figures include severance payments and those employees have been identified within the 'Leavers' column. The number of employees includes teachers.

The employees identified within the previous tables in this note are included in the table below.

Number of employees 2018/2019			Remuneration band	Number of employees 2019/2020		
Teachers	Non-teachers	Leavers		Teachers	Non-teachers	Leavers
89	55	1	£ 50,000 to £ 54,999	67	118	10
57	16	2	£ 55,000 to £ 59,999	39	54	9
54	27	0	£ 60,000 to £ 64,999	30	30	4
30	5	2	£ 65,000 to £ 69,999	22	11	5
12	4	0	£ 70,000 to £ 74,999	16	6	1
9	12	1	£ 75,000 to £ 79,999	9	14	5
3	4	1	£ 80,000 to £ 84,999	2	12	3
6	2	1	£ 85,000 to £ 89,999	2	6	4
3	12	0	£ 90,000 to £ 94,999	1	12	4
4	2	2	£ 95,000 to £ 99,999	0	3	1
0	1	0	£100,000 to £104,999	0	3	1
0	1	0	£105,000 to £109,999	0	0	0
0	3	0	£110,000 to £114,999	0	1	0
0	0	0	£115,000 to £119,999	0	2	0
0	0	0	£120,000 to £124,999	0	2	2
0	0	0	£125,000 to £129,999	0	2	1
0	1	0	£130,000 to £134,999	0	1	0
0	1	0	£135,000 to £139,999	0	0	0
0	0	0	£140,000 to £144,999	0	0	0
0	1	0	£145,000 to £149,999	0	2	1
0	0	0	£150,000 to £154,999	0	1	0
1	0	1	£155,000 to £159,999	0	0	0
0	0	0	£160,000 to £164,999	0	1	0
0	2	0	£165,000 to £169,999	0	1	0
0	0	0	£170,000 to £174,999	0	0	0
0	0	0	£175,000 to £179,999	0	0	0
0	0	0	£180,000 to £184,999	0	0	0
0	0	0	£185,000 to £189,999	0	0	0
0	0	0	£190,000 to £194,999	0	0	0
0	0	0	£195,000 to £199,999	0	0	0
0	1	0	£200,000 to £204,999	0	1	0
0	1	1	£330,000 to £334,999	0	0	0
268	**151**	**12**	**Total**	**188**	**283**	**51**

30. Exit Packages

The number of exit packages is disclosed below in bands of £20,000, up to £100,000. Thereafter the number is disclosed in bands of £50,000.

2018/2019				2019/2020		
Total Cost	Number of employees		Payment band	Number of employees		Total Cost
£	Teachers	Other SCC		Teachers	Other SCC	£
484,084	10	44	£0 to £ 20,000	17	70	681,395
758,517	2	25	£ 20,001 to £ 40,000	5	38	1,318,947
355,842	0	7	£ 40,001 to £ 60,000	0	17	834,419
138,445	1	1	£ 60,001 to £ 80,000	0	18	1,206,297
525,510	0	6	£ 80,001 to £ 100,000	0	6	534,565
136,562	0	1	£ 100,001 to £ 150,000	0	11	1,250,507
0	0	0	£ 150,001 to £ 200,000	0	5	866,115
233,146	0	1	£ 200,001 to £ 250,000	0	2	489,059
0	0	0	£ 250,001 to £ 300,000	0	1	256,140
0	0	0	£ 300,001 to £ 350,000	0	0	0
0	0	0	£ 350,001 to £ 400,000	0	0	0
0	0	0	£ 400,001 to £ 450,000	0	0	0
488,689	0	1	£ 450,001 to £ 500,000	0	0	0
3,120,795	**13**	**86**	**Total**	**22**	**168**	**7,437,444**

The note includes all costs to the Council when an employee leaves. Therefore redundancy payments, lump sum payments to the individual and any actuarial strain owed to the Pension Fund have been included.

In 2019/2020 there were a number of restructures planned as part of the Medium Term Financial Strategy, this has resulted in a larger number of exit packages than in 2018/2019.

31. External Audit Costs

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

	2018/2019 £m	2019/2020 £m
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year *	0.162	0.162
Fees payable to external auditors for the certification of grant claims and returns for the year	0.017	0.014
Total	**0.179**	**0.176**

* this includes a scale variation fee of £78k for additional work to complete the audit of the 2018/2019 financial statements.

32. Dedicated Schools Grant

In 2019/2020 we received a specific grant from Central Government called the Dedicated Schools Grant (DSG). As a result, we have shown this on the schools service figures in the Comprehensive Income and Expenditure statement.

We pay for our spending on schools using this grant. We can only use the DSG to pay for spending properly included in the schools budget, as defined by government regulations. The schools budget includes estimates for a restricted range of services provided on a council-wide basis and for an individual school's budget. We divide this up into a share of the budget, for each school. We have to account for overspending and underspending on the two parts separately.

Details of how we used the DSG for 2019/2020 are as follows:

	Schools budget funded by DSG		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2019/2020, before academy recoupment	112.0	507.0	**619.0**
Academy figure recouped for 2019/2020	0.0	(331.0)	**(331.0)**
Total DSG after academy recoupment for 2019/2020	**112.0**	**176.0**	**288.0**
Plus: brought forward from 2018/2019	3.9	0.0	**3.9**
Less: carry-forward to 2020/2021 agreed in advance	0.0	0.0	**0.0**
Agreed budgeted distribution in 2019/2020	**115.9**	**176.0**	**291.9**
In year adjustments*	0.0	0.0	**0.0**
Final budget distribution for 2019/20	**115.9**	**176.0**	**291.9**
Less: Actual central expenditure	115.5	0.0	**115.5**
Less: Actual ISB (Individual Schools Budget) deployed to schools	0.0	176.0	**176.0**
Plus: Local authority contribution for 2019/2020	0.0	0.0	**0.0**
Carry forward to 2020/2021	**0.4**	**0.0**	**0.4**

*Amount recognised in year but not accrued for in accordance with Education Funding Agency guidance.

33. Grant Income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2019/2020.

	2018/2019 £m	2019/2020 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	25.5	0.0
Improved Better Care Fund	22.8	28.2
New Homes Bonus	2.3	2.5
Local Services Support Grant	0.4	0.3
Adult Social Care Grant	2.2	6.1
Covid 19 Emergency Funding	0.0	0.7
Total	**53.2**	**37.8**
Credited to Services		
Department for Education	62.6	42.9
Department for Transport	43.1	39.9
Department of Health	42.8	42.1
Ministry for Housing, Communities and Local Government	12.2	5.2
DEFRA	10.5	9.7
Higher Education Funding Council for England	0.4	0.4
Home Office	2.8	3.4
Youth Justice Board	0.3	0.9
Other	8.8	12.6
Total	**183.5**	**157.1**

33. Grant Income (Cont'd)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require monies or property to be returned to the originator. The balances at year-end are as follows:

	31 March 2019	31 March 2020
	£m	£m
Capital Grants Receipts in Advance		
Department for Education	1.3	2.5
Department for Transport	8.0	7.0
Other Contributions	38.7	29.2
Total	**48.0**	**38.7**

34. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are shown in Note 33.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/2020 is shown in Note 28.

Members represent our interests within a range of organisations and some are also members of district, borough or parish councils within Staffordshire. Members make declarations under Sections 94 to 98 of the Local Government Act 1972 and under the Local Authorities (Model Code of Conduct) (England) Order 2001. Members also give details of their personal interests in council business to the Monitoring Officer. You can get more details from the Monitoring Officer, 2 Staffordshire Place, Tipping Street, Stafford, Staffordshire, ST16 2DH.

Pension Fund

We run the Staffordshire Pension Fund and have included the accounts of the pension fund in our accounts. Pension Fund transactions that relate specifically to Staffordshire County Council are disclosed in Note 41.

Other Public bodies (subject to common control by Central Government)

The Council has pooled budget arrangements with NHS organisations as detailed in Note 27.

The Council acts as the accountable body for the Stoke and Staffordshire Local Enterprise Partnership (SSLEP), which supports projects that benefit the local economy and supports growth through the creation of jobs, housing and skills (apprenticeships). At 31 March 2020 we held cash of £13.3m (£12.7m on 31 March 2019) on behalf of the SSLEP. This is included in the balance sheet as part of cash balances and is carried forward in earmarked reserves (Note 5).

34. Related Parties (Cont'd)

Payments to the Environment Agency

2018/2019 £m		2019/2020 £m
0.3	Environment Agency - Flood defence levy	0.3
0.3	**Total**	**0.3**

Entrust

In 2013/2014 Entrust was established to provide education support services to schools throughout Staffordshire and other counties. The Council owns 49% of the shares in Entrust and Capita Business Services Limited (a subsidiary of Capita plc) owns 51% of the shares in Entrust. The company began trading on 1st April 2013.

Some members and officers of the Council are also Directors of Entrust, these are:

- Cllr Mark Deaville, Cabinet Member for Commercial
- Rob Salmon, County Treasurer

During 2019/2020, the Council purchased services in the normal course of business from Entrust for £25.2 million (2018/2019 - £34.6 million). Entrust bought services in the normal course of business from the Council for £3.6 million (2018/2019 - £4.3 million).

At the end of the year, Entrust owed the Council £0.9 million (2018/2019 - the Council owed Entrust £0.9 million).

Penda Ltd

In 2015/16 the County Council entered into a partnership with Kier Ltd to provide property services and to manage the County Council's asset portfolio. This joint venture is called Penda Ltd. The County Council has invested £50,000 in the partnership.

Ian Turner and Wendy Woodward, who are officers of the Council, are also Directors of Penda Ltd.

There were no material transactions between the Council and Penda Ltd in 2019/20.

34. Related Parties (Cont'd)

Nexxus Trading Services Ltd

In 2017/18 Nexxus began trading by providing social care services for older people and those with disabilities.

Nexxus is wholly owned by the County Council. During 2017/18, the County Council lent Nexxus £150,000 which will be paid back. The current amount outstanding as at 31st March 2020 is £118,290.

Some Members and Officers of the County Council are also Directors of Nexxus and they are:

- Cllr Mark Deaville, Cabinet Member for Commercial
- Cllr Mark Winnington, Cabinet Member for Economic Growth
- Helen Riley, Deputy Chief Executive and Director for Families and Communities
- Dr. R M Harling - Director for Health and Care
- S G Ablewhite - Head of Decision Making Support

During 2019/2020, the Council purchased services in the normal course of business from Nexxus for £1.1 million (2018/2019 £0.9 million).

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. The expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2018/2019 Total £m		2019/2020 Total £m
719.2	**Opening Capital Financing Requirement**	**715.1**
	Capital Investment	
95.3	Property, plant and equipment	101.0
0.0	Investment properties	0.0
0.0	Intangible assets	0.0
13.2	Revenue Expenditure funded from Capital under Statute	5.7
108.5	**Total Capital Investment**	**106.7**
	Financed From	
22.8	Borrowing	17.8
56.5	Capital Grants	46.4
13.2	Capital Receipts	17.0
0.1	Revenue	0.8
0.0	Other Contributions	0.0
15.9	Section 106 Contributions	24.7
108.5	**Total**	**106.7**

35. Capital Expenditure and Capital Financing (Cont'd)

2018/2019 £m		2019/2020 £m
719.2	**Opening Capital Financing Requirement (as above)**	**715.1**
(19.4)	Minimum Revenue Provision	(19.3)
22.8	Increase/(decrease) in underlying need to borrow	17.8
5.8	Assets acquired under finance leases	0.0
(13.3)	Assets acquired under PFI/PPP contracts	(7.4)
715.1	**Closing Capital Financing Requirement**	**706.2**

36. Leases

Operating Leases

Council as Lessee

The Council has operating leases in place for various properties.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2019 £m		31 March 2020 £m
1.2	Not later than one year	1.3
3.7	Later than one year and not later than five years	3.9
44.9	Later than five years	44.2
49.8		**49.4**

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

31 March 2019 £m		31 March 2020 £m
1.2	Minimum lease payments	1.3
1.2		**1.3**

36. Leases (continued)

Finance Leases

Council as Lessee

The Council has one finance lease, relating to the provision of residential dementia care.

The asset acquired under that lease is carried as Property, Plant and Equipment in the Balance Sheet at the following net amount:

31 March 2019 £m		31 March 2020 £m
13.7	Operational Land & Buildings	14.6
13.7		**14.6**

The Council is committed to making minimum payments under the finance lease, comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2019 £m		31 March 2020 £m
	Finance lease liabilities (net present value of minimum lease payments):	
0.1	Current	0.1
5.7	Non current	5.6
5.8	Finance costs payable in future years	5.5
11.6		**11.2**

36. Leases (Cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	**31 March 2020**	**31 March 2019**	**31 March 2020**
	£m	**£m**	**£m**	**£m**
Not later than one year	0.4	0.4	0.1	0.1
Later than one year and not later than five years	1.5	1.5	0.4	0.4
Later than 5 years	9.6	9.2	5.3	5.2
	11.5	**11.1**	**5.8**	**5.7**

37. Private Finance Initiatives (PFI) and Similar Contracts

We have four PFI schemes as follows:

1. Two Schools PFI Scheme

We signed a PFI contract with Total School Solutions Limited on 31 March 1999. The contract covered the refurbishment and extension of Cooper Perry Primary School and Sir Graham Balfour High School, Stafford.

The contract is for 25 years and is worth about £49.6 million. It involves providing repairs and maintenance, energy, cleaning, caretaking and other services. The amount we paid in 2019/2020 was £1.8 million (2018/2019 £1.8 million), paid for from extra government grants and contributions from schools. Further payments we make under the contract are performance related. In other words, we take off amounts if the accommodation is not available on time or if the performance is below a given standard.

2. Streetlighting PFI Scheme

We have entered into a PFI contract under which street lighting and associated maintenance services are provided. The contract is for 25 years and is worth £174.9 million. The amount we paid in 2019/2020 was £12.5 million (2018/2019 £12.1 million), paid for by extra government grants and contributions from revenue.

3. Children's Homes PFI Scheme

We entered into a further PFI contract in 2005/2006 to design, pay for and maintain three children's homes. The contract is for 25 years and is worth £20.8 million. The amount we paid in 2019/2020 was £1 million (2018/2019 £1 million).

4. Waste to Energy PFI Scheme

We entered into a PFI contract for the construction of the Waste to Energy plant at Four Ashes. The contract is for 25 years and is worth £377.3 million. The amount we paid in 2019/2020 was £24.8 million (2018/2019 £24 million).

Valuation of PFI assets

The assets of each PFI scheme have been included in the Balance Sheet and in Note 12. However the note below splits out the assets for each scheme.

	31 March 2019 £m	31 March 2020 £m
Two Schools Scheme	3.1	2.3
Streetlighting Scheme	50.1	51.2
Children's Homes Scheme	7.1	5.7
Waste to Energy	180.5	183.0
Total value of assets	**240.8**	**242.2**

Value of PFI liabilities

Each PFI scheme has a liability shown on the Balance Sheet. This reflects the amount of the contract which is still left to pay. The liability should reduce each year as more payments are made to the contractor. It may also increase as further additions are made to the assets.

	31 March 2019 £m	31 March 2020 £m
Two Schools Scheme	(4.2)	(3.8)
Streetlighting Scheme	(4.6)	(4.4)
Children's Homes Scheme	(3.0)	(2.8)
Waste to Energy	(65.1)	(62.3)
PFI liabilities	**(76.9)**	**(73.3)**
Waste to Energy (Third Party financing)	(69.8)	(66.3)
Total value of liabilities	**(146.7)**	**(139.6)**

37. Private Finance Initiatives (PFI) and Similar Contracts (Cont'd)

Details of payments due

The payments due to the contractors for the schemes can be split into amounts to reduce the liability, amounts of interest and amounts that relate to services provided. They can also be split over the remaining time of the contracts. The note below shows these splits with the amounts at current prices.

Two Schools Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.4	0.5	0.9
Due within 2 to 5 years	1.8	1.3	4.0
Due within 6 to 10 years	1.6	0.4	3.3
Due within 11 to 15 years			
Total due	**3.8**	**2.2**	**8.2**

Streetlighting Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	0.4	0.4	4.5	0.1
Due within 2 to 5 years	2.0	1.1	19.6	0.6
Due within 6 to 10 years	2.0	0.3	17.0	0.5
Due within 11 to 15 years				
Total due	**4.4**	**1.8**	**41.1**	**1.2**

37. Private Finance Initiatives (PFI) and Similar Contracts (Cont'd)

Children's Homes Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.2	0.3	0.4
Due within 2 to 5 years	1.3	1.1	1.7
Due within 6 to 10 years	1.3	0.3	1.3
Due within 11 to 15 years			
Total due	**2.8**	**1.7**	**3.4**

Waste to Energy

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	2.9	9.6	7.3
Due within 2 to 5 years	12.4	33.6	32.2
Due within 6 to 10 years	16.7	31.0	47.8
Due within 11 to 15 years	17.3	17.9	57.1
Due within 16 to 20 years	13.0	4.9	53.2
Total due	**62.3**	**97.0**	**197.6**

37. Private Finance Initiatives (PFI) and Similar Contracts (Cont'd)

The outstanding liability to the contractor for capital expenditure is as follows:

	Two Schools Scheme		Streetlighting Scheme		Children's Homes Scheme		Waste to Energy	
	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020
	£m	£m	£m	£m	£m	£m	£m	£m
Balance outstanding at start of year	(4.6)	(4.2)	(5.0)	(4.6)	(3.1)	(3.0)	(67.9)	(65.1)
Payments during the year	0.4	0.4	2.7	2.6	0.1	0.2	2.8	2.8
Capital expenditure incurred in the year	0.0	0.0	(2.3)	(2.4)	0.0	0.0	0.0	0.0
Balance outstanding at year end	**(4.2)**	**(3.8)**	**(4.6)**	**(4.4)**	**(3.0)**	**(2.8)**	**(65.1)**	**(62.3)**

38. Impairment Losses

During 2019/2020 the Council recognised impairment losses to a number of properties totalling £38.4 million (£34.8 million in 2018/2019 restated). The main reasons for the impairment losses were changes in market value of the properties and the transfer of school assets to newly created academies. The loss has initially been charged to any balances within the revaluation reserve related to the asset that has been impaired. Any impairment value in excess of this has been charged across a range of service areas in the Comprehensive Income and Expenditure Statement depending on the occupation of the relevant property during 2019/2020.

39. Termination Benefits

The Council terminated the contracts of a number of employees in 2019/2020, incurring liabilities of £4.5 million, of which £0.2 million relates to Teachers. (£2.3 million in 2018/2019, of which £0.2 million related to Teachers).

40. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department of Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and the performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/2020, the Council paid £26.918 million to the Teachers' Pension Scheme in respect of teachers retirement benefits, representing 29.9% of pensionable pay. The figures for 2018/2019 were £27.2 million and 25.7%.

The Council is also responsible for all pension payments relating to added years benefits awarded, together with related increases. In 2019/2020 these amounted to £5.187 million (£5.3 million in 2018/2019) representing 5.9% of pensionable pay.

41. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Local Government Pension Scheme called the Staffordshire Pension Fund is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme changed to a funded defined benefit Career Average Revalued Earnings (CARE) scheme on the 1st April 2014. Pre 1st April 2014 service remains protected under the existing scheme regulations and continues to be linked to final salary.

In 2019/2020, the Council paid an employer's contribution of £28.1 million (£27.5 million in 2018/2019) into the Staffordshire Pension Fund. The fund's actuary decides how much we should contribute, based on the actuarial valuation carried out every three years.

The Council is responsible for all pension payments relating to added years benefits we have awarded, together with related increases. In 2019/2020 these payments amounted to £5.3 million (£5.3 million in 2018/2019), representing 4.4% of pensionable pay.

Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

	2018/2019 £m	**2019/2020 £m**
Comprehensive Income and Expenditure		
Cost of Services:		
Service cost compromising:		
Current service costs	71.3	70.7
Past service costs	12.5	(1.8)
(Gains) from settlements	(16.2)	(15.3)
Financing and Investment Income and Expenditure		
Net interest expense	25.7	27.2
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**93.3**	**80.8**

41 Defined Benefit Pension Schemes (Cont'd)

	2018/2019 £m	2019/2020 £m
Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets (excluding the amount included in the net interest expense).	(104.9)	219.3
Actuarial gains and losses arising on changes in demographic assumptions	0.0	(111.0)
Actuarial gains and losses arising on changes in financial assumptions	233.3	(239.4)
Other	4.4	(240.2)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**132.8**	**(371.3)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	**(180.2)**	**334.9**
Actual amount charged against the General Fund Balance for pensions in year:		
Employers' contributions payable to scheme	35.3	34.6
Contributions in respect of unfunded benefits	9.9	9.8
Effect of Business combinations and Disposals	0.7	0.0
	45.9	**44.4**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	31 March 2019 £m	31 March 2020 £m
Present value of the defined benefit obligation	(3,216.4)	(2,665.4)
Fair value of plan assets	2,088.2	1,872.0
Net liability arising from defined benefit obligation	**(1,128.2)**	**(793.4)**

Reconciliation of the Movements in the Fair Value of Scheme assets:

	31 March 2019 £m	31 March 2020 £m
1 April	1,963.8	2,088.2
Interest income	52.5	49.6
Actuarial gains and (losses)	105.0	(219.4)
Assets distributed on settlements	(16.5)	(20.6)
Employer's contributions	35.3	34.6
Contributions from scheme members	10.8	10.2
Benefits paid	(68.6)	(70.6)
Effects of Business combinations and Disposals	5.9	0.0
31 March	**2,088.2**	**1,872.0**

41. Defined Benefit Pension Schemes (Cont'd)

Reconciliation of Present Value of the Scheme Liabilities:	2018/2019 £m	2019/2020 £m
1 April	2,911.8	3,216.5
Current service cost	71.3	70.7
Interest cost	78.3	76.8
Contribution by scheme members	10.8	10.2
Actuarial losses	237.7	(590.6)
Benefits paid	(78.4)	(80.4)
Past service costs (including curtailments)	12.4	(1.8)
Losses on curtailments	0.0	0.0
Liabilities extinguished on settlements	(32.7)	(36.0)
Effects of Business combinations and Disposals	5.2	0.0
31 March	**3,216.4**	**2,665.4**

Local Government Pension Scheme assets

	31 March 2019 £m	31 March 2020
Cash and Cash Equivalents	57.2	31.6
Equity Instruments		
By industry type;		
Consumer	93.2	69.4
Manufacturing	79.9	74.9
Energy and utilities	33.5	25.0
Financial institutions	77.2	66.1
Health and care	59.9	58.5
Information technology	59.5	45.6
Other	1.9	1.6
Sub-total equity	405.1	341.1
Bonds:		
Corporate Bonds (investment grade)	155.0	150.6
Property:		
UK Property	177.5	184.4
Private Equity:		
All	74.8	79.2
Other Investment Funds:		
Equities	940.0	797.9
Bonds	158.0	157.2
Hedge Funds	36.5	33.3
Other	84.1	96.7
Sub-total Other Investment Funds	1,218.6	1,085.1
Total Assets	**2,088.2**	**1,872.0**

41. Defined Benefit Pension Schemes (Cont'd)

Basis for Estimating Assets and Liabilities

Discretionary benefits have been estimated by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2020. The main assumptions they have for working out these costs are shown below:

	31 March 2019	31 March 2020
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1 years	21.2 years
Women	24.4 years	23.6 years
Longevity at 65 for future pensioners		
Men	24.1 years	22.1 years
Women	26.4 years	25.0 years
Rate of increase in salaries	2.8%	2.3%
Rate of increase in pensions	2.4%	1.9%
Rate for discounting scheme liabilities	2.7%	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period. They also assume that for each change in assumption, all other assumptions remain constant. In practice this is unlikely to occur and changes in some assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year. The opposite movement will have the same impact, in the opposite direction.

Change in assumptions at 31 March 2020	Approximate % increase to employer liability	Approximate monetary amount (£m)
0.5% decrease in Real Discount Rate	9.0%	238.3
0.5% increase in salaries	1.0%	19.7
0.5% increase in pensions	8.0%	216.9

The Staffordshire Pension Fund pays a compulsory lump-sum retirement benefit of three times the yearly pension. From 6 April 2006, new tax rules allowed a member of a pension scheme to take up to 25% of a pension as lump sum. Members of the Staffordshire Pension Fund can convert their remaining pension into a lump sum. The actuary has assumed that people retiring in the future will take 50% of the maximum tax-free lump sum for their service before April 2008 and 75% of the maximum tax-free lump sum for their service after April 2008. We will review the assumption regularly.

41. Defined Benefit Pension Schemes (Cont'd)

In the Balance Sheet we have included our assets in the Pension Fund at their fair value.

- Shares quoted on the relevant stock-market, valued on the basis of their bid value
- Shares not quoted on the stock markets, valued on the basis of a professional estimate
- Pooled investment vehicles, valued at the average of the bid and offer rates
- Property, valued at market value

We have split the change in the pensions payments we make into seven parts.

Current-service cost – the increase in payments as a result of years of service earned this year. We add this to the revenue accounts of the services the employees worked for.

Past-service cost – the increase in payments arising from decisions made in the current year and the effect of which relates to years of service earned in earlier years. We take this from the net cost of services as part of non-distributed costs.

Interest cost and expected return on assets – the interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid, because all members are one year older. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Gains and losses on settlements and curtailments – the result of action to relieve us of liabilities or events that reduce the expected future service or benefits of employees. We take this from the net cost of services as part of non-distributed costs.

Actuarial gains and losses – changes in the net pensions liability that arise because events have not matched the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. We do not charge these to revenue.

Contributions paid to the Pension Fund – cash paid as employer’s contributions to the pension fund.

Projected defined benefit cost for the period to 31 March 2020

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2019). The contributions payable over the period to 31 March 2020 are set out in the Rate and Adjustments certificate. Hymans Robertson estimate the Employer's contribution for the period to 31 March 2021 will be approximately £76.113m

42. Contingent Liabilities

A contingent liability arises when we know about an issue at the Balance Sheet date but we do not know what the outcome will be until an event does or does not happen.

Entrust

Many Staffordshire maintained schools have contracts for services supplied by Entrust. There is a potential risk that were the company to fail, these contracts would be unfulfilled and a cost would remain with the schools.

43. Contingent Assets

At 31 March 2020 the Council does not have any material contingent assets.

44. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities , both revised in December 2017.

In line with the Treasury Management Code, the Council publishes an annual treasury management strategy before each financial year which sets out how risks will be managed. In addition we have written policies known as Treasury Management Practices which cover the procedures we follow to manage risks.

The main risks covered are listed below:

1. Security (credit) risk - the possibility that counterparties fail to pay amounts due to the Council and a loss is made.

2. Liquidity risk - the possibility that the Council might not have cash available to make payments on time.

3. Interest rate risk - the possibility of a financial loss for the Council because short-term interest rates rise or fall.

4. Price risk - the possibility of a financial loss for the Council as a result of changes in the value of market instruments.

5. Refinancing risk - the possibility that the Council might need to renew financial instruments on maturity at disadvantageous interest rates or terms.

In managing these risks, the Council works hard to protect itself against unpredictable financial markets and protect the money it has available to pay for services. Within this it is important to recognise that no investment or loan portfolio, regardless of the economic conditions, can ever be risk free.

1. Security (credit) risk

Security (credit) risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers.

The Council's Treasury Management Strategy complies with the Ministry for Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments; this emphasises that priority is given to security and then liquidity, rather than yield. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality. This is implemented by using recommendations from Arlingclose, the Council's treasury management advisor; their creditworthiness service helps determine the counterparties with whom the Council invests.

When selecting high quality commercial entities for investment, a number of different measures are examined, such as credit ratings, credit default swaps and equity prices. These include banks and building societies, the UK Government, other local authorities and AAA rated Money Market Funds.

Investments are made subject to financial limits on both an investment category and individual basis. In the case of investment category limits, investments are limited to 50% of the total amount invested in Money Market Funds or directly with banks. On an individual basis in 2019/20, for Money Market Funds the limit is the lower of 0.50% of Money Market Fund size or 10% of total Council investments and for banks, the lower of 5% of total Council investments or £30m per counterparty.

Independent advice was taken from Arlingclose in 2013 when the Council made the decision to make long-term investments with other local authorities that did not have a credit rating in their own right.

44 Nature and Extent of Risks Arising from Financial Instruments (Cont'd)

The following table summarises the security risk exposure of the Council's investments at 31 March each year.

Credit Rating	Long-Term 31 March 2019	Long-Term 31 March 2020	Short-Term 31 March 2019	Short-Term 31 March 2020
	£m	£m	£m	£m
AAA	0.0	0.0	64.1	85.3
A	0.0	0.0	4.5	3.8
Unrated local authorities	30.4	30.4	11.5	64.1
Total investments	**30.4**	**30.4**	**80.1**	**153.2**

Since April 2010, the Council's strategy of using cash in lieu of long-term borrowing has reduced this risk, as it holds considerably less short-term investments as a result (around £120 million of cash was used in lieu of borrowing as at 31 March 2020).

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies is difficult to assess generally ; the risk of any failing to make interest payments or repay the principal sum will be specific to each individual entity. Historical and recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but having considered all the evidence available at 31 March 2020, it is deemed unlikely that any losses would occur, hence no provision has been made in the accounts.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Estimated maximum exposure to default at 31 March 2019	Amounts at 31 March 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default at 31 March 2020
		A	B	C	(A x C)
	£m	£m	%	%	£m
Customers	11.8	59.7	24.1	24.1	14.4
Total	**11.8**				**14.4**

No credit limits were exceeded during the reporting year and the Council does not expect any losses from non-performance by any of its counterparties.

The Council does not generally allow credit for customers, such that £51.1 million of the £59.7 million balance is past its due date for payment. The remaining balance of £8.6 million is less than 28 days' old. The amount past its due date for payment can be analysed by age as follows:

	31 March 2019	31 March 2020
	£m	£m
Less than three months	(3.7)	6.9
Three to six months	(4.3)	9.8
Six months to one year	14.5	6.4
More than one year	44.9	28.0
Total	**51.4**	**51.1**

44 Nature and Extent of Risks Arising from Financial Instruments (Cont'd)

2. Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The Council has access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

The Council has £51m (2019: £51m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

3. Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments (for example when a fixed term loan is taken out with corresponding variable rate investments). Movements in interest rates have a complex impact on the Council. A rise in interest rates would have the following effects;

- borrowings at variable rates - the interest expense will rise
- borrowings at fixed rates - the fair value of the liabilities will fall (this will not affect the balance sheet but will affect the fair value notes)
- investments at variable rates - the interest income will rise
- investments at fixed rates - the fair value of the assets will fall (this will not affect the balance sheet but will affect the fair value notes).

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services

A large proportion of the loans the Council holds are long-term fixed rate loans. There is a risk that significant and long-lasting falls in interest rates mean that the Council is forced to pay interest in excess of market interest rates until the loans mature (the opposite would also be true in the case of interest rate increases).

Since April 2010 the Council has implemented a strategy of using cash in lieu of borrowing. This partly offsets the fixed rate loans exposure and reduces the impact of interest rate changes as this is a type of variable rate borrowing.

This risk is further offset by the long-term local authority investments made in 2013/14. These investments aim to hedge (or cancel out) a small part of the risk exposure that long-term fixed rate loans create.

Interest rate risk can be managed in a number of ways. If economic circumstances are favourable, the Council can repay fixed-rate loans early, increase the use of cash in lieu of borrowing; or reschedule loans by replacing existing loans with new loans at a lower rate.

44. Nature and Extent of Risks Arising from Financial Instruments (Cont'd)

At 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	1.5
Increase in interest receivable on variable rate investments	(1.4)
Impact on Surplus or Deficit on the Provision of Services	**0.1**
Decrease in fair value of fixed-rate investment assets *	(3.7)
Decrease in fair value of fixed rate borrowings liabilities*	(119.7)

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure

The impact of a 1% fall in interest rates would be as above but with the movements being reversed (in other words increases becoming decreases and vice versa).

4. Price Risk

The Council has an equity investment (shareholding) in Entrust. The value of this investment in the Balance Sheet was written down to nil in the year ended 31st March 2019. As such the Council has no current exposure to price risk with regards to this investment.

5. Refinancing Risk

The Council is exposed to the risk that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council has measures in place to make sure it is not due to repay a large percentage of borrowing at the same time. This reduces the financial effect of needing to borrow again if interest rates are high. The Council's policy is to make sure that no more than 15% of loans are due for repayment within the same financial year. This is done by carefully planning when new loans are taken out and, if it is best to do so, making early repayments.

Using cash in lieu of borrowing increases refinancing risk as interest payments are not fixed. The use of LOBO (Lender Option Borrower Option) loans also increase this risk as their maturity date is uncertain because the lender has the option, at various intervals, to force an increase in the interest rates payable. This would almost certainly lead to the loan being repaid by the Council.

44. Nature and Extent of Risks Arising from Financial Instruments (Cont'd)

The repayment structure of financial liabilities is as follows:

On 31 March 2019	Financial Liabilities	On 31 March 2020
£m		£m
400.0	PWLB	400.2
41.8	* LOBO - Depfa Bank	41.8
10.1	* LOBO - Dexia Bank	10.1
451.9	**Total**	**452.1**
36.0	within one year	39.0
18.0	over 1 under 2	24.0
28.8	over 2 under 5	35.4
30.5	over 5 under 10	15.0
29.0	over 10 under 15	29.0
0.0	over 15 under 20	0.0
21.1	over 20 under 30	30.1
288.5	over 30 under 40	279.6
0.0	over 40	0.0
451.9	**Total**	**452.1**

** LOBO - Lender Option Borrower Option loan*

Using Cash in Lieu of Borrowing

As at the 31 March 2020, around £120 million of cash had been used in lieu of borrowing.

The impact of this strategy has been outlined in each of the specific risks above.

IFRS 9 Financial Instruments

The Council adopted IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes included the reclassification of financial assets and the earlier recognition of the impairment of financial assets. The reclassification changes did not have a material impact upon our financial statements as the majority of our financial assets have retained the same measurement basis.

IFRS 9 Financial Instruments changed how we account for restructured loans that are classified as modifications. The Council holds 12 modification loans that had previously involved repaying and replacing loans at lower rates. Under IFRS 9, the Council is required to account for interest charges at the original loan rate. For 2018/19, this meant a change in the liability balance for these loans, from £65.2m to £50.1m, resulting in a £15.1m credit to reserves.

The impairment changes did not have a material impact upon our financial statements as they are immaterial for treasury management assets such as bank deposits and we already make an allowance for doubtful debts on our trade debtors - see Note 17. In addition the Council does not need to recognise any expected credit losses for its £30m local authority deposits according to CIPFA/LASAAC's adaptation where the counterparty is central government or a local authority.

45. Education Endowments

We are responsible for managing 11 (11 in 2018/2019) individual trust funds which we have set up as a result of donations or money left to us from various sources. The purpose of most of the funds is to provide educational prizes, scholarships and special benefits of a kind we would not normally provide as a local education authority. We invest most funds in stocks and shares and, as they do not represent our assets, we do not include them in the Balance Sheet.

The funds are shown below.

	2018/2019			2019/2020		
	Total income	Gross spending	Market value of fund	Total income	Gross spending	Market value of fund
	£000	£000	£000	£000	£000	£000
Rugeley Educational	80	59	2,443	82	94	2,365
Brewood Educational	70	69	2,152	71	70	2,088
Stafford Educational	17	15	526	18	16	510
Stafford Education Centre Charity	147	113	4,467	150	96	4,326
Alleynes – Stone	2	7	52	3	8	50
Alleynes – Uttoxeter	1	0	32	2	0	31
Tamworth High	9	1	264	9	0	256
Tamworth Youth Centre	2	0	62	2	0	60
Others	18	15	532	18	14	517
Total	**346**	**279**	**10,530**	**355**	**298**	**10,203**

46. Trust Funds

We manage a number of small funds on behalf of other organisations. These are 10 mainly social services comforts funds which are available to people in residential homes and day centres, and 3 other funds. The funds do not represent our assets and we do not include them in the Balance Sheet.

	Balance 31 March 2019	Income	Spending	Balance 31 March 2020
	£000	£000	£000	£000
Trust funds				
Social services comforts funds	27	8	(8)	27
Homestead and Lea House	7	0	0	7
Glebelands	1	0	0	1
Chairman's charity	8	0	(5)	3
Total	**43**	**8**	**(13)**	**38**

STAFFORDSHIRE PENSION FUND

Financial statements

1 April 2019
to
31 March 2020

Pension Scheme registration number: 10011745

Pension Fund account

Staffordshire Pension Fund account for the year ended 31 March 2020

	Notes	2018/2019 £m	2019/2020 £m
Dealing with members, employers and others directly involved in the Fund			
Contributions receivable	7	157.1	153.1
Transfers in	8	12.7	9.2
		169.8	**162.3**
Benefits payable	9	(182.3)	(195.8)
Leavers	10	(19.7)	(20.2)
		(202.0)	**(216.0)**
Net additions/(withdrawals) from dealings with fund members		**(32.2)**	**(53.7)**
Management expenses	11	(20.4)	(20.8)
Net additions/(withdrawals) including fund management expenses		**(52.6)**	**(74.5)**
Returns on investments			
Investment income	12	76.7	82.9
Taxes on income	12	(0.3)	(0.3)
Profit and losses on disposal of investments and changes in the value of investments	13a	329.5	(394.6)
Net returns on investments		**405.9**	**(312.0)**
Net increase in the net assets available for benefits during the year		353.3	(386.5)
Opening net assets of the Fund		4,777.8	5,131.0
Closing net assets of the Fund		**5,131.0**	**4,744.5**

Net assets statement

Net assets statement at 31 March 2020

	Notes	2018/2019 £m	2019/2020 £m
Long term investments	13/13c	**1.3**	**1.3**
Investment assets			
Bonds	13/13c	380.3	0
Equities	13/13c	990.0	857.5
Pooled investment vehicles	13/13c	2,699.6	2,796.8
Derivatives	13/13c	1.2	0
Property	13/13c	436.0	466.0
Other investment balances	13c	488.0	535.5
Cash deposits	13/13c	139.9	80.3
		5,135.0	**4,736.1**
Investment liabilities			
Derivatives	13/13c	(2.4)	0
Other investment balances	13/13c	(2.6)	(2.8)
		(5.0)	**(2.8)**
Net investment assets	13/13c	**5,131.3**	**4,734.6**
Long term assets	18	**1.0**	**1.0**
Current assets	18a	**18.5**	**18.3**
Long term Liabilities	19	**(0.1)**	**(0.1)**
Current liabilities	19a	**(19.6)**	**(9.4)**
Net assets of the Fund available to fund benefits at the end of the reporting period		**5,131.1**	**4,744.5**

The financial statements summarise the transactions of the Fund and deal with the net assets available to us. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position on the scheme, which does take account of these obligations, is set out in the actuary's report on page 131.

The notes on pages 101 to 130 also form part of the Pension Fund financial statements.

Notes to the accounts

1. Description of the Fund

The Staffordshire Pension Fund (‘the Fund’) is part of the LGPS and is administered by Staffordshire County Council. The council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Staffordshire Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme.

a) General

The scheme is governed by the Public Service Pensions Act 2013 (as amended). The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Staffordshire County Council to provide pensions and other benefits for pensionable employees of Staffordshire County Council, the district councils in Staffordshire County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

Staffordshire County Council is legally responsible for the Staffordshire Pension Fund. Under the County Council’s constitution, the Pensions Committee and Pensions Panel are delegated to look after the Fund. As a result of the Public Service Pensions Act 2013, a Local Pensions Board was also set up to aid effective governance.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include the following:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are over 400 employer organisations within the Fund (including the County Council itself), and over 110,000 individual members, as detailed in the following table.

Membership of the Fund

	31 March 2019	31 March 2020
Pensionable employees		
Staffordshire County Council	9,049	7,950
Other employers	23,686	24,446
Total	**32,735**	**32,396**
Pensioners		
Staffordshire County Council	17,218	17,777
Other employers	17,513	18,820
Total	**34,731**	**36,597**
Deferred pensioners (people who no longer pay into the scheme)		
Staffordshire County Council	19,726	19,773
Other employers	21,117	22,137
Total	**40,843**	**41,910**
Total number of members in the pension scheme	**108,309**	**110,903**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits as explained on the Staffordshire Pension Fund website at **www.staffspf.org.uk.**

2. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The financial statements follow the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (the Code) which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector and issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits.

The accounts have been prepared on a going concern basis. Staffordshire Pension Fund is an open scheme with a strong covenant from most of its participating employers and it is therefore able to take a long-term outlook when considering the general funding implications of external events.

The impact of the Coronavirus pandemic on investment markets did adversely affect the performance of investments to 31 March 2020, however investment performance for the first quarter of 2020/21 has improved significantly and is performing better than the actuarially assumed level of return. The latest actuarial funding update shows the Fund remained around 85% funded at 31 March 2020. The vast majority of employers in the Fund are scheduled bodies and have secure public sector funding and as a result are more able to continue to make their pension contributions. To date the Fund has received no requests from scheduled and admitted bodies to defer pension contributions.

Although the Fund is currently operating a relatively small operating cash flow shortfall from its dealings with members, it does have investment income in excess of this paid into the Fund and ultimately, should the need arise, can disinvest to ensure that it is able to remain liquid for a period of least 12 months from the date the financial statements are authorised for issue. The Fund remains in a position to draw on its investments in the most appropriate order should short term liquidity be required with the vast majority of investment assets held being readily convertible to cash within a period of one month. Recognising the mature nature of the Fund, with the increasing number of retired and deferred Fund members relative to active Fund members, the investment strategy of the Fund is increasingly considering investment in cash generating assets to address any increase in the operating cash flow shortfall over time.

Considering all of the above the Fund considers it appropriate to prepare the financial statements on a going concern basis.

You can get more information on the Pension Fund, including the Fund Governance Statement, the Investment Strategy Statement and the Funding Strategy Statement at **www.staffspf.org.uk.**

3. Accounting policies

When preparing the Pension Fund financial statements we have adopted the following significant accounting policies, which we have applied consistently.

Contributions

Normal contributions, both from members and employers, are accounted for in the payroll month they relate to, at the rates given on the rates and adjustments certificate. Additional contributions such as employer deficit funding and actuarial strain are accounted for in line with the agreement under which they are paid, or when they are received if there is no agreement. Amounts not due until future years are classed as long term debtors.

Transfer values

Transfer values represent the amounts either due to the Fund from new members' previous pension funds, or which the Fund is due to pay to the new pension funds of members who have left the Fund. Transfer values are accounted for on a receipts basis.

Investment income

Investment income is recognised as follows:

- Interest income as it accrues.
- Dividend income on the date the shares are quoted ex-dividend.
- Property related income, which primarily consists of rental income, is received in advance and is accrued into the correct year.
- Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.
- Distributions from pooled funds are recognised at the date of issue.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

Under pension fund rules, members may receive a lump-sum retirement grant on top of their annual pension. Lump-sum retirement grants are accounted for from the date of retirement.

Other benefits are accounted for on the date the member leaves the Fund or dies.

Taxation

The Fund is a registered public service scheme and as such is exempt from paying tax in the UK on interest received and on the proceeds of investments sold. The Fund may suffer withholding tax on overseas investments in the country of origin, where this is not recoverable it is accounted for as an expense when it arises.

Management expenses

All costs related to managing investments, administration, oversight and governance are reported in one line in the Fund Account called 'Management expenses'.

Investment management expenses, including performance-related fees, are accounted for on an accruals basis and are recognised before any VAT the Fund can recover.

Investment management transaction costs include fees, commissions, stamp duty and other fees (see note 11a).

The fees of external investment managers and the custodian are agreed in their respective mandates governing their appointments. They are broadly based on the market value of investments and can increase or decrease as the value of these investments change.

All administrative expenses and oversight and governance costs are accounted for on an accruals basis. All staff costs of the Pensions Administration team are charged to the Fund. Management, accommodation and other support service costs are charged to the Fund based on Staffordshire County Council policy.

Investments

The LGPS Central Pool trading company, LGPS Central Limited only became able to tade on 3 April 2018, therefore, reliable trading results and profit forecasts are not yet available. Consequently, the pension fund's view is that the market value of this investment at 31 March 2020 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid (buying) price.

Pooled investment vehicles are valued at the bid market price provided by the relevant fund managers, which reflects the market value of the underlying investments.

The value of bonds are recorded at the net market value based on their current market yields. The value does not include interest earned but not paid at the year end, which is included separately within accrued investment income.

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation by Savills, as at 31 March 2020. This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together with the UK National Suuplement effective 14 January 2019, together the "Red Book".

The private equity, private debt and hedge fund valuations are valued based on the Fund's share of the net assets of the underlying funds using the latest financial statements provided by the respective fund managers (see Note 15 for further details).

Derivative contracts are valued at bid market price.

Foreign currency transactions

Dividends, interest and the purchase and sale of investments in foreign currencies have been accounted for at the spot rates at the date of transaction. Where forward foreign exchange contracts are in place for assets and liabilities in foreign currencies, the exchange rate set out in the contract is used. Other assets and liabilities in foreign currencies are given in Sterling (£) at the rates of exchange that apply at the end of the financial year.

Surpluses and deficits arising when converting currency are dealt with as part of the change in market value of investments.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an accompanying actuarial report.

4. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19, the assumptions underpinning the valuation are given in the accompanying Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

Property

Savills, have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property, nor have they allowed for any adjustment to any of the properties' income streams to take into account any tax liabilities that may arise. Their valuation is exclusive of VAT (if applicable). They have excluded from their valuation any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupiers.

No allowance has been made for rights, obligations or liabilities arising in relation to fixed plant and machinery, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation.

The outbreak of coronavirus has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.

Investment in LGPS Central Limited

This investment of £1.315m has been valued at cost on the basis that fair value as at 31 March 2020 cannot be reliably estimated. Management have made this judgement because:

- LGPS Central Ltd did not commence trading until 3 April 2018;
- no dividend to shareholders has yet been declared;
- Published trading results are only available for one year, in the Fund's opinion this does not give sufficient enough information to allow fair value to be accurately calculated on a net asset basis.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainty	Effect if actual results differ from assumptions
Private equity	Private equity funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £197.1m. There is a risk that this investment may be under or overstated in the accounts.
Private debt	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of private debt funds in the financial statements is £250.5m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the Funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Hedge funds in the financial statements is £84.2m. There is a risk that this investment may be under or overstated in the accounts.
Freehold/leasehold property and pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property. The outbreak of coronavirus has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.	The total value of all property in the financial statements is £466.0m. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the balance sheet date

The Fund is not aware of any post balance sheet events impacting on the statement of accounts.

7. Contributions receivable

	2018/2019	2019/2020
Employers	**£m**	**£m**
Normal	114.6	109.8
Actuarial strain	7.3	8.1
Deficit recovery contributions	0.0	0.0
Scheme members		
Normal	35.2	35.2
Total	**157.1**	**153.1**

Contributions receivable can be analysed by type of member body as follows:

	2018/2019	2019/2020
	£m	**£m**
Staffordshire County Council	39.7	39.8
Scheduled bodies	98.7	100.9
Admitted bodies	18.7	12.4
Total	**157.1**	**153.1**

8. Transfers in

	2018/2019	2019/2020
	£m	**£m**
Individual transfers in from other schemes	11.3	9.2
Group transfers in from other schemes	1.4	0
Total	**12.7**	**9.2**

9. Benefits payable

	2018/2019	2019/2020
	£m	**£m**
Pensions	143.3	151.6
Commutations and lump-sum retirement benefits	34.8	40.8
Lump-sum death benefits	4.2	3.4
Total	**182.3**	**195.8**

Benefits payable can be analysed by type of member body as follows:

	2018/2019	2019/2020
	£m	**£m**
Staffordshire County Council	70.3	76.3
Scheduled bodies	92.4	101.1
Admitted bodies	19.6	18.4
Total	**182.3**	**195.8**

10. Payments to and on account of leavers

	2018/2019 £m	2019/2020 £m
Individual transfers to other schemes	18.3	19.4
Group transfers to other schemes	0.7	0
Payments for members joining / (leaving) state scheme	0.1	0.1
Refunds to members leaving service	0.6	0.7
Total	**19.7**	**20.2**

11. Management expenses

	2018/2019 £m	2019/2020 £m
Administration expenses	2.2	2.8
Investment management expenses (see note 11a)	16.5	16.4
Oversight and governance costs	1.7	1.6
Total	**20.4**	**20.8**

Included within oversight and governance costs are the Fund's external audit costs of £0.02m for 2019/2020 (£0.03m for 2018/2019).

11a. Investment management expenses

A breakdown of the costs we had to pay in connection with the investment of the Fund is set out below:

	2018/2019 £m	2019/2020 £m
Transaction costs	0.8	0.7
Management fees	14.7	14.8
Performance related fees	0.9	0.8
Custody fees	0.1	0.1
Total	**16.5**	**16.4**

The Fund was also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments.

12. Investment income

	2018/2019 £m	2019/2020 £m
Bonds	15.5	7.6
Dividends from equities	28.2	24.7
Income from pooled investment vehicles	1.4	8.4
Rents from property	18.7	21.4
Interest on cash deposits	1.2	1.0
Stock lending	0.2	0.2
Private Debt	10.6	15.6
Other	0.9	4.0
	76.7	**82.9**
Withholding tax we cannot recover	(0.3)	(0.3)
Total	**76.4**	**82.6**

12a. Directly held property fund account

A summary of the income and expenses associated with the Fund's directly held property is provided below:

	2018/2019	2019/2020
	£m	£m
Rental income	18.7	21.4
Direct operating expenses	(2.3)	(3.1)
Net income	**16.4**	**18.3**

No contingent rents have been recognised as income during the period.

13. Pension Fund investments 2019/2020

	31 March 2019	31 March 2020
	£m	£m
Long term investments		
Equities	**1.3**	**1.3**
Investment assets		
Bonds	380.3	0
Equities	990.0	857.5
Pooled investment vehicles	2,699.6	2,796.8
Derivatives	1.2	0
Property	436.0	466.0
Private equity	179.8	197.1
Private debt	206.5	250.5
Hedge funds	89.6	84.2
Cash	139.9	80.3
Outstanding dividend entitlements and recoverable withholding tax	11.1	1.2
Amount receivable for sales of investments	1.0	2.5
Total Investment assets	**5,135.0**	**4,736.1**
Investment liabilities		
Derivatives	(2.4)	0
Amounts payable for purchases of investments	(2.6)	(2.8)
Total Investment liabilities	**(5.0)**	**(2.8)**
Net Investment assets	**5,131.3**	**4,734.6**

All companies operating unit trusts or managed funds are registered in the United Kingdom.

3a. Investment reconciliation

Period 2019/2020	Value at 1 April 2019 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 March 2020 £m
Bonds	380.3	39.8	(429.8)	9.7	0
Equities	991.3	438.9	(401.0)	(170.4)	858.8
Pooled investment vehicles	2,699.5	541.2	(219.7)	(224.3)	2,796.8
Derivatives	(1.1)	1,752.1	(1,749.3)	(1.7)	0
Property	436.0	44.7	0	(14.7)	466.0
Other	475.9	108.4	(50.5)	(2.0)	531.8
	4,981.9	**2,925.1**	**(2,850.3)**	**(403.3)**	**4,653.4**
External cash deposits (central cash)	99.7				62.9
Investment manager cash	40.2			8.7	17.4
	5,121.8			**394.6**	**4,733.7**
Outstanding dividend entitlements and recoverable withholding tax	11.1				1.2
Amount receivable for sales of investments	1.0				2.5
Amounts payable for purchases of investments	(2.6)				(2.8)
Net Investment assets	**5,131.3**				**4,734.6**

The previous years data is provided below:

Period 2018/2019	Value at 1 April 2018 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 March 2019 £m
Bonds	367.7	46.6	(38.3)	4.3	380.3
Equities	920.6	429.2	(407.2)	48.7	991.3
Pooled investment vehicles	2,544.5	2,933.9	(3,008.9)	230.1	2,699.6
Derivatives	1.6	1,830.4	(1,826.0)	(7.2)	(1.2)
Property	386.1	50.0	(0.2)	0.1	436.0
Other	364.3	98.6	(31.9)	44.9	475.9
	4,584.8	**5,388.7**	**(5,312.5)**	**320.9**	**4,981.9**
External cash deposits (central cash)	148.7				99.7
Investment manager cash	31.8			8.6	40.2
	4,765.3			**329.5**	**5,121.8**
Outstanding dividend entitlements and recoverable withholding tax	10.2				11.1
Amount receivable for sales of investments	11.9				1.0
Amounts payable for purchases of investments	(12.5)				(2.6)
Net Investment assets	**4,774.9**				**5,131.3**

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2020 (also at 31 March 2019):

- LGIM, passive UK equity - £288.5m or 6.1% (£354.1m or 6.9%)
- LGIM, passive global equity - £1,269.8m or 26.8% (£1,329.7m or 26.0%)
- LGIM, passive index-linked gilts - £399.4m or 8.4% (£388.1m or 7.6%)
- LGPS Central, active global equity - £456.6m or 9.6% (£505.1m or 9.9%)
- LGPS Central, active corporate bonds - £380.5m or 8.0% (£0m or 0.0%)

As at 31 March 2020 (also at 31 March 2019) the Fund was committed to the following contractual commitments:

- £120.1m of contractual commitments for private equity investments (£99.6m)
- Investment in a UK pooled property fund of £15.0m (£14.1m)
- £186.7m of private debt investments (£177.6m)

13b. Investments analysed by Manager

The market value and percentage of assets held by each of the investment managers at the end of the financial year is shown below:

	31 March 2019		31 March 2020	
	£m	**%**	**£m**	**%**
Investments managed by LGPS Central Limited				
LGPS Central Limited Global Equity Active Multi Manager Fund	505.1	10%	837.1	18%
LGPS Central Limited	1.3	0%	1.3	0%
	506.4	**10%**	**838.4**	**18%**
Investments managed outside of LGPS Central Limited				
Insight Investment (corporate bonds)	392.6	7%	0.7	0%
Standard Life Investments (UK equity)	306.1	6%	246.7	5%
JP Morgan Asset Management (global equity)	447.4	9%	399.2	8%
Longview Partners (global equity)	263.0	5%	227.0	5%
Legal & General Investment Management (passive UK index-linked gilts)	388.1	8%	397.4	8%
Legal & General Investment Management (passive all world equity)	1,683.7	33%	1,558.3	33%
Russell Investments (emerging markets equity)	117.8	2%	0	0%
Colliers International UK Plc (property)	436.3	9%	466.2	10%
HarbourVest Partners (private equity)	128.9	3%	134.4	4%
Knightsbridge Advisors (private equity)	21.0	0%	22.9	0%
Partners Group (private equity)	20.4	0%	24.4	0%
Lazard Technology Partners (private equity)	0.9	0%	0.9	0%
Capital Dynamics (private equity)	8.6	0%	13.8	0%
LGPS Central (private equity)	0	0%	0.8	0%
Hayfin Capital Management (private debt)	69.7	1%	90.3	2%
Highbridge Capital Management (private debt)	57.3	1%	74.7	2%
Alcentra Limited (private debt)	79.5	2%	85.5	2%
Goldman Sachs Asset Management (hedge funds)	89.6	2%	84.2	2%
Director of Finance and Resources (central cash)	104.5	2%	68.0	1%
	4,615.4	**90%**	**3,895.4**	**82%**
	5,121.8	**100%**	**4,733.8**	**100%**

13c. Analysis of Investments

	31 March 2019 £m	31 March 2019 %	31 March 2020 £m	31 March 2020 %
Long term investments				
UK equities unquoted	**1.3**	**0%**	**1.3**	**0%**
Investment assets				
Bonds				
UK corporate quoted	176.1	3%	0	0%
Global corporate quoted	204.2	4%	0	0%
	380.3	**7%**	**0**	**0%**
Equities				
UK quoted	341.7	7%	274.4	6%
Global quoted	648.3	12%	583.1	12%
	990.0	**19%**	**857.5**	**18%**
Pooled investment vehicles				
UK	358.9	7%	292.5	6%
UK index-linked	388.1	8%	397.4	9%
Global	1,952.6	38%	2,106.9	45%
	2,699.6	**53%**	**2,796.9**	**60%**
Derivatives (see note 14)				
Forward foreign currency	0.1	0%	0.0	0%
Futures	1.1	0%	0.0	0%
	1.2	**0%**	**0.0**	**0%**
Property				
UK directly held property	397.6	8%	415.3	9%
UK pooled property funds	38.4	1%	50.7	1%
	436.0	**9%**	**466.0**	**10%**
Other				
Private equity	179.8	3%	197.1	4%
Private debt	206.5	4%	250.5	5%
Hedge funds	89.6	2%	84.2	2%
	475.9	**9%**	**527.1**	**11%**
Cash				
External deposits	99.7	2%	62.9	1%
Investment manager cash (Sterling £)	29.3	1%	6.7	0%
Investment manager cash (non Sterling £)	10.9	0%	10.7	0%
	139.9	**3%**	**80.3**	**1%**
	5,124.2	**100%**	**4,733.8**	**100%**
Outstanding dividend entitlements and recoverable withholding tax	11.1		1.2	
Amount receivable for sales of investments	1.0		2.5	
Total Investment assets	**5,136.3**		**4,737.5**	
Investment liabilities				
Derivatives (see note 14)				
Forward foreign currency	(1.0)		0	
Futures	(1.4)		0	
	(2.4)		**0**	
Amounts payable for purchases of investments	(2.6)		(2.8)	
Total Investment liabilities	**(5.0)**		**(2.8)**	
Net Investment assets	**5,131.3**		**4,734.7**	

13d. Stock lending

The Fund lends stock in return for payment. The table below summarises the value of the stock lent out by the Fund at the end of the last two years.

	31 March 2019	31 March 2020
	£m	£m
Equities - UK	54.3	34.8
Equities - Global	59.9	26.6
Fixed interest - UK	1.1	0.0
Fixed interest - Global	8.1	0.0
	123.4	**61.4**

Securities released to a third party under the stock-lending agreement with Northern Trust are included in the net assets statement to reflect the Fund's continuing economic interest in those securities.

Collateral holdings, supporting the loans, are not identified as individual loans but are kept in a pooled structure. As security for the stocks on loan, as at 31 March 2020 the Fund held £66.8 million (£130.6 million at 31 March 2019) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.2 million for the year ending 31 March 2020, (£0.2 million for year ending 31 March 2019). This is included within the investment income figure shown on the Pension Fund account.

13e. Directly held property net asset account

The Fund had investments in property of £466.0m at 31 March 2020 (£436.0m at 31 March 2019), of which £415.3m was in directly held property (£397.6m at 31 March 2019). The account below reconciles the movement in the Fund's investments in directly held property.

The Fund is required to classify its directly held property into a hierarchy by reference to the quality and reliability of information used to determine fair values (See note 15 for more information on the hierarchy). The Fund has classified its directly held property as Level 3, as fair values are based on significant unobservable inputs and estimated using valuation techniques.

Transaction costs for directly held property in 2019/2020 were £3.1m (£2.5m in 2018/2019).

	2018/2019	2019/2020
	£m	£m
Balance at start of year	352.7	397.6
Purchases at cost	46.7	29.8
Sale proceeds	(0.2)	(0.0)
Change in market value	(1.6)	(12.1)
Balance at 31 March	**397.6**	**415.3**

14. Derivative contracts

The holding of derivative contracts is to hedge exposures and reduce risk for the Fund. The use of derivative contracts is managed in line with the investment management agreement between the Fund and the various investment managers who use them.

During 2019/2020 the Fund in-specie transferred £420.1m of assets managed by Insight Investment Management into the LGPS Central Global Active Investment Grade Corporate Bond Multi-Manager Fund. This has resulted on no futures contracts being held directly by the Fund at 31 March 2020 and reduced forward foreign currency contracts.

Forward foreign currency contracts

A significant proportion of the Fund's holdings are held in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, some of the Fund's investment managers hold forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) below against other major currencies.

	31 March 2019		31 March 2020	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Euro	0.1	0.0	0.0	0.0
United States Dollar	0.0	(1.0)	0.0	0.0
	0.1	**(1.0)**	**0.0**	**0.0**

Futures contracts

Futures contracts are used to manage interest rate risk. All are traded on a stock exchange and are listed below at 31 March.

The Fund invested in fixed-rate corporate bonds denominated in Sterling, US dollars and Euros. In order to avoid taking duration risk in relation to movements in US dollar and Euro based interest rates, positions were taken in the corresponding government bond futures.

	Nominal Value	31 March 2019		31 March 2020	
		Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m	£m
Euro Bund Future (Euro €) - June 2019	14.4	0.0	(0.3)	0.0	0.0
Long Gilt Future (Sterling £) - June 2019	63.9	1.1	0.0	0.0	0.0
US 10 year Note (US $) - June 2019	55.7	0.0	(0.9)	0.0	0.0
US 5 year Note (US $) - June 2019	15.3	0.0	(0.2)	0.0	0.0
US 10 year Ultra (US $) - June 2019	1.4	0.0	(0.0)	0.0	0.0
Euro Bund Future (Euro €) - June 2020	14.4	0.0	0.0	0.0	0.0
Long Gilt Future (Sterling £) - June 2020	63.9	0.0	0.0	0.0	0.0
US 10 year Note (US $) - June 2020	55.7	0.0	0.0	0.0	0.0
US 5 year Note (US $) - June 2020	15.3	0.0	0.0	0.0	0.0
US 10 year Ultra (US $) - June 2020	1.4	0.0	0.0	0.0	0.0
		1.1	**(1.4)**	**0.0**	**0.0**

15. Fair value - basis of valuation

The basis of the valuation of each asset class of investment is set out below. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. There have been no changes in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments (equities and bonds)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Bonds are valued at a market value based on current yields	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not required
Unquoted Equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012	- (EBITDA) multiple - Revenue multiple - Discount for lack of Marketability - Control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair value by Savills in accordance with International Valuation Standards and RICS Valuation Standards	- Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled property funds	Level 3	The Funds ownership share in property limited partnerships is applied to the partnership net assets. The net assets are based on the fair value of the underlying investment properties in accordance with International Valuation Standards and RICS Valuation Standards	- Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

15. Fair value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012	- EBITDA multiple - Revenue multiple - Discount for lack of marketability - Control Premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	- Comparable valuation of similar assets - EBITDA multiple - Revenue multiple - Discounted cash flows - Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Hedge funds	Level 3	Closing bid price and offer prices are published	NAV-based pricing set on a forward pricing basis	Valuations are effected by any changes to the value of the financial instrument being hedged.
Forward foreign currency contracts	Level 2	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Futures	Level 1	Published exchange prices at the year-end	Not required	Not Required

Sensitivity of assets valued at Level 3

In consultation with the Fund's investment advisor, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset type	Assessed valuation range %	31 March 2020 £m	Value on increase £m	Value on decrease £m
UK equities unquoted	22%	1.3	1.6	1.0
Freehold and leasehold properties	14%	415.3	473.5	357.2
Pooled property funds	14%	50.7	57.7	43.6
Private equity	28%	197.1	252.4	141.9
Private debt	7%	250.5	268.0	233.0
Hedge funds	15%	84.2	96.8	71.5
		999.1	**1,150.0**	**848.2**

15a. Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. The three levels are detailed below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. Products classified as Level 1 are quoted equities and bonds.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 products include pooled investment vehicles, as they are not traded in a market that is considered to be active and where the asset value can be determined by observed values for the underlying assets.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). Examples include private equity, private debt and hedge funds, which are valued using valuation techniques that require significant judgement.

The following table provides an analysis by the three levels based on the level at which the fair value is observable.

31 March 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	857.5	2,796.8	583.8	4,238.1
Non-financial assets at fair value through profit and loss (See note 13e)	0.0	0.0	415.3	415.3
Financial liabilities				
Designated as fair value through profit and loss	0.0	0.0	0.0	0.0
	857.5	**2,796.8**	**999.1**	**4,653.4**

The previous years data is provided below:

31 March 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	1,371.4	2,699.7	515.6	4,586.7
Non-financial assets at fair value through profit and loss (See note 13e)	0.0	0.0	397.6	397.6
Financial liabilities				
Designated as fair value through profit and loss	(1.4)	(1.0)	0.0	(2.4)
	1,370.0	**2,698.7**	**913.2**	**4,981.9**

15b. Reconciliation of fair value measurements within level 3

Period 2019/2020	Market Value 1 April 2019 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Unrealised gains / (Losses) £m	Realised gains / (Losses) £m	Market Value 31 March 2020 £m
UK equities unquoted	**1.3**	0.0	0.0	0.0	0.0	**1.3**
Freehold and leasehold properties	**397.6**	29.8	0.0	(11.0)	(1.1)	**415.3**
Pooled property funds	**38.4**	14.9	0.0	(2.6)	0.0	**50.7**
Private equity	**179.8**	26.1	(24.3)	6.0	9.6	**197.1**
Private debt	**206.5**	82.4	(26.2)	(12.2)	0.0	**250.5**
Hedge funds	**89.6**	0.0	0.0	(5.4)	0.0	**84.2**
	913.2	**153.2**	**(50.5)**	**(28.2)**	**8.5**	**999.1**

The previous years data is provided below:

Period 2018/2019	Market Value 1 April 2018 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Unrealised gains / (Losses) £m	Realised gains / (Losses) £m	Market Value 31 March 2019 £m
UK equities unquoted	**1.3**	0.0	0.0	0.0	0.0	**1.3**
Freehold and leasehold properties	**352.7**	46.7	(0.2)	(0.3)	(1.3)	**397.6**
Pooled property funds	**33.4**	3.3	0.0	1.7	0.0	**38.4**
Private equity	**141.6**	32.5	(28.8)	20.9	13.6	**179.8**
Private debt	**134.5**	66.1	(3.1)	9.0	0.0	**206.5**
Hedge funds	**88.2**	0.0	0.0	1.4	0.0	**89.6**
	751.7	**148.6**	**(32.1)**	**32.7**	**12.3**	**913.2**

16. Classification of financial instruments

The net assets of the Fund disclosed in the Net assets statement and in notes 13a to 13e, 18, 18a, 19 and 19a are made up of the following categories of financial instruments. No financial instruments were reclassified during 2019/2020.

The analysis within notes 16, 16b and 17 on financial instruments does not include the Pension Fund's directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed in note 13e - Directly held property net asset account and note 12a - Directly held property fund account.

	Designated as fair value through profit and loss	**Financial Assets at amortised cost**	**Financial liabilities at amortised cost**	**Total**
31 March 2020	**£m**	**£m**	**£m**	**£m**
Financial assets				
Bonds	0.0	0.0	0.0	0.0
Equities	858.8	0.0	0.0	858.8
Pooled investment vehicles	2,796.8	0.0	0.0	2,796.8
UK pooled property funds	50.7	0.0	0.0	50.7
Cash	0.0	83.1	0.0	83.1
Other investment balances	531.8	3.7	0.0	535.5
Derivatives	0.0	0.0	0.0	0.0
Long term assets	0.0	1.0	0.0	1.0
Current assets	0.0	15.5	0.0	15.5
	4,238.1	**103.3**	**0.0**	**4,341.4**
Financial liabilities				
Derivatives	0.0	0.0	0.0	0.0
Other investment balances	0.0	0.0	(2.8)	(2.8)
Long term Liabilities	0.0	0.0	(0.1)	(0.1)
Current liabilities	0.0	0.0	(9.4)	(9.4)
	0.0	**0.0**	**(12.3)**	**(12.3)**
	4,238.1	**103.3**	**(12.3)**	**4,329.1**

16. Classification of financial instruments (continued)

The previous years data is provided below:

31 March 2019	Designated as fair value through profit and loss £m	Financial Assets at amortised cost £m	Financial liabilities at amortised cost £m	Total £m
Financial assets				
Bonds	380.3	0.0	0.0	380.3
Equities	991.3	0.0	0.0	991.3
Pooled investment vehicles	2,699.6	0.0	0.0	2,699.6
UK pooled property funds	38.4	0.0	0.0	38.4
Cash	0.0	142.3	0.0	142.3
Other investment balances	475.9	12.1	0.0	488.0
Derivatives	1.2	0.0	0.0	1.2
Long term assets	0.0	1.0	0.0	1.0
Current assets	0.0	16.1	0.0	16.1
	4,586.7	**171.5**	**0.0**	**4,758.2**
Financial liabilities				
Derivatives	(2.4)	0.0	0.0	(2.4)
Other investment balances	0.0	0.0	(2.6)	(2.6)
Long term Liabilities	0.0	0.0	(0.1)	(0.1)
Current liabilities	0.0	0.0	(19.6)	(19.6)
	(2.4)	**0.0**	**(22.3)**	**(24.7)**
	4,584.3	**171.5**	**(22.3)**	**4,733.5**

16b. Net gains on financial instruments

The gains recognised in the accounts in relation to financial instruments are made up as follows:

	31 March 2019 £m	31 March 2020 £m
Financial assets		
Designated as fair value through profit and loss	322.5	(391.2)
Amortised cost	8.6	8.7
	331.1	**(382.5)**

17. Nature and extent of risks arising from financial instruments

The primary objective of the Fund is to ensure that sufficient funds are available to meet all Pension liabilities as they fall due for payment. The Fund aims to do this by adopting an investment strategy that balances risk and return.

The majority of the Fund is invested through external investment managers. Each has an investment management agreement in place which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions.

Risks are managed through diversification; by investing across asset classes, across managers and styles and ensuring managers maintain a diversified portfolio of investments within their mandate. The majority of the Fund is invested in liquid investments.

Market risk

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investment portfolio to all these market risks.

Market risk also represents the risk that the value of a financial instrument will fluctuate caused by factors other than those mentioned above. These changes can be caused by factors specific to the individual instrument or those affecting the market in general and will affect each asset class the Fund holds in different ways.

A high proportion of the Fund is invested in equities and therefore fluctuation in equity prices is the largest risk the Fund faces. The Fund relies on the fact that it has positive cash flows and a strong employer covenant to underpin its investment in equities and maintains its high exposure to equities over the long-term as they are expected to deliver higher returns.

The Fund manages market risk through a diversified investment portfolio and instructing individual investment managers to diversify investments within their own individual portfolios in line with their investment strategies and mandate guidelines. The Pensions Panel and Pensions Committee regularly receive reports which monitor such risks.

Market risk – sensitivity analysis

In consultation with the Fund's investment advisor the following movements in market prices have been judged as possible for the 2019/2020 financial year. The potential market movement figures also allow for interest rate and currency rate fluctuations.

Asset type	Possible market movements
UK equity	+/- 22%
Global equity	+/- 21%
Private equity	+/- 28%
Private debt	+/- 7%
UK fixed interest bonds	+/- 8%
UK index-linked bonds	+/- 7%
Corporate bonds	+/- 9%
Cash	+/- 0%
UK Commercial property	+/- 14%
Hedge funds	+/- 15%

This movement in the market prices would increase or decrease the net assets at 31 March 2020 to the amounts shown below:

Asset type	**31 March 2020 £m**	**Percentage change (+/-) %**	**Value on increase £m**	**Value on decrease £m**
UK equities unquoted	1.3	22%	1.6	1.0
UK corporate bonds	0.0	9%	0.0	0.0
Global corporate bonds	0.0	9%	0.0	0.0
UK equities	274.4	22%	334.7	214.0
Global equities	583.1	21%	705.6	460.7
UK pooled investments	292.5	22%	356.9	228.2
UK index-linked pooled investments	397.4	7%	425.2	369.6
Overseas pooled investments	2,106.9	21%	2,549.4	1,664.5
Derivatives	0.0	0%	0.0	0.0
UK pooled property funds	50.7	14%	57.8	43.6
Private equity	197.1	28%	252.3	142.0
Private debt	250.5	7%	268.1	233.0
Hedge funds	84.2	13%	96.8	71.5
Cash	80.3	0%	80.3	80.3
Outstanding dividend entitlements and recoverable withholding tax	1.1	0%	1.1	1.1
Amount receivable for sales of	2.5	0%	2.5	2.5
Amounts payable for purchases of investments	(2.8)	0%	(2.8)	(2.8)
Long term assets	1.0		1.0	1.0
Current assets	18.3	0%	18.3	18.3
Long term Liabilities	(0.1)		(0.1)	(0.1)
Current liabilities	(9.4)	0%	(9.4)	(9.4)
	4,329.1		**5,139.3**	**3,519.0**

The previous years data is provided below:

Asset type	31 March 2019 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
UK equities unquoted	1.3	18%	1.5	1.1
UK corporate bonds	176.1	7%	188.4	163.8
Global corporate bonds	204.2	7%	218.5	189.9
UK equities	341.7	18%	403.2	280.2
Global equities	648.3	22%	790.9	505.7
UK pooled investments	358.9	18%	423.5	294.3
UK index-linked pooled investments	388.1	9%	423.0	353.2
Overseas pooled investments	1,952.6	22%	2,382.2	1,523.0
Derivatives	(1.2)	0%	(1.2)	(1.2)
UK pooled property funds	38.4	14%	43.8	33.0
Private equity	179.8	27%	228.3	131.3
Private debt	206.5	7%	221.0	192.0
Hedge funds	89.6	13%	101.2	78.0
Cash	139.9	1%	141.3	138.5
Outstanding dividend entitlements and recoverable withholding tax	11.1	0%	11.1	11.1
Amount receivable for sales of	1.0	0%	1.0	1.0
Amounts payable for purchases of investments	(2.6)	0%	(2.6)	(2.6)
Long term assets	1.0		1.0	1.0
Current assets	18.5	0%	18.5	18.5
Long term Liabilities	(0.1)		(0.1)	(0.1)
Current liabilities	(19.6)	0%	(19.6)	(19.6)
	4,733.5		**5,574.9**	**3,892.1**

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Changes in market interest rates would affect the value of the Fund's bonds. The amount of income the Fund generates from its cash holdings would also be affected.

The Fund's direct exposure to interest rate movements as at 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis points (i.e.1%) change in interest rates:

Asset type	**31 March 2020 £m**	**Percentage change (+/-) %**	**Value on increase £m**	**Value on decrease £m**
Cash and cash equivalents	62.9	0%	62.9	62.9
Cash balances	2.8	0%	2.8	2.8
Bonds	0.0	1%	0.0	0.0
	65.7		**65.7**	**65.7**

Asset type	**31 March 2019 £m**	**Percentage change (+/-) %**	**Value on increase £m**	**Value on decrease £m**
Cash and cash equivalents	99.7	0%	99.7	99.7
Cash balances	2.4	0%	2.4	2.4
Bonds	380.3	1%	384.1	376.5
	482.4		**486.2**	**478.6**

Foreign currency risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in Sterling (£) will fluctuate because of changes in foreign exchange rates.

A high proportion of the Fund's equity portfolio is held in global stock markets. Any short term volatility associated with fluctuating currencies is balanced by the long term nature of investments in equity markets.

Foreign currency risk - sensitivity analysis

Following consultation with the Fund’s investment advisors, the Fund considers the likely volatility associated with foreign exchange movements to be 10%.

On the assumption that all other variables, in particular interest rates, remain constant, a 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	**31 March 2020 £m**	**Percentage change (+/-) %**	**Value on increase £m**	**Value on decrease £m**
Global corporate bonds	0.0	10%	0.0	0.0
Global equities	583.1	10%	641.5	524.8
Overseas pooled investments	2,106.9	10%	2,317.6	1,896.2
Private equity	197.1	10%	216.9	177.4
Private debt	250.5	10%	275.5	225.5
Hedge funds	84.2	10%	92.6	75.7
	3,221.8		**3,544.1**	**2,899.6**

Asset type	31 March 2019 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
Global corporate bonds	204.2	10%	224.6	183.8
Global equities	648.3	10%	713.1	583.5
Overseas pooled investments	1,952.6	10%	2,147.9	1,757.3
Private equity	179.8	10%	197.8	161.8
Private debt	206.5	10%	227.2	185.9
Hedge funds	89.6	10%	98.6	80.6
	3,281.0		**3,609.2**	**2,952.9**

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. The biggest exposure the Fund has is through its investment in corporate bonds and private debt.

The Fund is also exposed to credit risk through other investment managers that hold assets and the custodian. The Fund minimises credit risk through the careful selection and monitoring of high quality counterparties. Assets and cash held by the custodian are held in individual accounts in the Pension Fund's name, clearly segregated from the assets of other clients and the custodian.

Through the stock lending programme, operated by the Fund’s custodian, the Fund is exposed to the collateral provided by the borrower against the securities lent. To manage this risk the collateral permitted is restricted to government obligations (such as Gilts) and equities. Collateral is held in excess of the securities lent.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

Another source of credit risk for the Fund is the cash it holds to meet short-term commitments. The cash is managed by the Staffordshire County Council Treasury and Pensions Fund team in line with the Pension Fund's Annual Investment Strategy which sets out the permitted counterparties and limits.

Summary	**Rating**	**31 March 2019**	**31 March 2020**
		£m	**£m**
Bank current account			
Lloyds Bank (see note 18a)	A+	**2.4**	**2.7**
Loan			
LGPS Central	N/A	0.7	0.7
Money market funds			
Aberdeen Ultra Short Duration Sterling Fund (formerly Standard Life Investments Short Duration Managed Liquidity Fund)	AAA	20.0	20.0
Federated (PR) Short-Term GBP Prime Fund Class 3	AAA	16.0	6.0
Goldman Sachs Sterling Liquid Reserve Institutional Inc	AAA	5.0	0.5
JPMorgan Sterling Liquidity Capital	AAA	5.0	0.0
Aviva Investors Sterling Liquidity Fund 3	AAA	0.0	5.5
Morgan Stanley Sterling Liquidity Inst	AAA	5.0	0.3
Royal London Cash Plus Fund	AAA	20.0	10.0
Local Authority Loans			
Kingston Upon Hull	N/A	0.0	5.0
Cornwall Council	N/A	10.0	0.0
Liverpool City Council	N/A	0.0	5.0
Isle of Wight Council	N/A	5.0	0.0
Mid Suffolk District Council	N/A	3.0	0.0
London Borough of Barking & Dagenham	N/A	0.0	5.0
Plymouth City Council	N/A	0.0	5.0
Thurrock Borough Council	N/A	5.0	0.0
Wirral Metropolitan Borough Council	N/A	5.0	0.0
		99.7	**63.0**
		102.1	**65.7**

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. To manage this risk the Fund holds an allocation of its assets in cash, the majority of which Staffordshire County Council Treasury and Pensions Fund team have same day access to. This is to ensure short term commitments can be met.

The majority of the stocks held by the Fund's investment managers are quoted on major stock markets and may be realised quickly if required. Less liquid investments such as property, private equity, hedge funds and private debt currently make up a smaller proportion of the Fund's assets.

In the short-term the Fund can borrow money on the money markets to cover any shortfall that may arise. Overall there is very little risk that the Fund will not be able to raise cash to meet its commitments.

18. Long term assets

	31 March 2019	31 March 2020
	£m	£m
Contributions due – employers (see note 22)	1.0	1.0
Total	**1.0**	**1.0**

18a. Current assets

	31 March 2019	31 March 2020
	£m	£m
Short term debtors		
Contributions due - employers	9.6	8.6
Contributions due - members	2.5	2.5
Cash balances	2.4	2.7
Other	3.9	4.5
Total	**18.4**	**18.3**

19. Long term liabilities

	31 March 2019	31 March 2020
	£m	£m
Income received in advance (see note 23)	(0.1)	(0.1)
Total	**(0.1)**	**(0.1)**

19a. Current liabilities

	31 March 2019	31 March 2020
	£m	£m
Cash overdrawn	0.0	0.0
Investment management expenses	(1.3)	(1.4)
Income received in advance	(1.5)	(2.5)
Benefits payable	(4.0)	(4.2)
Other	(12.8)	(1.3)
Total	**(19.6)**	**(9.4)**

20. Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by external providers. Contributions are paid directly from scheme members to the providers.

The contributions are not included within the Fund accounts, in line with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2017. The table below shows the activity for each AVC provider in the year.

	Scottish Widows £m	Equitable Life £m	Standard Life £m
Opening value	**0.8**	**0.5**	**2.0**
Income	0.0	0.0	0.2
Expenditure	(0.1)	(0.1)	(0.3)
Change in market value	(0.0)	0.0	(0.1)
Closing value	**0.7**	**0.4**	**1.8**

21. Related-party disclosure

- Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.2m (£2.1m in 2018/2019) in relation to the administration of the Pension Fund. The County Council was subsequently reimbursed by the Fund for these expenses.
- The Pension Fund holds a proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the Fund's Annual Investment Strategy, which sets out the permitted counterparties and limits. At 31 March 2020 the Fund held £65.7m in cash (£102.1m at 31 March 2019).

LGPS Central Limited

- LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Staffordshire County Council, as the administering authority for Staffordshire Pension Fund, is one of the shareholders.

  The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPS Central at 31 March 2020 (31 March 2019, £1.315m and £0.685m, respectively) and was owed interest of £0.036m on the loan to LGPSC on the same date (31 March 2019, £0.043m).

  During 2019/20, the Fund in-specie transferred £420.1m of assests managed by Insight Investment Management into the LGPS Central Global Active Investment Grade Corporate Bond Multi-Manager Fund. In total, the transition involved the restructuring of five mandates (from four Partner Funds) to two corporate bond mandates within the LGPS Central Authorised Contractual Scheme. The portfolios were funded to the new managers on 23 March 2020.

  The Fund incurred £0.847m in respect of Governance, Operator Running and Product Development costs in connection with LGPS Central Limited in 2019/2020 (£0.802m in 2018/2019). The accounts payable in respect of these services at 31 March 2020 was £0.221m (£0.066m at 31 March 2019).

-

21a. Key management personnel

The key management personnel of the Fund are the Staffordshire County Council County Treasurer (Section 151 Officer), Director of Corporate Services, and the Head of Treasury and Pensions. Total remuneration payable to key personnel in respect of the Pension Fund is set out below:

	31 March 2019	31 March 2020
	£m	£m
Short Term Benefits	0.1	0.1
Post-employment Benefits	0.1	0.1
	0.2	**0.2**

22. Deferred debtor

A transfer was made from the Fund to the Civil Service Pension Scheme on 1 April 2005 in respect of Magistrates Courts. As at 31 March 2011 agreement had been reached that the Fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the Fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the Fund of £1.004m. At 31 March 2020, the remaining balance was £1.004m as per the long term assets in note 18.

23. Deferred liability

A cash transfer of £0.188m was made to the Fund in 2011/2012 by the Environment Agency. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2019/2020 and £0.013m will be released per year until 2025/2026. At 31 March 2020 the remaining balance was £0.075m as per the long term liabilities in note 19.

24. Accounting Standards issued but not yet adopted

At the balance sheet date the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- IFRS 16 Leases: will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. Implementation of IFRS 16 has been deferred until 1st April 2021 for Local Government. This will have no impact on the Fund's accounts.
- IAS19 Employee Benefits will require the remeasurement of the net pension asset or liability following plan amendments, curtailments and settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and no prediction can be made of the possible accounting impact.

Actuarial statement

Staffordshire Pension Fund ("the Fund")

Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 68% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £5,131 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £73 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.9%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.2 years	23.6 years
Future Pensioners*	22.1 years	25.0 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Laura McInroy FFA
15 May 2020
For and on behalf of Hymans Robertson LLP

Pension Fund accounts reporting requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	**31 March 2020**	**31 March 2019**
Active members (£m)	2,519	3,808
Deferred members (£m)	1,611	1,593
Pensioners (£m)	2,546	2,274
Total (£m)	**6,676**	**7,675**

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £668m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £259m.

Financial assumptions

Year ended (% p.a.)	31 March 2020	31 March 2019
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.3%	2.9%
Discount Rate	2.3%	2.4%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	23.6 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.1 years	25.0 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	10%	636
0.5% p.a. increase in the Salary Increase Rate	1%	43
0.5% p.a. decrease in the Real Discount Rate	10%	683

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2020 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Laura McInroy FFA
15 May 2020
For and on behalf of Hymans Robertson LLP

Glossary

Accounting Period
The period of time covered by the accounts. This is normally 12 months beginning on 1 April.

Accrual
An amount included in the final accounts to cover income or spending during an accounting period for goods or work done, but for which we have not received or made a payment by the end of that accounting period.

Actuarial Strain
This is a charge paid, or due to be paid to the pension fund for paying pensions early.

Actuarial Valuation
This is when an actuary checks what the pension scheme's assets are worth and compares them with what the scheme owes. They then work out how much the contributions from employers must be so that there will be enough money in the scheme when people get their pensions.

Additional Voluntary Contributions (AVCs)
This is an extra amount (contribution) a member can pay to their own pension scheme to increase their future pension benefits.

Admitted Bodies
Organisations which carry out public functions or receive public finance (or both), and are members of our fund (for example, housing associations).

Agency Services
When one organisation (the agent) provides services on behalf of another organisation that will pay for those services.

Amortisation
A charge we make each year in the income and expenditure account to reduce the value of an asset to zero over a period of years.

Balances
The total general balances we have available, including any income built up, which allows us to work without borrowing until we receive the first precept payments in the early part of the financial year. Balances form part of our reserves.

Balance Sheet
This is a summary of all our assets and liabilities, bringing together all our accounts except the pension fund and various trust funds, whose assets we cannot use.

Benchmarks
These are investment performance standards that we expect our investment managers to achieve and against which we measure their investment return.

Bid-Market Price
The price a buyer pays for a stock.

Billing Authority
The local authority responsible for collecting council tax. In shire areas the billing authority is the District Council.

Budget
A statement of our financial plans for a certain period of time. We prepare and approve a budget before the start of the financial year. We prepare our budget on an 'outturn basis', which means that increases for pay and prices during the financial year are contained within the total budget figure.

Budget Requirement
The amount of spending paid for using the council tax and government grant.

Capital Adjustment Account
This mainly represents the balance of the gains or losses arising when we revalue non-current assets to neutralise any effect on the taxpayer.

Capital Charge
A charge to reflect the cost of non-current assets used to provide services.

Glossary

Capital Direction
An instruction from the Government saying what spending can be treated as capital expenditure. This means that instead of having to be counted as revenue, we can pay for it using borrowed money or capital receipts.

Capital Expenditure
Spending to buy significant non-current assets that we will use or benefit from for more than a year (for example, land and buildings).

Capital Financing Requirement
Our need to borrow to pay for capital expenditure.

Capital Programme
Our plan of capital projects and spending over future years, including buying land and buildings, putting up new buildings and work, design fees and buying vehicles and major items of equipment.

Capital Receipts
The proceeds from selling an asset (for example, land or buildings) which we may use to pay for new capital spending or to repay loans we owe.

Capitalised
Spending on assets which carry a future benefit.

Centrally-Controlled Items
Budgets not under the control of chief officers. They include spending relating to property, insurance, repairs and maintenance, interest earned on funds and repaying money borrowed.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA). This is the professional organisation for accountants working in the public service.

Collateral Holdings
Assets pledged to a lender until the loan is repaid. If the borrower does not pay off the loan, the lender has the legal right to seize the asset and sell it to pay off the loan.

Collection Fund
A fund run by each billing authority into which council tax money is paid.

Combined Code
This represents best practice in corporate governance, as recommended by various reports on the subject.

Community Assets
Assets that we plan to hold onto indefinitely, that have no set useful life and that may have restrictions on being sold. Examples of community assets are parks and historic buildings.

Commutations
When a member of the fund gives up part of their pension in exchange for a lump sum.

Contingency
The money we set aside for unexpected spend.

Contingent Liabilities
An amount we could owe when we send the accounts for approval. We will include the liability in the balance sheet if we can estimate it reasonably accurately. Otherwise we would add the liability as a note to the accounts.

Contributors
Employees of authorities who contribute to the pension fund.

Corporate Governance
Issues relating to the way in which a company makes sure that it is giving most importance to the interests of its shareholders and how shareholders can influence how the company is managed.

Glossary

County Fund
Our main revenue fund into which the precept, National Non-Domestic Rates, government grants and other income are paid, and from which we pay the costs of providing services.

Credit Approvals
Authorisations the Government gives to local authorities. They allow the local authorities to pay for capital spending by borrowing or other credit arrangements such as leasing.

Creditors
Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

Credit Ceiling
This is a measure of the difference between our total liabilities for capital expenditure paid for using credit and the provision that has been made to meet those liabilities.

Curtailment Costs
Curtailment costs arise when many employees transfer out of the scheme at the same time, such as when an organisation transfers its members to another scheme.

Custody
Where a financial institution holds and manages the assets of the fund.

Debtors
Amounts owed to us for work done or services supplied which have not been paid by the end of the financial year.

Deferred Liabilities
Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off with a yearly amount over a period of time.

Deficit
A situation where spending is more than income.

Depreciation
The loss of value of a non-current asset as it ages, wears out, is used, or comes to the end of its life.

Discontinued Operations
Any operation which meets all of the following conditions.

a The operation is completed:

- during a relevant period or within three months of the start of the next period; or
- on the date on which we approve the accounts;

whichever is earlier.

b All activities have permanently stopped.

c The assets, liabilities, income and spending of operations and activities are clearly separated for financial reporting purposes.

Fees and Charges
As well as income from council tax payers and the Government, we can charge for a number of services including providing school meals, meals-on-wheels, hiring out school halls and sporting facilities.

Financial Instrument
A contract that provides a financial asset for one organisation and, at the same time, another organisation owes us the same amount. Usually for us this is for long-term loans used to raise funds for capital investment.

Financial Instruments Adjustment Account
A non-cash reserve where we can balance the different rates at which gains and losses in financial instruments are recognised.

Financial Regulations
A written code of procedures we have approved, aimed at providing a framework for sound financial management.

Glossary

Fixed-interest Investments
Investments, mainly in stocks issued by the Government, which provide a fixed rate of interest.

Futures Contracts
A legally-binding agreement to buy or sell a certain amount of a financial product at an agreed price and on an agreed date in the future.

Hedge Fund
This is an investment fund that uses a number of types of investments to make a consistent and steady return. It aims to make money whether markets are falling or rising.

Impairment
Where an asset's value has been reduced for reasons other than normal wear and tear. The asset's value in the accounts has to be reduced to reflect this impairment.

Index-linked Securities
Investments in stock where the rate of interest and capital value are linked to the rate of inflation.

Infrastructure Asset
A non-current asset that cannot be taken away or transferred, and which we can only continue to benefit from by actually using it. Examples of infrastructure are roads, bridges and footpaths.

Investment Management Expenses
All expenses relating to managing the pension fund's investments.

Investment Managers
Firms we appoint to deal with the pension fund's investments on a day-to-day basis.

Leasing
A way of paying for capital spending where we pay a rental charge for a certain period of time. There are two main types of leasing arrangements.

a) Finance leases, which transfer all the risks and rewards of owning a non-current asset to the person taking out the lease. These assets are included in the non-current assets in the balance sheet.

b) Operating leases, where the leasing company owns the asset and the yearly rental is charged direct to the income and expenditure account.

Local Education Authority (LEA)
The part of the county council responsible for schools in Staffordshire.

Minimum Revenue Provision
The minimum amount we must charge to the income and expenditure account each year and set aside for paying off credit. This is currently 4% of the credit ceiling.

Medium-Term Financial Strategy (MTFS)
A three-year financial-planning process designed to make best use of our aims within our available resources.

National Non-Domestic Rate (NNDR)
This is the charge on non-domestic properties. It is the same for all businesses in England and is set each year by the Government. We pay the amounts we collect to the Government, and we then receive a share of the total paid to the Government.

Non-Current Assets
Assets that give us benefits for more than one year.

Payments in Advance
Amounts actually paid in an accounting period before the period they relate to.

Pension Administrative Expenses
All expenses relating to managing the pension scheme, including working out length of service and benefits and paying pensions.

Glossary

Performance Measurement
Measuring the investment performance of a pension fund. This often leads to comparisons with other funds and market indexes.

Plant
Items of mechanical or electrical equipment which perform specific construction or maintenance tasks, such as equipment used to maintain grass verges on roads.

Pooled Investments
When assets of more than one investor are combined.

Portfolio
A list of all the investments an investor owns.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which happen between the date the balance sheet is produced and the date the statement of accounts is approved.

Precept
We get part of our income from charges on the district councils in our areas. A charge, based on the 'council tax base' of the district council, is made on each district's 'collection fund'.

Provision
An amount we set aside to provide for something we will need to pay, but where we do not know the exact amount and the date on which it will arise.

Provision for Credit Liabilities (PCL)
An amount we must set aside to repay finance leases and for other limited purposes.

Public Works Loan Board (PWLB)
A government agency that provides longer-term loans to local authorities.

Realised Gain, Realised Loss
The profit or loss resulting from selling investments during the year.

Receipts and Payments
Amounts we actually pay or receive in a given accounting period, no matter for what period they are due.

Receipt in Advance
Amounts actually received in an accounting period before the period they relate to.

Refunds of Contributions
The amount employees will receive if they stop their pensionable employment within the first three months of working for us (two years in the past).

Reserves
'Earmarked reserves' are amounts set aside for a specific purpose in one financial year and carried forward to meet spending in future years. 'General reserves' are balances generally available to support revenue or capital spending.

Revenue Budget
The estimate of yearly income and spending requirements, which sets out the financial implications of our policies and the basis of the yearly charge we will make.

Revenue Contribution to Capital Outlay (RCCO)
A contribution towards paying for capital spending from the revenue account rather than by borrowing.

Revenue Support Grant (RSG)
A general government grant to support local authority spending, and fixed each year in relation to the formula spending share (FSS).

Running Expenses
The day-to-day costs we pay in providing services, not including salaries and expenses, capital financing charges and revenue contribution to capital outlay.

Glossary

Scheduled Bodies
Organisations whose membership of the fund is laid down in law.

Securities
Investing in shares of companies and in fixed-interest or index-linked stocks.

Specific Grants
Government grants to local authorities to help with particular projects or services.

Standing Orders
The set of rules we follow which set the procedures we use to carry out our business.

Stock Lending
Lending some securities, such as stocks and shares, corporate bonds and government securities from one investor to another approved investor, in return for a fee.

Tactical Asset Allocation
Using futures to:

- make sure that the fund's assets are invested in the relevant area and in line with the targets set for each type of asset and each country; and
- take views on the markets and currencies we expect to perform the best.

Time-Weighted Return
The total capital and revenue returns on a fund. We give this as a percentage of the opening values of the fund in each investment period. It also takes account of any new money received in that investment period.

Transfer Values
The amount that is available from one pension to buy benefits in another pension when employees join or leave the scheme.

Trust Funds
Funds we handle for such purposes as prizes, charities, special projects and on behalf of people under the age of 16.

Withholding Tax
A tax on the income from dividends. We may be able to recover some of this.

Work in Progress
The cost of work done on a project that is not yet finished and the cost has not been charged to the appropriate account at that date.

Rob Salmon, CPFA
County Treasurer
Wedgwood Building
Tipping Street
Stafford
ST16 2DH

Mr Stephen Clark
Ernst & Young LLP
1 Colmore Square
Birmingham
B4 6HQ

Please ask for: Rachel Spain
Telephone: (01785) 854455
Email: Rachel.spain@staffordshire.gov.uk

Ref: Audit/EY1920 Date: 8th December 2020

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 2020. 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 2020 and of its financial performance (or operations) and its cashflows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the Council 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, the

CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the Council 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. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the Covid-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because they would not aid the reader's understanding of the accounts.

B. <u>Non-compliance with law and regulations, including fraud</u>

1. We acknowledge that we are responsible for determining that the Council'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 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 all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those relating to the Covid-19 pandemic.
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: 12 October 2020.
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.
7. We have disclosed to you any cybersecurity breach that either occurred or that third parties (including regulatory agencies, law enforcement agencies and security consultants) had brought to our attention during the period under audit that could potentially be material to the financial statements.

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. We have given no guarantees to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. Other than described in note 3 to the Council financial statements, there have been no events, including events related to the Covid-19 pandemic, subsequent to year end which require adjustment of or disclosure in the 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 Narrative Statement by the County Treasurer and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Statement of Accounting Policy number 1 to the council financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action and the feasibility of those plans.

H. Reserves

1. We have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

I. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

K. Estimates

1. Valuation of property, plant and equipment and pension liability:
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosure made in the council financial statements with respect to the accounting estimates are complete, including the effects of the Covid-19 pandemic on the estimates and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the council financial statements due to subsequent events, including due to the Covid-19 pandemic.

L. 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.

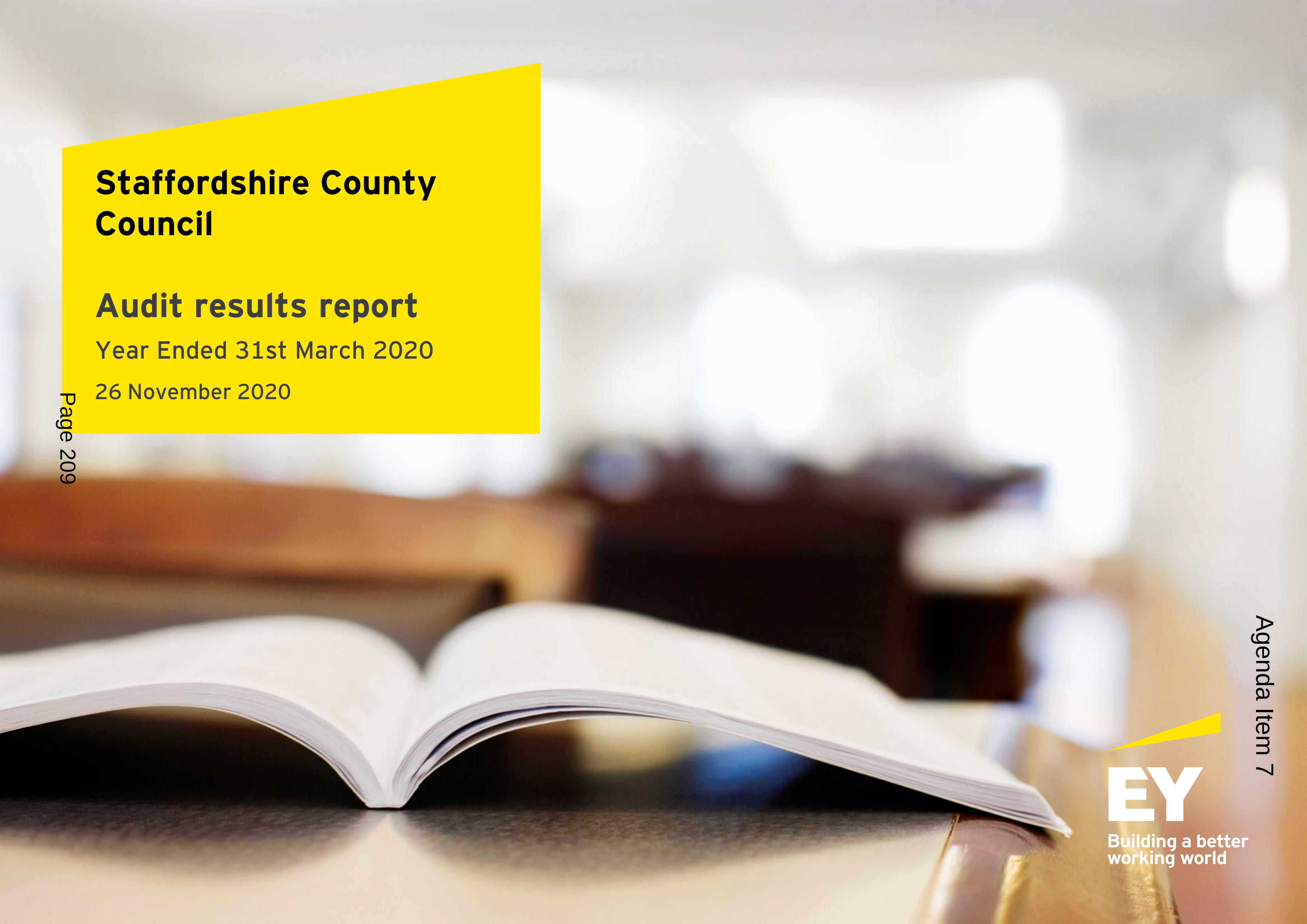
Yours faithfully,

____

Rob Salmon County Treasurer

____

Martyn Tittley (Chair of the Audit & Standards Committee)



Staffordshire County Council

Audit results report

Year Ended 31st March 2020

26 November 2020

Private and Confidential

26 November 2020

Dear Audit and Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of Staffordshire County Council for 2019/20. We will issue our final report at the first Audit and Standards Committee meeting scheduled for 2021.

Our audit of Staffordshire County Council and Staffordshire Pension Fund for the Year Ended 31st March 2020 are both well progressed.

Staff sickness has caused some delays in our ability to deliver the external audits to the target timescales, and we continue to work with management to minimise the impact of this.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit report on the financial statements in the form at Appendix D.

We are reporting matters about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Standards Committee meeting on 9 December 2020.

Yours faithfully

S R Clark

Stephen Clark

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Page 211

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Planning Report dated 8 June 2020 tabled at the 22 June Audit and Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales:

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes in materiality:

In our Audit and Standards Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £11.59m, with performance materiality, at 50% of overall materiality, of £5.79m, and a threshold for reporting misstatements of £0.57m. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report dated 8 June 2020 remain appropriate.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 1% of gross revenue expenditure we have updated our overall materiality assessment to £10.90m. This results in updated performance materiality, at 50% of overall materiality, of £5.45m, and an updated threshold for reporting misstatements of £0.55m.

A summary of our approach to the audit of the balance sheet is included in Appendix A. There have been no changes to our approach from the prior year audit.

Information Produced by the Entity (IPE):
We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and

- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19:
The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee on page 39.

Executive Summary

Status of the audit

Our audit of Staffordshire County Council's financial statements for the Year Ended 31st March 2020 is well progressed and we have performed the procedures outlined in our Audit Planning Report dated 8 June 2020. Subject to satisfactory completion of the outstanding matters set out in Appendix D we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

Audit differences

There were 3 audit differences over our performance materiality level of £5.45m which have been adjusted in the financial statements. These had no impact on the Comprehensive Income and Expenditure Statement and are set out in section 4.

At the time or writing there are 2 unadjusted audit differences over our reporting threshold of £0.55m which relate to disclosure misclassifications in the prior year. These are detailed in section 4.

Objections

Page 214

We have received no objections to the 2019/20 accounts from members of the public.

Areas of audit focus

Our Audit Planning Report dated 8 June 2020 identified key areas of focus for our audit of Staffordshire County Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Standards Committee.

Independence

Please refer to Section 9 for our update on Independence.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, during the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. We have set out our observations at section 7 of the report, together with an update on previous recommendations.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report dated 8 June 2020 we identified the following significant risks:

- Sustainable resource deployment; and
- Working with partners and third parties.

As a result of our procedures, we conclude that a qualified 'except-for' conclusion with respect to your arrangements to secure economy, efficiency and effectiveness in your use of resources is appropriate.

In January 2019, a joint report was issued by OFSTED and the CQC relating to the joint inspection of the local area of Staffordshire to assess the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as required by the Children and Families Act 2014. The joint report highlighted significant weaknesses in terms of working with third parties effectively to deliver strategic priorities.

Our review in 2019 concluded that the Council had an action plan in place to address the weaknesses identified. However, as the inspectorates have yet to complete their follow-up review and conclude that the recommendations have been fully implemented, the matter is retained as a significant risk for 2019/20.

During 2019/20 the County Council requested internal audit to conduct a review to identify the progress that had been made in completing actions within the WSOA. The internal audit report, published May 2020, provided limited assurance noting "The review of the written statement as at January 2020 showed that overall the situation across all eight priority areas had remained broadly similar since October 2019, with the majority (at least five/six) recorded as Amber (work is progressing and expected to be completed within the timescales set)."

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have currently concluding the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will update the Audit and Standards Committee with progress.

We have no other matters to report.

Executive Summary

Pension Fund Audit Progress Update

The audit of the Pension Fund is well progressed. There are a small number of outstanding audit procedures as follows:

- Contributions Receivable - we are awaiting a small number confirmations from some admitted/scheduled bodies which we have circularised (i.e. we have asked them to confirm the contributions that they have made);
- Disclosures on Related Parties - we need to review the register of interest and officer/member returns;
- Going concern assessment and revised disclosure – with EY for review and internal consultation; and
- Final manager and partner review and approval of the audit procedures.

Note that we will be including an emphasis of matter paragraph in the audit report for the Pension Fund. This is to highlight the fact that the valuation of directly held property includes the material uncertainty caveat arising from the impact of C-19 on market data at the 31 March 2020.

A separate Audit Results Report for the Pension Fund will be provided on conclusion of all audit procedures.

02 Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

What judgements are we focused on?

Taking into account the results of the 2018/19 we considered the risk to manifest itself in the following areas;

- Occurrence of income and expenditure in relation to disabled facilities grants, dedicated schools grants and public health grants, which resulted in the double-counting in the financial statements;
- Inappropriate cut-off of revenue expenditure and non-grant income at the year-end date resulting in transactions being recorded in the wrong financial period; and
- Inappropriate capitalisation of revenue expenditure which could result in a misstatement of the cost of services reported in the comprehensive income and expenditure statement.

What did we do?

In order to address this risk we carried out a range of procedures including:

- Testing the year end cut-off of expenditure and non-grant income to ensure that transactions have been recorded in the appropriate financial period;
- Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, specifically to;
  - i. the accounting entries for pass through grants; and
  - ii. those that move expenditure to PPE balance sheet general ledger codes;
- Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to confirm recognition is in accordance with accounting policies.

Risk of fraud in revenue and expenditure recognition (continued)

What are our conclusions | Significant Risk

Cut-off testing

We have tested all expenditure transactions over £272k in the month immediately before and after the balance sheet date. In addition, we have reviewed all bank payments over £272k in the month of April 2020 to identify any unrecorded liabilities at the balance sheet date. We found no instances of transactions being recorded in the wrong financial year, and no omitted items of expenditure.

Appropriateness of journals

We have a small number of queries outstanding in relation to our journal entry testing. Until these are resolved, we cannot conclude our procedures. However, from the work performed to date, no instances of inappropriate revenue and expenditure recognition have been identified.

Sample testing on PPE additions:

We have tested 75 transactions impacting PPE additions. All had been recorded at an appropriate value, and we have found no instances of inappropriate capitalisation of expenditure.

Classification of income

Whilst testing the recognition of income we queried £15.8m of income disclosed as Government Grants and Contributions in note 11 to the draft financial statements. Upon further investigation management determined that this is actually ‘fees charges and other service income’, and had therefore been misclassified. This was corrected by management in the final financial statements. It should also be noted that the same misclassification error was present in the prior year financial statements, and the equivalent figure was £43.2m. Since this is merely a reclassification between different categories of income within the same note, management concluded (and we agree) that this is not qualitatively material to the reader’s understanding of the financial statements and therefore a prior period adjustment to correct this error was not required.

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

- Identified fraud risks during the planning stage;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud;
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements; and
- Reviewed and discussed with management any changes the methodologies of existing and new accounting estimates, which include accruals and provisions, for evidence of bias.

What are our conclusions?

From the work performed to date, we have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We have not identified any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

As mentioned on the previous page, our journals testing is not yet complete. Until this work is complete we are unable to conclude in respect of the significant risk of misstatements due to fraud or error.

Significant risk

Valuation of land and buildings

What is the risk?

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The fair value of other land and buildings represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

The Council has a rolling valuation process, annually valuing 20% of the land and building assets, that is subject to a number of assumptions and judgements, which if inappropriate could result in a material impact on the financial statements.

The audit risk relates to valuation of land and buildings at 31 March 2020. There is also a potential that the remaining 80% of unvalued assets may have experienced a material change in value which has not been identified and accounted for correctly.

What judgements are we focused on?

We are focused on the reasonableness of the assumptions applied in the valuations undertaken in the year, including the basis of valuation and whether that is appropriate for the nature of the asset, and the valuation inputs (such as floor/site areas).

What did we do?

- Documented our understanding of the processes and controls in place to mitigate the risks identified, and walked through those processes and controls to confirm our understanding;
- Evaluated the competence, capabilities and objectivity of management's specialist;
- Reviewed the instructions issued to the valuer to ensure these are consistent with accounting standards, and assessed if the instruction include a specific instruction from the council to the valuer relating to an assessment on the unvalued population;
- Engaged our valuation specialists to support our testing strategy and help evaluate the work of the Council's valuer;
- Performed appropriate tests over the completeness and appropriateness of information provided to the valuer;
- Reviewed the classification of assets and ensured an appropriate valuation methodology has been applied;
- Ensured the valuer's conclusions have been appropriately recorded in the accounts; and
- Review assets not subject to valuation in 2019/20, with specific focus on assets subject to a BCIS indexation, to confirm that the remaining asset base is not materially misstated.

Valuation of land and buildings (continued)

What are our conclusions

Significant Risk

We have engaged our EY Real Estates specialists to review in detail a sample of 10 assets which have been revalued in the year. As a result of this work, and questioning by EY Real Estates, management's valuer acknowledged that errors were present in 2 of the sampled valuations and that revised valuations would be provided. The impact of these corrections are shown in the table below. The Council has corrected the financial statements for each of these valuation movements.

Asset	Original valuation	Revised valuation	Difference
Stafford household Waste Site	1,923,000	1,306,000	617,000 decrease
Amberwood Care Home	6,879,000	7,339,000	460,000 increase

We are currently working through the implications of the above errors on the extent of any additional testing required.

Our work on examining the assets not subject to revaluation in the year has not yet commenced.

Until our procedures are complete, we are unable to draw a conclusion in respect of the signification risk over the valuation of land and buildings.

Significant risk

Accounting for disposals of schools converting to academies

What is the risk?

In previous years the Council has seen a number of schools convert to academy status and move outside the Local Education Authority's control.

Since 2017/18, material accounting errors, relating to 37 schools have been identified due to the disposal being recorded in the wrong financial year.

The audit risk relates to the existence of schools assets included in the Council's statement of financial position at 31 March 2020.

What did we do?

- Assessed with Council officers what improvements have been made during 2019/20 to processes and controls; and
- Used the Department for Education academy school conversions listing to test a sample of schools to confirm if the disposal has been accounted for in the correct financial year.

What are our conclusions?

We noted no errors as a result of our testing.

We are therefore assured that there are no material misstatements arising from schools converting to academies in the 2019/20 financial year.

Significant risk

Pension Valuation Liability – LGPS

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Staffordshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £1.128 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates

What judgements are we focused on?

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISA (UK) 500 and 540 requires us to undertake procedures on the use of management's experts and the assumptions underlying fair value estimates.

What did we do?

- Performed appropriate tests to obtain assurance over the information provided to the actuary;
- Wrote to the Pension Fund auditor to ascertain whether there are material concerns we need to be aware of for our audit;
- Ensured accounting entries and disclosures are consistent with the actuaries report;
- Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Reviewed the outcome from the second report from the Actuary in conjunction with a review and testing of the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

Management obtained revised actuarial reports to reflect the recent McCloud remedy consultation which resulted in changes to the draft financial statements. The net liability moved from £1,128.2m in the initial draft financial statements to £793.37m in the final draft financial statements.

Our procedures in this area remain ongoing. Until they are complete we are unable to conclude.

Other Areas of Audit Focus

Accounting for PFI Waste scheme

The Council has four PFI Schemes, the most significant of which is the Waste to Energy PFI Scheme and was subject to material audit adjustments in 2015/16 and 2017/18, where the outputs from the operating model had not been consistently accounted for in the financial statements.

We did not identify the need for material audit adjustments in 2018/19 but accounting for PFI remains a highly complex and judgemental area of the financial statements.

We have tested the completeness and accuracy of the inputs to the financial model and the subsequent application of the outputs to the financial statements. No material issues have been noted as a result of our work.

Going Concern

Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.

Our work has focused on key assumptions underlying Management's going concern assessment; in particular the impact on the liquidity and use of reserves for the Authority over the period of at least 12 months from the date of approving the final audited financial statements for the year ended 31 March 2020 (presently this has covered the period out to 31 December 2021 but will be updated prior to signing the audit opinion if necessary).

We have:

- Reviewed Management's going concern assessment, including the cash flow forecast. We challenged key assumptions and sensitivity analysis performed.
- Reviewed the Authority's need to borrow over the going concern period.
- Reviewed and challenged the disclosures Management have made in the financial statements with respect to the applicability of the going concern basis of accounting and the impact of Covid-19 on the Authority.
- Complied with EY's internal risk management consultation arrangements which have been put in place in response to the increased risk posed by the C-19 pandemic.

Based on our review of management's assessment and consideration of cash/liquidity throughout the period to 31 December 2021 (and subject to any extension of that date required as referenced above) and the available reserves, we conclude that the going concern basis of accounting in the production of the 31 March 2020 financial statements is appropriate and there is no material uncertainty in this regard.

03 Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAFFORDSHIRE COUNTY COUNCIL

Opinion
We have audited the financial statements of Staffordshire County Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement, and
- the related notes 1 to 46.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:
give a true and fair view of the financial position of Staffordshire County Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts set out on pages X to X, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Draft audit report (continued)

Our opinion on the financial statements

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

Working with partners and other third parties

During November 2018, a joint Ofsted and CQC inspection of the local Staffordshire area was carried out to judge the effectiveness of implementation of special educational needs reforms following the Children and Families Act 2014. This inspection identified a number of significant areas of weakness in practice, resulting in the requirement for the County Council and CCGs to issue a Written Statement of Action (WSOA). During 2019/20 the County Council requested internal audit to conduct a review to identify how progress had been made in completing actions within the WSOA. The internal audit report, published May 2020, provided limited assurance noting "The review of the written statement as at January 2020 showed that overall the situation across all eight priority areas had remained broadly similar since October 2019, with the majority (at least five/six) recorded as Amber (work is progressing and expected to be completed within the timescales set)."

This issue is evidence of weaknesses in proper arrangements for:
partnership working in the local area and the ability of organisations to work together to effectively deliver strategic priorities, improving the health and experiences of the local population.
Actions to address the identified weaknesses have not progressed with appropriate urgency during the 2019/20 financial year.

Page 228

Qualified conclusion (Except for)

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Staffordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Draft audit report (continued)

Our opinion on the financial statements

Responsibility of the Treasurer

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 14, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Staffordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Staffordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Staffordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Draft audit report (continued)

Our opinion on the financial statements

Pension Fund financial statements

On [date] we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2020 included within the Statement of Accounts. [*Include this cross- reference only if pension fund opinion is not signed and issued on the same date and within same document as the Authority's financial statements]*.

Certificate

We certify that we have completed the audit of the accounts of Staffordshire County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Staffordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Clark (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Birmingham
Date

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £5.45m which have been corrected by management that were identified during the course of our audit.

Reclassification misstatements:

- Misclassification of money market funds in relation to short term investments with local authorities £64.0m. This is a disclosure issue only and doesn't affect the Comprehensive Income and Expenditure statement.
- Income from fees, charges and other service income misclassified as grant income £15.8m (prior year £43.2m, see below). This is a disclosure issue only and doesn't affect the Comprehensive Income and Expenditure statement.
- £8.8m income relating to the Disabled Facilities Grant incorrectly included in the line 'MHCLG' in Note 33 'Grants Credited for Services'. This is a disclosure issue only and doesn't affect the Comprehensive Income and Expenditure statement, but does mean the MHCLG figure has been amended from £14m to £5.2m.

Disclosure misstatements

Capital Financing Requirement – The opening and closing capital financing requirements disclosed in the draft financial statements have not been calculated in accordance with the CIPFA Practitioner's Guide to Capital Finance in Local Government, 2019. This results in a current year understatement of the disclosed capital financing requirement of £78m.

Summary of uncorrected misstatements

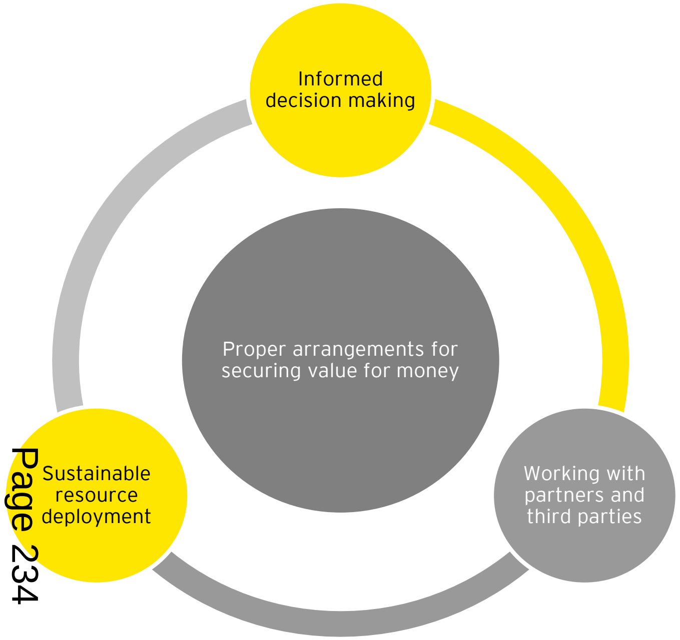
We highlight the following misstatements greater than £0.55m which have not been corrected by management that were identified during the course of our audit.

Prior year disclosure misclassification misstatement:

- Income from fees, charges and other service income misclassified as grant income in 2018/19 of £43.2m. This is a disclosure issue only and doesn't affect the Comprehensive Income and Expenditure statement.

05 Value for Money

Value for Money



Page 234

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19.

This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We identified 2 significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Planning Report dated 8 June 2020 and any other significant weaknesses or issues we want to bring to your attention.

As a result of our procedures, we conclude that a qualified 'except-for' conclusion with respect to your arrangements to secure economy, efficiency and effectiveness in your use of resources is appropriate.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report dated 8 June 2020.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Sustainable resource deployment Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions	From the medium term financial strategy (MTFS), updated in January 2019, has proposed balanced budget budgets for 2020/21 and 2021/22. However, the MTFS has identified the Council will experience budget gaps from 2022/23 to 2024/25 ranging from £1.1m to £6.8m, respectively. Going forward the Council will need to continue to scrutinise its financial plans to achieve budget savings in order maintain delivery of Council services to enable it to hold an adequate level of useable reserves.	At 31 March 2020 key balances were as follows: • Cash and Cash equivalents £79m • General Fund £35.5m • Total usable reserves £240m • Borrowing £452.5m (of which £413.1m is payable > 1 year). Therefore Staffordshire County Council has significant cash and cash equivalents balances and usable reserves. There is no indication that statutory services will not be maintained at least for the next 12 months. Government funding received to date has reimbursed almost all C-19 expenditure, lost income and savings delays (with a £2m shortfall which is immaterial). The MTFS (February 2020), identified headroom of £1.1m in 22/23, £3.3m in 23/24 and £6.8m in 24/25, however this was after significant savings, rising to £62.7m by 2024/25. We have reviewed Management's assessment of how quickly general balances would be used up if the council did nothing to address matters e.g. no savings programme in place. This shows that all general balances would be fully utilised by the end of 23/24 if costs increase at their assumed 'worst case' levels. Our work on reviewing the assumptions within the MTFS and the arrangements to develop robust savings plans is ongoing but at this stage we do not anticipate having matters to report in our audit opinion in relation to this significant value for money risk.

Value for Money Risks (continued)

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Working with partners and third parties Working with third parties effectively to deliver strategic priorities	In January 2019, a joint report was issued by OFSTED and the CQC relating to the joint inspection of the local area of Staffordshire to assess the effectiveness of the area in implementing the special educational needs and disability (SEND) reforms as required by the Children and Families Act 2014. The joint report highlighted significant weaknesses which was significant VFM risk in terms of working with third parties effectively to deliver strategic priorities. Our review in 2019 concluded that the Council had an action plan in place to address the weaknesses identified. However, as the inspectorates have yet to complete their follow-up review and conclude that the recommendations have been fully implemented, the matter is retained as a significant risk for 2019/20.	During 2019/20 the County Council requested internal audit to conduct a review to identify how progress had been made in completing actions within the WSOA. The internal audit report, published May 2020, provided limited assurance noting "The review of the written statement as at January 2020 showed that overall the situation across all eight priority areas had remained broadly similar since October 2019, with the majority (at least five/six) recorded as Amber (work is progressing and expected to be completed within the timescales set)." This issue is evidence of weaknesses in proper arrangements for: • partnership working in the local area and the ability of organisations to work together to effectively deliver strategic priorities, improving the health and experiences of the local population. Actions to address the identified weaknesses have not progressed with appropriate urgency during the 2019/20 financial year.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We are currently concluding our work in this area and will report any matters arising to the Audit and Standards Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Standards Committee.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any additional significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

Status of previous year's recommendations

Description	Update	Management comments
Accounting for schools converting to Academies Due to the volume of errors noted in previous years we recommended the finance team continues to make regular enquires with both the legal and property services teams ensure disposals are accounted for in the correct financial year.	No errors were noted in our testing for 2019/20 and we therefore consider that this matter is now satisfactorily resolved.	
Reconciliation of detailed accounts receivable and payable systems to the general ledger In previous years we highlighted a lack of documentary evidence showing that a review of the reconciliations between the sub-ledgers and general ledger had taken place and a lack of audit trail back to detailed aged listings of supplier/customer balances at the balance sheet date.	We have noted no change to the previous observations during the course of our procedures in the current year.	A lot of work has been performed on the accounts payable reconciliation and this was significantly improved from 18/19. We also worked on the accounts receivable reconciliation and although progress was made, we recognise there is still work to do in this area.
Missing declaration of interest forms In previous years we have noted several Members had not returned declaration of interest forms at the balance sheet date. Absent the signed declarations, we recommended that management undertake inquiries to provide assurance that all material related parties are identified and disclosed in the financial statements.	At the time of writing there are still 2 declarations of interest outstanding in relation to the 2019/20 financial year from Members. We therefore consider that this issue remains, and Members should be reminded of their legal obligation under the Localism Act 2011 which states that it is a criminal offence not to register interests within 28 days. Therefore the year end declaration for the purposes of completing the financial statements should be no additional burden to the process they are already following.	We have improved on the number returned this year and also provided reasons for those that were not returned, in all cases this was due to the Member concerned suffering from a serious illness. These declarations of interest are for the period of time requested by the accounts, they are not the same as the declarations made by Members to Member and Democratic Services, for their use during meetings. Those are always completed and comply with the Localism Act.
Quality of the financial statement preparation process For the past two years we have reported on the quality of the financial statement preparation process, which led to several audit differences. These issues could be mitigated in the future by making improvements to the quality review arrangements before the financial statements are presented for audit.	We continue to find errors in the working papers provided for audit, as basic checks are not being carried out and there is heavy reliance on the use of spreadsheets to accumulate and categorise data makes a clear audit trail difficult to create and maintain.	As a large and complex organisation, we will always have to rely on spreadsheets to produce notes and statements, not least because the Code requires so many notional transactions which are not needed for internal reporting which will not necessarily be entered into the finance system. We will keep this point under review as we begin preparations for the 2020/21 accounts.

Assessment of Control Environment

Status of previous year's recommendations (continued)

Description	Update
Whistleblowing We noted weaknesses in the way the Authority monitors whistleblowing allegations, and recommended that all whistleblowing allegation are logged centrally to ensure a complete list is maintained and assist the monitoring, progress against the allegations.	We have noted no change to the previous observations during the course of our procedures in the current year.
Annual Governance Statement Publication The annual governance statement had not been made available alongside the draft accounts for the inspection period.	The annual governance statement for 2019/20 was also not made available alongside the draft accounts for the inspections period. For 2019/20 we also noted that there was an error in the published inspection period. For 2019/20 a statutory instrument (SI) amending the Accounts and Audit Regulations was passed. For both Category 1 and Category 2 authorities, the requirement for a 'common' inspection period has been removed. The requirement to hold a 30-working-day inspection period remains, but for 2019-20 both Category 1 and Category 2 authorities can commence the inspection period at any time, except it must commence no later than 1 September 2020. The Council published its draft financial statements on 16 July 2020. The inspection period was clearly announced by the Authority and covered the period 3 August 2020 to the 11 September 2020. This does not cover the required 30 working day period because 31 August 2020 was a bank holiday (and therefore not a working day). We also note that within the draft statement of accounts presented for audit (page 1), a different inspection period was quoted (1 September to 29 September 2020). This period also does not cover the required 30 days.

Page 243

Additional observations in the current year

Description	Impact
No formal approval process for earmarked reserves There is no formal approval process for Members to review and approve transfers to and from earmarked reserves	This can give rise to a lack of transparency and accountability in respect of the reserves strategy for the Council.

08 Data Analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Planning Report dated 8 June 2020.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

09 Independence

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated 8 June 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Standards Committee on 9 December 2020.

We confirm we have not undertaken non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd OR our external audit engagement letter.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the Year Ended 31st March 2020.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Audit Fee – Code work – scale fee	84,511	84,511	84,511
Audit Fee – Code work – scale fee variation*	114,980	98,495	77,500
Total Audit fee – Code work	199,491	183,006	162,011
Non-audit work	nil	nil	nil
Total non-audit services	nil	nil	nil

* In our Audit Planning Report we identified and reported areas where audit work will be required over and above the level of the scale fee previously set.

This excluded the additional costs associated with Covid-19.

We will discuss these additional costs in detail with management. All scale fee variations are subject to approval from PSAA Ltd.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.
There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous page sets out the fees that you have paid to us in the Year Ended 31st March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that no services have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit and Standards Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit and Standards Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020: https://www.ey.com/en_uk/who-we-are/transparency-report-2020

10 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

We take a substantive approach to the audit and do not test controls. Our approach to the audit of the balance sheet has not changed from the prior year audit.

Appendix B

Summary of communications

Date	Nature	Summary
29 January 2020	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss audit planning matters.
8 June 2020	Report	The Audit Planning Report dated 8 June 2020, including confirmation of independence, was issued to the Audit and Standards Committee.
22 June 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit and Standards Committee and senior members of the management team to discuss the Audit Planning Report dated 8 June 2020.
30 October 2020	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss matters arising during the course of the audit.
28 November 2020	Report	The audit results report, including confirmation of independence, was issued to the Audit and Standards Committee.
3 December 2020	Meeting	The partner in charge of the engagement is scheduled to meet with the Audit and Standards Committee and senior members of the management team to discuss the audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Page 258

Appendix C

Required communications with the Audit and Standards Committee

There are certain communications that we must provide to the Audit and Standards Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report dated 8 June 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report dated 8 June 2020
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process ▸ Findings and issues regarding the opening balance on initial audits	Audit results report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the Audit and Standards Committee include: ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ For joint audits – the distribution of tasks ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit and Standards Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant ▶ Any disagreements with joint auditors	Audit Planning Report dated 8 June 2020 and Audit results report

Page 255

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report
Subsequent events	▸ Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report
Fraud	▸ Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Standards Committee responsibility.	Audit results report

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Audit Planning Report dated 8 June 2020 and Audit results report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Audit and Standards Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report.

Appendix C

Our Reporting to you

Required communications	What is reported?	When and where
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Planning Report dated 8 June 2020
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▸ Breakdown of fee information when the Audit Planning Report dated 8 June 2020 is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Planning Report dated 8 June 2020 Audit results report

Page 259

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Final Statement of accounts	Review of the final statement of accounts for correction of misstatements and correct incorporation of EY review comments on disclosure notes	EY and management
Finalisation of financial statement pre-issuance review	All comments/observations to be appropriately addressed and corrected (where appropriate) in the financial statements	EY and management
Closure of audit work and internal review procedures, with the most significant areas being in relation to:	Valuation of property, plant and equipment Journal testing Pension liability Value for money conclusion	EY and management
Whole of government accounts	Completion of required procedures to report to the National Audit Office in respect of Whole of Government Accounts.	EY
Final Annual Governance Statement	Review of the final annual governance statement for appropriate incorporation of EY review comments	EY and management
Engagement quality review	Completion of engagement quality review procedures	EY
Signed management representation letter	Receipt of signed management representation letter	Management and Audit and Standards Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Management representation letter

Draft Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young LLP
1 Colmore Square
Birmingham B4 6HQ

Dear Mr. Clark

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Staffordshire County Council ("the Group and Council") for the year ended 31 March 2020. 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 consolidated and council financial statements give a true and fair view of the Group and Council financial position of Staffordshire County Council as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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, for the Group and the Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council 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 Group and the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have 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 2019/20 for the Group and the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

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

1. We acknowledge that we are responsible for determining that the Group and Council'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 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 Group or 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 Group or 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.

Management representation letter (continued)

Draft Management Rep Letter

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 all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Cabinet, Full Council, and Audit and Standards Committees (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: *[date to be added prior to signing]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 consolidated and council 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 Group and 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.
7. We have disclosed to you any cybersecurity breach that either occurred or that third parties (including regulatory agencies, law enforcement agencies and security consultants) had brought to our attention during the period under audit that could potentially be material to the financial statements.

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. We have given no guarantees to third parties.
4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1.Other than described in Note 3 to the consolidated and council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

1\. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement by the County Treasurer and the Annual Governance Statement.

2\. We confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. Statement of Accounting Policy number 1 to the consolidated and council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Management representation letter (continued)

Draft Management Rep Letter

I. Reserves

1.We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

J. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the pension liability 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.

L. Estimates

1. Valuation of property, plant and equipment and pension liability:
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on the estimates and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. 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.

Yours faithfully,

____

County Treasurer

____

Chairman of the Audit and Standards Committee

Accounting and regulatory update

Future accounting developments

Since the date of our last report to the Ethics, Transparency and Audit Panel, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Staffordshire County Council
IFRS 16	▸ The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20.	▸ Staffordshire County Council will need to ensure that all lease arrangements entered into are identified and quantified (including for the comparative period) prior to the new implementation date ▸ Consider whether appropriate systems and processes are in place to embed the requirements of the new accounting standard going forward.

Regulatory update

Since the date of our last report to the Ethics, Transparency and Audit Panel, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Staffordshire County Council
Code of Audit Practice 2020	▸ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.	▸ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. ▸ Further updates will be provided when possible.

Reflections from the Redmond Review

Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Published on the 8th September 2020, Sir Tony Redmond's findings and recommendations from his independent review provides a significant opportunity to shape the future sustainability of local government financial reporting and auditing. We believe this will help ensure audit continues to meet the evolving needs of local authorities, the public, and the public interest.

Guiding principles for reform

We believe reforms should be guided by the following principles:

- Reforms should enhance, or at least should not create risks to, the quality of financial reporting and external audit.
- The importance of the multidisciplinary audit firm model, to enable local auditors to respond efficiently and effectively to the increased reporting complexity, risks and financial resilience pressures we have seen facing the public sector pre and post Covid-19.
- There should not be a two-tier system of generally accepted accounting and auditing standards between the public and corporate sectors.
- To be effective and sustainable, reforms need to focus on the public sector financial reporting and external audit ecosystem as a whole.

Reflections from the Redmond Review (continued)

Taking our guiding principles, we broadly welcome the Redmond review and proposals, in particular:

Quality of financial reporting and external audit

- The recognition that all stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability. This includes improving the effectiveness of Audit Committees, strengthening the training skills, capacity capability and attractiveness of the public sector finance and audit professions.
- His conclusion that the current procurement and fee structure does not support sustainable audit quality. We have provided you with our perspectives on how baseline audit fees need to change to take account of your risk profile, complexity as well as the regulatory and professional context which drive our audits.

Reforming the public sector financial reporting and external audit ecosystem

- Establishing the Office for Local Audit Regulation (OLAR), which provides a "system leader" and will bring clarity to the existing framework for local authority audit.
- The importance of MHCLG establishing a liaison committee of all key stakeholders to oversee reforms. To begin with MHCLG should take urgent action to implement primary legislation to establish OLAR, revise the timetable for financial reporting and revisit the procurement and fee structure for public sector audit.

Multidisciplinary audit firm model

- The importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and his proposals on how this assessment could be enhanced within the NAOs code of audit practice.

Safeguarding professional accounting and auditing standards

- The need for CIPFA/LASAAC to revisit the accounting code and introduce summarised accounts. We agree that there is a need for more proportionality in the Code which also sets out the expectations of practitioners and auditors and how this could be applied in areas such as pensions and asset valuations. However, we believe that any future proposals on the accounting code should not create a two-tier system.

Reflections from the Redmond Review (continued)

What are we doing in the meantime?

1. Planning for a 30 September financial reporting target date for 2020/2021 accounts, integrated with our NHS work.

2. Implementing the new NAO code and changes to our VFM conclusion work and reporting for 2020/2021 audits. We will also work with the NAO and other audit suppliers on any refinements to how auditors assess financial resilience.

3. Continuing to engage with and influence MHCLG, NAO, PSAA CIPFA/LASAAC, FRC and other key stakeholders on the actions required to implement the Redmond proposals as swiftly as possible and how these effectively align to the broader package of audit reforms which BIES will consult on later this year.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

ey.com

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 08 December 2020

Internal Audit Plan 2020/21 - Update

Recommendations

I recommend that the Committee:

a. Note progress against the 2020/21 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in April 2020;

b. Note progress on the implementation of high-level recommendations made since the introduction of the Audit Management System including electronic recommendation tracking in May 2016.

Report of Rob Salmon, County Treasurer

Report

Background

1. The annual audit plan approved by the Committee in April 2020 continues to be reviewed to ensure that areas included originally remain relevant and reflect the risk profile of the organisation. In relation to this, since the beginning of 2020/21, Internal Audit's work as expected has been dominated by supporting the Council's response to the COVID 19 pandemic which has included providing timely advice and guidance on new and revised processes across a number of business operations such as the food distribution hubs, the recruitment of volunteers and the procurement of Personal Protective Equipment (PPE) as well as undertaking a number of COVID 19 grant verification audit exercises. Despite this additional call on Internal Audit's resources, the Team has also maintained its work on key corporate transformation projects by continuing to provide a project assurance role for the Office 365 project, as well sitting on the Finance workstream for the Together4Children regional permanency service. In addition, the Internal Audit Service continues to focus on other key risk areas such as the Adult Social Care Pathway, Information Management; the Digital Development Programme and Special Education Needs and Disability (SEND) to provide audit support and assurance throughout the 2020/21 financial year.

2. Twenty-four additional audits have been requested in year, fifteen of which relate to the COVID 19 pandemic. See **Appendix 1** for all of Internal Audit's additional work relating to supporting the Council's response to the COVID 19 pandemic. As a result of this additional work, the Internal Audit Management team has been rigorously monitoring its impact on the delivery of the approved Internal Audit Plan and regular reconciliations of resources to Audit Plan delivery are undertaken. In order to bring the 2020/21 Internal Audit Plan back into balance and having taken into account the additional work carried out as well as the availability to undertake

audits in service areas due to staff-dealing with the COVID 19 pandemic, nineteen audit reviews have been cancelled so far this year. These are detailed in **Appendix 2** of this report. Where possible, some elements of the cancelled audits are included in those reviews still going ahead. In other cases, the auditable area will be reconsidered as part of next year's annual audit planning process. Currently, the above amendments to the Internal Audit Plan will not impair the Internal Audit Service from making its annual audit opinion on the Council's control environment at the end of 2020/21.

3. At this stage in the year the section remains on schedule to meet its key performance targets. The response rates from the Customer Satisfaction Surveys have continued to rise during the year, together with the number of positive comments received for work completed. In addition, the Internal Audit Service continue to use the Internal Audit Support Contract which was operational with effect from 1 November 2017. A number of audits have been allocated to providers, which have commenced already with the remaining reviews planned to commence in quarter 4 of 2020/21.

4. Overall, delivery against the 2020/21 audit plan is summarised below. Previously the Audit & Standards Committee agreed that only the reports of the high-risk reviews, limited assurance audits and major special investigations would be considered as part of the agenda, where relevant other reports would be emailed to Members for information.

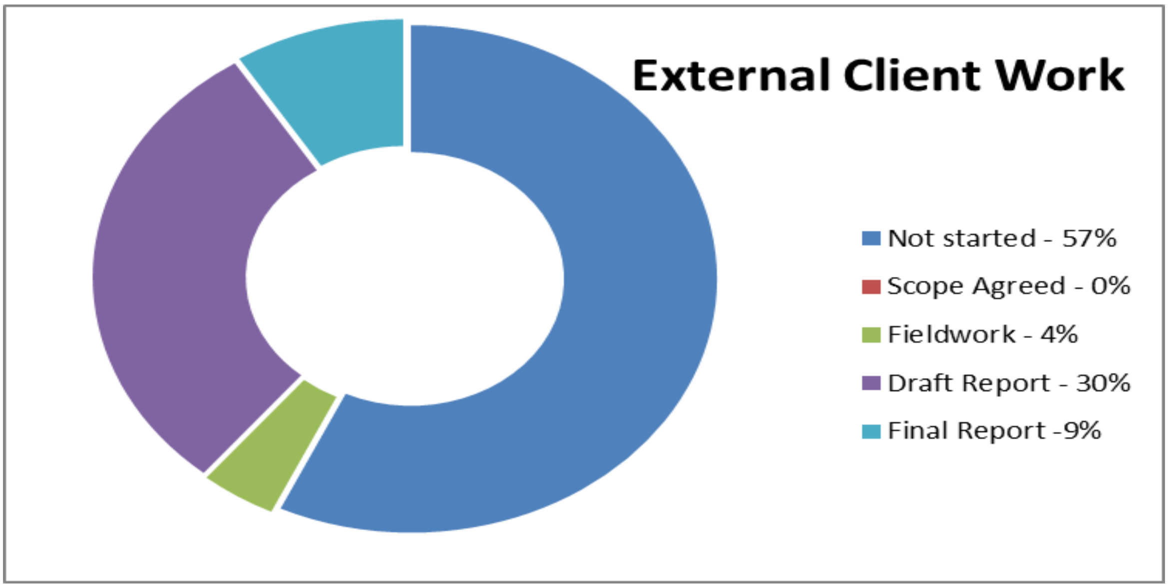
Area	Plan	Not Started	Terms of Reference Agreed	Fieldwork Ongoing	Draft Report Issued	Final Report Issued	Cancelled	Total
Systems Audits								
Planned Audits	**115**	46	19	18	5	8	19	**115**
Additional Work	**24**	3	2	4	2	13	0	**24**
Total Systems	**139**	**49**	**21**	**22**	**7**	**21**	**19**	**139**
Compliance Audits								
Schools incl themed	**18**	11	0	0	0	7	0	**18**
Educational Endowment Funds	**3**	0	0	0	0	3	0	**3**
Pupil Referral Units	**2**	2	0	0	0	0	0	**2**
Complex Needs Units	**3**	0	0	0	0	0	3	**3**
Families First District Offices	**2**	0	0	0	0	0	2	**2**
Other Compliance -Adults	**13**	0	0	0	0	11	2	**13**
Sub Total Compliance	41	13	0	0	0	21	7	41
Additional Work Registrars Offices - Compliance	**2**	2	0	0	0	0	0	**2**
Other – Themed compliance (following irregularity experienced in year)	**2**	1	0	0	1	0	0	**2**
Total Compliance	**45**	**16**	**0**	**0**	**1**	**21**	**7**	**45**
Strategic Fraud	**16**	5	0	11	0	0	0	**16**
Pro-active Counter Fraud Work	**10**	8	0	1	1	0	0	**10**
Special Investigations/ Exercises	**10**	n/a	n/a	5	0	5	n/a	**10***
Total Fraud	**36**	**13**	**0**	**17**	**1**	**5**	**0**	**36**
Overall Totals	**220**	**78**	**21**	**39**	**9**	**47**	**26**	**220**

*Fraud Investigation figures excludes those referrals that have been passed on for investigation elsewhere, for example Trading Standards, HR, or other Local Government Organisations.

5. Since the last meeting of the Audit & Standards Committee, there has been two limited assurance opinion reports finalised requiring Members consideration. One relates to the Scheme of Delegation Final Audit Report 2019/20 and the other relates to the Third-Party Access Final Audit Report 2020/21. Both of these reports are included in the confidential part of this agenda. In addition, the final investigation report relating to the attempted bank mandate fraud which occurred during May 2020 has been concluded. This final investigation report along with the associated processing mapping position statement are also reported later in the confidential part of this agenda.

6. Delivery of the work for the External Clients is important in ensuring that the section meets its income targets for the year. Performance to date is detailed below and each audit is on course to be fully delivered by the end of the audit year. At the end 2019/20 financial year, our external contract with Staffordshire Fire and Rescue for the provision of Internal Audit Services came to an end. Figure 1 below shows the current status of our external client work which relates to our work with Academies only.

Figure 1

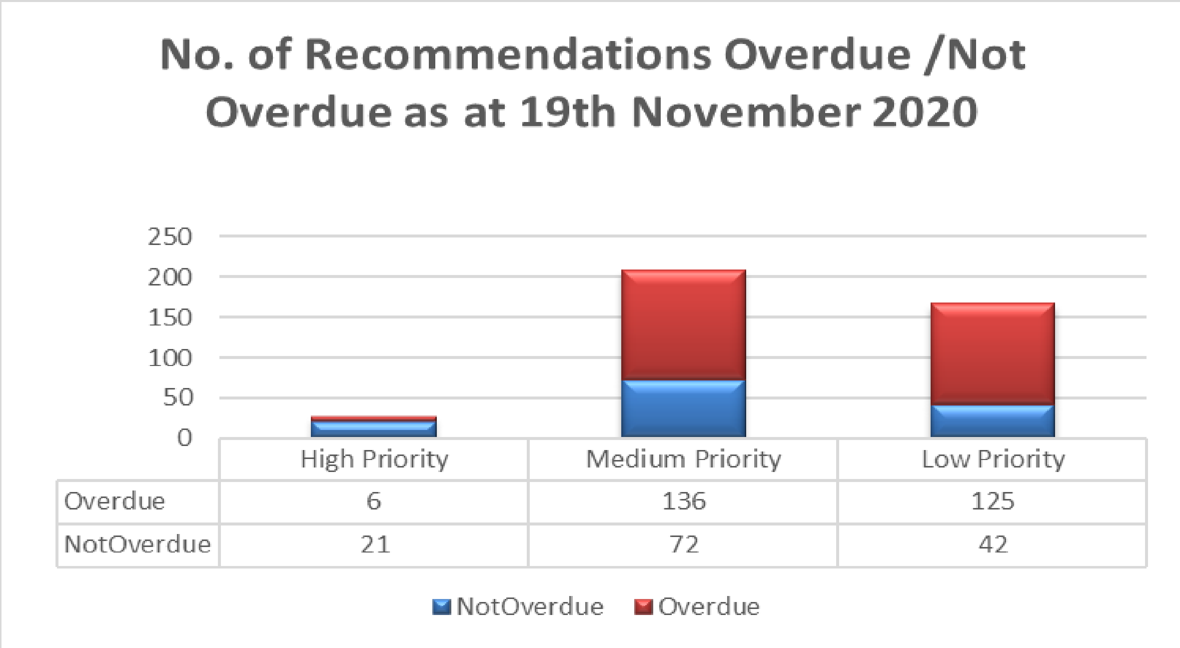


7. During 2014/15, the Team successfully bid for the contract to deliver the Internal Audit function, including the management of the existing in-house team, for South Staffordshire District Council. This equates to an additional circa 100 days per annum and is on track to be fully delivered by the end of the financial year. The total value to the section for this work is circa £38,000.

8. The implementation of all recommendations made is monitored via the Internal Audit Team's electronic management and working paper system. As part of the process, responsible managers are reminded via email once the implementation deadline date has past, until a positive response is received by Internal Audit. Since the

introduction of the electronic recommendation tracking system in May 2016, 2,406 recommendations have been made and monitored, this figure includes schools. Of the 2,406 recommendations made, 76% (1,824 recommendations) have been implemented; a further 7% (180 recommendations) have either been superseded, or risk accepted with the remaining 17% of recommendations not yet implemented (402 recommendations). Of the 402 recommendations not yet implemented, there are 267 recommendations which are overdue i.e. the agreed action date has been reached and the recommendation remains outstanding. Figure 2 below shows the number of high, medium and low-level priority recommendations which have not yet been implemented (outstanding), and their current status as either overdue or not overdue.

Figure 2



	High Priority	Medium Priority	Low Priority
Overdue	6	136	125
NotOverdue	21	72	42

9. Previously, those high-level recommendations which have not been implemented by the target implementation date together with an explanation of the delay by the appropriate officer have been reported to the Audit & Standards Committee. The number remaining outstanding has reduced significantly over time when compared to previous years, due in part to the involvement of the Audit & Standards Committee. Progress in implementing those outstanding agreed recommendations has been monitored and it is pleasing to note that there are only six high- level recommendations that have not been fully implemented by their due date, all of which, the Committee is receiving an “update” report included in the confidential part of this agenda (recommendations relate to the Deer Call Out Service (three high level recommendations; SEND Joint Inspection – Second Stage (two high-level recommendations) and SEND Governance – Decision making Groups (one high-level recommendation)). All six overdue high-level recommendations are detailed at **Appendix 3** to this report, for completeness.

Equalities Implications

10. There are no direct implications arising from this report.

Legal Implications

11. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

Resource and Value for Money Implications

12. The net budget of the Internal Audit Section for 2020/21 is £982,700 of which £67,000 relates to payments to external providers.

Risk Implications

13. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the Annual Governance Statement, providing assurance on the operation of key controls. Internal Audit will continue to align its work with the Corporate Risk Register.

Climate Change Implications

14. There are no direct climate change implications arising from this report.

List of Background Documents/Appendices:

Appendix 1 – Additional COVID-19 Related Work Carried Out 2020-21
Appendix 2 – Cancelled Audit Reviews in 2020-21
Appendix 3 – Overdue High Level Recommendations

Contact Details

Report Author:	Deborah Harris
Job Title:	Chief Internal Auditor
Telephone No.:	01785 276406
E-Mail Address:	Deborah.harris@staffordshire.gov.uk

Appendix 1

Additional Audit Work Requested In- Year to Support the Council's Response to the COVID 19 Pandemic

No.	Additional Auditable Area	High Level Scope of Work	Status
1.	Covid 19 - Bus Support Services Grant Verification	Grant verification exercise	Completed
2.	Covid 19 Home to School Transport Support - Questionnaire design and compliance programme design	Advice and guidance to develop a pre-audit questionnaire for the Transport Contractors - taxi compliance exercise	Completed
3.	Covid 19 - PPE Procurement	To review the arrangements in place to procure PPE as well as taking receipt of stocks into the central store.	Completed
4.	Covid 19 - Trace and Trace	To review the grant governance arrangements relating to this area of funding.	Completed
5.	Covid 19 - icare Recruitment	Advice and guidance relating to the systems and processes in place relating to the recruitment of volunteers to assist with the Council's COVID response.	Completed
6.	Covid 19 - Computer Devices vulnerable children	To provide assurance that: • All devices ordered from the DFE provider were received. • All devices received were recorded appropriately. • There was a robust process in place for distribution of devices.	Completed
7.	Covid 19 - Decision Making arrangements	For all COVID 19 grant spend, to review the decision-making arrangement in place to ensure that decisions were being made in line with the Council's decision-making arrangements.	In progress
8.	Covid 19 - Emergency Business Grants Scheme	Grant verification exercise	Completed
9.	Covid 19 - Emergency Active Travel Fund	Grant verification exercise	Not yet started
10.	Covid-19 - Traffic Demand Management Grant Verification	Grant verification exercise	Completed
11.	Covid 19 - Bus Support Services - Restart Grant Verification	Grant verification exercise	In progress
12.	Covid 19 - Additional Dedicated Home to School & College Transport Funding	Grant verification exercise	In progress

No.	Additional Auditable Area	High Level Scope of Work	Status
13.	Covid 19 - DEFRA Food Voucher Scheme	To review the processes and controls surrounding the proposed Voucher Express scheme with particular reference to fraud risks.	Completed
14.	Covid 19 - Corporate Review Committee – Grant funding Assurance Exercise (£80.961m)	To provide high-level assurance over the Council's arrangements in place for administering, managing and accounting for COVID 19 grant monies (earmarked and general emergency funding).	Completed
15.	Peer to Peer Network Grant Funding	Grant verification exercise	Not yet started

Appendix 2

Details of Audits Contained in the Audit Plan Approved in April 2020 which have been cancelled.

Ref	Auditable Area	Reason for Cancellation
1.	Central Trading Standards Institute (CTSI) Grant Funding	Audit no longer required - No grant verification work required as Government no longer require return.
2.	Property Leasing	This area (property leasing) can be incorporated into the Strategic Property audit review in 2020/21 and is also covered part of the current recommendation tracking following the 2019/20 audit review. This area has also been recently reported to the Audit & Standards Committee by way of an update on those recommendations made in the previous Strategic Property Governance and Asset Management audit review 2019/20
3.	First Contact – Screening Assessments	Two audit reviews were carried out in 2019/20 (positive assurance for each review). New procedures are not expected to be implemented until September 2020 at the earliest and following this, time will be required for the procedures to be embedded before being audited. It is therefore proposed to defer this audit review until 2021/22.
4.	Schools Deficit Budgets	This area is scrutinised by Entrust in year. No issues are currently noted. It is proposed and include if appropriate to revisit this auditable area as part of the annual audit planning process 2021/22.
5.	Children's Commissioning	Several reports have been produced on this area over the last few years and management have no specific concerns over the operation of the new model. Other aspects linked to this area have been subject to Internal Audit scrutiny in 2020/21 such as the DEFRA food vouchers scheme. This project was being overseen by the Families Commissioning Team and Internal Audit reviewed the proposed processes and controls surrounding the Voucher Express scheme with particular reference to fraud risks. No concerns were noted. Other audit work on Children's and families Transformation is still planned in 2020/21.
6.	Social Care Debt	This audit can only be undertaken once the Commissioning Manager has carried out her review. This review was planned to be completed by October 2020 but has been delayed to February 2021. Following their review, processes will need to be embedded before being subject to Internal audit and therefore, it is thought necessary to defer this audit until 2021/22.

Ref	Auditable Area	Reason for Cancellation
7.	ACFS Property	This area is already subject to internal scrutiny and regular reporting to the Director of Health & Care and therefore could be deferred until 2021/22 to allow processes and procedures to be fully embedded before being subject to Internal Audit Scrutiny.
8.	Culture & Ethics	This is a top ten risk but as this audit will require much involvement from SLT members, this may not be possible in light of COVID 19. Therefore, it is proposed that this audit review is re-considered as part of the 2021/22 annual Internal Audit planning process.
9.	Keele Science Park – Economic Regeneration Scheme	Due to COVID 19, this area would have been subject to disruption in terms of the letting of premises. It is therefore proposed that this audit review is deferred to 2021/22.
10.	BCM – Emergency Planning	There has been much scrutiny in this area due to the COVID 19 pandemic and BCM Planning has had to be activated and is already subject to a lessons learnt review by the Incident Management Team. Due to the internal scrutiny arrangements already in place, this area should be reconsidered as part of the 2021/22 annual Internal Audit planning process.
11.	Economic Regeneration Capital Schemes	Expenditure on economic regeneration capital schemes will be subject to Internal Audit scrutiny as part of the Peer to Peer network LEP Grant work. Therefore, this area should be reconsidered as part of the 2021/22 annual Internal Audit planning process.
12.	Brokerage	The Lead Commissioner for this area has requested that this audit is deferred until Q1 2021/22. They have stated that their focus at the moment continues to be managing COVID 19 outbreaks and that their preference would be to move the audit to Q1 21/22 as they need to ensure that there is sufficient capacity to support the audit review properly.
13.	Robotic Process Automation	No longer required - The business case was not approved.
14.	Data Warehousing	The ICT Audit Manager has been liaising with the ICT Team and they have confirmed that they have no time for this until 2021 due to COVID 19 work as well as the Care Director upgrade which are priorities for the Team.
15.	IT Asset Management	This year's audit review is an application audit but the new application has been delayed until March 2021 due to COVID 19. Therefore, it is proposed that this audit review is reconsidered as part of the 2021/22 annual internal audit planning process. The management of mobile devices is to be reviewed as part of a proactive counter fraud exercise in 2020/21

Ref	Auditable Area	Reason for Cancellation
16.	My Finance Mobile	This area is currently removed from the Finance road map as they do not have time for this in 2020. Therefore, it is proposed that this audit review is reconsidered as part of the 2021/22 annual internal audit planning process
17.	Modernising Adult Social Care (MASC) programme	The Lead Commissioner for Adult Social Care requested to defer the Modernising Adult Social Care (MASC) programme due to COVID 19 issues. The Director of Health and Care approved the deferment request and had suggested three possible alternative reviews, two of which are being covered by the Adult Social Care Pathway Audit review currently being carried out.
18.	IR 35 Legislation (Personal Services Companies)	This audit will be deferred due to the lack of availability of resources in the HR Team to support an audit at this time. This audit area will be reconsidered as part of the 2021/22 annual internal audit planning process.
19.	Job Evaluation	This audit was requested to be deferred by the Assistant Director of People due to a lack of resources to support an audit at this time. This audit area will be reconsidered as part of the 2021/22 annual internal audit planning process.

Appendix 3

Recommendation Tracking of Overdue High-Level Recommendations

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
1.	Countryside Estate: Deer Callout Service	02.12.19	1) The lone working protocol produced by the Head Ranger should be reviewed to ensure it is comprehensive and up to date. Once complete the document should be communicated to all relevant staff and confirmation maintained to indicate that staff understand the protocol. 2) Staff should be reminded to use the lone working system provided by SRH when they attend a callout outside normal working hours. 3) A monitoring system to ensure that staff are using the lone working system should be implemented and the completion of these checks evidenced.	30.03.20	Actions Agreed: Protocol to be reviewed; reminder to be sent to all staff re system plus further discussion at team meeting; system to be monitored at least quarterly and recorded. 1) Review of system by end December; 2) Reminder of system to be sent by 20th November. 3) Monitoring quarterly with actions picked up through performance management with first quarter Jan-Mar 20 **Status: Overdue** **Update to be provided as a separate agenda item at this Committee Meeting**	N/A	N/A
2.	Countryside Estate: Deer Callout Service	02.12.19	To enable service delivery and invoices/claims for payment to be monitored effectively: - A callout log should be devised and held within each vehicle. Rangers should complete the log with the date, start/finish time, source (police etc), Ranger(s) name, the reason for the callout and action taken.	31.01.20	Action Agreed: Actions agreed as set out but note that while consideration will be given to carcase disposal only in day, operationally this may not be feasible due to other priorities and the need to dispose of carcases promptly.	N/A	N/A

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
			The deer database should be used to record all callouts. The format of the database should be reviewed to include the above information and disposal details (date/time taken to P Waddington & Co and the ticket number (where applicable). To provide a full audit trail, consideration should be given to making it a requirement for the disposal of all deer carcases to be completed during the day when a ticket can be obtained from P Waddington & Co. The process for updating the deer database should continue. However, the tickets received from P Waddington & Co should be retained. At the end of each month the callout logs for each vehicle and tickets from P Waddington & Co should be obtained and the database updated accordingly. The tickets from P Waddington & Co should then be forwarded to the Business Support Assistant as at present. The Head Ranger should review the database on a monthly basis and investigate any discrepancies identified.		**Status: Overdue** **Update to be provided as a separate agenda item at this Committee Meeting**		
3.	Countryside Estate: Deer Callout Service	02.12.19	1) The arrangements for the secure storage of shotguns should be reviewed and Rangers reminded/advised of these requirements. 2) Arrangements should be put in place to ensure that valid shotgun certificates are	31.01.20	Agreed Actions: As set out below 1) Review by end Dec 19	N/A	N/A

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
			held by Rangers. 3) The removal/return of shotguns/shotgun cartridges from the gun cabinets should be recorded.		2) To be checked by end Nov 19 plus every March / April thereafter as part of MPC 3) Recording system in place by end Dec 19 **Status: Overdue** **Update to be provided as a separate agenda item at this Committee Meeting**		
4.	Special Education Needs and Disability (SEND) - Joint Inspection - Second Stage	30.07.20	The issues identified in the audit f this report should be reviewed and addressed including: • The development of a multi-agency working protocol. • Clarification has been provided with regard to the activities to be undertaken in relation to actions 3.1e, 3.2h 4d/5a,5c, and 7g. • A review of the effectiveness of the EHCAP subgroup. • The development and recording of outcomes and measures of success in relation to the WSOA priorities. • The development of processes that ensure the transition of completed actions through to business as usual. • The accelerated roll out of the SEND District Model. • Risk monitoring arrangements.	30.09.20	Agreed Actions: • Ensure that the agreed multi agency protocol has been developed and agreed • Review of the WSoA and accountability of the leadership and governance group to hold the other subgroups to account • Review the purpose and themes of the subgroups so that they focus on the priorities identified within the WSoA as well as addressing emerging priorities • Provide a more strategic overview of the WSoA so that outcomes and measures of success are clear and become business as usual • The pace of the roll out of the SEND hubs across the 8 districts to reflect the current context of the COVID-19 pandemic. Develop virtual methods	N/A	N/A

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
					to ensure hub meetings are able to continue. • Risk monitoring is undertaken within each of the governance layers and is reported by the revised management subgroup **Status: Overdue** **Update to be provided as a separate agenda item at this Committee Meeting**		
5.	Special Education Needs and Disability (SEND) - Joint Inspection - Second Stage	30.07.20	The arrangements for maintaining the evidence bank should be reviewed in light of the issues raised and the SPG made aware of the procedures put in place. As a minimum, responsibilities for updating the WSOA and evidence bank should be clearly identified. It should be clear what needs to be evidenced and how this should be recorded. In addition, a process for ensuring the evidence bank is updated and that the content is complete and accurate for all completed actions should be determined and introduced.	31.07.20	Agreed Action: Review the arrangements for maintaining the evidence bank to capture actions completed and impact on outcomes Clear responsibilities for updating the WSoA and evidence bank are established Review the current evidence in the evidence bank and include additional evidence to support the completion of actions **Status: Overdue** **Update to be provided as a separate agenda item at this Committee Meeting**	N/A	N/A

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
6.	SEND Transformation - Governance - Decision Making Groups	30.07.20	The Variation to Procurement Regulations should be reviewed and if required extended to cover all decision making across Locality and County DMGs. Also, management should consider introducing a system of approval to ensure decision making remains effective	01.09.20	**Agreed Action:** Variation to Procurement Regulations for County DMG has already been drafted and in the process of being approved. As part of the TOR refresh and enquiries will be made with Procurement to confirm if this variation needs to be extended to Locality Managers. **Status: Overdue** **Update to be provided as a separate agenda item at this Committee Meeting**	N/A	N/A

Staffordshire County Council

Audit and Standards Committee Forward Plan 2020/21

If you would like to know more about our work programme, please get in touch with Lisa Andrews, Head of Audit & Financial Services, 01785 276402 or Lisa.Andrews@staffordshire.gov.uk

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
20 April 2020 - CANCELLED				
Strategic Risk Register - Update Report of the Director of Corporate Services Lead Officer: Lisa Andrews	Deferred to December 2020			
Annual Report on Information Governance Report of the Director of Corporate Services Lead Officer: Tracy Thorley	Deferred to 12th October 2020			
Annual Report of the work of the Audit & Standards Committee Report of the Director of Corporate Services Lead Officer: Lisa Andrews	Deferred to April 2021			
Internal Audit Charter 2020/21 Report of the County Treasurer Lead Officer: Debbie Harris	Deferred to 30th July 2020			
Internal Audit Plan 2020/21 Report of the County Treasurer Lead Officer: Debbie Harris	Circulated remotely for approval			
Development of an assurance framework Report of County Treasurer Lead Officer: Debbie Harris	Deferred to February 2021			
External Audit Plan 2019/20 Report of Ernst & Young	To be confirmed			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Staffordshire Pension Fund Audit Planning Report 2019/20 Report of Ernst & Young	To be confirmed			
Proposed changes to the Constitution As required	As required			
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews	All meetings			
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items)*	As required			Part 2 items - Exemption paragraph 3.
PART TWO EXEMPT Cyber Essentials Update: Tracy Thorley/Natalie Morrisey	To be confirmed		Regular Update to members on Multi agency exercise in November 2019	
22 June 2020 - CANCELLED				
Code of Corporate Governance – Update Report of the Director of Corporate Services Lead Officer: Lisa Andrews Head of Audit and Financial Services	Deferred to 30th July 2020			
Internal Audit Outturn Report 2019/20 Report of the County Treasurer Lead Officer: Debbie Harris	Deferred to 30th July 2020			
Report of the Standards Panel. Report of the Director of Corporate Services. Lead Officer: Ann-Marie Davidson	To be confirmed			
Local Government Audit Committee Briefing – update report of Ernst & Young	Deferred to 12th October 2020			
Proposed changes to the Constitution As required	As required			
Forward Plan for the Audit & Standards Committee Lead Officer: Lisa Andrews, Head of Audit &	Deferred to 30th July 2020			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Financial Services				
PART TWO Exempt – Internal Audit Special Investigations/Reports of Limited Assurance/Top Ten Risk Areas	Deferred to 30th July 2020			
PART TWO Exempt Update on Property Governance – Implementation of previous recommendations.	Deferred to 12th October 2020			
PART TWO Exempt Update on Deer Call Out Services – Implementation of previous recommendations.	Deferred to 12th October 2020			
PART TWO Exempt Update on Approved Mental Health Professionals – Implementation of previous recommendations.	Deferred to 12th October 2020			
30 July 2020				
National Code of Conduct for Elected Members. Report of the Director of Corporate Services Lead Officer: Julie Plant				
Internal Audit Charter 2020/21 Report of the County Treasurer Lead Officer: Debbie Harris				
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
Code of Corporate Governance – Update Report of the Director of Corporate Services Lead Officer: Lisa Andrews Head of Audit and Financial Services				
Fraud Risks – The Impact of COVID 19 Presentation by Lisa Andrews & Debbie Harris				
Internal Audit Outturn Report 2019/20				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Report of the County Treasurer Lead Officer: Debbie Harris				
Annual Governance Statement 2019-20 Report of the Director of Corporate Services Lead Officer: Lisa Andrews	Deferred to 12 October 2020			
Training on Statement of Accounts	Deferred to 12 October 2020			
Statement of Accounts 2019-20 Presentation and Report of County Treasurer Lead Officer: Rachel Spain	Deferred to 12 October 2020			
Report to those charged with Governance (ISA 260) a) Staffordshire County Council Report of Ernst & Young	Deferred to 12 October 2020			
Report to those charged with Governance (ISA 260) b) Staffordshire Pension Fund Report of Ernst & Young	Deferred to 12 October 2020			
Local Government Audit Committee Briefing – update report of Ernst & Young	Deferred to 12 October 2020			
Proposed changes to the Constitution As required	As required			
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items).*	As required			
12 October 2020				
Annual Report on Information Governance Report of Director of Corporate Services Lead Officer: Tracy Thorley, Head of Business Support & Compliance & Natalie Morrissey, Information Governance Manager	Moved from April 2020			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Code of Conduct for Members - Report on the Management of Complaints Report of Director of Corporate Services Lead Officer: Julie Plant				
Member's Family Policy Report of Director of Corporate Services Lead Officer: Chris Ebberley				
National Fraud Initiative (2020) Report of the County Treasurer Lead Officer: Debbie Harris				
Final Accounts 2019/20 Progress Report – verbal report of Ernst & Young	Moved from July 2020			
Proposed changes to the Constitution As required	As required			
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items).*	As required			
PART TWO Exempt Update on Property Governance – Implementation of previous recommendations.	Moved from July 2020			
PART TWO Exempt Update on Approved Mental Health Professionals – Implementation of previous recommendations.	Moved from July 2020			
8 December 2020 (2pm start)				
Annual Governance Statement 2019-20 Report of the Director of Corporate Services Lead Officer: Lisa Andrews	Moved from 12 October 2020			
Training on Statement of Accounts	Moved from 12 October			

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
	2020			
Statement of Accounts 2019-20 Presentation and Report of County Treasurer Lead Officer: Rachel Spain	Moved from 12 October 2020			
Report to those charged with Governance (ISA 260) a) Staffordshire County Council Report of Ernst & Young	Moved from 12 October 2020			
Report to those charged with Governance (ISA 260) b) Staffordshire Pension Fund Report of Ernst & Young	Moved from 12 October 2020			
Strategic Risk Register – Update Review of COVID 19 Incident Management Team – lessons learnt exercise. Report of the Director of Corporate Services Lead Officer: Lisa Andrews/ Katie Weston				
Internal Audit Plan 2020/21 – Update Report of the County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required			
Forward Plan for the Audit and Standards Committee Lead Officer – Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items).*	As required			
PART TWO Exempt Update on SEND WSOA and Implementation of previous audit recommendations (including the work of Family Improvement Boards. Report of Assistant Director for Education Strategy and Improvement (to include as appropriate Cabinet Member for Education and SEND and Chairmen of Family				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Improvement Boards				
PART TWO Exempt Update on Deer Call Out Services – Implementation of previous recommendations	Moved from July 2020			
9 February 2021				
Overview of the Strategic Risks present within the Care Director System. Lead Officer: Richard Harling				
External Audit Plan 2020/21 Report of Ernst & Young				
Staffordshire Pension Fund Audit Plan 2020/21 Report of Ernst & Young				
Health, Safety and Wellbeing Performance Annual Report Report of Director of Corporate Services Lead Officer: Becky Lee	Moved from December 2020			
Development of an assurance framework Report of County Treasurer Lead Officer : Debbie Harris	Moved from April 2020			
Proposed changes to the Constitution	As required			
Forward Plan for the Audit and Standards Committee Lead Officer – Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items).*	As required			
21 April 2021				
Annual Report on Information Governance Report of the Director of Corporate Services Lead Officer: Tracy Thorley				

Item and lead officer	Date of meeting	Links with Council strategic commissioning priorities	Detail	Action/Outcome
Annual Review of the effectiveness of the Audit & Standards Committee – Update Report of the Director of Corporate Services Lead Officer: Debbie Harris				
Annual Report of the work of the Audit & Standards Committee Report of the Director of Corporate Services Lead Officer: Lisa Andrews				
Internal Audit Charter 2021/22 Report of the County Treasurer Lead Officer Lisa Andrews				
Internal Audit Plan 2021/22 Report of the County Treasurer Lead Officer: Debbie Harris				
Proposed changes to the Constitution	As required			
Forward Plan for the Audit and Standards Committee Lead Officer: Lisa Andrews				
PART TWO EXEMPT Internal Audit Special Investigation/limited/ Top Risk Areas reports *(Part 2 items).*	As required			
Special Guardianship Payments Arrangements – progress report Lead Officer – Deborah Ramsdale				
Review of Joint Funding & Billing CCG's Continuing Healthcare - Progress Report Lead Officer – Karen Webb				
Review of the arrangements in place to address the risks of Cyber Attack. Lead Officer – Natalie Morrisey				

Membership		**Calendar of Future Committee Meetings** **(All meetings at 10.00 a.m. unless otherwise stated)**
Derek Davis, OBE Alastair Little Martyn Tittley (Chair) Ann Edgeller Paul Northcott Richard Ford Carolyn Trowbridge (Vice Chair) Ross Ward Bernard Williams Sue Woodward	Philip Atkins, OBE David Brookes Helen Fisher Keith Flunder Keith James	20 April 2020 22 June 2020 30 July 2020 12 October 2020 8 December 2020 ****14:00 9 February 2021 21 April 2021 Meetings usually take place at County Buildings, Martin Street, Stafford ST16 2LH

Document is Restricted

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted

Document is Restricted

Not for publication by virtue of paragraph(s) 3
of Part 1 of Schedule 12A
of the Local Government Act 1972

Document is Restricted