

Audit and Standards Committee

Monday, 14 September 2015
10.00 am

John Tradewell
Director of Democracy, Law and Transformation
4 September 2015

A G E N D A

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of the Meeting held on 30 June 2015** (Pages 1 - 6)
4. **Annual Governance Statement** (Pages 7 - 40)
Joint report of Director of Democracy, Law and Transformation and Director of Finance and Resources
5. **Statement of Accounts**
 - a) Training Session - Understanding the Statement of Accounts (Pages 41 - 62)
 - b) 2014/15 Statement of Accounts (Pages 63 - 220)
Report of the Director of Finance and Resources
6. **Report to those Charged with Governance** (Pages 221 - 262)
Report of PriceWaterhouseCoopers
7. **Work Programme for the Audit and Standards Committee/Member Training Update** (Pages 263 - 266)
Report of the Director of Finance and Resources
8. **Internal Audit Draft Organogram** (Pages 267 - 268)
Presentation by the Director of Finance and Resources

9. **Proposed Changes to the Constitution - Authority to appoint Directors and Shareholders of Companies**

(Pages 269 - 274)

Report of the Director for Democracy, Law and Transformation

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
(reports in this section are exempt)

Nil

Membership	
Derek Davis, OBE	Robert Marshall
Mike Davies (Vice-Chairman)	David Smith
William Day	Alison Spicer
Brian Edwards	Martyn Tittley (Chairman)
Michael Greateorex	Diane Todd
Derrick Huckfield	Conor Wileman
Kevin Jackson	Caroline Wood
Philip Jones	

Note for Members of the Press and Public

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Minutes of the Audit and Standards Committee Meeting held on 30 June 2015

Present: Martyn Tittley (Chairman)

Attendance	
Derek Davis, OBE	Robert Marshall
Michael Greateorex	David Smith
Kevin Jackson	Alison Spicer
Philip Jones	Caroline Wood

Apologies: Mike Davies, William Day, Brian Edwards, Derrick Huckfield, Diane Todd and Conor Wileman

PART ONE

1. Declarations of Interest

Mr Kevin Jackson recorded his wife's membership of the Staffordshire Pension Fund.

2. Minutes of the Meeting held on 23 March 2015

RESOLVED - That the minutes of the meeting held on 23 March 2015 be confirmed and signed by the Chairman.

Arising thereon-

Minute 93 – Mr Kevin Jackson said that his wife was a member of the Staffordshire Pension Fund and not him.

Minute 95 – Members were informed that following consultation no amendments to the constitution were proposed regarding the petitions scheme at this time.

3. Proposed Changes to the Constitution - New Regulatory Requirements re Procedure for Discipline or Dismissal of Head of Paid Service, Monitoring Officer and Chief Financial Officer

Under the current Constitution, the procedure for the dismissal or discipline of the Head of Paid Service, Monitoring Officer and Chief Financial Officer ('Relevant Officers') was for a Special Committee to consider a report by a Designated Independent Person [DIP] and, in the case of dismissal, to then make a recommendation to Full Council for approval before the dismissal notice can be served.

On 11 May 2015 new regulations came into effect which replaced the requirement to have a report by a DIP with the need to have a Panel (Committee).

The regulations require that the first 'ordinary' meeting of the authority falling after the 11 May 2015 (i.e. the Council meeting of 23 July) must incorporate into, (or modify) its

Standing Orders the new requirements in relation to Independent Persons' involvement in arrangements for disciplinary action against relevant officers.

The Head of Law explained that there was an incompatibility between the regulations and employment terms and conditions and that there was to be a meeting of the JNC on 9 July at which it was hoped negotiation would be reached to incorporate the new terms into the Relevant Officers terms of conditions of employment. A Member suggested that any recommendations were shared with the Chairman of the Committee and the Leader of the Council in advance of consideration by the County Council.

RESOLVED - (a) That the committee note the current position relating to the requirements to amend the County Council's Officer Employment Procedure Rules

(b) That if the incompatibility was resolved in time to meet the 23 July 2015 full council date a report be taken after consultation with the Chairman of this Committee together with the Leader of the Council.

4. External Audit - Progress Report

Members received a presentation by Natalie Shaw, PricewaterhouseCoopers (PWC), illustrated by slides, on the External Audit Progress update.

It was confirmed that no audit issues have been noted in this work to date and no control weaknesses identified. PWC's final accounts audit approach will therefore continue as planned.

RESOLVED- That the presentation be noted.

5. Internal Audit Outturn Report 2014/15

The Committee considered a report of the Director of Finance and Resources, illustrated by slides, on the Internal Audit Outturn Report 2014/15.

Internal Audit are required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Audit opinions are awarded for individual systems and compliance audits within one of the following categories – substantial, adequate or limited assurance.

A high level summary of the work undertaken by the Section was detailed in the report.

For those areas awarded "limited assurance", action plans had been or were in the process of being agreed with the relevant Director / Head of Service. During 2014/15, the Committee continued to receive full copies of all "Limited Assurance", High Risk Auditable areas (regardless of opinion) and Major Special Investigation reports (i.e. greater than £10,000 financial loss / significant corruption issues). Internal Audit would

continue to track and report on the implementation of High Level Recommendations, including those contained within reports awarded “Adequate Assurance”.

The methodology used as the basis to form the assessment of the overall internal audit internal control environment had previously been endorsed by the Committee and was detailed in the report.

Overall, an “adequate assurance” opinion that the significant risks facing the County Council had been addressed had been awarded for the overall control environment in 2014/15.

Members expressed concern at the unknown whereabouts of some 67 mobile devices/phones and the Chairman said that if they had not been located by the time of the next meeting of the Committee in September, the relevant manager would be asked to provide the meeting with further explanation.

Members noted that a summary of work undertaken in relation to fraud and corruption work and specific counter fraud testing was attached as an appendix in the exempt part of the agenda and indicated that there had been some lapses in the application of controls, increasing the risk of fraud.

The Chief Internal Auditor confirmed that she works with the Chief Auditor at Stoke on Trent City to be assured that any necessary procedures are in place regarding anti-fraud and corruption work.

A Member asked how areas of risk were identified - in particular sectors under financial pressure such as admitted bodies within the Pension Fund. The Chief Internal Auditor said that there was regular contact with the Pensions Section and any areas of concern would be identified. The Statement of Accounts including the Pension Fund would be presented to the next meeting and Members could raise any issues at that time.

RESOLVED – That:

- (a) the outturn report containing the annual audit opinion for 2014/15 be received and noted;
- (b) there be an update on the missing mobile devices/phones at the Audit and Standards meeting in September;
- (c) a briefing for members on the management of the risk of fraud in the County Council be arranged.

6. Internal Audit Charter

The Committee considered a report of the Director of Finance and Resources, supported by slides, on the Internal Audit Charter for 2015/16.

The Public Sector Internal Audit Standards and the Local Government Application Note Standard 1000 required that the purpose, authority and responsibility of the internal

audit activity must be formally defined in an Audit Charter. The Internal Audit Charter was a formal document, copy appended to the report, which set out:-

- Internal Audit's position within the organisation
- Its reporting lines
- Access to personnel, information and records
- The scope of Internal Audit's activities
- What the term Board means (i.e. the Audit and Standards Committee)

A small number of revisions have been made to the Charter which had been detailed in the report.

Members expressed concern at the volume of paperwork which supported each item. They were informed that efforts would be made to reduce the quantity whilst ensuring that Members received the necessary detail of information required particularly relating to areas of concern. In order to meet legal requirements it would be necessary to electronically provide certain documentation for both Members and the public to access.

RESOLVED – That the Internal Audit Charter for 2015/16, incorporating a number of small revisions, be approved.

7. Internal Audit Strategy and Plan 2015/16

Members considered a report of the Director of Finance and Resources, illustrated by slides, on the proposed Internal Audit Strategy and Plan 2015/16.

The Audit Plan had been prepared in line with the Audit Strategy detailed in the report. As part of the agreement process for this year's plan, detailed discussions had been held with the Commissioners to highlight the Internal Audit work proposed; complimented and added value to the process. This allows greater certainty regarding delivery of these audits within 2015/16.

To meet the requirements of the External Auditor increased emphasis will be placed on fraud and corruption work, particularly in relation to developing the proactive elements of the plan and the work of the North West Staffordshire Fraud Hub. Compliance work within Schools would continue to focus on the key risk areas of income, procurement and community facilities.

Members discussed the issue of fraud and corruption particularly now Staffordshire was a commissioning authority. The Chief Internal Auditor said that more could always be done to counter fraud and that the team liaised with the Police.

The Audit Plan defined the top risk audits/reviews assessed next to the Audit Strategy but members were informed that this needed to be continuously reviewed and remain flexible to ensure that it was fully focused on the principal risks and hence may change throughout the year. .

RESOLVED – (a) That the Internal Audit Strategy and Plan for 2015/16 be approved.

(b) That the Internal Audit Plan for 2015/16 be recommended to the Director of Finance and Resources for approval.

8. Code of Corporate Governance

Members considered a joint report of the Director of Democracy, Law and Transformation and the Director of Finance and Resources on the Code of Corporate Governance.

The annual review of the Code of Corporate Governance (and Single Sheet Local Framework) had been undertaken by the Council's Corporate Governance Working Group and the conclusion reached that no material changes were proposed to the Council's over-arching Code of Corporate Governance (copy appended the report) or the Single Sheet Local Framework, also appended to the report.

Progress against the Action Plan 2014/15 was appended to the report together with a copy of the Action Plan 2015/16.

Members discussed in detail the appropriateness of the committee's level of involvement in projects. It was suggested that the Chairman liaise with other Committee Chairman on work programme planning.

RESOLVED – That:

(a) following review by the Council's Corporate Governance Working Group, it was noted that no material changes were proposed to the current Code of Corporate Governance or the Single Sheet Local Framework;

(b) progress made on implementing the Corporate Governance Action Plan 2014/15 be noted;

(c) the Corporate Governance Action Plan 2015/16 be approved;

(d) the Chairman meet with his fellow committee chairmen to discuss and confirm the most effective ways for the Audit and Standards Committee to review the control environment within key delivery projects.

9. Work Programme for the Audit and Standards Committee/Member Training Update

Members considered a report of the Director of Finance and Resources on the indicative work programme for the Audit and Standards Committee with specific reference to the next meeting on 14 September 2015.

The agenda for the next meeting may be amended, in consultation with the Chairman. The Statement of Accounts was a particularly large and complex document and members were pleased to note that a training session led by the Chief Accountant would be provided on the morning of the meeting. A Member suggested that consideration be given to inviting all Members of the Council to the training.

RESOLVED – That:

(a) the Indicative Work Programme for the Audit and Standards Committee be received and noted;

(b) the agenda and training be agreed with the Chairman.

10. 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 paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

The Committee then proceeded to consider reports on the following issues:

PART TWO

11. Exempt Minutes of the meeting held on 23 March 2015

The exempt minutes of the meeting held on 23 March 2015 were confirmed and signed by the Chairman.

The Chief Internal Auditor confirmed that an update report on Independent Futures would be presented to the Committee at their meeting in December 2015.

12. Internal Audit Outturn Report 2014/15 - Appendix 1

The appendix to item 6 was considered and noted.

Chairman

Local Members' Interest
N/A

Audit and Standards Committee – 14 September 2015

Annual Governance Statement

Recommendation

1. To approve the Annual Governance Statement (AGS).

Joint Report of the Director of Democracy, Law and Transformation and the Director of Finance and Resources

Background

2. 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) and covers the following headings:
 - What are we responsible for
 - The aim of the governance framework
 - The governance framework
 - Review of how effective our governance framework is
 - Significant governance issues
3. Following on from the above, Annex 1 reproduces “The Annual Review of the Effectiveness of the Governance Framework including the system of internal control – 2014/15.” This document has been instrumental in producing the AGS and details appropriate sources of assurance.
4. 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 and Climate Change Implications

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

Legal Implications

6. 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

7. 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

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

Report Author

Author's name: Jon Waller
Ext. No. 6380

List of Background Papers

CIPFA/SOLACE Framework including Guidance Notes

Annual Governance Statement 2013/14

Annual governance statement 2014/15

1 What we are responsible for

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 or from:

Director of Democracy, Law and Transformation
1 Staffordshire Place
Stafford
ST16 2LP

This governance statement explains how we have followed the code and also meets the requirements of the Accounts and Audit Regulations 2015.

2 The aim of the governance framework

The governance framework is basically the systems and processes, and the culture and values, we are controlled by and which we answer to, get involved with and lead the community. The framework allows us to monitor how we are achieving our long-term aims, and to consider whether our aims have helped us deliver appropriate services that are value for money.

The system of internal control is an important part of the framework and we have designed it to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our policies and aims, so it can only offer reasonable protection. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks that could prevent us from achieving our policies and aims;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

We have had the governance framework in place from 1 April 2014, and up to the date we approved the Statement of Accounts.

3 The governance framework

Our governance framework is made up of the many systems, policies, procedures and operations we have in place to do the following.

a Publish our aims for local people and others who use our services

We have an agreed vision and three interconnected priority outcomes. Our vision is for “a connected Staffordshire, where everyone has the opportunity to prosper, be healthy and happy”.

Our three priority outcomes are that the people of Staffordshire will:

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

These outcomes reflect those agreed by the Staffordshire Strategic Partnership as priorities for all of Staffordshire’s public services. All our Cabinet members and Directors have a list of accountabilities that clearly link to the Strategic Plan.

The commissioning and delivery plans that support the Strategic Plan are captured in our Business Plan which sets out the specific priorities for 2015 to 2017. We will monitor and manage our performance against the Business Plan, use it to guide our investment decisions, ask employees to explain how they have contributed via My Performance Conversation and regularly review and refine it to make sure we are on the right track.

To deliver the vision we need to continue to fundamentally review everything we do, how we do it and develop new and different ways of achieving our outcomes with less resources. We need to retain what has worked well, but challenge ourselves hard to develop new ways of working and delivering to respond to the challenges and opportunities ahead of us.

Our approach is captured in a series of values, behaviours and operating principles that will guide our thinking and choices. To achieve this, elected members will lead the delivery of this strategy, shaping the debate and discussion with local people and presenting the case for the decisions we need to make in the future.

b Review our aims and the effect they have on our governance arrangements

We have developed a number of continuous community engagement methods which we use to review the impact of our activities and the quality of our relationships with individuals and communities. Broadly these mechanisms consist of:

- Feedback via members enquires;
- Bi-yearly consultation surveys in conjunction with Staffordshire Police;
- Ongoing reporting of our customer comments, complaints and feedback;
- Bespoke consultation to support policy development and service re-design;
- Feedback via social media including website feedback, Twitter, Facebook and other microsites, including the My Staffordshire Extra website;
- Through publishing our residents’ magazine, ‘My Staffordshire’, every four months and receiving comments and feedback; and

- Webcasting Council and Cabinet meetings on our website so that local people can see how decisions are made and local democracy operates.

The combined feedback from our community engagement activity has been used to inform the development of our Strategic Plan and forms part of our continuous approach to performance management reporting. This information is presented on a quarterly basis through Cabinet and is also used in the production of reports for Select Committees and other governance arrangements as required.

It is our Corporate Governance Working Group's responsibility to make sure that our governance arrangements are consistent with, and support us in, achieving our aims.

c Measure the quality of our services and make sure we provide them in line with our aims and that they provide value for money

As well as the Cabinet, the Senior Leadership Team (SLT) and individual management teams, our reporting system gives the Select Committees a central role in monitoring our performance. The SLT and the Cabinet receive a bi-monthly performance scorecard against important indicators and activities. This allows them to act quickly when our performance seems to be slowing or even failing. Every three months, the SLT and the Cabinet receive a full and detailed performance report that compares how we have delivered our services and managed our finances against the plans and, as a result, the Strategic Plan.

Each year we consider our performance. This coincides with our annual performance report, which we produce for the people of Staffordshire.

d Make sure our financial management arrangements meet the governance requirements of the CIPFA Statement on the role of the Chief Finance Officer in Local Government

Our Director of Finance and Resources (the Chief Financial Officer) reports directly to the Chief Executive, sits on the Senior Leadership Team, and has status that is at least equivalent to other directors. The Director of Finance and Resources is professionally qualified and his main responsibilities include those set out in the CIPFA Statement on the role of the Chief Finance Officer in Local Government.

e Make sure we use our resources effectively and efficiently, and give value for money

Our Medium Term Financial Strategy (MTFS) and the budget process that supports it will identify the resources we need to deliver our Strategic Plan. To do this, we review how we use resources to support our aim of offering better value for money.

We support our need to achieve “best value” by using a number of programmes and processes. Here are some examples.

- In the 2014/15 MTFS, £39.7m of savings were originally identified along with £2.6m invest to save schemes. Final outturn totalled £30.4m. The major reason for this variation related to non-achievement of savings in the area of social care. Out of the total savings achieved, £16.7m were reliant on transformation within services and were supported by the Transformation Support Unit (TSU). The remaining savings of £13.7m

were classified as “business as usual” savings. The TSU enable the implementation of change within the Council by applying a structured and controlled approach to the delivery of transformational change, and reports progress on a regular basis to SLT, Informal Cabinet and the Corporate Review Committee.

- We approved the MTFs 2015/16 – 2019/20 in February 2015. This Strategy includes service savings as identified below.

	Savings	Invest to Save
2015/16	£31.065m	£1.608m
2016/17	£48.210m	£1.928m
2017/18	£49.601m	£1.928m
2018/19	£50.309m	£1.928m
2019/20	£50.634m	£1.928m

- To help us achieve these savings and ‘do more and better for less’, we have set up a Challenge board (comprising the Deputy Leader, Chief Executive and Director of Finance and Resources) who are responsible for:
 - Providing a forum which provides challenge and rigour to services, whilst providing an encouraging environment to share ideas and models in order to deliver innovative services which meet political priorities set by Cabinet;
 - Helping deliver service models that not only drive improvement to the front line, but also offer excellent value for money for the taxpayers;
 - Recognising that we cannot continue to deliver services in the way that we do, developing a successful business model that is sustainable long term;
 - Providing recommendations and assurance to Cabinet that the MTFs process has been through satisfactory challenge and scrutiny, recognising that pressures and savings are realistic and are deliverable; and
 - Encouraging appropriate scrutiny of recommendations coming from the Board to ensure the credibility of the Board remains.
- Linked to the above, we have a Corporate Review Committee. The Committee is responsible for scrutinising the development of the MTFs and the process of setting the Annual Budget and Council Tax levels. It is also responsible for scrutinising assets, procurement, efficiency and value for money, and corporate finance. It has established a dedicated MTFs Working Party to ensure that the scrutiny process is rigorous, detailed, and robust.

f Define and record the roles and responsibilities of those involved in making our policies and decisions, showing arrangements and procedures for effective communication

Our Constitution sets out the roles of, and relationships between the Cabinet, the Select and other Committees involved in making our policy and decisions. The Constitution also sets out the responsibility of each group or individual for making particular types of decision or for directors’ decisions relating to particular responsibilities. Under the Constitution, all decisions that we make or that are made on our behalf must be made in line with the principles and frameworks set out in the Constitution.

The Council's democratic structures have been reviewed following the elections in May 2013 and changes made include changing the number and role of Cabinet members, reintroducing the role of Cabinet support members, reintroducing the concept of a Shadow Cabinet, and changing the structures for overview and scrutiny.

The Constitution also sets out how members of the public can get involved in the decisions we make (including under the 'Access to Information Rules'). We make it easy for people to be involved by broadcasting important Council meetings over the internet. Every month, the Cabinet receives a 'forward plan' from the Director of Democracy, Law and Transformation that sets out the main issues that they are likely to consider during the next four months and, as appropriate, what consultation will take place before they make any decision and who will be involved in this consultation. We have a legal responsibility to carry out consultations before we make certain decisions.

We review the Constitution and update it on an ongoing basis to reflect legislation and changes to practice within the authority.

We have a member of staff responsible for improving our governance arrangements. This is intended to make our arrangements even more open, accessible and accountable.

g Develop, communicate and follow codes of conduct, and define the standards of behaviour for members and staff

We have set up a Corporate Governance Working Group which is made up of the Director of Democracy, Law and Transformation, the Director of Finance and Resources, and other senior directorate officers and specialists. This Working Group oversees all our governance activity, including approving our main ethical documents (for example, codes of conduct) and processes, and works closely with our members.

We have introduced and placed on the Intranet all our main ethical governance documents and processes, such as:

- our whistle-blowing policy;
- our 'Integrity in Staffordshire' policy;
- codes of conduct
- delegation procedures (in other words, who reports to who);
- our policy on money laundering (trying to disguise money which has been gained illegally, so that it seems legal);
- personal performance reviews / my performance conversation; and
- the requirement for Interest Declarations by senior officers.

h Review and update standing orders, standing financial instructions, a delegation scheme (which says who is responsible for what) and supporting procedure notes and manuals, all of which clearly define how we make decisions and our processes and controls to manage risks

Effective management is based on a framework of regular management information, financial regulations, standing orders and a structure of varying levels of responsibility. We have all these types of documents in place and we regularly review them (for example, financial regulations and procurement regulations). It is one of the roles of our Corporate

Governance Working Group to make sure that these documents are up to date, relevant and made available to staff and other interested individuals or groups.

We also have a policy statement and action plan on risk management in place which the Audit and Standards Committee periodically review. The Committee also review the Corporate Risk Register and Mitigation Action Plan.

i Carry out the main functions of an Audit Committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA's) 'Audit committees: practical guidance for local authorities'

We have set up an Audit and Standards Committee which follows CIPFA guidance. We also have an Audit Charter in place, which defines working relationships between the Committee and our Internal Audit Section, and the level and amount of information that is provided for our members. Following the Council elections in May 2013, the membership of the Committee changed significantly. As a result, a series of training and awareness sessions have been put in place to make sure the Committee can perform their role effectively.

The role of the Committee includes responsibility for the standards agenda from the Standards Committee (which has been disbanded) so that it now has the full remit of responsibilities in respect of governance.

j Make sure we follow all relevant laws and regulations, internal policies and procedures, and that our spending is legal

We have officers who make sure that we follow all relevant laws, regulations and so on, and they include:

- the Head of Paid Service (the Chief Executive);
- the Monitoring Officer (Director of Democracy, Law and Transformation); and
- the Chief Finance Officer or Section 151 Officer (Director of Finance and Resources).

Our Legal Services Unit identifies areas of possible legal or administrative risk in our day-to-day business and makes sure that we meet all our legal responsibilities.

Our Legal Services Unit and Procurement Teams ensure compliance with Procurement law and the Council's own Procurement Rules.

We have an Information Governance Unit to ensure compliance with statutory and regulatory obligations around information. The Council also has a Senior Information Risk Owner (SIRO) role to understand and own information risk.

Our Director of Finance and Resources is responsible for carrying out an ongoing internal audit in line with the Accounts and Audit Regulations 2015. We have an effective Internal Audit Section, which works in line with the new Public Sector Internal Audit Standards together with the Local Government Application Note. We buy in specialist audit services from the private sector. The Chief Internal Auditor has the right to report direct to the Chief Executive, and to any member of the Cabinet and the Audit and Standards Committee.

In June 2015 our Audit and Standards Committee considered the annual review of how effective the Internal Audit Section is and the Internal Audit Out-turn Report (2014/15) which gave an opinion on how well our controls are working. Within this report, full details of counter-fraud and corruption work (which link to our Anti-Fraud Strategy) were disclosed. The authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Our Internal Audit Section carries out a regular review of how well we are following established procedures. More and more, this work is being linked to risks other than finance. Also, the Audit and Standards Committee, Select Committees, External Audit and other inspection agencies contribute to the review of how well we follow policies, procedures, laws and regulations.

The Director of Public Health is the Caldicott Guardian to ensure the appropriate use of patient data.

All areas of the Council have schemes and sub-schemes of delegation to ensure that decisions are taken at an appropriate level.

k Whistle-blowing, and receiving and investigating complaints from the public

We have arrangements in place to receive and investigate complaints about any of our staff not reaching proper standards of behaviour, and of fraud and corruption. We have a whistle-blowing policy in place. We have also set up an anti-fraud hotline (our Internal Audit Section monitors the calls).

We deal with complaints about us or our services through our customer feedback process or through the special procedures we have to follow by law for certain types of complaint (for example, complaints involving Social Services, children or race). We do our best to sort out complaints by agreeing or negotiating, but if we cannot sort them out in this way we give the person complaining the contact details of the Local Government Ombudsman, who may investigate the matter and whose decision is final.

Our Audit and Standards Committee has responsibility for considering any matters relating to the behaviour of Council members, and has powers to deal with complaints about Councillors.

l Identify the development needs of council members and senior officers, and support them with appropriate training

We have set up a framework of development opportunities for Council members that is linked to their personal performance review (PPR) process. There are role descriptions for members to help them identify and develop the skills they need.

We continue to deliver leadership-development programmes for our managers. These help us to improve our management performance, resources and staff performance. We have maintained political awareness training for our officers, and incorporated this into the induction process for new managers, to make sure that there are effective relationships between officers and members.

- m Set up clear ways of communicating with all sections of the community and other interested groups, make sure we are responsible for what we do, and encourage open consultation**

These arrangements were explained in section 3b.

- n Include good governance arrangements in our working relationships with our partners and other groups we work with, as recommended by the Audit Commission's report, and reflect these in our overall governance arrangements**

The Staffordshire Strategic Partnership (SSP) has carried out a major review of how they work, which has resulted in the Strategic Board concentrating on a much smaller number of shared priorities. The SSP is supported by the Local Enterprise Partnership and the Health and Well Being Board as well as local district arrangements.

As the Council commissions services from external partners it looks to ensure that appropriate and proportionate governance arrangements are in place.

4 Review of how effective our governance framework is

We are responsible for carrying out, at least once a year, a review of how effective our governance framework is, 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 Auditors 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.

a Review of corporate governance

The review of corporate governance has confirmed that we have the main documents and processes in place. These documents and processes are defined on one page which we have put on our intranet. Employees and members of the council can easily access this information and find more information on the documents and processes.

b Actions contained within the 2013/14 annual governance statement

The review of actions aimed at improving our arrangements for corporate governance has confirmed that we have made significant progress. We have:

- Continued to respond to the challenging financial climate arising from the Government's deficit reduction programme;
- Continued to implement and embed key transformation programmes including Infrastructure Plus and Strategic Property Partner;
- Developed our new vision and outcomes to include how we become an excellent commissioning council;

c Annual audit letter

An unqualified opinion from the External Auditor was issued on our final accounts for 2013/14. This means that our financial position was presented fairly and in line with all laws and regulations which apply.

The Auditor did not find any significant weaknesses in our accounting and control systems during the 2013/14 audit, and there were no examples of unusual spending, fraud or misconduct, or poor standards of financial openness.

d Annual out-turn report – internal audit

The Internal Audit Section gave us an ‘adequate assurance’ opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework albeit there continues to be issues around the implementation and ongoing development of the Care Director IT system and the Independent Futures service.

e Annual review of how effective our internal audit is

As reported to the Audit and Standards Committee as part of the Annual out-turn report, 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;
- our main performance results; and
- feedback from External Auditors and the Chief Finance Officer.

f Other reasons to feel confident – monitoring officer and the chief finance officer

During 2014/15 the Monitoring Officer and the Chief Finance Officer did not have to use their official powers.

g Other reasons to feel confident – Select Committees

We have effective processes in place. Our scrutiny arrangements provide for Select Committees, the responsibilities of which reflect our focus on key outcomes.

h Other reasons to feel confident – corporate directors and ‘risk owners’

We have a developing system of confirming that our controls are working. Where necessary, we implement appropriate action plans to strengthen our controls.

i Other reasons to feel confident – Corporate Risk Management Group and risk register

The format of the risk register continues to be revised as the County Council develops its business operating model. In addition, the Senior Leadership Team challenge the coverage of the register.

j Other reasons to be confident – low number of complaints

Our Audit and Standards Committee did not investigate any complaints about the behaviour of our elected members. The Ombudsman did not uphold any complaints about governance issues.

5. Significant governance issues

The Corporate Governance Working Group and the Audit and Standards Committee have given us advice on the result of the review of how effective our governance framework is. As a result, we have put in place a plan to make sure we continuously improve the system.

We will do the following.

- Continue to undertake large scale transformation to address the continued financial pressures facing the council
- Seek to better join up health and social care (including seeing through our plans around the Staffordshire and Stoke-on-Trent Partnership NHS Trust, Care Act and Better Care Fund) into an integrated health and care commissioning system
- Assess the opportunities and challenges presented by the Devolution agenda and its impact on Staffordshire
- Create a commercial and contract management team through the combination of the Commissioning Delivery Hub and Procurement teams
- Ensure that the senior and wider leadership cohort of the organisation have the necessary capabilities and sufficient capacity and are structured correctly to deliver the council's priorities as articulated in the Business Plan

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:

Leader of Staffordshire County Council

Signed:

Chief Executive of Staffordshire County Council

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 – 2014/15

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 2013/14 AGS (Supporting Paper 2)
- Annual Audit Letter 2013/14 (Supporting Paper 3)
- Internal Audit Outturn Report 2014/15 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.

SUPPORTING PAPER 1

ANNUAL REVIEW OF THE CODE OF CORPORATE GOVERNANCE

The Council's revised Code of Corporate Governance (based upon CIPFA/SOLACE guidance) together with a Single Sheet Local Framework was approved by the Audit and Standards Committee at its meeting on 30 June 2015.

The Single Sheet Local Framework details key documents and contributory processes. Furthermore, each document and contributory process has a defined SLT and Operational Lead with the latter confirming that the key document and/or contributory process is in place and up to date. The Single Sheet Local Framework is placed on the Council's Intranet Site and has been subject to a significant awareness campaign.

In addition to the above, a review of Corporate Governance was undertaken by the Corporate Governance Working Group with the output submitted for consideration to the Audit and Standards Committee on 30 June 2015. This review detailed a) progress made on implementing the 2014/15 Action Plan and b) the 2015/16 Action Plan.

Attachments

Single Sheet Local Framework

Corporate Governance Action Plan 2014/15- Progress

Corporate Governance Action Plan 2015/16

Staffordshire County Council Corporate Governance Framework
Principles, Statutory Obligations and Organisational Objectives



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
- Internal/External Audit Protocol
- 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

Key Documents: Ad-Hoc Review / Production

- Anti-Fraud Work plan
- 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
- Integrity Policy Statement
- 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
- 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
- Director of Finance and Resources
- 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

CORPORATE GOVERNANCE ACTION PLAN 2014/15

Carried Forward from Previous Years

Action	SLT Lead Officer	Progress
Review high level governance arrangements to make sure they continue to be fit for purpose in light of the increasingly and integrated partnership environment in which the County Council operates	Corporate Governance Working Group	On-going The Council's relationship with SSOTP has been refreshed under its new 75 agreement. Following the appointment of Kier, a Strategic Property Partnership Board has been established. A new governance framework has been put in place for the Infrastructure+ partnership
Review ICT Strategy	Director of Finance and Resources	Deferred pending outcome of SAP review
Review Procurement Regulations and ensure consistency with commissioning intentions	Director of Finance and Resources	Deferred pending assessment of implications arising from the Public Contract Regulations 2015
Review Financial Regulations	Director of Finance and Resources	Deferred
Review Director decision making Process (e.g. recording of significant decisions)	Director of Democracy, Law and Transformation	Completed
Review Integrity Policy Statement	Corporate Governance Working Group	Completed

New Actions

Action	SLT Lead Officer	Progress
Review Corporate Information Security Policy	Director of Democracy, Law and Transformation	Completed
Review progress on implementing the requirements of the Bribery Act 2010	Director of Finance and Resources	Completed

Review format and content of the Corporate Risk Register	Corporate Governance Working Group	Corporate Risk Register reviewed – Further Consideration required on process to capture operational risks emanating from the Business Plan
Review Risk Management Policy Statement	Corporate Governance Working Group	Deferred pending completion of above process
Review process for communicating key governance documents	Corporate Governance Working Group	On-going

CORPORATE GOVERNANCE ACTION PLAN 2015/16

Carried Forward from Previous Years

Action	SLT Lead	By When
Review high level governance arrangements to make sure they continue to be fit for purpose in light of the increasingly and integrated partnership environment in which the County Council operates	Corporate Governance Working Group	On-going
Review ICT Strategy	Director of Finance and Resources	31 March 2016
Review Procurement Regulations and ensure consistency with commissioning intentions	Director of Finance and Resources	30 September 2015
Review Financial Regulations	Director of Finance and Resources	31 March 2016
Review format and content of the Corporate Risk Register with specific reference to operational risks emanating from the Business Plan	Corporate Governance Working Group	30 September 2015
Review Risk Management Policy Statement	Corporate Governance Working Group	31 December 2015
Review process for communicating key governance documents	Corporate Governance Working Group	On-going

New Actions

Action	SLT Lead	By When
Review Corporate Property Strategy to include defining the role of the Strategic Property Partner	Director of Finance and Resources	31 March 2016
Review of compliance with Local Government Code of Transparency 2015	Director of Law, Democracy and Transformation	31 January 2016
Review each principle of corporate governance against the requirements of a Commissioning organisation	Corporate Governance Working Group	31 March 2016

SUPPORTING PAPER 2

PROGRESS AGAINST SIGNIFICANT CONTROL ISSUES CONTAINED WITHIN THE 2013/14 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.

Significant internal control issues contained within the 2013/14 AGS

Ref	Key Action	SLT Lead Officer	Progress
AGS1	Continue to respond to the challenging financial climate arising from the Government's deficit reduction programme	Director of Finance and Resources	The Medium Term Financial Strategy (MTFS) 2015/16 – 2019/20 was approved by County Council on 12 February 2015. The Strategy identified the uncertain economic climate facing the authority. It also contained a statement by the Director of Finance and Resources on the robustness of the budget and associated risk implications. The MTFS is balanced overall albeit there is a shortfall in both 2018/19 and 2019/20 that will need to be addressed.
AGS2	Continue to implement and embed key transformation programmes e.g. Infrastructure Plus and Strategic Property Partner	SLT	Following an extensive and challenging procurement process, the County Council signed with the Police and Crime Commissioner and Kier to form the Penda Property Partnership in June 2015. The Council also entered into a strategic partnership with Amey for the delivery of the County Council outcomes in relation to infrastructure assets.
AGS3	Commence implementation of our new vision and values leading to the creation of a "Connected Staffordshire"	SLT	The County Council approved its Strategic Plan 2014-2018. The Plan contained a new vision - a strategic commissioning council, helping to create a Connected Staffordshire where everyone can prosper and be healthy and happy. A new business

			<p>planning process was established and had a clear connection from the vision contained within the Strategic Plan, through to personal objectives set through My Performance Conversation.</p>
AGS4	<p>Work with our Health Partners in the formulation and creation of the Better Care Fund to include a review of our current contractual arrangements with the Staffordshire and Stoke-on-Trent Partnership NHS Trust</p>	SLT	<p>The Council has entered into a pooled budget arrangement with five Clinical Commissioning Groups in relation to the Better Care Fund. The 2015/16 pool value will be in the region of £105m.</p> <p>In April 2015, Cabinet agreed to continue with the Integration of Adult Social Care Services with Staffordshire and Stoke-on-Trent Partnership NHS Trust. Central to the agreement, is the implementation of a new co-produced model of care that reshapes the Social Care pathway.</p>
AGS5	<p>Review high level governance arrangements to make sure they continue to be fit for purpose in light of the increasingly and integrated partnership environment in which the County Council operates</p>	SLT	<p>As part of the arrangements to ensure the Council's relationship with SSOTP under its refreshed Section 75 agreement is robust, new governance arrangements have been put in place, to include the establishment of a Joint Programme Board reporting to a Joint Steering Group. Regular reports are submitted to Cabinet to Trust Board meetings.</p> <p>In relation to the Better Care Fund, approved governance arrangements have seen the establishment of a Joint Partnership Board. The Board reports into the Staffordshire Collaborative Commissioning Congress from a system perspective, while within the County Council, it reports to the Care and Children's Accountability Board.</p>

Conclusion

The review of actions detailed within the 2013/14 AGS has confirmed that whilst significant progress has been made, for the purposes of the 2014/15 AGS key Actions AGS 1, and AGS 4. should be carried forward.

SUPPORTING PAPER 3

ANNUAL AUDIT LETTER 2013/14

The Annual Audit Letter 2013/14 was submitted to the Audit and Standards Committee on 8 December 2014.

Extract from Annual Audit Letter

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2014.

- We audited the Council's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 25 September 2014.
- Our work on the Council's systems identified no material weakness
- We issued an unqualified conclusion on the ability of the organisation to secure economy, efficiency and effectiveness in its use of resources
- We reviewed the Annual Governance Statement to consider whether it complied with the CIPFA / SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context

Conclusion (from SCC perspective)

The Extract from the Annual Audit Letter gives assurance in respect of the 2013/14 Financial Accounts and confirms an effective system of internal control.

SUPPORTING PAPER 4

INTERNAL AUDIT OUTURN REPORT 2014/15 AND PERFORMANCE AGAINST THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Extract and Conclusion

The Outturn Report was presented to the Audit and Standards Committee on 30 June 2015. The Internal Audit Section gave an “adequate assurance ” opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework albeit there continues to be issues around the implementation and ongoing development of the Care Director IT system and the Independent Futures service.

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
- Our main performance results
- Feedback from External Auditors and the Chief Finance Officer

SUPPORTING PAPER 5

OTHER SOURCES OF ASSURANCE - STATUTORY OFFICERS

The Chief Finance Officer/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 2014/15.

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 following a review of our Risk Management processes (see below). In the interim, Statements continue to be completed for the Corporate Governance, Finance and Procurement risk headings. An example of an Assurance Statement is reproduced at **Appendix 2a**.

SECTION C CORPORATE RISK MANAGEMENT GROUP/RISK REGISTER

The format of the Corporate Risk Register continues to be revised as the County Council develops its business operating model. It is intended to submit a revised version of the Corporate Risk Register to the Audit and Standards Committee at its December meeting.

SECTION D STANDARDS BOARD/OMBUDSMAN

Our Audit and Standards Committee did not investigate any complaints about the behaviour of our elected members. The Ombudsman did not uphold any complaints about governance issues.

Conclusion

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

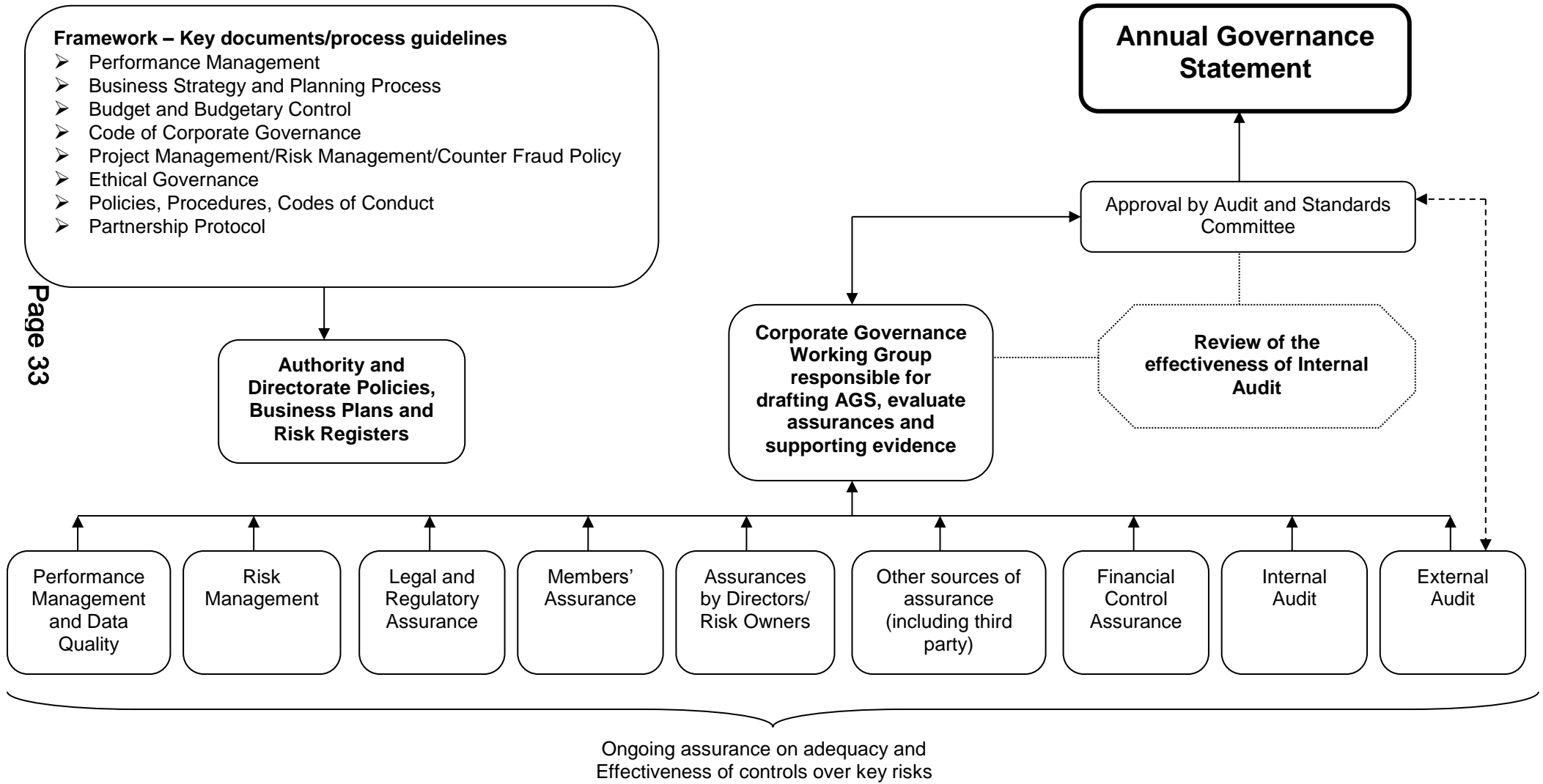
- **The format and content of the Corporate Risk Register is currently being reviewed and updated**

Section D

- **Our Audit and Standards Committee did not investigate any complaints about the behaviour of our elected members. The Ombudsman did not uphold any complaints about governance issues.**

THE ANNUAL GOVERNANCE STATEMENT - FRAMEWORK

Page 33



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 for the next four years.

The people of Staffordshire will:

- Be able to access more good jobs and feel the benefits of economic growth
- Be healthier and more independent
- Feel safer, happier and more supported in and by their community

The associated Business 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 Commissioning Priorities, including a “Well Run Council”.

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 Commissioning Priorities, including a “Well Run Council”.

Stage 4 – Obtain assurances on effectiveness of key controls

As defined within Appendix 1 to this report and Section 4 of the AGS

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

As defined within Appendix 3 to this report and Section 4 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 5 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

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 Democracy, Law and Transformation – 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	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 Director of Finance and Resources 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 Triton	2
Code of Corporate Governance	Code of Corporate Governance Annual Action Plan	Audit and Standards Committee Assessment Local Government Finance Award for Corporate Governance (Former winners) Corporate Governance Working Group	3

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
		Monitoring Officer Director of Finance and Resources 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	3 2
Constitution	Constitution	Reviews overseen by the Audit and Standards Committee Democracy, Law and Transformation resource Monitoring Officer	2
Corporate Risk Register	Corporate Risk Register	Audit and Standards Committee - Corporate Risk Register – Senior Leadership Team Corporate Governance Working Group	1 (By virtue of need to revise format and content)
Customer Feedback Process	<u>See Risk Category 1</u>	<u>See Risk Category 1</u>	
Delegations to/from Directors	Delegations to Directors Delegations from Directors Corporate Governance Action Plan	Delegations to Directors Review of Delegations to Directors	2
Integrity Policy Statement	Integrity Policy	Development of E-Learning Fraud Awareness Tool	2
Member / Officer Relations	Member / Officer Relations	None Specific	2
Member Training	Member Training PDR system linked to political skills	Municipal Journal Councillor Development Achievement Award Member Induction Process Regular Training Events	3
Members Allowances Scheme	Members Allowances Scheme	Internal Audit Report Independent Remuneration Panel	3


Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
Members Code of Conduct	Members Code of Conduct	Overseen by Audit and Standards Committee No Member investigations by Standards Committee Member Training Monitoring Officer	3
Officers Code of Conduct	Officers' Code of Conduct	Annual Declaration of Interests and Monitoring Process overseen by CGWG	2
Record of Decisions	Record of Decisions	Democracy, Law and Transformation resource	3
Risk Management Policy Statement	Risk Management Policy Statement	Corporate Risk Management Champions 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	Democracy, Law and Transformation 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 Committee, Cabinet, Scrutiny Panels, Internal Reviews, Control Self-assessment.
Control Rating	<p>1 (Limited) – The stated control requires major revision and/or there is little evidence of the effectiveness of the control framework.</p> <p>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.</p> <p>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.</p>

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 2014/15.”



John Tradewell
Director of Law and Governance
Date: 31 July 2015

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 audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It 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.
- (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 are appointed by the Audit Commission.

2014/2015 Statement of Accounts

Audit and Standards Committee

the knot unites

Stewardship concept

- Overriding objective of financial reporting is to demonstrate fiduciary stewardship
- But need to see the accounts in context with other arrangements. Wider objective of public stewardship – operational stewardship e.g. value for money reviews, audit reports, inspections etc.

Purpose of Report

In accordance with the Accounts and Audit Regulations 2011 (the Regulations) the Authority is required to approve the Statement of Accounts.

The Chair of Committee of a relevant body, which approves the Statement of Accounts is required to sign and date the accounts. For this authority this is the Audit and Standards Committee.

the knot unites

What is the Statement of Accounts?

- Formal accounts of the Council
- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?
- Readers of the Statement of Accounts - electors, members, employees and other interested parties

Period of Account

- Year - 1 April 2014 to 31 March 2015.
- Draft accounts signed by the responsible financial officer by the end of June.
- 4 weeks public inspection (22nd June to 17th July).
- Audited accounts before 30 September.
- Change in regulations for 2017/18 accounts

How are the accounts prepared?

- Range of principles and practices
- Code of Practice on Local Authority Accounting
- Prepared, signed and dated by responsible financial officer
- Presents a 'true and fair' view.
- External auditors appointed by the Audit Commission (for this year it is PriceWaterhouse Coopers)

Accounting concepts and principles

Many principles but main things to note are:

- Materiality
- Accruals

Sections of the accounts

- Foreword by Andy Burns – provides an overview of financial position.
- Accounting policies - rules used in preparation of accounts.
- Financial statements for County Council followed by notes.
- Group accounts – Entrust.
- Pension Fund accounts

Comprehensive Income and Expenditure Statement

- Reports the net costs for the year of the functions for which the authority is responsible.
- Principal sources of financing (amounts to be funded from taxation) to give the net surplus/deficit for the year.
- Gross expenditure and income should include the costs of support services.

Comprehensive Income and Expenditure Statement (Cont'd)

- Net Deficit on provision of services is £70.6m
- Main reasons are:
 - A loss on disposal of our assets of £68.6m
(the vast majority of these relate to schools that have transferred their status, mostly to academies. In accordance with IFRS the building has been moved off our balance sheet with no proceeds being set against the disposal.)
 - Net downward revaluations on our assets of £31.7m
 - Capital grants and contributions recognised at £64.4m
 - Interest payable of £47.8m which includes the interest relating to all PFI schemes.

Prior Period Adjustment

- Prior Period Adjustments are required when there has been either, a change in the accounting policies, only made through changes in accounting practices, or, where material errors have been found.
- Changes are made retrospectively by amending opening balances and comparative amounts.
- In 2014/15, a change in accounting treatment of a capital grant for schools has resulted in a prior period adjustment.
- The adjustment has no impact on cash balances but has resulted in amended opening balances.

Balance Sheet

Summarises the authority's financial position at the year end indicated by:

- The value of its assets less its liabilities
- The level of balances and reserves at its disposal

Balance Sheet

- Fixed Assets (Non Current Assets)
- Debtors/creditors
- Stocks
- Long term borrowing
- Pension Scheme liabilities
- Reserves
 - usable
 - unusable

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Balance Sheet

- Assets less liabilities has decreased from £473.5m to £293.4m.
- The pensions liability has increased from £927m to £1,139.7m mainly due to a reduction in UK government bond yields at 31st March, this is not cash backed.
- Property, plant and equipment increased by £34.7m (note 10).

Balance Sheet

- In total the County Council's usable reserves (earmarked, general reserves and balances) increased by £27.4 million.
- The unusable reserves (not cash-backed) decreased by £207.5m which largely reflects the increase in the pensions liability.
- General balances have decreased by £1.1m to a level of £14.8m. Funding for the overspend has come from general balances.
- The Movement in Reserves Statement shows more detail on changes to the reserves during the year.

Group Accounts

- From 1st April 2013 the Joint Venture, Entrust Support Services Limited (“Entrust”), began trading. The County Council owns 49% of the shares within Entrust and these are shown on our balance sheet.
- In accordance with the 2014/2015 Code of Practice on Local Authority Accounting, the Council accounts for an interest in Entrust Support Services Ltd (Entrust) as a joint venture and prepares group accounts.

Group Accounts

- A joint venture is defined as: “An entity in which the reporting authority has an interest on a long term basis and which is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.”
- The aim of the Group Accounts is to give an overall picture of the activities of the authority.

Group Accounts

- The statements present financial information about the parent (the Council) and then additionally reflect the Council's share of assets, liabilities, expenditure and income in a unified set of accounts.
- There are no material differences between the accounting policies of the County Council and of Entrust.

Pension fund

- Staffordshire County Council is the administering authority for the pension fund.
- The pension fund accounts must be included in the county council accounts.
- The cash of the pension fund is kept completely separate.
- A separate annual report for the pension fund is produced.

Pension fund accounts

	£m	
Value 31 March 2014	3,293.4	
Value 31 March 2015	3,768.8	
Increase	475.4	14%

Change in fund value £475.4m

	£m	£m
Contributions	181.8	
Pensions	<u>(159.4)</u>	
<u>Net revenue effect</u>		22.4
<u>Management expenses</u>		(16.2)
Investment income	54.6	
Change in market value	414.6	
<u>Net returns on investment</u>		<u>469.2</u>
<u>Net increase in the fund</u>		475.4

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Your Questions



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Local Members' Interest
N/A

Audit and Standards Committee – 14 September 2015

2014/2015 Statement of Accounts

Recommendations

1. That members approve the 2014/2015 Statement of Accounts as attached to this report.
2. To approve the letter of representation from the Director of Finance and Resources.

Report of the Director of Finance and Resources

Background

3. The 2014/2015 Statement of Accounts is attached as Appendix 3 to this report and covers the County Council and Staffordshire Pension Fund. The Accounts and Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).
4. The Code of Practice is updated annually with only minor changes introduced in 2014/2015.
5. As part of normal year end processes I am required to make a 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 in accordance with the appropriate rules and regulations. My letter 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.

Interpretation and Comment on Key Financial Information

Revenue Outturn

6. The revenue outturn totalled £512.6 million on our day to day activities after allowing for transfers to reserves. This was £7.3 million (or 1.42%) more than we budgeted for and an analysis of the spend across services is set out in the table overleaf.

The table compares the budget with the final outturn (spending) for 2014/2015

	Budget	Outturn	Over / (Under) spend
	£m	£m	£m
People			
Children in Need of Care and Support	64.8	66.8	2.0
Long Term Conditions and Partnership Trust	99.7	103.8	4.1
All Aged Disability	83.3	89.6	6.3
Mental Health	11.5	11.6	0.1
Education and Wellbeing	33.8	32.5	(1.3)
Safety	25.8	25.4	(0.4)
Business Improvement	7.1	7.2	0.1
People Total	326.0	336.9	10.9
Public Health	1.6	1.1	(0.5)
Place			
Built County	29.0	28.2	(0.8)
Rural County	2.4	2.5	0.1
Sustainable County	20.5	20.4	(0.1)
Transport and Connected County	28.5	29.5	1.0
Business and Enterprise County	4.0	3.2	(0.8)
Tourism and Cultural County	9.3	9.2	(0.1)
Economic Planning and Future Prosperity	0.5	0.6	0.1
Place Business Management	2.5	2.4	(0.1)
Place Total	96.7	96.0	(0.7)
Corporate / Support Services			
Finance and Resources	5.9	5.2	(0.7)
Law, Democracy and Transformation	10.7	9.8	(0.9)
Strategy and Customer Service	4.3	4.3	0.0
Trading Services Contribution	(1.0)	(0.9)	0.1
Corporate / Support Services Total	19.9	18.4	(1.5)
Total Portfolio Budgets	444.2	452.4	8.2
Centrally Controlled Items			
Interest on Balances and Debt Charges	46.1	46.1	0.0
Other*	14.3	14.1	(0.2)
Contingency	0.7	0.0	(0.7)
Centrally Controlled Total	61.1	60.2	(0.9)
Planned Net Revenue Budget / Expenditure	505.3	512.6	7.3

*Other consists of insurance costs, property repairs and maintenance costs and pooled buildings costs.

7. The People portfolio has been affected by the national issues of rising demographic pressures for both adult social care and looked after children, challenging market conditions and financial constraints. This situation means that we spent £10.9 million more than budget in this portfolio. A number of factors have led to this overspend, these include pressures relating to the number of people requiring care which has meant that planned savings have not been achieved; and modernisation costs relating to the former in-house homecare service and older people's care homes. Costs relating to looked after children were more than budgeted, due to increased placement costs in the independent sector and the costs of the government's Staying Put initiative. The All Age Learning and Disability service has overspent due to a combination of savings targets for modernisation of day and residential services not being delivered, pressures from new or increased packages of care and contributions from health being lower than expected.
8. The 2015/16 budget contains an investment of £20 million in the People portfolio, specifically in the areas mentioned above in order to mitigate these budget pressures.
9. In the Place portfolio there was a small underspend of £0.7 million. The Built County (Highways service area) underspent by £0.8 million, due to the one-off benefit of the recent national settlement on the ability of local authorities to charge for property searches. Business and Enterprise County also underspent by £0.8 million which has arisen due to increased income being received in Trading Standards, County Farms and Enterprise Centres.
10. The Transport and Connected County experienced an increased amount of pressure for additional spend, particularly within the budgets for support of the public bus network and the SEN (Special Educational Needs) Home to College budget. This has resulted in an overspend of £1.0 million, although savings have been achieved across this budget and work will continue in 2015/16 to achieve a greater level of savings in future years.

Capital Outturn

11. In 2014/2015, we spent grants from the Government totalling £52.7 million, compared to £51.1 million in 2013/2014. We also accounted for £41.7 million of borrowing to finance our capital spend. After including all extra funding such as specific grants and contributions from developers, our final capital spend for 2014/2015 was £104.1 million, compared to £115.3 million in 2013/2014. The capital outturn position is summarised in the table below;

	£m
People	33.2
Place	64.8
Corporate / Support Services	6.1
Grand Total	104.1

12. Our achievements during the year include the following:

- Successful completion of the new motorway junction to facilitate the opening of the i54 South Staffordshire Strategic Employment site, home of Jaguar Land Rover. The site has been developed in partnership with Wolverhampton City Council and South Staffordshire District Council at a cost of £58 million;
- The Superfast Broadband project is now well underway and Phase 1, intended to deliver at least 95% coverage, is almost 50% complete at a cost of around £6 million;
- Early commencement of the first project under the Local Growth Deal means that the infrastructure works undertaken at the Lichfield Park Employment site are well underway;
- Significant design and preparation work has been undertaken to ensure other major infrastructure projects can commence in 2015 including the A50 Improvement Project and employment sites at Meaford and Bericote;
- Expansion and renewal of six general teaching spaces at Rykneld Primary school;
- Significant remodelling to accommodate South Staffordshire College and Two Rivers High school at the Torc Vocational Centre;
- Remodelling of Five Spires Academy to create a primary and nursery school;
- Construction of either new schools or extensions to existing schools at Veritas Academy, Doxey Primary school, Parkside Primary school, Rocklands school and Sherbrook Primary school.

Interpretation and comment on the main financial information

13. The Balance Sheet shows that the total of assets less liabilities is £293.4 million which is a decrease of £180.1 million when compared with the 2013/2014 Balance Sheet. One of the main reasons for this decrease is that the Council's share of any liabilities associated with the pension fund has increased. The overall net liability (that is, the assets less liabilities) has been assessed by the actuary in line with accounting rules and has increased from £927.0 million to £1,139.7 million. This increase is caused by a reduction in the number of active members of the pension fund and lower interest rates. It should be noted that this liability is notional, it is not cash-backed and it is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion.

14. At the end of each financial year a review is undertaken on our Property, Plant and Equipment to identify events or circumstances which may indicate impairment has occurred. All assets are assessed against the following tests to see if an asset has been impaired. The tests include;

- Condition: has any property fallen into a lower condition category as a result of significant additional disrepair since the valuation date (nothing identified).
- Insurance claims: have there been any significant un-remedied insurance events that would affect asset value (nothing identified).
- Market: has there been any significant reduction in general property values (no).
- Property Information Updates: have there been any other events identified in Property Information Updates that have affected asset values (no).

- Demolitions: have there been any demolitions that significantly affect asset value (none identified).
 - Review of Assets Held for sale: are the values recorded still appropriate (2 assets identified).
 - Service Transformation: have any service transformation programmes affected asset values (7 assets identified).
15. Where an asset satisfies one or more of the tests above, it has been impaired and reflected in the accounts at its revised valuation. In addition to the tests for impairment our internal valuation team assess the valuations of our assets, based on our revaluation programme. Adverse fluctuations in assets valuations can result in an impairment charge. In 2014/15 the Council recognised impairment losses totalling £50.8 million. 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.

Reserves and balances

16. 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. In total our cash-backed reserves have increased by £27.4 million. Most of this increase relates to the amalgamated capital reserves (that is, money set aside for capital expenditure) which have increased by £28.6 million. This represents the decisions we have made on funding our capital programme. These amalgamated reserves include capital receipts and unspent capital grants which we can use in future years.
17. After taking account of the outturn, the General Fund Balance total was £14.8 million as at 31 March 2015.
18. Earmarked reserves (including school reserves) have remained static at £88.7 million. Within that overall total, school reserves have increased by £1.9 million to £45.2 million and non-school earmarked reserves have decreased by £2.0 million to £43.5 million. This shows that schools are continuing to save money to fund their future pressures and that other services have spent money that had been set aside in previous years.

Group Accounts

19. The aim of the Group Accounts is to give an overall picture of the activities of the authority. The statements present financial information about the parent (the Council) and then additionally reflect the Council's share of assets, liabilities, expenditure and income in a unified set of accounts. In accordance with the 2014/2015 Code of Practice on Local Authority Accounting, the Council should account for an interest in Entrust Support Services Ltd (Entrust) as a joint venture and prepare group accounts.
20. A joint venture is defined as: "An entity in which the reporting authority has an interest on a long term basis and which is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement."

Pension fund

21. 2014/2015 was another successful year for the Pension Fund as global economies continued the long recovery from the financial crises and equity values continued to rise, albeit at a slower pace and less evenly than the previous year. The fund is now valued at £3,768.8 million. The Council's share of the Pension Fund's assets is estimated to be £1,599.3 million and these have increased by £216.0 million since 2013/2014. Offsetting this increase in asset valuations is an increase in the liability relating to the Council, the reasons for this increase are explained above.

Format of the Statement of Accounts

22. 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.
23. 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 278157.
24. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

Andrew Burns
Director of Finance and Resources

Equalities Implications

1. This report has been compiled in accordance with the County Council's Policy on Equal Opportunities.

Legal Implications

2. The County Council is required to approve a draft Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations.

Resource and Value for Money Implications

3. There are no direct resource implications arising from this report.

Risk Implications

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

Climate Change Implications

5. There are no direct climate change implications arising from this report.

Health Impact Assessment and Community Impact Assessment screening

6. Not required for this report.

Report author:

Author: Rachel Spain, William Wilkes
Tel No (01785) 854455
Room No 2nd Floor, Staffordshire Place 2

List of Background Papers:

Accounts and Audit Regulations 2011
Code of Practice on Local Authority Accounting in the United Kingdom 2014/15

PricewaterhouseCoopers LLP

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Dear Sirs

Representation letter – audit of Staffordshire County Council’s (the “Authority”) Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2015 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Director of Finance and Resources for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

The restatement made to correct a material misstatement in the prior period Statement of Accounts that affects the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The decision by the Authority to not restate the prior period in respect of the accounting for schools non-current assets was on the basis that this was not material to the financial statements.

The following have been recognised, measured, presented or disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the statement of accounts, including non-compliance.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the selection and application accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.

- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule/schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

No transactions involving members, officers and others requiring disclosure in the Statement of Accounts under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 have been entered into.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Statement of Accounts have been disclosed to you.

Pension fund registered status

I confirm that the Staffordshire Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Accounting estimates: measurement processes, assumptions, disclosures and effects of subsequent events

Regarding accounting estimates that were recognised in the Statement of Accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

Provisions

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the statement of accounts.

I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.

Using the work of experts

I agree with the findings of our internal valuations team, experts in evaluating the valuation of our property, plant and equipment (land and buildings) and Arlingclose, experts in providing estimates of fair values in respect of financial liabilities. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts.

Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Retirement benefits

All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

- Rate of increase in salaries 4.3%;
- Rate of increase in pensions 2.4%;
- Rate for discounting scheme liabilities 3.2%
- Life expectancy at age 65 years:
 - Males: current 22.1 years; future 24.3 years; and
 - Females: current 24.3 years; future 26.6 years.

The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Other matters

I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

As minuted by the Audit and Standards Committee at its meeting on 14 September 2015

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Director of Finance and Resources

For and on behalf of Staffordshire County Council

Date



Appendix 1 - Related parties and related party transactions

- Keele University Science and Business Park
- Rawlett Trust
- Staffordshire Playing Fields Association
- Cannock Chase District Council
- Hednesford Town Council
- Newcastle-under-Lyme Borough Council
- Rochester PC
- Local Government Association
- CCN
- South Staffordshire Council
- East Staffordshire Borough Council
- Barton Quarry
- Newbold Quarry
- Yoxall Town Lands Trust
- Wombourne Parish Council
- Stoke-on-Trent and Staffordshire Fire and Rescue Authority
- Lichfield District Council
- Lichfield City Council
- Kinver Parish Council
- Stafford Borough Council
- Beyne School Foundation
- Tamworth Borough Council
- Tamworth Cornerstone Housing Association
- Staffordshire Moorlands District Council
- Horton Parish Council
- Perton Parish Council
- Staffordshire and Stoke-on-Trent Partnership Trust
- Bilbrook Parish Council
- Codsall Parish Council
- Codsall Middle School
- Codsall Community High School
- Rugeley Town Council
- Stretton Parish Council
- Royal British Legion
- Conservative Party
- Oak Tree Farm Rural Project Limited
- Entrust Education Services Limited
- New Vic Theatre Trust
- Stoke-on-Trent and North Staffordshire Theatre Trust Limited
- Blythe Bridge High School Music Trust
- Great Wyrley Parish Council
- Ramblers Association
- Heath Hayes and Wimblebury Parish Council
- Five Ways Primary School
- Etching Hill Tennis Club
- Forest of Mercia
- Mid Staffordshire NHS Foundation Trust (former)
- Four Ashes Energy Recovery Facility – Veolia UK
- Brewood and Coven Parish Council
- Clayton Hall Business and Language Council
- LDC
- Armitage with Handsacre Parish Council
- Lichfield Cathedral
- Hatherton and Walgherton Parish Council
- Saredon Parish Council
- Littleton Green Community School
- Ranton Parish Council
- Burntwood Town Council
- Age UK South Staffordshire
- South Staffordshire Conservative Association
- Staffordshire Pension Fund
- Biddulph High School
- Changeworks Communications Limited
- Macmillan Cancer Support
- Integrated Water Services
- Mid Counties Cooperative
- ABSR Holdings Limited
- Instaffs (UK) Limited
- JABA Associates Limited
- Request Systems Limited
- Chase Co-Operative Learning Trust
- Greater Birmingham and Solihull Local Enterprise Partnership
- Leek Citizens Advice Bureau
- Stoke-on-Trent and Staffordshire Safer Communities Community Interest Company
- Burton Co-Operative Learning Trust



- Back 2 Bikes
- Make Some Noise (West Midlands) Limited
- Cable (Cannock) Limited
- West Midlands Estates Limited
- West Midlands Estates (Properties) Limited
- Basterfield Group Limited
- South Staffordshire Community and Voluntary Action
- Cherry Orchard Garden Services
- Darwin Hall Community Association
- Francis and Jellyman Limited
- Staffordshire and Black County Business Innovation Centre Limited
- The De Ferrers Academy
- Aspire Group (Staffordshire) Limited
- Staffordshire Environmental Fund
- Community Transport Stafford and District
- Biddulph Citizens Advice Bureau
- Moorlands Housing
- Springfield China Limited
- Sinnett Lawson Limited
- Lakeland Promotions Limited
- Digital Dragons Global Limited
- J H Marshall (Holdings) Limited
- J H Marshall (Pressings) Limited
- J & D Transport (Midlands) Limited
- Groupage Consultancy Services Limited
- South Staffordshire Network for Mental Health
- Saffron Young Peoples Project Limited
- Stafford and Stone Citizens Advice Bureau
- Staffordshire South West Citizens Advice Bureau
- Simon Tagg Limited
- South East Staffordshire Citizens Advice Bureau
- Central Technology Belt
- Local Information Unit Limited
- Nexxus Trading Services Limited
- John Pointon Sports and Recreation Facility
- The JCB Academy Trust
- LGG Limited
- The Association of Council Secretaries and Solicitors
- Nabal Limited
- Public Health Foundation of Nigeria
- PH Now Limited
- Precision Architecture and Construction
- Sustainability West Midlands

Statement of Accounts

for

2014/2015

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 278157.

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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 2014/2015 was available for inspection from 22 June to 17 July 2015. The formal audit of our accounts began on 29 June 2015 and we received an unqualified opinion on the accounts on *date to be inserted*. This means that, in the auditors' opinion, our accounts presented a true and fair view of our financial position.

Our external auditors are PricewaterhouseCoopers LLP. Their address is:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT.

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.

Foreword by the Director of Finance and Resources

This provides a brief background to the budget for 2014/2015, 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. Wherever possible 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) and the Service Reporting Code of Practice (SeRCOP). 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 minimal changes for the 2014/2015 financial year.

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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 National 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 2015 and includes all our funds apart from the 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.

Foreword by the Director of Finance and Resources

Introduction

I am pleased to introduce our statement of accounts for 2014/2015.

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 freezing council tax 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 feel the benefits of economic growth;
- Be healthier and more independent;
- Feel safer, happier and more supported in and by their community.

Revenue Budget

The MTFS provides the background for our revenue and capital budgets, decisions on council tax, savings 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.

Overall we planned to spend £505.3 million on providing services during 2014/2015. This money came from government grants of £133.7 million, council tax of £271.1 million (after adjusting for any surplus or deficit) and £91.9 million of business rates. It also includes a contribution from our reserves of £9.1 million.

We continued to review our services to identify improvements that could be made and we also made savings by doing this review. In 2014/2015 we delivered £30.4 million of savings, when we had planned to make £42.3 million of savings.

The Council Tax was frozen in 2014/2015 which meant that our Band D charge remained the lowest of any English County Council.

Revenue Figures

We spent £512.6 million on our day to day activities which was £7.3 million (or 1.42%) more than we had budgeted for. This is within our Financial Health target of 2% variation on revenue budgets and also an improvement on the position estimated during the year. The final figures are summarised in the table on page 8.

The People portfolio has been affected by the national issues of rising demographic pressures for both adult social care and looked after children, challenging market conditions and financial constraints. This situation means that we spent £10.9 million more than budget in this portfolio. A number of factors have led to this overspend, these include pressures relating to the number of people requiring care which has meant that planned savings have not been achieved; and modernisation costs relating to the former in-house homecare service and older people's care homes. Costs relating to looked after children were more than budgeted, due to increased placement costs in the independent sector and the costs of the government's Staying Put initiative. The All Age Learning and Disability service has

Foreword by the Director of Finance and Resources

overspent due to a combination of savings targets for modernisation of day and residential services not being delivered, pressures from new or increased packages of care and contributions from health being lower than expected.

The 2015/16 budget contains an investment of £20 million in the People portfolio, specifically in the areas mentioned above in order to mitigate these budget pressures.

In the Place portfolio there was a small underspend of £0.7 million. The Built County (Highways service area) underspent by £0.8 million, due to the one-off benefit of the recent national settlement on the ability of local authorities to charge for property searches. Business and Enterprise County also underspent by £0.8 million which has arisen due to increased income being received in Trading Standards, County Farms and Enterprise Centres.

The Transport and Connected County experienced an increased amount of pressure for additional spend, particularly within the budgets for support of the public bus network and the SEN Home to College budget. This has resulted in an overspend of £1.0 million, although savings have been achieved across this budget and work will continue in 2015/16 to achieve a greater level of savings in future years.

Dedicated Schools Grant

Spending on schools is paid for through a Dedicated Schools Grant (DSG) from Central Government. As a result, we do not include it in the figures reported above and in the table on page 8. We received £435.3 million in DSG during 2014/2015. We regularly report how we use this money to the Schools Forum. In 2014/2015 we spent £11.9 million less than expected (see note 31 on page 69). After allowing for all spending from reserves including capital investment, overall school reserves have increased by £1.9 million to £45.2 million at the end of the year.

Capital Figures

In 2014/2015, we spent grants from the Government totalling £52.7 million, compared to £51.1 million in 2013/2014. We also accounted for £41.7 million of borrowing to finance our capital spend. After including all extra funding such as specific grants and contributions from developers, our final capital spend for 2014/2015 was £104.1 million, compared to £115.3 million in 2013/2014.

Our achievements during the year include the following.

- Successful completion of the new motorway junction to facilitate the opening of the i54 South Staffordshire Strategic Employment site, home of Jaguar Land Rover. The site has been developed in partnership with Wolverhampton City Council and South Staffordshire District Council at a cost of £58 million;
- The Superfast Broadband project is now well underway and Phase 1, intended to deliver at least 95% coverage, is almost 50% complete at a cost of around £6 million;
- Early commencement of the first project under the Local Growth Deal means that the infrastructure works undertaken at the Lichfield Park Employment site are well underway;

Foreword by the Director of Finance and Resources

- Significant design and preparation work has been undertaken to ensure other major infrastructure projects can commence in 2015 including the A50 Improvement Project and employment sites at Meaford and Bericote;
- Expansion and renewal of six general teaching spaces at Rykneld Primary school;
- Significant remodelling to accommodate South Staffordshire College and Two Rivers High school at the Torc Vocational Centre;
- Remodelling of Five Spires Academy to create a primary and nursery school;
- Construction of either new schools or extensions to existing schools at Veritas Academy, Doxey Primary school, Parkside Primary school, Rocklands school and Sherbrook Primary school.

You can get more information on our overall 2014/2015 figures for revenue and capital in the report to Cabinet on 17 June 2015, 'Final Financial Outturn Report for 2014/15'.

Interpretation and Comment on the Main Financial Information

The Balance Sheet on page 22 shows that the total of assets less liabilities is £293.4 million. This is a decrease of £180.1 million compared with the total of assets less liabilities of £473.5 million in 2013/2014.

The main reason for this decrease is that the Council's share of any liabilities associated with the pension fund has increased from £927.0 million to £1,139.7 million. This liability relates solely to the Council and is not the liability of the whole Pension Fund. The increase is caused by a reduction in real bond yields as at 31st March 2015, when the liability is valued. It should be noted that this liability is not cash-backed and it is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion. 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.

In addition the amount of borrowing repayable within one year has increased from £54.9 million to £87.0 million. This is due to temporary borrowing of £30 million being in place as at 31st March 2015. In order to manage the County Council's cashflow, sometimes temporary borrowing is required. This borrowing has been repaid after the year end.

Reserves and Balances

In total our usable reserves (those we set aside for a specific purpose and our general reserves and balances), have increased by £27.4 million. This increase relates to the amalgamated capital reserves (that is, money set aside for capital expenditure) which have increased by £28.6 million. This increase is due to 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.

After taking account of the outturn, the General Fund Balance total was £14.8 million as at 31 March 2015 (see the Movement in Reserves Statement on page 21).

Earmarked reserves (including school reserves) have remained static at £88.7 million. Within that overall total, school reserves have increased by £1.9 million to £45.2 million and non-school earmarked reserves have decreased by £2.0 million to £43.5 million. This shows that schools are continuing to save money to fund their future pressures and that other services have spent money that had been set aside in previous years.

Foreword by the Director of Finance and Resources

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 2015 and were deemed to be sufficient, the review formed part of a report to the County Council which can be viewed here: <http://moderngov.staffordshire.gov.uk/documents/s57895/Medium%20Term%20Financial%20Strategy%20report.pdf>

Pension Fund

In 2014/2015 the Pension Fund's market value reached an all-time high on the back of strong performances from global equities, albeit not without some volatility at times, as global economic uncertainties resurfaced. The fund's holdings in property and bonds also performed well. The fund is now valued at £3,768.8 million and more detail on the fund's assets and liabilities can be seen in the Pension Fund account and separate Net Assets Statement on pages 110 and 111.

The Council's share of the Pension Fund's assets is estimated to be £1,599.3 million and these have increased by £216 million since 2013/2014. Offsetting this increase in asset valuations is an increase in the liability relating to the Council, the reasons for this increase are explained above.

Outlook

The financial pressures from meeting increased demand for services mainly in adult and children's social care, have meant we have overspent in 2014/2015. We are continuing to manage this pressure proactively by better understanding residents' needs to improve or redesign services, or working with partners to deliver services differently. In the budget for 2015/16 we have invested £20 million in providing social care for adults and children but it is important we continue to create efficiencies as our funding will reduce over the medium term. We have already identified and plan to achieve a further £32.7 million of savings during 2015/2016.

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:

- changes in the population (for example, an increasing elderly population, falling birth rates, health issues, unemployment and so on);
- rising public expectations; and
- potential for a further reduction in government grants.

The potential for further reduction in government grants will be clarified in the Spending Review which will determine funding levels from 2016 onwards. This will take place in the autumn.

It is essential that we achieve the savings we have agreed to make, and that we continue our progress in improving our efficiency and making savings by reviewing services. With this in mind the Council is continuing to find new, more efficient and effective ways of working. We are also continuing to work with residents, voluntary groups, partners or the private sector to

Foreword by the Director of Finance and Resources

find new ways to improve lives. We are also working with public sector partners across Staffordshire in order to ensure the funding available is used most effectively.

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
Finance
2 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 278157.

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



Andrew Burns CPFA
Director of Finance and Resources
Date: 25 June 2015

Foreword by the Director of Finance and Resources

The table compares the budget with the final outturn (spending) for 2014/2015

	Budget	Outturn	Over / (Under) spend
	£m	£m	£m
People			
Children in Need of Care and Support	64.8	66.8	2.0
Long Term Conditions and Partnership Trust	99.7	103.8	4.1
All Aged Disability	83.3	89.6	6.3
Mental Health	11.5	11.6	0.1
Education and Wellbeing	33.8	32.5	(1.3)
Safety	25.8	25.4	(0.4)
Business Improvement	7.1	7.2	0.1
People Total	326.0	336.9	10.9
Public Health	1.6	1.1	(0.5)
Place			
Built County	29.0	28.2	(0.8)
Rural County	2.4	2.5	0.1
Sustainable County	20.5	20.4	(0.1)
Transport and Connected County	28.5	29.5	1.0
Business and Enterprise County	4.0	3.2	(0.8)
Tourism and Cultural County	9.3	9.2	(0.1)
Economic Planning and Future Prosperity	0.5	0.6	0.1
Place Business Management	2.5	2.4	(0.1)
Place Total	96.7	96.0	(0.7)
Corporate / Support Services			
Finance and Resources	5.9	5.2	(0.7)
Law, Democracy and Transformation	10.7	9.8	(0.9)
Strategy and Customer Service	4.3	4.3	0.0
Trading Services Contribution	(1.0)	(0.9)	0.1
Corporate / Support Services Total	19.9	18.4	(1.5)
Total Portfolio Budgets	444.2	452.4	8.2
Centrally Controlled Items			
Interest on Balances and Debt Charges	46.1	46.1	0.0
Other*	14.3	14.1	(0.2)
Contingency	0.7	0.0	(0.7)
Centrally Controlled Total	61.1	60.2	(0.9)
Planned Net Revenue Budget / Expenditure	505.3	512.6	7.3

*Other consists of insurance, property repairs and maintenance and pooled buildings costs.

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 Director of Finance and Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- Approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources 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 Director of Finance and Resources 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 Director of Finance and Resources 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.

DIRECTOR OF FINANCE AND RESOURCES 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 2015 and its income and expenditure for the year ended 31 March 2015.



Andrew Burns CPFA
Director of Finance and Resources
Date: 25 June 2015

Chairman's Certificate

I confirm that the 2014/2015 Statement of Accounts for Staffordshire County Council and Staffordshire Pension Fund were approved by the Audit and Standards Committee on 14 September 2015.

Chairman of Audit and Standards Committee

Date: 14 September 2015

Statement of Accounting Policies

1 General

We have prepared our accounts on a going-concern basis, in line with the accounting principles under International Financial Reporting Standards (IFRS). These principles have been applied consistently throughout the year. We have obtained guidance from the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14' by the Chartered Institute of Public Finance and Accountancy (CIPFA). The costs of individual services are defined in accordance with the CIPFA Service Reporting Code of Practice (SeRCOP).

The accounts are prepared on the historical cost basis of accounting, other than for certain items of property, plant and equipment, which are held at fair value. Fair value is described below and usually means the amount that would be paid for an asset in its existing use.

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.

The Statement of Accounts has been prepared with reference to the following assumptions:

- Accruals basis.
- Going concern basis.

The Statement of Accounts has been prepared with reference to the following qualitative characteristics:

- Understandability.
- Relevance.
- Materiality.
- Reliability.
- Comparability.

2 Property, plant and equipment

Under IFRS enhancements are capitalised if future economic benefits or service potential will flow to the authority as a result of incurring the item.

We value non-current assets in the way recommended by CIPFA and in line with the 'Statements of Asset Valuation Principles and Guidance Notes' issued by the Royal Institution of Chartered Surveyors (RICS). The valuation is carried out by the Estates and Valuation Manager who we have employed and is a member of RICS.

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

- We include property, including surplus assets that we do not currently need, in the balance sheet at the amount that would be paid for them in their existing use.
- We include infrastructure assets and assets under construction in the balance sheet at the cost we originally paid (after taking off an amount for loss in value).
- We include vehicles, plant, furniture and equipment on the balance sheet at their original cost.

Statement of Accounting Policies

- 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 (after taking off an amount for loss in value).

We have added any increase in the value of property, plant and equipment to the Revaluation Reserve as from the effective date of revaluation being 31 March 2014. We plan to revalue non-current assets again on a rolling five-year programme. 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.

If land and buildings are moved from one service to another, we have recorded the change using an assessment of current market values provided by the Estates and Valuation Manager.

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 value. If we identify any reduction as part of this review, or as a result of a valuation exercise, we deal with this in the following way:

- 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.

When we sell or transfer an asset or take it out of use, we take the value of the asset off the Balance Sheet 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 Statement of Movement on Reserves.

We record amounts we receive from selling or transferring 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.

3 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 current valuation of the asset. 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.

Statement of Accounting Policies

- The expected lives of vehicles, plant, furniture and equipment range from five to 20 years.
- We work out charges for new assets from the year after 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 decided to 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 plus an amount to cover unsupported borrowing over the life of the asset. The resulting figure is adjusted to exclude any charge on debt for schemes not yet completed. If depreciation is different from this amount, we can 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 Statement of Movement on Reserves by transferring the amount to or from the Capital Adjustment Account.

Following some additional guidance produced by CIPFA, we have reviewed the way we account for school assets. 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. This means that we have added 5 Foundation schools to our balance sheet. We have also disposed of 5 Foundation Trust schools where we do not control the assets. This has had an immaterial impact on the balance sheet.

4 Assets held for sale

We include assets held for sale in the current assets part of the balance sheet at their value on the open market. 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.

5 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.

Statement of Accounting Policies

6 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.

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 accounts each year and the outstanding commitments for future years in the notes to the accounts.

We also lease out property and have a number of operating leases. We include income from these leases in the notes to the accounts.

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 this asset in the Balance Sheet and show the related costs for renting them in the future.

Items of Property, Plant and Equipment financed by finance leases are shown in the balance sheet. Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable and associated future liabilities are disclosed in the notes. For finance leases where the County Council is a lessee the Authority recognises finance leases as assets and liabilities at the present value of the minimum lease payments. 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.

7 Stock and work in progress

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 Debtors and creditors

We have prepared the Comprehensive Income and Expenditure Statement on an accruals basis in all material aspects. This means that in the accounts we have included any amounts we are due to pay or receive during the year. In the accounts we have only included income which we reasonably expect to receive. We do make allowance for known losses or liabilities except, in some circumstances, where we deal with them as a contingent liability.

In the case of the repair and maintenance budget, in the accounts we provide for orders over £1,000, based on an assessment of the actual work carried out by 31 March each year.

9 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

Statement of Accounting Policies

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 40 for further detail.

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.

We have prepared the accounts in line with IAS19 (Employee Benefits). 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). We have reflected the accounting rules in the accounts and as notes to the accounts, in line with CIPFA recommended practice that movements on the General Fund arising from pension movements are taken to the pension reserve.

By law we cannot raise council tax to cover the costs relating to the pension fund in the year. In the Comprehensive Income and Expenditure Account this means that we must remove the notional debits and credits for retirement benefits and replace them with amounts for the cash paid to the pension fund and any amounts due to the fund but not yet paid at the end of the year.

10 Debt

To help us manage debt efficiently over the long term, we continuously review the loans we owe and occasionally take out new loans and pay off others (restructuring loans in this way is known as 'loan rescheduling').

In the Comprehensive Income and Expenditure Statement we include gains and losses from repaying loans early. We show these gains and losses in different ways depending upon the nature of the restructuring. We do this in line with the Code.

Lender option borrower option

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).

Statement of Accounting Policies

11 Investments

Investments are carried at cost. If the value of an investment falls below its cost, we reduce it down to the market value and we account for this loss in the Comprehensive Income and Expenditure Account if this is unlikely to be a temporary fall.

12 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).

13 Provisions

We make 'provisions' (that is, set aside an amount) to provide for an amount we will have to pay at an unknown date in the future, based on an event that has already happened. The amount is estimated using the most up-to-date information we have. We pay for significant areas of risk ourselves and take out insurance for major risks and some specific areas. We have set up an insurance arrangement where provisions meet the cost of claims.

14 Interest on balances

During the year we invested some money and paid the interest we earned to the revenue account. We have also made a contribution (similar to interest) to certain reserves and provisions.

15 VAT

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

16 Support service costs

We share the costs of our central departments between the Comprehensive Income and Expenditure Statement and capital accounts in line with SeRCOP. How we share the costs mainly depends on the staff time spent on those services or capital projects.

We record the costs of administrative buildings on the basis of how they are used.

17 Government grants and contributions

We receive grants from government and other bodies and we credit grants to the Comprehensive Income and Expenditure Statement, when the grant conditions have been met, in the same period as the spending they relate to. 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 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.

Statement of Accounting Policies

18 Private finance initiative (PFI)

We have three existing PFI schemes and one new scheme. We account for these 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 reduce the value of the liability.

However, 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.

19 Endowment and trust funds

We run 48 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.

20 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 amount that the liability could be settled for) and report this in the notes to the accounts. We do this by assessing the present value of the cash flows that will take place over the remaining term of the instruments.

The carrying value we show in the Balance Sheet includes the principal amount we borrowed, and adjustments for stepped interest, premiums and discounts and accrued interest. The method used to calculate this is called the 'effective interest rate method' and this is known in accounting terms as the amortised costs basis.

In the Comprehensive Income and Expenditure Statement, yearly charges shown for interest due are based on the carrying amount of the liability. This represents the amount we owe for the year under the loan agreement.

Financial assets

We also measure financial assets at their fair value (the amount that the asset could be exchanged for), and record these in the notes to the accounts.

The carrying value we show in the Balance Sheet includes the principal amount we lent, and adjustments for accrued interest, this also uses the 'effective interest rate method' and is known as the amortised cost basis.

In the Comprehensive Income and Expenditure Statement we include interest relating to the amount we receive during the year under the agreement.

Statement of Accounting Policies

21 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 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

22 Interests in companies

In our accounts, we record interests in companies and other organisations as investments. Currently we have one interest in a company, Entrust and this is shown on the balance sheet as a long term investment. The value of this investment is assessed every year and is valued at cost, plus our share (49%) of the company's net assets.

23 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.

24 Group Accounts

As mentioned above, we have an interest in Entrust and in accordance with the Code, we must reflect this interest in our accounts. We own 49% of Entrust and therefore we have shown 49% of the transactions relating to Entrust in the Group Accounts section of the Statement of Accounts, using the equity method rather than proportional consolidation.

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.

2013/2014 Gross expenditure £m	2013/2014 Gross income £m	2013/2014 Net expenditure £m		2014/2015 Gross expenditure £m	2014/2015 Gross income £m	2014/2015 Net expenditure £m
747.5	(569.3)	178.2	Total education and children's services	741.1	(557.6)	183.5
9.0	(4.7)	4.3	Planning services	14.7	(22.5)	(7.8)
74.3	(16.2)	58.1	Highways and transport services	75.3	(14.6)	60.7
27.5	(4.4)	23.1	Cultural and related services	23.5	(4.2)	19.3
307.4	(75.9)	231.5	Adult social care	311.7	(93.1)	218.6
29.6	(31.4)	(1.8)	Public Health	39.2	(36.4)	2.8
56.8	(24.7)	32.1	Environmental and regulatory services	49.2	(46.3)	2.9
12.7	(3.6)	9.1	Corporate and democratic core	15.8	(3.2)	12.6
8.3	(2.3)	6.0	Central services to the public	3.8	(2.8)	1.0
(0.7)	0.0	(0.7)	Non distributed costs	(7.5)	0.0	(7.5)
1,272.4	(732.5)	539.9	Cost of services	1,266.8	(780.7)	486.1
		49.7	Other operating expenditure (Note 7)			68.9
		59.6	Financing and investment (income)/expenditure (Note 8)			81.2
		(568.5)	Taxation and non-specific grant income (Note 1, 9)			(565.6)
		80.7	Deficit on provision of services (Note 1, 24)			70.6
		(38.4)	Surplus on revaluation of non current assets			(80.9)
		81.2	Actuarial losses on pension assets/liabilities			188.3
		42.8	Items that will not be reclassified to the deficit on the provision of services			107.4
		4.4	Deficit on revaluation of Available For Sale Financial Assets			2.1
		4.4	Items that may be reclassified to the deficit on the provision of services			2.1
		47.2	Other comprehensive expenditure			109.5
		127.9	Total comprehensive expenditure			180.1

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 6) £m	Other Reserves Revenue (Note 6) £m	Amalgamated General Revenue Reserves £m	Capital Reserves £m	Other Reserves Capital (Note 6) £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 2013	32.7	43.2	58.9	102.1	(28.1)	(0.2)	0.0	43.5	15.2	150.0	451.4	601.4
<u>Movement in reserves during 2013/2014</u>												
Deficit on the provision of services	(80.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(80.7)	0.0	(80.7)
Other comprehensive income / (expenditure)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(47.2)	(47.2)
Total comprehensive income and expenditure	(80.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(80.7)	(47.2)	(127.9)
Adjustments between accounting basis and funding basis under regulations (Note 5)	39.3	0.0	0.0	0.0	0.0	0.0	0.0	(11.4)	(11.4)	27.9	(27.9)	0.0
Net increase/(decrease) before transfers to earmarked reserves	(41.4)	0.0	0.0	0.0	0.0	0.0	0.0	(11.4)	(11.4)	(52.8)	(75.1)	(127.9)
Transfers to/(from) earmarked reserves	24.6	0.1	(13.4)	(13.3)	(11.1)	(0.2)	0.0	0.0	(11.3)	0.0	0.0	0.0
Increase/(decrease) in 2013/2014	(16.8)	0.1	(13.4)	(13.3)	(11.1)	(0.2)	0.0	(11.4)	(22.7)	(52.8)	(75.1)	(127.9)
Balance at 31 March 2014 carried forward	15.9	43.3	45.5	88.8	(39.2)	(0.4)	0.0	32.1	(7.5)	97.2	376.3	473.5
<u>Movement in reserves during 2014/2015</u>												
Deficit on the provision of services	(70.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(70.6)	0.0	(70.6)
Other comprehensive income / (expenditure)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(109.5)	(109.5)
Total comprehensive income and expenditure	(70.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(70.6)	(109.5)	(180.1)
Adjustments between accounting basis and funding basis under regulations (Note 5)	85.9	0.0	0.0	0.0	0.0	0.0	10.1	2.0	12.1	98.0	(98.0)	0.0
Net increase/(decrease) before transfers to earmarked reserves	15.3	0.0	0.0	0.0	0.0	0.0	10.1	2.0	12.1	27.4	(207.5)	(180.1)
Transfers to/(from) earmarked reserves	(16.4)	1.9	(2.0)	(0.1)	16.2	0.3	0.0	0.0	16.5	0.0	0.0	0.0
Increase/(decrease) in year	(1.1)	1.9	(2.0)	(0.1)	16.2	0.3	10.1	2.0	28.6	27.4	(207.5)	(180.1)
Balance at 31 March 2015 carried forward	14.8	45.2	43.5	88.7	(23.0)	(0.1)	10.1	34.1	21.1	124.6	168.8	293.4

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 (for example the Capital receipts reserve may only be used to fund capital expenditure or repay debt). 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 2013	31 March 2014		Notes	31 March 2015
£m	£m			£m
1,774.6	1,985.8	Property, plant and equipment	10	2,020.5
9.4	8.4	Heritage assets	11	8.4
32.9	28.4	Long term debtors		25.1
30.2	56.2	Long term investment	13	53.7
1,847.1	2,078.8	Long term assets		2,107.7
50.7	0.0	Short term investments	13	0.4
22.8	22.9	Assets held for sale	17	20.6
2.7	1.4	Inventories	14	1.1
85.3	91.9	Short term debtors	15	104.1
60.6	28.8	Cash and cash equivalents	16	32.9
222.1	145.0	Current assets		159.1
(0.6)	(0.7)	Short term borrowing		(0.5)
(100.2)	(108.4)	Short term creditors	18	(97.8)
(36.3)	(54.9)	Long term borrowing repayable within one year	13	(87.0)
(3.1)	(3.3)	PFI and finance leases deferred liability	13	(4.1)
(0.1)	(0.1)	Short term provisions	19	0.0
(11.3)	(10.0)	Accumulated absences creditor	20	(9.9)
(151.6)	(177.4)	Current liabilities		(199.3)
(4.0)	(3.3)	Long term creditors		(3.0)
(9.1)	(11.1)	Long term provisions	19	(9.8)
(451.5)	(432.4)	Long term borrowing	13	(430.4)
(809.7)	(927.0)	Pension scheme liability	40	(1,139.7)
(15.4)	(180.0)	PFI and finance lease liability	13	(177.1)
(26.5)	(19.1)	Capital grants receipts in advance	1, 32	(14.1)
(1,316.2)	(1,572.9)	Long term liabilities		(1,774.1)
601.4	473.5	Net assets		293.4
(150.0)	(97.2)	Usable reserves (Movement in Reserves Statement)	1	(124.6)
(451.4)	(376.3)	Unusable reserves	20	(168.8)
(601.4)	(473.5)	Total reserves		(293.4)

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.

2013/2014		2014/2015
£m		£m
80.7	Net deficit on the provision of services (Note 1)	70.6
(128.2)	Adjustments to net deficit on the provision of services for non cash movements	(151.6)
38.8	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 1)	65.7
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(8.7)	Net cash flows from Operating activities (Note 21)	(15.3)
36.9	Investing Activities (Note 22)	37.2
3.6	Financing Activities (Note 23)	(26.0)
<hr/>		
31.8	Net (increase)/decrease in cash and cash equivalents	(4.1)
<hr/>		
60.6	Cash and cash equivalents at the beginning of the reporting year (Note 16)	28.8
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28.8	Cash and cash equivalents at the end of the reporting year (Note 16)	32.9
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Notes to the Accounts

1. Prior Year Adjustments

A prior year adjustment occurs when the accounts from last year need to be amended due to a change of accounting policy or an error.

The Council receives a capital grant known as Basic Need. Basic Need funding is the money the Department for Education allocates to local authorities to help local authorities to fulfil their duty to make sure there are enough school places for children in their local area. As part of IAS20 the Council has to assess whether the grant has any conditions on it. This grant is unconditional and therefore any balances unspent at the year end need to be reflected in the Council's reserves. The Council had previously erroneously categorised this grant as a conditional grant, which means any balances unspent are represented on the balance sheet as a capital grant received in advance. The prior year adjustment is required to correct this error.

Therefore we have restated the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement from 2013/2014 as follows;

Comprehensive Income and Expenditure Statement 2013/2014

The restatement of the relevant lines of the Comprehensive Income and Expenditure Statement, is presented in the table below.

	Original net expenditure 2013/2014 £m	Restatement £m	Restated net expenditure 2013/2014 £m
Cost of services	539.9	0.0	539.9
Taxation and non-specific grant income	(580.1)	11.6	(568.5)
Deficit on provision of services	69.1	11.6	80.7
Other comprehensive income and expenditure	47.2	0.0	47.2
Total comprehensive income and expenditure	116.3	11.6	127.9

Notes to the Accounts

1. Prior Year Adjustments (Cont.)

Movement in Reserves Statement 2013/2014

The restatement of the relevant lines of the Movement in Reserves Statement, is presented in the table below.

	Original Total usable reserves 2013/2014 £m	Restatement £m	Restated Total usable reserves 2013/2014 £m	Original unusable reserves 2013/2014	Restatement	Restated unusable reserves 2013/2014
Balance at 1 April 2013	115.4	34.6	150.0	451.4	0.0	451.4
<u>Movement in reserves during 2013/2014</u>						
Deficit on the provision of services	(69.1)	(11.6)	(80.7)	0.0	0.0	0.0
Other comprehensive income and expenditure	0.0	0.0	0.0	(47.2)	0.0	(47.2)
Total comprehensive income and expenditure	(69.1)	(11.6)	(80.7)	(47.2)	0.0	(47.2)
Adjustments between accounting basis and funding basis under regulations	27.9	0.0	27.9	(27.9)	0.0	(27.9)
Balance at 31 March 2014 carried forward	74.2	23.0	97.2	376.3	0.0	376.3

Notes to the Accounts

1. Prior Year Adjustments (Cont.)

Balance Sheet as at 31 March 2013

The restatement of the relevant lines of the Balance Sheet, is presented in the table below.

	Original Balance Sheet 31 March 2013 £m	Restatement £m	Restated Balance Sheet 31 March 2013 £m
Capital grants receipts in advance	(61.1)	34.6	(26.5)
Long term liabilities	(1,350.8)	34.6	(1,316.2)
Net assets	566.8	34.6	601.4
Usable reserves	(115.4)	(34.6)	(150.0)
Unusable reserves	(451.4)	0.0	(451.4)
Total reserves	(566.8)	(34.6)	(601.4)

Balance Sheet as at 31 March 2014

The restatement of the relevant lines of the Balance Sheet, is presented in the table below.

	Original Balance Sheet 31 March 2014 £m	Restatement £m	Restated Balance Sheet 31 March 2014 £m
Capital grants receipts in advance	(42.1)	23.0	(19.1)
Long term liabilities	(1,595.9)	23.0	(1,572.9)
Net assets	450.5	23.0	473.5
Usable reserves	(74.2)	(23.0)	(97.2)
Unusable reserves	(376.3)	0.0	(376.3)
Total reserves	(450.5)	(23.0)	(473.5)

Notes to the Accounts

1. Prior Year Adjustments (Cont.)

Cash Flow Statement 2013/2014

The restatement of the relevant lines of the Cash Flow Statement, is presented in the table below.

	Original balances 2013/2014 £m	Restatement £m	Restated balances 2013/2014 £m
Net deficit on the provision of services	69.1	11.6	80.7
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	50.4	(11.6)	38.8
Net cash flows from Operating activities	(8.7)	0.0	(8.7)

Notes to the Accounts

2. 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 Council invests significant amounts of surplus cash in approved financial institutions. There is a degree of uncertainty generally regarding the banking sector at the present time. The Council has assessed the level of risk involved and determined that there is insufficient evidence to suggest that the sums invested will not be returned. Treasury advisors provide regular advice to ascertain the exposure to bank risk.

Notes to the Accounts

3. 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 2015 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	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 wrong useful life has been applied then the carrying value of the assets could be either too high or too low.
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 effects on the net pensions liability of changes in individual assumptions can be measured. The actuary provides a sensitivity analysis which is shown in Note 40.
Accruals	Estimates of known future expenditure or income where amounts are not yet certain are accrued in the year that they relate to.	The expenditure or the income could be either higher or lower than expected.

Notes to the Accounts

4. Events After the Balance Sheet Date

On 14 September 2015 the Director of Finance and Resources 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 14 September 2015. No events have occurred which require disclosure in the accounts.

Notes to the Accounts

5. 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.

2014/2015	Usable Reserves			
	General Fund Balance	Capital grants unapplied	Capital receipts reserve	Movement in unusable reserves
Adjustments primarily involving the Capital Adjustment Account:	£m	£m	£m	£m
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(75.8)	0.0	0.0	75.8
Capital grants and contributions applied	50.7	0.0	0.0	(50.7)
Amounts of non current assets written off on disposal or sale/part of the gain/loss on disposal to the Income and Expenditure Statement	(78.7)	0.0	0.0	78.7
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	29.0	0.0	0.0	(29.0)
Capital expenditure charged against the General fund balance	0.0	0.0	0.0	0.0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13.7	(13.7)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	11.7	0.0	(11.7)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Income and Expenditure Statement	10.1	0.0	(10.1)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 20)	0.6	0.0	0.0	(0.6)
Employers pension contributions and direct payments to pensioners payable in the year	(38.4)	0.0	0.0	38.4
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	2.8	0.0	0.0	(2.8)
Adjustments involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year due to statutory requirements	0.1	0.0	0.0	(0.1)
Total adjustments	(85.9)	(2.0)	(10.1)	98.0

Notes to the Accounts

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

	Usable Reserves			
	General Fund Balance	Capital grants unapplied	Capital receipts reserve	Movement in unusable reserves
2013/2014				
Adjustments primarily involving the Capital Adjustment Account:	£m	£m	£m	£m
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(58.3)	0.0	0.0	58.3
Capital grants and contributions applied	55.7	0.0	0.0	(55.7)
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	(53.1)	0.0	0.0	53.1
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	27.7	0.0	0.0	(27.7)
Capital expenditure charged against the General fund balance	15.4	0.0	0.0	(15.4)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0.5	(0.5)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	11.9	0.0	(11.9)
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	4.7	0.0	(4.7)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	4.7	(4.7)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	1.4	0.0	0.0	(1.4)
Employers pension contributions and direct payments to pensioners payable in the year	(36.1)	0.0	0.0	36.1
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	1.5	0.0	0.0	(1.5)
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	(39.3)	11.4	0.0	27.9

Notes to the Accounts

6. 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 2014/2015.

	Balance at 1 April 2013	Transfers out 2013/2014	Transfers in 2013/2014	Balance at 31 March 2014	Transfers out 2014/2015	Transfers in 2014/2015	Balance at 31 March 2015
	£m	£m	£m	£m	£m	£m	£m
General Fund:							
Information technology	13.5	(9.0)	4.3	8.8	(1.4)	4.2	11.6
PFI equalisation	4.0	(0.1)	0.4	4.3	(0.3)	0.0	4.0
Other Service Reserves	0.4	(0.4)	0.0	0.0	(0.1)	0.6	0.5
Insurance	1.9	0.1	0.0	2.0	0.0	0.2	2.2
Insurance trading account*	1.3	(15.4)	9.9	(4.2)	(2.2)	4.8	(1.6)
Trading services appropriation reserve	9.2	(5.1)	2.3	6.4	(8.4)	5.5	3.5
Renewing vehicles and plant reserve	0.2	(0.1)	0.0	0.1	0.1	0.0	0.2
Redundancy reserve*	2.6	(5.3)	3.7	1.0	(17.3)	7.5	(8.8)
Insurance self funding schools absence	0.7	(1.7)	1.8	0.8	(0.7)	0.2	0.3
Other insurance reserves	2.0	(0.9)	1.5	2.6	(3.5)	1.9	1.0
Job evaluation*	(0.7)	0.0	0.8	0.1	(0.1)	0.0	0.0
Business Rates Pool	0.0	0.0	0.8	0.8	0.0	0.0	0.8
Revenue carried forward	23.8	(9.5)	8.5	22.8	(10.4)	17.4	29.8
Total revenue earmarked reserves	58.9	(47.4)	34.0	45.5	(44.3)	42.3	43.5
Capital guideline carry forward	1.5	(0.9)	1.1	1.7	(1.7)	0.1	0.1
Earmarked capital receipts carried forward *	(1.7)	(2.2)	1.8	(2.1)	(1.3)	3.2	(0.2)
Total capital earmarked reserves	(0.2)	(3.1)	2.9	(0.4)	(3.0)	3.3	(0.1)
Total earmarked reserves	58.7	(50.5)	36.9	45.1	(47.3)	45.6	43.4

* Each reserve is governed by a scheme of management. Reserves can go into a negative balance at the end of the year and we will put in arrangements for how this is to be repaid in future years. Capital reserves will be repaid when income is received from selling properties.

Notes to the Accounts

6. 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 £45.2 million. Schools also hold balances of £6.6 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 2013 £m	Increase / (reduction) £m	Balance 31 March 2014 £m	Increase / (reduction) £m	Balance 31 March 2015 £m
<u>Delegated revenue budgets</u>					
Primary schools	19.2	0.9	20.1	3.1	23.2
Secondary schools	15.1	(0.8)	14.3	(1.5)	12.8
Special	3.0	0.4	3.4	(0.2)	3.2
Pupil Referral Unit	0.4	(0.1)	0.3	0.2	0.5
	37.7	0.4	38.1	1.6	39.7
Outstanding loans	(0.4)	(0.1)	(0.5)	(0.6)	(1.1)
Net school reserves as 31st March	37.3	0.3	37.6	1.0	38.6
Earmarked reserves	5.9	(0.2)	5.7	0.9	6.6
Total	43.2	0.1	43.3	1.9	45.2

Notes to the Accounts

7. Other Operating Expenditure

2013/2014 £m	2014/2015 £m
0.3 Levies	0.3
1.0 Impairment on assets held for sale	0.0
48.4 Losses on the disposal of non current assets*	68.6
<hr/> 49.7 Total	<hr/> 68.9

*the losses on disposal are due to the reclassification of £44.1 million of school assets for newly created academies. These are accounted for as leased assets.

8. Financing and Investment Income and Expenditure

2013/2014 £m	2014/2015 £m
26.5 Interest payable and similar charges	47.8
Pensions interest cost and expected returns on pension 36.4 assets	39.4
(2.2) Interest receivable and similar income	(4.6)
(1.1) Trading Services Surplus	(1.4)
<hr/> 59.6 Total	<hr/> 81.2

9. Taxation and Non-Specific Grant Income

2013/2014 £m	2014/2015 £m
(270.1) Council tax income	(275.6)
(89.3) NNDR	(91.9)
(152.9) Non-ringfenced government grants	(133.7)
(56.2) Capital grants and contributions	(64.4)
<hr/> (568.5) Total	<hr/> (565.6)

Notes to the Accounts

10. Property, Plant and Equipment

Movements on Balances in 2014/2015

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community 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 2014	1,180.8	291.9	734.0	(0.1)	8.1	6.8	2,221.5	257.1
Additions	30.3	4.1	61.6	0.0	0.4	8.7	105.1	0.9
Foundation Schools*	(7.1)						(7.1)	
	63.4	4.8	0.0	0.0	0.0	0.0	68.2	5.8
Revaluation increases recognised in the Revaluation Reserve								
	(30.5)	0.0	0.0	0.0	0.0	(2.2)	(32.7)	0.0
Revaluation decreases recognised in the Deficit on the Provision of Services								
	(49.7)	(1.6)	0.0	0.0	(0.8)	0.0	(52.1)	0.0
Derecognition - Disposals								
	1.7	0.0	7.1	0.0	0.7	(10.7)	(1.2)	0.0
Assets Reclassified (to) / from Held for Sale								
	(18.1)	0.1	0.1	0.1	0.0	(0.1)	(17.9)	0.0
Reversal of non-enhancing expenditure initially capitalised as capital spend								
At 31 March 2015	1,170.8	299.3	802.8	0.0	8.4	2.5	2,283.8	263.8

* As a result of a change in guidance, £20m worth of Foundation schools have been added to the balance sheet and £27m worth of Foundation Trust schools have been removed.

Notes to the Accounts

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

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community 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 2014	(22.8)	(103.3)	(109.6)	0.0	0.0	0.0	(235.7)	(25.4)
Depreciation Charge	(18.0)	(12.0)	(14.3)	0.0	0.0	0.0	(44.3)	(7.1)
Depreciation written out to the Revaluation Reserve	8.5	(0.6)	0.0	0.0	0.0	0.0	7.9	0.0
Depreciation written out to the Deficit on the Provision of Services	0.9	0.0	0.0	0.0	0.1	0.0	1.0	(0.3)
Derecognition - Disposals	2.6	5.1	0.0	0.0	0.0	0.0	7.7	3.7
Derecognition - Other	0.1	0.1	0.0	0.0	(0.1)	0.0	0.1	0.0
At 31 March 2015	(28.7)	(110.7)	(123.9)	0.0	0.0	0.0	(263.3)	(29.1)
Net Book Value								
At 31 March 2015	1,142.1	188.6	678.9	0.0	8.4	2.5	2,020.5	234.7
At 31 March 2014	1,158.0	188.6	624.4	(0.1)	8.1	6.8	1,985.8	231.7

Notes to the Accounts

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

Comparative Movements in 2013/2014

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community 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 2013	1,146.4	165.8	670.2	1.0	7.6	0.0	1,991.0	86.3
Additions	78.9	130.2	63.8	0.0	0.5	7.9	281.3	166.8
	46.5	3.3	0.0	0.0	0.4	0.3	50.5	4.0
Revaluation increases recognised in the Revaluation Reserve	(19.4)	0.0	0.0	0.0	(0.6)	(0.8)	(20.8)	0.0
Revaluation decreases recognised in the Deficit on the Provision of Services	(50.8)	(5.7)	0.0	0.0	0.0	0.0	(56.5)	0.0
Derecognition - Disposals	(3.6)	0.0	0.0	(1.1)	0.2	(0.4)	(4.9)	0.0
Assets Reclassified from/ (to) Held for Sale	(17.2)	(1.7)	0.0	0.0	0.0	(0.2)	(19.1)	0.0
Reversal of non-enhancing expenditure initially capitalised as capital spend								
At 31 March 2014	1,180.8	291.9	734.0	(0.1)	8.1	6.8	2,221.5	257.1

Notes to the Accounts

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

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community 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 2013	(16.8)	(103.0)	(96.6)	0.0	0.0	0.0	(216.4)	(25.4)
Depreciation Charge	(17.2)	(7.5)	(13.0)	0.0	0.0	0.0	(37.7)	(2.2)
Depreciation written out to the Revaluation Reserve	8.2	0.7	0.0	0.0	0.0	0.0	8.9	1.1
Depreciation written out to the Deficit on the Provision of Services	1.1	0.0	0.0	0.0	0.0	0.0	1.1	0.0
Derecognition - Disposals	1.9	6.5	0.0	0.0	0.0	0.0	8.4	1.1
At 31 March 2014	(22.8)	(103.3)	(109.6)	0.0	0.0	0.0	(235.7)	(25.4)
Net Book Value								
At 31 March 2014	1,158.0	188.6	624.4	(0.1)	8.1	6.8	1,985.8	231.7
At 31 March 2013	1,129.6	62.8	573.6	1.0	7.6	0.0	1,774.6	60.9

Notes to the Accounts

11. 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 2013	5.6	3.5	0.3	9.4
Disposals	0.0	(1.1)	0.0	(1.1)
Revaluations	0.0	0.1	0.0	0.1
At 31 March 2014	5.6	2.5	0.3	8.4
Cost or Valuation				
1 April 2014	5.6	2.5	0.3	8.4
At 31 March 2015	5.6	2.5	0.3	8.4

Notes to the Accounts

11. 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 £1.76 million and a printed book collection valued at £1.06 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.

12. 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 however the company did not begin trading until April 2013. The investment in Entrust is valued at cost, plus the County Council's share of any profit or loss made by the company. The remaining balance of the long term investment on the balance sheet is money we have invested in two local authorities.

	At 31 March 2013 £m	At 31 March 2014 £m	At 31 March 2015 £m
Opening Balance		30.2	25.8
Initial Purchase Cost	30.2		
Impairment		(4.4)	(2.1)
Closing Balance	<u>30.2</u>	<u>25.8</u>	<u>23.7</u>

Notes to the Accounts

13. Financial Instruments

Categories of Financial Instruments

Under accounting regulations, we need to break down 'financial instruments' (relating to our investment, lending and borrowing activities) shown on the Balance Sheet into various categories. This breakdown is shown below.

The Current Loans and Receivables figure includes Short-term investments and Cash and cash equivalents from the Balance Sheet.

	Long - Term			Current		
	31 March 2013 £m	31 March 2014 £m	31 March 2015 £m	31 March 2013 £m	31 March 2014 £m	31 March 2015 £m
Investments	0.0	30.4	30.0	50.7	0.0	0.4
Items contained within cash and cash equivalents (Within Note 16)						
Call accounts and short term deposits				4.5	13.8	15.7
Bank Overdraft				(14.7)	(11.4)	(10.8)
Money Market Funds				70.8	26.4	28.0
Loans and receivables	0.0	0.0	0.0	60.6	28.8	32.9
Available for sale investments	30.2	25.8	23.7	0.0	0.0	0.0
Total investments	30.2	56.2	53.7	111.3	28.8	33.3
Borrowings						
Financial liabilities at amortised cost	451.5	432.4	430.4	36.3	54.9	87.0
Total borrowings	451.5	432.4	430.4	36.3	54.9	87.0
Other long term liabilities						
PFI and finance lease liabilities	15.4	180.0	177.1	3.1	3.3	4.1
Total other long term liabilities	15.4	180.0	177.1	3.1	3.3	4.1

Borrowing and investments are classified as current if we are likely either to settle the balances or to receive proceeds from them within 12 months. Interest owed to us or payable by us within the next 12 months is shown in the Balance Sheet as at 31 March under the "current" category.

Notes to the Accounts

13. Financial Instruments (Cont'd)

Income, Expense, Gains and Losses

	2013/2014			2014/2015		
	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Total £m	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Total £m
Interest expense / Reduction in fair value	(26.5)	0.0	(26.5)	(47.8)	0.0	(47.8)
Total expense in Surplus or (Deficit) on the Provision of Services	(26.5)	0.0	(26.5)	(47.8)	0.0	(47.8)
Interest income / Increase in fair value	0.0	2.2	2.2	0.0	4.6	4.6
Total income in Surplus or (Deficit) on the Provision of Services	0.0	2.2	2.2	0.0	4.6	4.6
Net (loss) /gain for the year	(26.5)	2.2	(24.3)	(47.8)	4.6	(43.2)

Notes to the Accounts

13. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost.

However, in these notes (but not within the actual accounts themselves), we must also show financial instruments at 'fair value'. Fair value is the amount an asset could be sold for or a liability paid off for, assuming that those involved know the market in which they are dealing and are willing to buy or sell at an appropriate price.

We have decided on the fair value of an instrument by working out the net present value of the future cash flows. This gives us an estimate, in today's terms, of the value of payments in the future. The assumptions we have made are:

- No early repayment or impairment of loans is recognised in the calculation;
- The rate used is the rate applicable on the date of valuation for an instrument with the same duration; and
- The interest has not been adjusted where a relevant date occurs on a non-working day.

The fair values calculated are as follows:

	31 March 2013	31 March 2013	31 March 2014	31 March 2014	31 March 2015	31 March 2015
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
PWLB - maturity	404.1	468.9	404.2	443.8	404.3	546.0
PWLB - equal instalments of principal	0.4	0.5	0.3	0.4	0.3	0.4
Lender option borrower option	82.8	84.6	82.8	81.3	82.8	105.5
European investment bank	0.5	0.5	0.0	0.0	0.0	0.0
Temporary Loans	0.0	0.0	0.0	0.0	30.0	30.0
Total borrowings	487.8	554.5	487.3	525.5	517.4	681.9

The fair value of the liabilities is higher than the carrying amount as at 31 March 2015, because we have a number of fixed rate loans for which the interest rates are higher than the rates available from the market for similar loans at this point in time.

Notes to the Accounts

13. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities (Cont'd)

	31 March 2013	31 March 2013	31 March 2014	31 March 2014	31 March 2015	31 March 2015
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
Money market funds	70.8	70.8	26.4	26.4	28.0	28.0
Deposits with banks and building societies	55.2	55.2	13.8	13.8	15.7	15.7
Local authority deposits	0.0	0.0	30.4	30.9	30.4	37.3
Loans and receivables	126.0	126.0	70.6	71.1	74.1	81.0
Available for Sale investments	30.2	30.2	25.8	25.8	23.7	23.7
Financial Assets	156.2	156.2	96.4	96.9	97.8	104.7

The fair value and carrying amount are broadly the same, as interest rates on deposits are similar to market rates as at 31 March 2015.

The fair value and carrying amount of the available for sale investment in Entrust represent the county council's share of the company.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Notes to the Accounts

14. Inventories

	Consumable stores		Client services Work in progress		Total	
	2013/2014 £m	2014/2015 £m	2013/2014 £m	2014/2015 £m	2013/2014 £m	2014/2015 £m
Balance outstanding at start of year	2.4	0.9	0.3	0.5	2.7	1.4
Purchases	1.8	1.6	0.3	0.1	2.1	1.7
Recognised as an expense in the year	(1.3)	(1.7)	(0.1)	(0.3)	(1.4)	(2.0)
Written off balances	(2.0)	0.0	0.0	0.0	(2.0)	0.0
Balance outstanding at year-end	0.9	0.8	0.5	0.3	1.4	1.1

Notes to the Accounts

15. Short Term Debtors

31 March 2013	31 March 2014		31 March 2015
£m	£m		£m
82.8	74.4	Trade debtors	82.9
5.5	13.1	Prepayments	12.4
0.0	7.6	VAT (due to us)	11.7
(3.0)	(3.2)	Allowance for doubtful debts (debts we think may not be paid)	(2.9)
<hr/>			<hr/>
85.3	91.9	Total	104.1

16. Cash and Cash Equivalents

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

31 March 2013	31 March 2014		31 March 2015
£m	£m		£m
(14.7)	(11.4)	Bank overdraft	(10.8)
4.5	13.8	Call accounts and short-term deposits *	15.7
70.8	26.4	Money Market Funds *	28.0
<hr/>			<hr/>
60.6	28.8	Total cash and cash equivalents	32.9

* In accordance with the appropriate guidelines, these balances are defined as "cash and cash equivalent" 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.

Notes to the Accounts

17. Assets Held for Sale

	Current	
	2013/2014	2014/2015
	£m	£m
Balance outstanding at start of year	22.8	22.9
Assets newly classified as held for sale:		
Property, Plant and Equipment	4.9	1.2
Impairments	(1.0)	0.0
Assets sold	<u>(3.8)</u>	<u>(3.5)</u>
Balance outstanding at year-end	22.9	20.6

The Council does not hold assets held for sale which would be classified as non-current.

18. Short-Term Creditors

31 March 2013	31 March 2014		31 March 2015
£m	£m		£m
(82.1)	(95.8)	Trade and other creditors	(88.4)
(11.4)	(10.0)	Tax and money owed to HM Revenues and Customs	(8.0)
(6.7)	(2.6)	Money received in advance	(1.4)
<hr/>	<hr/>		<hr/>
(100.2)	(108.4)	Total	(97.8)

Notes to the Accounts

19. 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

	Equal Pay	Waste	Insurance		Long Term Provisions Total
			Before LGR	After LGR	
	£m	£m	£m	£m	£m
Balance at 1 April 2014	0.1	(1.2)	(0.6)	(9.4)	(11.1)
Amounts used in 2014/2015	0.0	0.0	0.0	2.1	2.1
Amounts contributed to provision	0.0	(0.5)	(0.3)	0.0	(0.8)
Balance at 31 March 2015	0.1	(1.7)	(0.9)	(7.3)	(9.8)

Short term provisions

	Carbon Reduction Commitment	Short Term Provision Total
	£m	
Balance at 1 April 2014	(0.1)	(0.1)
Amounts used in 2014/2015	0.1	0.1
Balance at 31 March 2015	0.0	0.0

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.

We have carried out a job-evaluation exercise which resulted in us paying back pay for some staff. We had set aside money to meet any costs arising from any further claims for equal pay. As at 31st March 2015 there are no equal pay claims outstanding.

We have a responsibility to refund social services clients due to incorrect charging under Section 117 of the Mental Health Act.

Following environmental and regulatory changes, we have set aside money for various waste management contracts.

Notes to the Accounts

20. Unusable Reserves

31 March 2013	31 March 2014		31 March 2015
£m	£m		£m
(191.6)	(234.8)	Revaluation reserve	(283.8)
(1,097.6)	(1,097.0)	Capital adjustment account	(1,065.8)
4.5	4.5	Financial instruments adjustment account	4.5
816.5	932.6	Pensions reserve	1,158.7
0.0	4.4	Available for Sale reserve	6.5
5.5	4.0	Collection fund adjustment account	1.2
11.3	10.0	Accumulated absences account	9.9
(451.4)	(376.3)	Total Unusable Reserves	(168.8)

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.

2013/2014			2014/2015	
£m	£m		£m	£m
	(191.6)	Balance at 1 April		(234.8)
(63.6)		Upward revaluation of assets	(86.6)	
		Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	10.5	
<u>6.0</u>				
	(57.6)	Surplus on revaluation of non-current assets not posted to the deficit on the provision of services		(76.1)
2.3		Difference between fair value depreciation and historical cost depreciation	3.1	
<u>12.1</u>		Accumulated gains on assets sold or scrapped	<u>24.0</u>	
	14.4	Amounts written off to the Capital adjustment account		27.1
	(234.8)	Balance at 31 March		(283.8)

Notes to the Accounts

20. 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 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/2014 £m		2014/2015 £m
<u>(1,097.6)</u>	Balance at 1 April	<u>(1,097.0)</u>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	Charges for depreciation and impairment of non current assets	
58.3		75.8
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the	
53.1	Comprehensive Income and Expenditure Statement	78.7
	Adjusting amounts written out of the Revaluation Reserve	
(14.4)		(27.1)
<u>97.0</u>	Net written out amount of the cost of non current assets consumed in the year	<u>127.4</u>
	Capital financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	
(4.7)		0.0
	Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	
(55.7)		(50.7)
	Application of grants to capital financing from the Capital Grants Unapplied Account	
(11.9)		(11.7)
	Statutory provision for the financing of capital investment charged against the General Fund balance	
(27.7)		(29.0)
	Capital expenditure charged against the revenue fund (including Balance Sheet transactions)	
3.6		(4.8)
<u>(96.4)</u>		<u>(96.2)</u>
(1,097.0)	Balance at 31 March	(1,065.8)

Notes to the Accounts

20. Unusable reserves (Cont'd)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2015 will be charged to the General Fund over future years.

2013/2014 £m	2014/2015 £m
4.5 Balance at 1 April	4.5
<hr/> 4.5 Balance at 31 March	<hr/> 4.5

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.

2013/2014 £m	2014/2015 £m
816.5 Balance at 1 April	932.6
81.4 Actuarial (gains)/losses on pension assets and liabilities	188.3
Reversal of items relating to retirement benefits debited or credited to the deficit on (1.4) the provision of services in the Comprehensive Income and Expenditure Statement	(0.6)
Employer's pension contributions and direct payments to pensioners payable in the 36.1 year	38.4
<hr/> 932.6 Balance at 31 March	<hr/> 1,158.7

Available for Sale Reserve

The Available for Sale Reserve manages the differences in valuation of the long term investment. This investment is shares in the joint venture, Entrust, and its value can go up and down. These fluctuations are reflected in this reserve.

2013/2014 £m	2014/2015 £m
0.0 Balance at 1 April	4.4
4.4 Amount of decrease in value of investment	2.1
<hr/> 4.4 Balance at 31 March	<hr/> 6.5

Notes to the Accounts

20. Unusable Reserves (Cont'd)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/2014 £m		2014/2015 £m
5.5	Balance at 1 April	4.0
	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	
(1.5)	statutory requirements	(2.8)
<hr/> 4.0	Balance at 31 March	<hr/> 1.2

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/2014 £m		2014/2015 £m
11.3	Balance at 1 April	10.0
(11.4)	Settlement or cancellation of accrual made at the end of the preceding year	(10.0)
10.1	Amounts accrued at the end of the current year	9.9
	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	
(1.3)	requirements	(0.1)
<hr/> 10.0	Balance at 31 March	<hr/> 9.9

Notes to the Accounts

21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2013/2014 £m		2014/2015 £m
(1.9)	Interest received	(4.6)
23.7	Interest paid	23.7

22. Cash Flow Statement - Investing Activities

2013/2014 £m		2014/2015 £m
111.4	Purchase of property, plant and equipment, investments and intangible assets	106.7
(5.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10.4)
(20.3)	(Receipts)/purchases of short-term and long-term investments	0.4
(48.8)	Other receipts from investing activities	(59.5)
36.9	Net cash flows from investing activities	37.2

23. Cash Flow Statement - Financing Activities

2013/2014 £m		2014/2015 £m
0.0	Cash receipts of short and long-term borrowing	(30.0)
3.1	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	4.0
0.5	Repayments of short and long-term borrowing	0.0
3.6	Net cash flows from financing activities	(26.0)

Notes to the Accounts

24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's cabinet who operate as the chief operating decision maker.

No charges are made in relation to capital accounting (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in year.

Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2014/2015

	People £m	Place £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(256.3)	(69.5)	(33.0)	(358.8)
Government Grants	(514.8)	(26.1)	(0.9)	(541.8)
Total Income	(771.1)	(95.6)	(33.9)	(900.6)
Employee Expenses	458.6	30.1	5.2	493.9
Other Service Expenses	687.8	150.9	59.4	898.1
Support Service Recharges	7.4	5.7	8.2	21.3
Total Expenditure	1,153.8	186.7	72.8	1,413.3
Net Expenditure	382.7	91.1	38.9	512.7

Notes to the Accounts

24. Amounts Reported for Resource Allocation Decisions (Cont'd)

Directorate Income and Expenditure 2013/2014 Comparative Figures

	People £m	Place £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(139.2)	(38.3)	(23.5)	(201.0)
Government Grants	(565.0)	(6.0)	(0.5)	(571.5)
Total Income	(704.2)	(44.3)	(24.0)	(772.5)
Employee Expenses	497.1	29.3	12.7	539.1
Other Service Expenses	579.5	104.8	61.5	745.8
Support Service Recharges	8.5	6.8	4.2	19.5
Total Expenditure	1,085.1	140.9	78.4	1,304.4
Net Expenditure	380.9	96.6	54.4	531.9

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2013/2014 £m	2014/2015 £m
531.9 Net Expenditure in the Directorate Analysis	512.7
Net Expenditure of services and support services not (41.6) included in the analysis	(58.6)
Amounts in the Comprehensive Income and Expenditure 49.6 Statement not reported to management in the analysis	32.0
Cost of Services in Comprehensive Income and 539.9 Expenditure Statement	486.1

Notes to the Accounts

24. Amounts Reported for Resource Allocation Decisions (Cont'd)

Reconciliation to Subjective Analysis 2014/2015

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Directorate Analysis £m	Services and Support not in Analysis £m	Amounts not reported to management for decision making £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(358.8)	119.0	0.9	0.0	(238.9)	(1.4)	(240.3)
Interest and investment income	0.0	0.0	0.0	0.0	0.0	(4.6)	(4.6)
Income from council tax	0.0	0.0	0.0	0.0	0.0	(275.6)	(275.6)
Income from Business Rates	0.0	0.0	0.0	0.0	0.0	(91.9)	(91.9)
Government grants and contributions	(541.8)	0.0	0.0	0.0	(541.8)	(198.0)	(739.8)
Total income	(900.6)	119.0	0.9	0.0	(780.7)	(571.5)	(1,352.2)
Employee expenses	493.9	14.0	(15.7)	0.0	492.2	0.0	492.2
Other service expenses	898.1	(267.5)	46.8	21.2	698.6	0.0	698.6
Support service recharges	21.3	0.0	0.0	(21.2)	0.1	0.0	0.1
Depreciation, amortisation and impairment	0.0	75.9	0.0	0.0	75.9	0.0	75.9
Interest payments	0.0	0.0	0.0	0.0	0.0	87.1	87.1
Precepts and levies	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Gain or loss on disposal of non current assets	0.0	0.0	0.0	0.0	0.0	68.6	68.6
Total expenditure	1,413.3	(177.6)	31.1	0.0	1,266.8	156.0	1,422.8
Surplus or deficit on provision of services	512.7	(58.6)	32.0	0.0	486.1	(415.5)	70.6

Notes to the Accounts

24. Amounts Reported for Resource Allocation Decisions (Cont'd)

2013/2014 Comparative

	Directorate Analysis £m	Services and Support not in Analysis £m	Amounts not reported to management for decision making £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(201.0)	40.0	0.0	0.0	(161.0)	(1.1)	(162.1)
Interest and investment income	0.0	0.0	0.0	0.0	0.0	(2.2)	(2.2)
Income from council tax	0.0	0.0	0.0	0.0	0.0	(270.1)	(270.1)
Income from Business Rates	0.0	0.0	0.0	0.0	0.0	(89.3)	(89.3)
Government grants and contributions	(571.5)	0.0	0.0	0.0	(571.5)	(209.1)	(780.6)
Total income	(772.5)	40.0	0.0	0.0	(732.5)	(571.8)	(1,304.3)
Employee expenses	539.1	0.0	(2.9)	0.0	536.2	0.0	536.2
Other service expenses	745.8	(81.6)	(4.8)	19.5	678.9	0.0	678.9
Support service recharges	19.5	0.0	0.0	(19.5)	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	57.3	0.0	57.3	1.0	58.3
Interest payments	0.0	0.0	0.0	0.0	0.0	62.9	62.9
Precepts and levies	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Gain or loss on disposal of non current assets	0.0	0.0	0.0	0.0	0.0	48.4	48.4
Total expenditure	1,304.4	(81.6)	49.6	0.0	1,272.4	112.6	1,385.0
Surplus or deficit on provision of services	531.9	(41.6)	49.6	0.0	539.9	(459.2)	80.7

Staffordshire County Council

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Notes to the Accounts

25. Trading Operations

We have set up a number of trading services which we run as businesses providing services to departments.

2013/2014							2014/2015
Net (surplus)/ deficit		Turnover	Expenditure	Trading (surplus)/ deficit	Other items Capital charge	Other	Net (surplus)/ deficit
£m		£m	£m	£m	£m	£m	£m
0.0	Central Print	(1.3)	1.3	0.0	0.0	0.0	0.0
0.0	Occupational Health	(0.5)	0.4	(0.1)	0.0	0.0	(0.1)
0.0	Scientific Services	(1.1)	1.3	0.2	0.0	0.0	0.2
(1.1)	County Fleet Care	(8.0)	4.3	(3.7)	1.5	0.7	(1.5)
(1.1)	Total	(10.9)	7.3	(3.6)	1.5	0.7	(1.4)

Notes to the Accounts

25. Trading Operations (Cont'd)

Trading Unit	Details of nature of unit
Central Print	The unit provides a print commissioning and design service to business units across the Council. The unit aims to achieve economies of scale through its buying power.
Occupational Health	The unit provides a full occupational health service to employees of the Council to enhance the well being of its employees with a view to reducing sickness absence rates and improving productivity.
Scientific Services	The unit is part of the Council's trading services unit and carries out a range of scientific testing to include food testing, petroleum testing and dealing with animal health issues.
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.

Notes to the Accounts

26. Pooled Budgets

We have pooled budget arrangements with various NHS organisations under Section 75 of the National Health Service Act 2006. We have included the transactions for these in the accounts. We contribute staff time and IT resources in dealing with these budgets.

Substance Misuse Commissioning Team – we play an active role in delivering the four main aims set down in the Government's ten-year national strategy, Tackling Drugs to Build a Better Britain (1998). We are the lead Council in the partnership involving the Clinical Commissioning Groups (CCGs) across Staffordshire.

Substance Misuse Commissioning Team	2013/2014		2014/2015	
	£m	£m	£m	£m
Funding provided to the pooled budget				
County Council	(0.2)		(0.2)	
CCGs	(7.7)		(4.9)	
Other	(6.2)		(7.6)	
		(14.1)		(12.7)
Expenditure met from the pooled budget				
County Council	0.2		0.2	
CCGs	6.2		6.4	
Other	5.6		8.3	
		12.0		14.9
Net (surplus)/deficit arising on the pooled budget during the year		(2.1)		2.2
County Council's share of net surplus/deficit arising on the pooled budget		0.0		0.0

Notes to the Accounts

27. Members' Allowances

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

	2013/2014 £m	2014/2015 £m
Basic Allowance	0.6	0.6
Special Responsibility Allowance	0.3	0.3
Expenses	0.1	0.1
Total	1.0	1.0

Notes to the Accounts

28. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Officer	Year	Salary, fees and allowances £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Chief Executive - Nick Bell	2013/2014	194,550	8,325	0	36,268	239,143
Chief Executive - Nick Bell Footnote 1	2014/2015	103,551	3,512	0	20,343	127,406
Chief Executive - John Tradewell Footnote 1	2014/2015	73,427	2,776	0	15,014	91,217
Director for People	2013/2014	144,550	7,012	0	26,970	178,532
Director for People	2014/2015	144,550	7,291	0	28,420	180,261
Director for Place	2013/2014	133,550	6,683	0	24,924	165,157
Director for Place	2014/2015	133,550	9,282	0	26,264	169,096
Director of Strategy & Customer Service	2013/2014	119,550	8,061	0	22,320	149,931
Director of Strategy & Customer Service	2014/2015	119,550	8,318	0	23,520	151,388

Notes to the Accounts

28. Officers' Remuneration (Cont'd)

Officer	Year	Salary, fees and allowances £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Director of Democracy, Law & Transformation	2013/2014	119,550	5,689	0	22,320	147,559
Director of Democracy, Law & Transformation Footnote 1	2014/2015	63,871	3,159	0	12,519	79,549
Director of Democracy, Law & Transformation Footnote 2	2014/2015	51,229	0	0	8,637	59,866
Section 151 Officer, Director of Finance & Resources	2013/2014	133,550	7,556	0	24,924	166,030
Section 151 Officer, Director of Finance & Resources	2014/2015	133,550	7,944	0	26,264	167,758
Director of Public Health	2013/2014	133,457	754	0	17,672	151,883
Director of Public Health	2014/2015	127,543	3,980	0	15,612	147,135

Notes to the Accounts

28. Officers' Remuneration (Cont'd)

Notes for clarification

The Council does not offer bonuses to its employees.

Footnote 1 The Chief Executive resigned during 2014/15. The role was temporarily taken on by the Director of Law, Democracy and Transformation from 13.10.2014.

Footnote 2 The senior officer undertook the role of Monitoring Officer while the service director acted as the Interim Chief Executive.

Notes to the Accounts

28. 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 2013/2014			Remuneration band	Number of employees 2014/2015		
Teachers	Non-teachers	Leavers		Teachers	Non-teachers	Leavers
173	61	7	£ 50,000 to £ 54,999	124	54	12
123	57	7	£ 55,000 to £ 59,999	122	62	15
72	14	9	£ 60,000 to £ 64,999	75	16	7
36	14	8	£ 65,000 to £ 69,999	34	7	7
18	25	5	£ 70,000 to £ 74,999	25	31	11
9	9	7	£ 75,000 to £ 79,999	9	12	10
15	8	6	£ 80,000 to £ 84,999	12	9	8
4	15	4	£ 85,000 to £ 89,999	9	16	4
10	10	14	£ 90,000 to £ 94,999	6	0	0
2	4	3	£ 95,000 to £ 99,999	3	9	9
1	6	2	£100,000 to £104,999	2	7	5
1	1	0	£105,000 to £109,999	2	3	1
0	0	0	£110,000 to £114,999	1	0	1
1	0	1	£115,000 to £119,999	0	0	0
1	1	2	£120,000 to £124,999	0	0	0
2	2	0	£125,000 to £129,999	0	2	0
0	1	0	£130,000 to £134,999	1	1	0
0	2	2	£135,000 to £139,999	0	0	0
0	2	0	£140,000 to £144,999	0	3	1
0	0	0	£145,000 to £149,999	0	1	0
1	1	1	£150,000 to £154,999	0	1	0
0	0	0	£155,000 to £159,999	0	1	1
0	0	0	£160,000 to £164,999	0	0	0
0	1	1	£165,000 to £169,999	0	0	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	0	0
0	0	0	£205,000 to £209,999	0	0	0
0	0	0	£210,000 to £214,999	0	0	0
469	235	79	Total	425	235	92

Notes to the Accounts

29. 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. 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.

Total Cost	2013/2014		Remuneration band	2014/2015		Total Cost
	Number of employees			Number of employees		
£	Teachers	Other SCC		Other SCC	Teachers	£
3,110,953	36	327	£0 to £ 20,000	507	41	3,137,176
3,847,820	33	106	£ 20,001 to £ 40,000	152	29	5,189,554
2,955,070	11	50	£ 40,001 to £ 60,000	53	10	3,003,338
1,292,916	2	16	£ 60,001 to £ 80,000	6	5	754,648
979,724	1	10	£ 80,001 to £ 100,000	6	0	527,958
328,011	0	3	£ 100,001 to £ 150,000	3	0	319,473
186,123	0	1	£ 150,001 to £ 200,000	0	0	0
232,529	0	1	£ 200,001 to £ 250,000	1	0	213,762
12,933,146	83	514	Total	728	85	13,145,909

Notes to the Accounts

30. 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.

	2013/2014	2014/2015
	£m	£m
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0.157	0.146
Fees payable to external auditors for the certification of grant claims and returns for the year	0.007	0.007
Fees payable to external auditors for the Internal Audit Framework*	0.005	0.019
Total	0.169	0.172

* This work was for a partnership of the County Council and four other local authorities in Staffordshire.

Notes to the Accounts

31. Dedicated Schools Grant

In 2014/2015 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 2014/2015 are as follows:

	Schools budget funded by DSG		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2014/2015, before academy recoupment	83.3	463.7	547.0
Academy figure recouped for 2014/2015	(2.2)	(109.5)	(111.7)
Total DSG after academy recoupment for 2014/2015	81.1	354.2	435.3
Plus: brought forward from 2013/2014	8.7	0.0	8.7
Less: carry-forward to 2015/2016 agreed in advance	1.4	0.0	1.4
Agreed budgeted distribution in 2014/2015	88.4	354.2	442.6
In year adjustments*	0.1	0.0	0.1
Final budget distribution for 2014/15	88.5	354.2	442.7
Less: Actual central expenditure	(78.5)	0.0	(78.5)
Less: Actual ISB (Individual Schools Budget) deployed to schools	0.0	(353.7)	(353.7)
Plus: carry forward to 2015/2016	0.0	0.0	0.0
Carry forward to 2015/2016	10.0	0.5	11.9

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

Notes to the Accounts

32. Grant Income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2014/2015.

	2013/2014 £m	2014/2015 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	132.9	114.8
New Homes Bonus	2.2	2.5
Council Tax Freeze Grant	3.0	3.0
Local Services Support Grant	0.9	0.6
Education Services Grant	13.9	12.8
	<hr/>	<hr/>
Total	152.9	133.7
Credited to Services		
Department for Education	92.0	88.3
Department for Transport	28.3	40.2
Department of Health	30.1	35.5
Department for Communities and Local Government	6.0	2.0
DEFRA	0.4	9.2
Higher Education Funding Council for England	0.6	0.0
Home Office	0.8	0.6
YPLA (Formerly Learning Skills Council)	0.0	0.0
Youth Justice Board	1.8	1.7
Homes and Communities Agency	0.2	0.0
Other	2.7	15.9
	<hr/>	<hr/>
Total	162.9	193.4

Notes to the Accounts

32. 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 2014	31 March 2015
	£m	£m
Capital Grants Receipts in Advance		
Department for Education	7.5	2.4
Department for Transport	1.5	1.1
Department of Health	0.5	0.1
Other Contributions	9.6	10.5
	<hr/>	<hr/>
Total	19.1	14.1
	<hr/>	<hr/>

Notes to the Accounts

33. 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 set out in the subjective analysis in Note 24 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/2015 is shown in Note 27.

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.

The following members are connected to Staffordshire Fire and Rescue Services in the following capacity:

Michael Greatorex and William Day are members
David Williams is employed by them

Pension Fund

We run the Staffordshire Pension Fund. We have included the accounts of the pension fund in our accounts.

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

The Council has pooled budget arrangements with NHS organisations as detailed in Note 26.

On 31 March 2015, we held cash totalling £28,332 (£39,015 on 31 March 2014) on behalf of the Staffordshire Connects Partnership. We have not included this in the Balance Sheet. The Partnership is audited by our internal audit team as well as Grant Thornton.

Other bodies

Helen Riley, Director for People, is also a member of Veolia Trust. Veolia is one of SCCs largest supplier of services (£24m) through the Waste to Energy PFI.

Notes to the Accounts

33. Related Parties (Cont'd)

Payments to the Environment Agency

2013/2014		2014/2015
£m		£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 Ian Parry, Deputy Leader and Cabinet Member for Finance, Resources and Transformation
- Cllr Mike Lawrence, Cabinet Member for Children, Communities and Localism (an alternate director)
- Darryl Evers, Director for Place
- Robert Flinter, Head of Transformation (an alternate director)

During 2014/2015, the Council purchased services in the normal course of business from Entrust for £62.2 million. Entrust bought services in the normal course of business from the Council for £12.1 million.

At the end of the year, Entrust owed the Council £7.1 million.

Notes to the Accounts

34. 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.

Capital Account Summary

2013/2014		2014/2015			Total
		Infra-Structure (inc Fees) £m	Land & Buildings (inc Fees) £m	Vehicles, Plant & Machinery £m	
Total	£m				
	Capital Expenditure				
	Children, Young People and Families				
26.3	Education	0.0	22.9	2.6	25.5
1.0	Children's services	0.0	1.7	0.0	1.7
	Development Services				
69.0	Highways & Economic Development	61.5	2.5	0.0	64.0
0.1	Waste Disposal	0.0	0.0	0.0	0.0
0.4	Countryside / Shugborough	0.0	0.2	0.0	0.2
0.8	County Fleet Care	0.0	0.0	0.6	0.6
0.3	Farms	0.0	0.6	0.0	0.6
0.4	Sustainability	0.0	0.0	0.0	0.0
3.0	Property Consultancy	0.0	5.0	0.0	5.0
6.3	Social Care and Health	0.0	5.9	0.0	5.9
7.5	Corporate and Other Services	0.0	0.5	0.0	0.5
0.2	Communities	0.0	0.1	0.0	0.1
115.3	Total	61.5	39.4	3.2	104.1
	Financed From				
27.6	Borrowing				41.7
51.1	Capital Grants				52.7
4.7	Capital Receipts				0.0
5.7	Revenue				0.0
5.4	General Capital Reserve			0.0	
1.7	Earmarked Capital Reserves			0.0	
2.6	Trading Services Reserves			0.0	0.0
11.0	Other Contributions				5.8
5.5	Section 106 Contributions				3.9
115.3	Total				104.1

Notes to the Accounts

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

Capital Financing Requirement

	2013/2014 £m	2014/2015 £m
Opening Capital Financing Requirement	551.4	719.3
Increase/(decrease) in underlying need to borrow	3.1	(10.3)
Assets acquired under finance leases	(0.2)	(0.2)
Assets acquired under PFI/PPP contracts	165.0	(1.8)
Closing Capital Financing Requirement	719.3	707.0

Notes to the Accounts

35. Leases

Council as Lessee

Finance Leases

The Council leases 15 school buses.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2014		31 March 2015
£m		£m
0.2	Vehicles, Plant, Furniture and Equipment	0.0
<hr/> 0.2		<hr/> 0.0

The Council is committed to making minimum payments under these leases 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 2014		31 March 2015
£m		£m
	Finance lease liabilities (net present value of minimum lease payments):	
0.2	Current	0.1
0.3	Non current	0.2
0.0	Finance costs payable in future years	0.0
<hr/> 0.5		<hr/> 0.3

Notes to the Accounts

35. Leases (Cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m
Not later than one year	0.2	0.2	0.2	0.1
Later than one year and not later than five years	0.3	0.2	0.3	0.2
	0.5	0.4	0.5	0.3

Notes to the Accounts

35. Leases (Cont'd)

Operating Leases

The Council has operating leases in place for various properties as well as photocopier usage.

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

31 March 2014 £m		31 March 2015 £m
2.0	Not later than one year	1.8
5.9	Later than one year and not later than five years	5.2
48.8	Later than five years	47.8
<hr/>		<hr/>
56.7		54.8

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

31 March 2014 £m		31 March 2015 £m
2.1	Minimum lease payments	2.0
0.0	Contingent rents	0.0
<hr/>		<hr/>
2.1		2.0

Notes to the Accounts

35. Leases (Cont'd)

Council as Lessor

Finance Leases

The Council has finance leases in place for the assets relating to Academy schools - as the incoming amounts are only 'peppercorn', they are excluded for the purposes of this note. The leases are for 125 years.

Operating Leases

The Council leases out property under operating leases that includes land relating to Academy schools - as the incoming amounts are only peppercorn, they are excluded for the purposes of this note. The Academy schools land leases are for 125 years.

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

31 March 2014		31 March 2015
£m		£m
0.6	Not later than one year	0.6
2.2	Later than one year and not later than five years	2.1
3.6	Later than five years	3.1
<hr/>		<hr/>
6.4		5.8

Notes to the Accounts

36. 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 £45.0 million. It involves providing repairs and maintenance, energy, cleaning, caretaking and other services. The amount we paid in 2014/2015 was £2.0 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. The amount we paid in 2014/2015 was £11.5 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 amount we paid in 2014/2015 was £1.0 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. The amount we paid in 2014/2015 was £30.8m.

Valuation of PFI assets

The assets of each PFI scheme have been included in the Balance Sheet and in Note 10. However the note below splits out the assets for each scheme.

	31 March 2014	31 March 2015
	£m	£m
Two Schools Scheme	13.2	13.9
Streetlighting Scheme	44.7	45.7
Children's Homes Scheme	5.0	5.2
Waste to Energy	168.8	169.9
Total value of assets	231.7	234.7

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 2014	31 March 2015
	£m	£m
Two Schools Scheme	(6.3)	(5.9)
Streetlighting Scheme	(6.9)	(6.5)
Children's Homes Scheme	(3.7)	(3.5)
Waste to Energy	(165.9)	(165.0)
Total value of liabilities	(182.8)	(180.9)

Notes to the Accounts

36. 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	0.6	0.8
Due within 2 to 5 years	1.6	2.2	3.5
Due within 6 to 10 years	2.2	1.8	4.9
Due within 11 to 15 years	1.7	0.4	3.3
Total due	5.9	5.0	12.5

Streetlighting Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	2.5	0.6	3.9	0.1
Due within 2 to 5 years	10.3	2.0	16.8	0.4
Due within 6 to 10 years	13.8	1.5	24.1	0.7
Due within 11 to 15 years	9.6	0.3	17.0	0.5
Total due	36.2	4.4	61.8	1.7

Notes to the Accounts

36. 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	0.1	0.5	0.4
Due within 2 to 5 years	0.7	1.6	1.5
Due within 6 to 10 years	1.5	1.4	2.1
Due within 11 to 15 years	1.2	0.3	1.3
Total due	<u>3.5</u>	<u>3.8</u>	<u>5.3</u>

Waste to Energy

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.9	22.4	7.9
Due within 2 to 5 years	5.5	87.6	34.2
Due within 6 to 10 years	12.7	103.7	49.3
Due within 11 to 15 years	25.0	91.4	57.6
Due within 16 to 20 years	49.1	67.2	66.9
Due within 21 to 25 years	71.8	21.3	61.0
Total due	<u>165.0</u>	<u>393.6</u>	<u>276.9</u>

Notes to the Accounts

36. 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 *	
	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015
	£m	£m	£m	£m	£m	£m	£m	£m
Balance outstanding at start of year	(6.8)	(6.3)	(7.3)	(6.9)	(3.7)	(3.7)	0.0	(165.9)
Payments during the year	0.5	0.4	2.4	2.4	0.1	0.2	0.0	0.9
Capital expenditure incurred in the year	0.0	0.0	(2.0)	(2.0)	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	(0.1)	0.0	(165.9)	0.0
Balance outstanding at year end	(6.3)	(5.9)	(6.9)	(6.5)	(3.7)	(3.5)	(165.9)	(165.0)

* Recognition of the opening liability for the Waste to Energy project entering the accounts in 2013/2014.

37. Impairment Losses

During 2014/2015 the Council recognised impairment losses to a number of properties totalling £50.8 million (£35 million in 2013/2014). 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 2014/2015.

Notes to the Accounts

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/2015, incurring liabilities of £11.3 million, of which £2.3m relates to Teachers. (£8.8 million in 2013/2014, of which £2.3m relates to Teachers).

39. 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 2014/2015, the Council paid £43.6 million to the Teachers' Pension Scheme in respect of teachers retirement benefits, representing 24% of pensionable pay. The figures for 2013/2014 were £45.4 million and 23%.

The Council is also responsible for all pension payments relating to added years benefits awarded, together with related increases. In 2014/2015 these amounted to £3.7 million (£2.9 million in 2013/2014) representing 2% of pensionable pay.

The figures do not include payments for teachers employed in nine former grant maintained schools.

Notes to the Accounts

40. 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 2014/2015, the Council paid an employer's contribution of £63.5 million (£48.3 million in 2013/2014) 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 2014/2015 these amounted to £3.3 million (£3.4 million in 2013/2014), which was 1.2% 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.

	2013/2014 £m	2014/2015 £m
<u>Comprehensive Income and Expenditure</u>		
Cost of Services:		
<i>Service cost compromising:</i>		
Current service costs	58.7	66.3
Past service costs	5.4	1.2
(Gains) from settlements	(6.1)	(8.7)
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	36.4	39.4
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	94.4	98.2

Notes to the Accounts

40. Defined Benefit Pension Schemes (Cont'd)

	2013/2014 £m	2014/2015 £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).	4.3	(148.1)
Actuarial gains and losses arising on changes in demographic assumptions	51.2	0.0
Actuarial gains and losses arising on changes in financial assumptions	45.0	354.4
Other	(19.3)	(18.0)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	81.2	188.3
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	81.2	188.3
Actual amount charged against the General Fund Balance for pensions in year:		
Employers' contributions payable to scheme	48.3	63.5
Contributions in respect of unfunded benefits	10.0	10.3
	58.3	73.8
<u>Pensions Assets and Liabilities Recognised in the Balance Sheet</u>		
	31 March 2014 £m	31 March 2015 £m
Present value of the defined benefit obligation	(2,310.3)	(2,739.0)
Fair value of plan assets	1,383.3	1,599.3
Net liability arising from defined benefit obligation	(927.0)	(1,139.7)
<u>Reconciliation of the Movements in the Fair Value of Scheme assets:</u>		
	31 March 2014 £m	31 March 2015 £m
1 April	1,329.5	1,383.3
Interest income	59.8	59.6
Actuarial gains and (losses)	(4.3)	148.1
Assets distributed on settlements	(3.4)	(5.6)
Employer's contributions	48.3	63.5
Contributions from scheme members	15.5	14.9
Benefits paid	(62.1)	(64.5)
31 March	1,383.3	1,599.3

Notes to the Accounts

40. Defined Benefit Pension Schemes (Cont'd)

	2013/2014 £m	2014/2015 £m
<u>Reconciliation of Present Value of the Scheme Liabilities:</u>		
1 April	2,139.1	2,310.3
Current service cost	58.7	66.3
Interest cost	96.2	99.0
Contribution by scheme members	15.5	14.9
Actuarial losses	77.0	336.4
Benefits paid	(72.1)	(74.9)
Past service costs	5.4	1.2
Losses on curtailments	0.0	0.0
Liabilities extinguished on settlements	(9.5)	(14.3)
31 March	2,310.3	2,738.9
<u>Local Government Pension Scheme assets</u>		
	31 March 2014 £m	31 March 2015 £m
Cash and Cash Equivalents	58.7	63.2
Equity Instruments		
<i>By industry type;</i>		
Consumer	105.2	137.2
Manufacturing	98.2	0.0
Energy and utilities	57.9	41.6
Financial institutions	103.9	102.1
Health and care	72.4	67.1
Information technology	63.2	62.0
Other	29.1	122.9
Sub-total equity	529.9	532.9
Bonds:		
Corporate Bonds (investment grade)	103.5	121.4
Property:		
UK Property	101.6	130.2
Private Equity:		
All	43.3	50.8
Other Investment Funds:		
Equities	409.3	530.0
Bonds	67.2	85.5
Hedge Funds	26.2	38.2
Other	43.6	47.1
Sub-total Other Investment Funds	546.3	700.8
Total Assets	1,383.3	1,599.3

Notes to the Accounts

40. 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 2015. The main assumptions they have for working out these costs are shown below:

	31 March 2014	31 March 2015
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1 years	22.1 years
Women	24.3 years	24.3 years
Longevity at 65 for future pensioners		
Men	24.3 years	24.3 years
Women	26.6 years	26.6 years
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%

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 2015	Approximate % increase to Employer Liability	Approximate monetary amount (£m)
0.5% decrease in Real Discount Rate	10.0%	279.9
1 year increase in longevity	3.0%	82.2
0.5% increase in salaries	3.0%	94.1
0.5% increase in pensions	7.0%	179.1

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.

Notes to the Accounts

40. 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 2016

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 2013). The contributions payable over the period to 31 March 2017 are set out in the Rate and Adjustments certificate. Hymans Robertson estimate the Employer's contribution for the period to 31 March 2016 will be approximately £53m.

41. 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.

At 31 March 2015 the Council does not have any material contingent liabilities.

42. Contingent Assets

At 31 March 2015 the Council does not have any material contingent assets.

Notes to the Accounts

43. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks and treasury risk management is therefore very important. As a result we have adopted and follow CIPFA's Treasury Management Code of Practice.

Part of the adoption of the Code requires the publication of an annual Treasury Management Strategy before the commencement of each financial year. This sets out how these risks will be managed. In addition we have written policies (known as Treasury Management Practices) which cover the procedures we follow to manage these risks.

The main risks covered are listed below:

- 1. Security (credit) risk** - the possibility that other parties fail to pay amounts due to the Council and a loss is made.
- 2. Liquidity risk** - the possibility that the Council might not have funds available to make payments on time.
- 3. Interest rate risk** - the possibility of short-term interest rate rises or falls.
- 4. Price risk** - the possibility that financial loss might arise 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 a financial instrument on maturity at disadvantageous interest rates or terms.

In managing these risks, we work hard to protect ourselves against unpredictable financial markets and to protect the money we have available to pay for our services.

Within this it is important to understand that no investment or loan portfolio, regardless of the economic conditions, can ever be risk free.

1. Security (credit) risk

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

In taking account of Government regulations, which emphasise that priority is given to security and then liquidity, rather than yield, we managed credit risk by ensuring that investments were only placed with organisations of high credit quality.

This was implemented via the adoption of the Arlingclose Treasury Services creditworthiness service, which determined the banks and building societies with whom we invested.

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

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

Investments are made subject to financial limits on both an investment category basis and individual one. In the case of the former investments are limited to 50% of the total each in Money Market Funds or directly with banks. On an individual basis, for Money Market Funds the limit is the lower of 0.50% of Money Market Fund size or 10% of all investments and for banks the lower of 15% of total investments or £30m per counterparty.

Notes to the Accounts

43. 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 the 31 March each year.

Credit Rating	Long-Term			Short-Term		
	31 March 2013	31 March 2014	31 March 2015	31 March 2013	31 March 2014	31 March 2015
	£m	£m	£m	£m	£m	£m
AAA	0.0	0.0	0.0	70.8	26.4	28.0
A	0.0	0.0	0.0	50.7	13.8	15.7
Co-op Bank	0.0	0.0	0.0	4.5	0.0	0.0
Unrated local authorities	0.0	30.4	30.4	0.0	0.0	0.0
Total investments	0.0	30.4	30.4	126.0	40.2	43.7

Since April 2010, our strategy of using cash in lieu of borrowing has reduced this risk as we hold less investments (around £60 million as at 31 March 2015).

The Council's maximum exposure to security risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Security risk applies to all of the Council's deposits, but there was no evidence at 31 March 2015 that this was likely to crystallise into actual losses.

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 and uncollectability at 31 March 2014	Amounts at 31 March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability at 31 March 2015
	£m	A £m	B %	C %	(A x C) £m
Customers	3.2	48.0	6.0	6.0	2.9
Total	3.2				2.9

Notes to the Accounts

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

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 £20.0 million of the £48.0 million balance is past its due date for payment. The remaining balance of £28.0 million is less than 28 days' old. The amount past its due date for payment can be analysed by age as follows:

	31 March 2014	31 March 2015
	£m	£m
Less than three months	5.3	3.7
Three to six months	1.3	3.2
Six months to one year	1.6	3.1
More than one year	8.7	10.0
Total	16.9	20.0

2. Liquidity Risk

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

We can borrow money both shorter term and long-term. Temporarily we can borrow money from the money markets.

We can borrow from the Public Works Loans Board (the PWLB are a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury) which means that there is very little risk that we will not be able to raise the money to meet our commitments.

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 and this could affect the revenue account;
- borrowings at fixed rates - the fair value of the liabilities / borrowings 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 and this could affect the revenue account; and
- 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).

We manage the risk to interest rates in a number of ways.

If economic circumstances make it favourable, we will repay fixed-rate loans early to reduce interest costs.

Since April 2010 the Council has implemented a borrowing strategy of using cash in lieu of borrowing; this reduces the Council's exposure to variable interest rate changes.

The treasury management team assess interest-rate risks when we set our budget each year. We use this information to update the budget every three months. This allows us to cope with any sudden or major changes in interest rates. We will also use the information to decide whether new loans we take out should have fixed or variable interest rates.

Notes to the Accounts

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

At 31 March 2015, 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	1.2
Increase in interest receivable on variable rate investments	<u>(1.1)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>0.1</u>
Decrease in fair value of fixed-rate investment assets	<u>(4.2)</u>
Impact on Other Comprehensive Income and Expenditure	<u>(4.2)</u>

Decrease in fair value of fixed rate borrowings liabilities (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, to the value of £23.7 million. Whilst this holding is generally illiquid (i.e. the shares are not traded on any stock exchange), the Council is exposed to losses arising from movements in the price of the shares. The shares are classified as Available for Sale meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve. A general shift of 5% in the price of shares (positive or negative) would thus have resulted in a £1.5 million gain or loss being recognised in the Available for Sale reserve.

The Council also holds long term fixed rate loans, the risk being that significant and long-lasting falls in interest rates could mean that the Council is forced to pay interest in excess of the market interest rates until the loans mature. Of course, the opposite may also be true in the case of long-term and long-lasting increases in market interest rates.

This risk is partly offset by using cash in lieu of borrowing as referred to earlier, because this type of borrowing is variable in nature and the Council are not locked into interest payments.

It is further offset by the long-term local authority investments made in 2014/2015. These investments aim to hedge (or cancel out) a small part of the risk exposure that long-term fixed rate loans cause.

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.

We have measures in place to make sure that we are not due to repay a large percentage of our borrowing at the same time. This reduces the financial effect of us needing to borrow again if interest rates are high. Our policy is to make sure that no more than 15% of our loans are due for repayment within the same financial year. We do this by carefully planning when we take out new loans 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. LOBO (Lender Option Borrower Option) loans also increase this risk as their duration 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.

Notes to the Accounts

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

The repayment structure of financial liabilities is as follows:

On 31 March 2014	Financial Liabilities	On 31 March 2015
£m		£m
404.5	PWLB	404.6
0.0	European Investment Bank	0.0
30.9	* LOBO - Eurohypo Bank	31.0
41.8	* LOBO - Depfa Bank	41.7
10.1	* LOBO - Dexia Bank	10.1
0.0	UK Local Authority	30.0
487.3	Total	517.4
55.0	within one year	87.0
20.0	over 1 under 2	28.0
30.0	over 2 under 5	20.0
18.8	over 5 under 10	23.8
10.0	over 10 under 15	5.0
14.0	over 15 under 20	29.0
15.0	over 20 under 30	0.0
154.8	over 30 under 40	195.2
169.7	over 40	129.4
487.3	Total	517.4

* LOBO - Lender Option Borrower Option loan

6. Using Cash in Lieu of Borrowing

As at the 31 March 2015, around £60.0 million of cash had been used in lieu of borrowing.

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

Notes to the Accounts

44. Education Endowments

We are responsible for managing 11 (11 in 2013/2014) 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.

	2013/2014			2014/2015		
	Total income	Gross spending	Market value of fund	Tot inc	Gross spending	Market value of fund
	£000	£000	£000	£00	£000	£000
Rugeley Educational	77	31	1,874	77	95	2,051
Brewood Educational	67	79	1,644	66	64	1,799
Stafford Educational	16	12	396	16	17	433
Stafford Education Centre Charity	105	127	2,546	106	267	2,785
Alleyes – Stone	2	1	41	2	2	44
Alleyes – Uttoxeter	1	0	23	1	4	25
Tamworth High	8	8	196	8	9	216
Tamworth Youth Centre	2	0	46	2	8	51
Others	17	23	411	16	20	450
Total	295	281	7,177	294	486	7,854

45. Trust Funds

We manage a number of small funds on behalf of other organisations. These are mainly 35 social services comforts funds which are available to people in residential homes and day centres, and four other funds. The funds do not represent our assets and we do not include them in the Balance Sheet.

	Balance 31 March 2014 £000	Income £000	Spending £000	Balance 31 March 2015 £000
Trust funds				
Social services comforts funds	75	17	(37)	55
Homestead and Lea House	7	0	0	7
Glebelands	1	0	0	1
Other	88	0	(2)	86
Chairman's charity	16	2	0	18
Total	187	19	(39)	167

Group Accounts Foreword

The 2014/2015 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

The aim of the Group Accounts is to give an overall picture of the activities of the authority and the resources used to carry out those activities. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of assets, liabilities, expenditure and income in a unified set of accounts.

A review has been undertaken of the Council's relationships with other bodies and it is clear that we should account for an interest in Entrust Support Services Ltd (Entrust) as a joint venture and prepare group accounts.

Inclusion within the Group Accounts

Where the authority has control or influence over an entity, the Code for local authority accounts requires these to be classified into the categories of subsidiaries, associates and joint ventures.

A joint venture is defined as: "An entity in which the reporting authority has an interest on a long term basis and which is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement."

In April 2013 the authority entered into a partnership to form Entrust Support Services Ltd. The Council owns 49% of the ordinary shareholding of Entrust, and Capita plc holds the remaining 51% of the shares in the joint venture.

The principal activity of Entrust is providing education support services to local government maintained schools, academy schools, and other educational or similar establishments. These services comprise the provision of specialist education services (including school improvement, specialist educational needs and inclusion services, early years and careers), outdoor education, learning technologies, facilities management, catering and cleaning services both in Staffordshire and increasingly in other counties.

One Member of the Council and one officer of the Council sit on Entrust's Board of Directors. There is a substitute Member and a substitute officer who will sit on the Board in the event of the original Directors being absent for a prolonged period of time. More information about transactions between the Council and Entrust can be found in Note 33 to the Council's accounts, the Related Parties note.

Group Accounts Foreword

Consolidation

Entrust has been consolidated into the Council's group accounts using the equity method.

Entrust has a financial year ending 31st December and the accounts for the year to 31st December 2014 have been included in the Council's group accounts. Transactions occurring between January and March 2015 were not sufficiently material to require inclusion in the 2014/2015 group accounts.

Entrust's accounts can be obtained from Capita plc, 71 Victoria Street, London SW1H 0HA or from Companies House.

Accounting Policies

There is a requirement when preparing Group Accounts to have consistent accounting policies across the Group. This does not mean that individual group entities have to use the same accounting policies as the Council and therefore an assessment of the alignment of accounting policies is required.

Entrust has adopted the accounting policies of Capita plc, and a review of these accounting policies has determined that there is minor difference in the treatment of non-current assets, finance leases and cash and cash equivalents. However, these minor differences have no material impact on the group statements and therefore there is no requirement to make adjustments to align accounting policies.

Intra-group Transactions

The code requires that where assets are sold within the group for a profit or a loss, this profit or loss should be stripped out of the group accounts on consolidation.

During the 2014/2015 financial year, the Council sold inventory assets to Entrust. However, since these assets were sold to Entrust at cost, there is no profit element to be stripped out of the group accounts during consolidation. There were no other qualifying intra-group transactions in 2014/2015.

Commitments

There are no outstanding commitments or contingencies between the Council and Entrust as at 31st March 2015.

Group 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.

2013/2014 Gross expenditure £m	2013/2014 Gross income £m	2013/2014 Net expenditure £m		2014/15 Gross expenditure £m	2014/15 Gross income £m	2014/15 Net expenditure £m
			Total education and children's			
747.5	(569.3)	178.2	services	741.1	(557.6)	183.5
9.0	(4.7)	4.3	Planning services	14.7	(22.5)	(7.8)
74.3	(16.2)	58.1	Highways and transport services	75.3	(14.6)	60.7
27.5	(4.4)	23.1	Cultural and related services	23.5	(4.2)	19.3
307.4	(75.9)	231.5	Adult social care	311.7	(93.1)	218.6
29.6	(31.4)	(1.8)	Public Health	39.2	(36.4)	2.8
			Environmental and regulatory			
56.8	(24.7)	32.1	services	49.2	(46.3)	2.9
12.7	(3.6)	9.1	Corporate and democratic core	15.8	(3.2)	12.6
8.3	(2.3)	6.0	Central services to the public	3.8	(2.8)	1.0
(0.7)	0.0	(0.7)	Non distributed costs	(7.5)	0.0	(7.5)
1,272.4	(732.5)	539.9	Cost of services	1,266.8	(780.7)	486.1
			49.7 Other operating expenditure			68.9
			59.6 Financing and investment income and expenditure			81.2
		(568.5)	Taxation and non-specific grant income			(565.6)
		80.7	Deficit on provision of services			70.6
			4.3 Share of the Deficit on the provision of services by joint venture			2.3
			0.1 Share of tax expenses for joint venture			(0.2)
		85.1	Group Deficit on provision of services			72.7
		(38.4)	Surplus on revaluation of PPE			(80.9)
		81.2	Actuarial losses on pension assets/liabilities			188.3
		42.8	Other comprehensive income and expenditure			107.4
		127.9	Total comprehensive income and expenditure			180.1

Group 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 £m	Other reserves Revenue £m	Capital reserves £m	Other reserves Capital £m	Capital Receipts Reserve £m	Capital grants unapplied £m	Total usable reserves £m	Unusable reserves £m	Total council reserves £m	Council's Share of Joint Venture £m	Total Group Reserves £m
Balance at 1 April 2013	32.7	43.2	58.9	(28.1)	(0.2)	0.0	43.5	150.0	451.4	601.4		601.4
<u>Movement in reserves during 2013/2014</u>												
Deficit on the provision of services	(80.7)	0.0	0.0	0.0	0.0	0.0	0.0	(80.7)	0.0	(80.7)	(4.4)	(85.1)
Other comprehensive income and expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(42.8)	(42.8)	0.0	(42.8)
Total comprehensive income and expenditure	(80.7)	0.0	0.0	0.0	0.0	0.0	0.0	(80.7)	(42.8)	(123.5)	(4.4)	(127.9)
Adjustments between accounting basis and funding basis under regulations	39.3	0.0	0.0	0.0	0.0	0.0	(11.4)	27.9	(27.9)	0.0	0.0	0.0
Net increase/decrease before transfers to earmarked reserves	(41.4)	0.0	0.0	0.0	0.0	0.0	(11.4)	(52.8)	(70.7)	(123.5)	(4.4)	(127.9)
Transfers to/from earmarked reserves	24.6	0.1	(13.4)	(11.1)	(0.2)	0.0	0.0	0.0	(30.2)	(30.2)	30.2	0.0
Increase/decrease in year	(16.8)	0.1	(13.4)	(11.1)	(0.2)	0.0	(11.4)	(52.8)	(100.9)	(153.7)	25.8	(127.9)
Balance at 31 March 2014 carried forward	15.9	43.3	45.5	(39.2)	(0.4)	0.0	32.1	97.2	350.5	447.7	25.8	473.5
<u>Movement in reserves during 2014/2015</u>												
Deficit on the provision of services	(70.6)	0.0	0.0	0.0	0.0	0.0	0.0	(70.6)	0.0	(70.6)	(2.1)	(72.7)
Other comprehensive income and expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(107.4)	(107.4)	0.0	(107.4)
Total comprehensive income and expenditure	(70.6)	0.0	0.0	0.0	0.0	0.0	0.0	(70.6)	(107.4)	(178.0)	(2.1)	(180.1)
Adjustments between accounting basis and funding basis under regulations	85.9	0.0	0.0	0.0	0.0	10.1	2.0	98.0	(98.0)	0.0	0.0	0.0
Net increase/decrease before transfers to earmarked reserves	15.3	0.0	0.0	0.0	0.0	10.1	2.0	27.4	(205.4)	(178.0)	(2.1)	(180.1)
Transfers to/from earmarked reserves	(16.4)	1.9	(2.0)	16.2	0.3	0.0	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
Increase/decrease in year	(1.1)	1.9	(2.0)	16.2	0.3	10.1	2.0	27.4	(205.4)	(178.0)	(2.1)	(180.1)
Balance at 31 March 2015 carried forward	14.8	45.2	43.5	(23.0)	(0.1)	10.1	34.1	124.6	145.1	269.7	23.7	293.4

Group 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 (for example the Capital receipts reserve may only be used to fund capital expenditure or repay debt). 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 2013	31 March 2014		31 March 2015
£m	£m		£m
1,774.6	1,985.8	Property, plant and equipment	2,020.5
9.4	8.4	Heritage assets	8.4
32.9	28.4	Long term debtors	25.1
0.0	30.4	Long term investment	30.0
30.2	25.8	Investment in joint venture	23.7
1,847.1	2,078.8	Long term assets	2,107.7
50.7	0.0	Short term investments	0.4
22.8	22.9	Assets held for sale	20.6
2.7	1.4	Inventories	1.1
85.3	91.9	Short term debtors	104.1
60.6	28.8	Cash and cash equivalents	32.9
222.1	145.0	Current assets	159.1
(0.6)	(0.7)	Short term borrowing	(0.5)
(100.2)	(108.4)	Short term creditors	(97.8)
(36.3)	(54.9)	Long term borrowing repayable within one year	(87.0)
(3.1)	(3.3)	PFI and finance leases deferred liability	(4.1)
(0.1)	(0.1)	Short term provisions	0.0
(11.3)	(10.0)	Accumulated absences creditor	(9.9)
(151.6)	(177.4)	Current liabilities	(199.3)
(4.0)	(3.3)	Long term creditors	(3.0)
(9.1)	(11.1)	Long term provisions	(9.8)
(451.5)	(432.4)	Long term borrowing	(430.4)
(809.7)	(927.0)	Pension scheme liability	(1,139.7)
(15.4)	(180.0)	PFI and finance lease liability	(177.1)
(26.5)	(19.1)	Capital grants receipts in advance	(14.1)
(1,316.2)	(1,572.9)	Long term liabilities	(1,774.1)
601.4	473.5	Net assets	293.4
(150.0)	(97.2)	Usable reserves (Movement in Reserves Statement)	(124.6)
	(25.8)	Usable reserves relating to joint venture	(23.7)
(451.4)	(350.5)	Unusable reserves	(145.1)
(601.4)	(473.5)	Total reserves	(293.4)

Group 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.

2013/2014		2014/15
£m		£m
85.1	Net deficit on the provision of services	72.7
(132.6)	Adjustments to net deficit on the provision of services for non cash movements	(153.7)
38.8	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	65.7
(8.7)	Net cash flows from Operating activities	(15.3)
36.9	Investing Activities	37.2
3.6	Financing Activities	(26.0)
31.8	Net (increase)/decrease in cash and cash equivalents	(4.1)
60.6	Cash and cash equivalents at the beginning of the reporting year	28.8
28.8	Cash and cash equivalents at the end of the reporting year	32.9

STAFFORDSHIRE PENSION FUND

Financial statements

**1 April 2014
to
31 March 2015**

Pension Scheme registration number: 10011745

Membership and administration

The Staffordshire Pension Fund is for people who provide local government services in Staffordshire. The council has appointed a Pensions Committee and a Pensions Panel. The Pensions Committee sets the overall strategy and objectives for the fund whilst the Pensions Panel decides how to best deliver this strategy in terms of allocating assets and setting benchmarks and performance targets for the various investment managers they appoint. The Director of Finance and Resources and his staff co-ordinate the administration and accounting roles that relate to the fund.

Membership of the fund at 31 March 2015

Pensionable employees	36,991
Pensioners	28,713
Deferred pensioners (people who no longer pay into the scheme)	<u>38,079</u>
Total	<u>103,783</u>

Organisations which were active members of the fund at 31 March 2015

Staffordshire County Council (as employing authority)	Glascote Heath Academy
Academy Enterprise Trust - Anglesey	Glebe Primary School
Academy Enterprise Trust – Belgrave High	Gnosall Parish Council
Academy Enterprise Trust – Rawlett	Great Wyrley Parish Council
Alleyne’s High School	Haywood Engineering College
All Saints Catholic Collegiate – Our Lady’s	Heath Hayes and Wimblebury Parish Council
All Saints Catholic Collegiate – St Augustin’s	Heath Hayes Primary Academy
All Saints Catholic Collegiate – St Gregory’s	Hednesford Town Council
All Saints Catholic Collegiate – St Maria Goretti	Homezone Housing Limited (Lichfield)
All Saints Catholic Collegiate – St Thomas Moore	Horninglow and Eton Parish Council
Alrewas Parish Council	Housing Plus Group Ltd
Amey Services Ltd	Inspace Partnerships
Aspire Housing Limited (Newcastle)	JDM Accord Limited
Audley Rural Parish Council	John Taylor Academy
Belgrave Academy	John Wheeldon Academy
Biddulph Town Council	Keele University
Blackfriars Academy	KGB Cleaning Ltd
Brereton and Ravenhill Parish Council	Kidsgrove Town Council
Brewood and Coven Parish Council	Kier Group
Bridgtown Parish Council	King Fisher Academy
Burntwood Town Council	Kinver Parish Council
Bursley Academy	Landau Forte Greenacres
Burton and South Derbyshire College	Landau Forte QUEMS
Cannock Chase Academy	Landau Forte Woodhouse Academy
Cannock Chase District Council	Landscape Group Ltd
Carmountside Academy	Lapley, Stretton & Wheaton Aston Parish Council
Chadsmead Primary Academy	Larkhill Community Infants & Nursery School
Cheadle Town Council	Leek Town Council
Cheddleton Parish Council	Lichfield City Council
Cheslyn Hay Parish Council	Lichfield Diocese Woodard Academy
Chesterton Sports College	Lichfield District Council
Choices Housing Association	Lichfield Garrick Academy
Christchurch Academy	Liverpool Personal Services Society
Churchfield Primary	Lovell Partnerships Ltd
Codsall Parish Council	Madeley High School
Creative Education Academies – Alfgar	Make Some Noise West Midlands Limited
Creative Education Academies – Fair Oak	Maple Court Primary
Creative Education Academies – Hagley Park	Mears Ltd
Creative Education Academies – Harpfield	Mellors - Newcastle
Creative Education Academies – Thistley Hough Academy	Mencap
Creative Education Academies – Three Peaks Academy	Midland Heart Ltd
De Ferrers Academy	Moorgate Primary Academy
Discovery Academy	Moorlands Housing
Draycott in the Clay Parish Council	Mosley Academy
East Staffordshire Borough Council	Newcastle-under-Lyme Borough Council
Eccleshall Parish Council	Newcastle-under-Lyme College
Entrust	Newman – Our Lady and St Benedict Catholic School
Erasmus Darwin Academy	Newman – Our Lady of Grace
Essington Parish Council	Newman – St George and St Martins Catholic School
Evolve Young People	Newman – St John Evangelist Catholic Primary School
Excel Academy	Newman – St Joseph Catholic Primary School
Featherstone Academy	Newman – St Margaret Ward
Flaxhill Community Junior School	Newman – St Mary’s Catholic Primary School
Fradley and Streethay Parish Council	Newman – St Peter’s Primary School

Newman – St Wilfred's Catholic Primary School
 Newstead Primary Academy
 North Staffordshire Combined Healthcare
 Northgate I.S UK Ltd
 Norton Canes Parish Council
 Norton Canes Primary Academy
 Norton Le Moors Primary Academy
 Office of the Police and Crime Commissioner Staffordshire
 Office of the Chief Constable Staffordshire
 Heath Hayes and Wimblebury Parish Council
 Painsley Catholic College
 Painsley Catholic College – Faber
 Painsley Catholic College – St Filumena's
 Painsley Catholic College – St Giles
 Painsley Catholic College – St Joseph's
 Painsley Catholic College – St Mary's
 Painsley Catholic College – St Thomas
 Penkridge Parish Council
 Perton Parish Council
 Pye Green Academy
 R M Education
 Rowley Park Primary Academy
 Rugeley Town Council
 Sandon Primary Academy
 Sandy Tots Ltd
 Service Master Ltd
 Shenstone Parish Council
 Silverdale Primary
 Sixth Form College, Stoke on Trent
 South Staffordshire and Shropshire NHS Foundation Trust
 South Staffordshire College
 South Staffordshire District Council
 South Staffordshire Housing Association
 Springhill Primary Academy
 St Edward's Church of England Academy
 St Giles and St Georges Academy
 St John Fisher Catholic College
 St Joseph's College Edmund Rice Academy Trust
 St Mary's Catholic Primary School
 St Matthew's Primary
 St Nathaniel's Academy
 St Teresa's Catholic Primary
 St Thomas Aquinas Catholic Primary School
 Stafford and Rural Homes Limited
 Stafford Borough Council
 Stafford College
 Staffordshire and Shropshire Valuation Tribunal
 Staffordshire and Stoke on Trent NHS Partnership Trust
 Staffordshire Moorlands District Council
 Staffordshire Scientia Academy
 Staffordshire University
 Staffordshire University Academy
 Stoke-on-Trent and Staffordshire Fire Authority
 Stoke-on-Trent City Council
 Stoke-on-Trent College
 Stone Town Council
 Swinfen and Packington Parish Council
 Tamworth Borough Council
 The Academy Transformation Trust – Star Academy
 The Biddulph Academy
 The Cheadle Academy
 The College Academies Trust Studio School
 The Co-operative Community Academy
 The Coppice Academy
 The Crescent Academy
 The Eaton Park Academy
 The JCB Academy
 The Ormiston Horizon Academy
 The Rural Enterprise Academy
 The Sutherland Academy
 Tiny Toez Ltd
 Trent and Dove Housing Association
 University of Chester Academy - Kidsgrove
 University of Chester Academy – Maryhill Primary
 Uttoxeter Town Council
 Violet Way Academy
 Walton Hall Academy
 Wates Group Ltd
 Weston Road Academy
 Wigan Leisure and Culture Trust
 Wilnecote High School
 Wombourne Parish Council
 Woodhouse Academy

Actuarial statement

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15.

Description of funding policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated 18 March 2014. 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 (NB 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.
- 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 below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. 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 still a better than 60% chance that the Fund will return to full funding over 20 years.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. Estimates were also carried out as at 31 March 2014 and 31 March 2015.

Date	31 March 2013	31 March 2014	31 March 2015
Liabilities – ongoing basis	£m	£m	£m
Assets	3,070	3,251	3,804
Liabilities	4,279	4,227	5,378
(Deficit)	(1,209)	(976)	(1,574)
Funding level	71.8%	76.9%	70.7%

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 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 valuation report dated 31 March 2014.

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 2013 valuation were as follows:

Financial assumptions	31 March 2013		31 March 2014		31 March 2015	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Discount rate	4.6%	2.1%	5.1%	2.4%	3.8%	1.4%
Pay increases	4.3%	1.8%	4.5%	1.8%	4.2%	1.8%
Price inflation/Pension increases	2.5%	-	2.7%	-	2.4%	-

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_2010 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.1 years	24.3 years
Future Pensioners*	24.3 years	26.6 years

*Future pensioners are assumed to be aged 45 as at the last formal valuation.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from Staffordshire County Council, administering authority to the Fund.

Experience over the period since April 2013

Experience has been worse than expected since the last formal valuation (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been only partially offset by the effect of strong asset returns, meaning that funding levels are likely to have worsened and deficits increased over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.



Douglas Green FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
14 May 2015

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2014/15 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.

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 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;
- 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 Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund, which is in the remainder of this note.

Balance sheet

Year Ended	31 March 2014 £m	31 March 2015 £m
Present Value of Promised Retirement Benefits	5,054	6,130

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £3,135m in respect of employee members, £1,038m in respect of deferred pensioners and £1,957m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. 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 as required by the Code of Practice. These are given below. I estimate that the impact of the

change of assumptions to 31 March 2015 is to increase the actuarial present value by £867m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year Ended	31 March 2014 % p.a.	31 March 2015 % p.a.
Inflation / Pension Increase Rate	2.8%	2.4%
Salary Increase Rate	4.6%	4.3%
Discount Rate	4.3%	3.2%

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.1 years	24.3 years
Future Pensioners*	24.3 years	26.6 years

*Future pensioners are assumed to be aged 45 as at the last formal valuation.

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption

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.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 17 April 2015. 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.



Prepared by:-

Douglas Green FFA

14 May 2015

For and on behalf of Hymans Robertson LLP

Pension fund account

Staffordshire Pension Fund account for the year ended 31 March 2015

	Notes	2013/2014 £m	2014/2015 £m
Contributions and benefits			
Contributions receivable	4	149.2	174.0
Transfers in	5	9.2	7.8
		158.4	181.8
Benefits payable	6	(143.0)	(149.3)
Leavers	7	(6.5)	(10.1)
		(149.5)	(159.4)
Net additions from dealings with fund members		8.9	22.4
Management expenses			
Administrative expenses	8	(2.2)	(2.5)
Investment management expenses*	9	(11.2)	(13.1)
Oversight and governance costs	10	(0.7)	(0.6)
Net management expenses		(14.1)	(16.2)
Returns on investments			
Investment income	11	59.2	54.6
Change in the market value of investments	12	187.9	414.6
Net returns on investments		247.1	469.2
Net increase in the fund during the year		241.9	475.4
Opening net assets of the fund		3,051.5	3,293.4
Closing net assets of the fund		3,293.4	3,768.8

* From 2014/2015 the cost of investment management for private equity is now included in the accounts under new CIPFA guidance (£1.6m in 2014/2015). The 2013/2014 figure does not include the equivalent cost (£1.8m in 2013/2014).

Net assets statement

Net assets statement at 31 March 2015

	Notes	2013/2014 £m	2014/2015 £m
Investment assets			
Fixed interest securities	12/12a	239.4	214.8
Equities	12/12a	1,241.5	1,264.2
Pooled investment vehicles	12/12a	1,125.0	1,463.7
Property	12/12a	243.5	298.1
Cash deposits	12/12a	146.8	208.2
Other investment balances	12	275.7	315.8
Derivatives	13	32.8	43.0
		3,304.7	3,807.8
Investment liabilities			
Derivatives	13	(22.4)	(43.8)
		3,282.3	3,764.0
Current assets	14	18.1	14.4
Current liabilities	15	(7.0)	(9.6)
Net assets of the fund at 31 March		3,293.4	3,768.8

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.

The notes on pages 112 to 132 also form part of the pension fund financial statements.

Notes to the accounts

1. Basis of preparation

We have prepared the financial statements in accordance with the requirements of the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and the Statement of Recommended Practice (SORP) The Financial Reports of Pension Schemes (as amended in 2014).

The financial statements follow the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 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).

You can get more information on the pension fund, including the Fund Governance Statement, the Statement of Investment Principles and the Funding Strategy Statement at www.staffspf.org.uk

2. Accounting policies

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

Investments

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 fixed interest investments 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 Jones Lang Lasalle, as at 31 March 2015. The valuation has been made in accordance with the RICS Valuation - Professional Standards, January 2014, published by the Royal Institute of Chartered Surveyors (RICS).

The private-equity, hedge-fund and alternatives 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.

Derivative contracts are valued at bid market price.

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees (see note 12).

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.

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 a deferred debtor.

Notes to the accounts (continued)

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.

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.

Investment 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. Performance related fees were £1.8m in 2014/2015 (£2.1m in 2013/2014).

Administrative expenses and oversight and governance costs

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.

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.

Benefits payable

Under the 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.

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.

Notes to the accounts (continued)

Financial instruments

The fair value of financial instruments is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The financial instruments of the pension fund have to be classified into the following categories under International Financial Reporting Standards (IFRS):

- Financial assets and liabilities at fair value through profit or loss, these have two categories: *Designated*, where assets and liabilities are measured at fair value with fair value changes through profit and loss; and *Held for trading*, where financial assets and liabilities are held for the purpose of selling in the short-term for which there is a pattern of short-term profit making.
- Available for sale financial assets; any financial asset designated on initial recognition as available for sale.
- Loans and receivables; any financial asset with fixed or determinable payments not quoted in the open market such as debtors.
- Held to maturity investments; any financial asset which is intended to be held to maturity at amortised cost.
- Other financial liabilities measured at amortised cost using the effective interest rate.

Notes to the accounts (continued)

3. Pension fund investments 2014/2015

The market value and percentage of total assets held by each of the investment managers at the end of the financial year is shown below. No major changes were made to the fund's investment management structure during 2014/2015.

External fund manager	31 March 2014		31 March 2015	
	£m		£m	
Insight Investment (corporate bonds)	259.0	8%	274.4	7%
Standard Life Investments (UK equity)	345.9	10%	258.8	7%
Aberdeen Fund Management (global equity)	256.8	8%	284.9	8%
JP Morgan Asset Management (global equity)	260.3	8%	306.8	8%
Longview Partners (global equity)	157.3	5%	161.2	4%
Sarasin & Partners (global equity)	248.3	8%	291.3	8%
State Street Global Advisors (global index tracking)	894.3	27%	1,175.0	32%
Legal & General Investment Management (passive UK index-linked)	162.1	5%	196.6	5%
Russell Investments (emerging markets equity)	61.8	2%	87.7	2%
Record Currency Management (currency hedging)	13.6	0%	1.5	0%
Colliers International UK plc (property)	243.8	7%	298.2	8%
Morgan Stanley Investment Management (alternatives funds)	52.4	2%	51.2	1%
Schroder Investment Management (alternatives funds)	51.1	2%	54.0	2%
Goldman Sachs Asset Management (hedge funds)	61.3	2%	88.1	2%
HarbourVest Partners (private equity)	80.9	3%	92.4	3%
Knightsbridge Advisors (private equity)	11.7	0%	14.3	0%
Partners Group (private equity)	9.6	0%	9.1	0%
Lazard Technology Partners (private equity)	1.7	0%	2.1	0%
Capital Dynamics (private equity)	0.8	0%	0.7	0%
Director of Finance and Resources (centrally held)	103.4	3%	111.8	3%
	3,276.1	100%	3,760.1	100%

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 2014	31 March 2015
	£m	£m
Equities - UK	25.6	14.8
Equities - Global	42.3	61.7
Fixed interest - UK	5.5	0.9
Fixed interest - Global	7.6	0.0
	81.0	77.4

Securities released to a third party under the stock-lending agreement 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 2015 the fund held £84.3 million (£86.4 million at 31 March 2014) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.23 million for the year ending 31 March 2015 (£0.24 million for year ending 31 March 2014). This is included within the investment income figure shown on the pension fund account.

Notes to the accounts (continued)

4. Contributions receivable

	2013/2014 £m	2014/2015 £m
Employers		
Normal	104.3	108.6
Actuarial strain	7.8	6.4
Additional	1.5	23.6
Scheme members		
Normal	35.6	35.4

The additional contributions in 2013/2014 were made to the fund by Staffordshire County Council on behalf of Staffordshire and Stoke on Trent NHS Partnership Trust.

The additional contributions in 2014/2015 was the proportion of the prepayment of employer deficit funding made by eight employing bodies which related to future years.

Total	149.2	174.0
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Employer's normal contributions include payments for past deficits as agreed by the actuary. The 31 March 2013 valuation's common contribution rate, which covers the period up to 31 March 2017, was 31.2% in total of which 11.5% related to recovering past deficits.

These contributions can be analysed by type of member body as follows.

Staffordshire County Council	54.4	64.4
Scheduled bodies	73.2	88.8
Admitted bodies	21.6	20.8
Total	149.2	174.0

5. Transfers in

	2013/2014 £m	2014/2015 £m
Individual transfers in from other schemes	9.2	7.8

Notes to the accounts (continued)

6. Benefits payable

	2013/2014 £m	2014/2015 £m
Pensions	113.1	119.6
Commutations and lump-sum retirement benefits	26.2	26.3
Lump-sum death benefits	3.7	3.4
Total	143.0	149.3

These benefits can be analysed by type of member body as follows.

Staffordshire County Council	62.9	64.1
Scheduled bodies	71.4	75.8
Admitted bodies	8.7	9.4
Total	143.0	149.3

7. Payments to and on account of leavers

	2013/2014 £m	2014/2015 £m
Individual transfers to other schemes	6.5	6.4
Group transfers to other schemes	0.0	3.5
Payments for members joining / (leaving) state scheme	0.0	0.0
Refunds to members leaving service	0.0	0.2
Total	6.5	10.1

8. Administrative expenses

	2013/2014 £m	2014/2015 £m
Administration costs	1.9	1.9
IT costs	0.1	0.2
Other expenses	0.2	0.4
Total	2.2	2.5

Notes to the accounts (continued)

9. Investment management expenses

A breakdown of the costs we had to pay in connection with the investment of the fund is set out below.

	2013/2014 £m	2014/2015 £m
Management fees	9.6	11.6
Custody	0.2	0.2
Other investment management expenses	1.4	1.3
Total	11.2	13.1

10. Oversight and governance costs

	2013/2014 £m	2014/2015 £m
External audit fee	0.0	0.0
Actuarial services	0.4	0.1
Performance measurement	0.1	0.1
Other governance costs	0.2	0.4
Total	0.7	0.6

11. Investment income

	2013/2014 £m	2014/2015 £m
Fixed interest securities	9.9	9.9
Dividends from equities	34.8	28.1
Income from index-linked securities	0.0	0.0
Income from pooled investment vehicles	0.8	2.0
Rents from property	13.5	14.1
Interest on cash deposits	0.5	0.7
Stock lending	0.2	0.2
Other	0.2	0.1
	59.9	55.1
Withholding tax we cannot recover	(0.7)	(0.5)
Total	59.2	54.6

Notes to the accounts (continued)

12. Investment reconciliation

	Value at 1 April 2014	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2015
	£m	£m	£m	£m	£m
Fixed interest securities	239.4	0.0	(28.4)	3.8	214.8
Equities	1,241.5	830.2	(946.8)	139.3	1,264.2
Pooled investment vehicles	1,125.0	208.4	(74.0)	204.3	1,463.7
Derivatives	10.4	4,565.9	(4,577.8)	0.7	(0.8)
Property	243.5	27.4	(2.9)	30.1	298.1
Other	269.5	35.6	(25.5)	32.3	311.9
	3,129.3	5,667.5	(5,655.4)	410.5	3,551.9
External cash deposits (centrally held)	103.3				106.6
Investment manager and central cash	43.5			4.1	101.6
	3,276.1			414.6	3,760.1
Outstanding dividend entitlements and recoverable withholding tax	8.4				8.1
Amount receivable for sales of investments	6.8				5.6
Amounts payable for purchases of investments	(9.0)				(9.8)
Total	3,282.3				3,764.0

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees. The fund was charged transaction costs of £2.9 million in 2014/2015 (£2.6 million in 2013/2014). As well as the transaction costs shown, the fund was also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments and within pooled investment vehicles.

The fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2015 (also at 31 March 2014):

- State Street Global Advisors, Passive UK Equity - £327.9m (8.7%) (£311.7m (9.5%) at 31 March 2014);
- State Street Global Advisors, Passive All World Equity - £847.1m (22.6%) (£582.6m (17.7%) at 31 March 2014).

As at 31 March 2015 the fund was committed to the following:

- £67.1m of private equity investments (£55.0m at 31 March 2014);
- The sale of a UK directly held property investment for £7.6m (£12.2m of investments at 31 March 2014).

The fund had no commitments to UK pooled property funds at 31 March 2015 (nil at 31 March 2014)

A further analysis of the market value of investments at 31 March is given overleaf.

Notes to the accounts (continued)

12a. Analysis of investments

	31 March 2014 £m		31 March 2015 £m	
Fixed interest securities				
UK corporate quoted	106.2	3%	97.0	3%
Global corporate quoted	133.2	4%	117.8	3%
	239.4	7%	214.8	6%
Equities				
UK quoted	453.6	14%	374.5	10%
Global quoted	787.9	25%	889.7	24%
	1,241.5	39%	1,264.2	34%
Pooled investment vehicles				
UK	367.9	11%	332.3	9%
UK index-linked	162.1	5%	196.6	5%
Global	595.0	19%	934.8	25%
	1,125.0	35%	1,463.7	39%
All companies operating unit trusts or managed funds are registered in the United Kingdom.				
Derivatives (see note 13)				
Forward foreign currency	10.2	0%	(0.9)	0%
Futures	0.2	0%	0.1	0%
	10.4	0%	(0.8)	0%
Property				
UK directly held property	207.6	6%	256.1	7%
UK pooled property funds	35.9	1%	42.0	1%
	243.5	7%	298.1	8%
Other				
Alternatives funds	103.5	3%	105.2	3%
Hedge funds	61.3	2%	88.1	2%
Private equity	104.7	3%	118.6	3%
	269.5	8%	311.9	8%
Cash				
External deposits	103.3	3%	106.6	3%
Investment manager and central (Sterling £)	37.1	1%	93.2	2%
Investment manager and central (non Sterling £)	6.4	0%	8.4	0%
	146.8	4%	208.2	5%
Total	3,276.1	100%	3,760.1	100%

Notes to the accounts (continued)

13. Derivative contracts

Forward foreign currency contracts

To reduce the volatility associated with fluctuating currency rates the fund holds forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) against other major currencies below.

	31 March 2014 Assets £m	31 March 2014 Liabilities £m	31 March 2015 Assets £m	31 March 2015 Liabilities £m
Canadian Dollar	4.8	(2.4)	1.0	(0.9)
Swiss Franc	0.0	(0.4)	1.0	(1.8)
Euro	1.4	(1.7)	9.9	(7.0)
Japanese Yen	11.3	(7.5)	0.4	(0.6)
United States Dollar	15.1	(10.4)	30.4	(33.3)
Other	0.0	0.0	0.0	0.0
	32.6	(22.4)	42.7	(43.6)

Futures contracts

Futures contracts were used for efficient portfolio management within the Insight Investment corporate bond portfolio. All were traded on a stock exchange and are listed below at 31 March.

	nominal value £m	31 March 2014 Assets £m	31 March 2014 Liabilities £m	31 March 2015 Assets £m	31 March 2015 Liabilities £m
Euro Bund Future (Euro €) - June 2014	5.2	0.0	0	0.0	0.0
Long Gilt Future (Sterling £) - June 2014	13.9	0.0	0	0.0	0.0
US 10 year Note (US \$) - June 2014	7.6	0.0	0	0.0	0.0
US 5 year Note (US \$) - June 2014	4.7	0.0	0	0.0	0.0
Euro Bund Future (Euro €) - June 2015	4.8	0.0	0	0.0	(0.1)
Long Gilt Future (Sterling £) - June 2015	15.4	0.1	0	0.3	0.0
US 10 year Note (US \$) - June 2015	7.3	0.1	0	0.0	(0.1)
US 5 year Note (US \$) - June 2015	4.2	0.0	0	0.0	0.0
		0.2	0.0	0.3	(0.2)

Notes to the accounts (continued)

14. Current assets

	2013/2014 £m	2014/2015 £m
Contributions due		
Employers	13.0	9.1
Members	2.0	1.0
Cash balances	1.2	1.5
HM Revenue & Customs	0.0	0.0
Payments made in advance	0.0	0.0
Other	1.9	2.8
Total	18.1	14.4

An analysis of current assets by type of body is given below.

	2013/2014 £m	2014/2015 £m
Central government bodies	7.4	6.5
Other local authorities	8.1	4.7
NHS bodies	0.4	0.4
Public corporations and trading funds	0.4	0.5
Other entities and individuals	1.8	2.3
Total	18.1	14.4

15. Current liabilities

	2013/2014 £m	2014/2015 £m
Investment management expenses	(2.5)	(2.0)
Income received in advance	(1.1)	(2.2)
Benefits payable	(2.8)	(3.5)
Other	(0.6)	(1.9)
Total	(7.0)	(9.6)

An analysis of current liabilities by type of body is given below.

	2013/2014 £m	2014/2015 £m
Central government bodies	0.0	(0.1)
Other local authorities	0.0	0.0
NHS bodies	0.0	0.0
Public corporations and trading funds	0.0	0.0
Other entities and individuals	(7.0)	(9.5)
Total	(7.0)	(9.6)

Notes to the accounts (continued)

16. Directly held property net asset account

The fund had investments in property of £298.1m at 31 March 2015 (£243.5m at 31 March 2014), of which £256.1m was in directly held property (£207.6m at 31 March 2014). The account below reconciles the movement in the fund's investments in directly held property.

	2013/2014 £m	2014/2015 £m
Balance at start of year	206.9	207.6
Purchases at cost	16.0	26.9
Sale proceeds	(37.7)	(0.8)
Change in market value	22.4	22.4
Balance at 31 March	207.6	256.1

17. Directly held property fund account

A summary of the income and expenses associated with the fund's directly held property is given below.

	2013/2014 £m	2014/2015 £m
Rental income	13.5	14.1
Direct operating expenses	(1.4)	(1.2)
Net gain	12.1	12.9

18. Additional voluntary contributions

As well as joining the fund, scheme members can pay into an additional voluntary contributions (AVC) scheme run by three 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(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

	Clerical Medical £m	Equitable Life £m	Standard Life £m
Opening value	1.1	0.8	1.9
Income	0.1	0.0	0.2
Expenditure	(0.2)	(0.1)	(0.2)
Change in market value	0.1	0.0	0.2
Closing value	1.1	0.7	2.1

Notes to the accounts (continued)

19. Related-party disclosure

Staffordshire Pension Fund is administered by Staffordshire County Council. The county council incurs expenditure in relation to the administration of the fund and is subsequently reimbursed by the pension fund.

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.

New regulations stopped Staffordshire County Councillors from joining the scheme from 1 April 2014. Only councillors who were members of the scheme at 31 March 2014 could continue to accrue benefits in the scheme up until the end of their term of office.

At 31 March 2015 three members of the Pensions Committee and the Pensions Panel remained members of the scheme as they were members prior to 31 March 2014.

20. 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. These payments commenced in 2011/2012 and the current assets figure at note 14 (Employers) includes the £6.024 million due at 31 March 2015.

21. Deferred liability

A cash transfer was made to the fund in 2011/2012 by the Environment Agency of £0.188m. 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 2014/2015 and £0.013m will be released per year until 2025/2026. The current liabilities figure at note 15 (Income received in advance) includes the remaining £0.138m to be released at 31 March 2015.

22. Events after the balance sheet date

There have been no significant events since 31 March 2015 that require any adjustment to these accounts.

Notes to the accounts (continued)

23. Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. The value of unquoted private equity investments at 31 March 2015 was £118.6m (£104.7m at 31 March 2014).

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 Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

24. 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below.

<u>Item</u>	<u>Uncertainty</u>	<u>Effect if actual results differ from assumptions</u>
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 £118.6m. 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 £88.1m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives funds	The fund invests in two diversified alternatives funds which 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 the fund's investments in alternatives funds in the financial statements is £105.2m. There is a risk that this investment may be under or overstated in the accounts.

Notes to the accounts (continued)

25. Classification of financial instruments

The net assets of the fund disclosed in the net assets statement and under note 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2014/2015.

The analysis below and in subsequent notes on financial instruments does not include the pension funds directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed under note 16 - Directly held property net asset account and note 17 - Directly held property fund account.

31 March 2015

	Designated as fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m	Total £m
Financial assets				
Fixed interest securities	214.8	0.0	0.0	214.8
Equities	1,264.2	0.0	0.0	1,264.2
Pooled investment vehicles	1,463.7	0.0	0.0	1,463.7
UK pooled property funds	42.0	0.0	0.0	42.0
Hedge funds	88.1	0.0	0.0	88.1
Private equity	118.6	0.0	0.0	118.6
Alternatives funds	105.2	0.0	0.0	105.2
Derivatives - futures	0.1	0.0	0.0	0.1
Cash	0.0	209.7	0.0	209.7
Other investment balances	13.7	0.0	0.0	13.7
Current assets	0.0	12.9	0.0	12.9
	3,310.4	222.6	0.0	3,533.0
Financial liabilities				
Derivatives - forward foreign currency	(0.9)	0.0	0.0	(0.9)
Current liabilities	0.0	0.0	(9.6)	(9.6)
Other investment balances	(9.8)	0.0	0.0	(9.8)
	(10.7)	0.0	(9.6)	(20.3)
	3,299.7	222.6	(9.6)	3,512.7

Notes to the accounts (continued)

The previous years data is given below.

31 March 2014

	Designated as fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m	Total £m
Financial assets				
Fixed interest securities	239.4	0.0	0.0	239.4
Equities	1,241.5	0.0	0.0	1,241.5
Pooled investment vehicles	1,125.0	0.0	0.0	1,125.0
UK pooled property funds	35.9	0.0	0.0	35.9
Hedge funds	61.3	0.0	0.0	61.3
Private equity	104.7	0.0	0.0	104.7
Alternatives funds	103.5	0.0	0.0	103.5
Derivatives	10.4	0.0	0.0	10.4
Cash	0.0	148.0	0.0	148.0
Other investment balances	15.2	0.0	0.0	15.2
Current assets	0.0	16.9	0.0	16.9
	2,936.9	164.9	0.0	3,101.8
Financial liabilities				
Current liabilities	0.0	0.0	(7.0)	(7.0)
Other investment balances	(9.0)	0.0	0.0	(9.0)
	(9.0)	0.0	(7.0)	(16.0)
	2,927.9	164.9	(7.0)	3,085.8

Notes to the accounts (continued)

26. Net gains and losses on financial instruments

The gains and losses recognised in the accounts in relation to financial instruments are made up as follows.

	2013/2014 £m	2014/2015 £m
Financial assets		
Designated as fair value through profit and loss	164.1	388.1
Loans and receivables	1.4	4.1
	165.5	392.2

27. Fair value of financial instruments

The following table summarises the carrying values of the financial instruments by class against their fair values.

	31 March 2014		31 March 2015	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Fair value through profit and loss	2,936.9	2,936.9	3,310.4	3,310.4
Loans and receivables	164.9	164.9	222.6	222.6
Financial Liabilities				
Fair value through profit and loss	(9.0)	(9.0)	(10.7)	(10.7)
Financial liabilities measured at amortised cost	(7.0)	(7.0)	(9.6)	(9.6)
	3,085.8	3,085.8	3,512.7	3,512.7

Notes to the accounts (continued)

28. Valuation of financial instruments carried at fair value

The fund is required to classify its financial instruments into three levels of a fair value hierarchy 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. Examples of financial instruments classified as level 1 are quoted equities and fixed interest securities.

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). An example of a level 2 financial instrument is a pooled property fund as they are not traded in a market that is considered to be active and valuation techniques used to determine fair value use inputs based significantly on observable market data.

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). Such instruments would include private equity and hedge funds, which are valued using valuation techniques that require significant judgement.

The following table provides an analysis of the financial assets and liabilities of the fund by the three levels based on the level at which the fair value is observable.

31 March 2015

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	2,956.6	41.9	311.9	3,310.4
Loans and receivables	222.6	0.0	0.0	222.6
Financial liabilities				
Designated as fair value through profit and loss	(10.7)	0.0	0.0	(10.7)
Financial liabilities at amortised cost	(9.6)	0.0	0.0	(9.6)
	3,158.9	41.9	311.9	3,512.7

The previous years data is given below.

31 March 2014

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	2,621.2	46.2	269.5	2,936.9
Loans and receivables	164.9	0.0	0.0	164.9
Financial liabilities				
Designated as fair value through profit and loss	(9.0)	0.0	0.0	(9.0)
Financial liabilities at amortised cost	(7.0)	0.0	0.0	(7.0)
	2,770.1	46.2	269.5	3,085.8

Notes to the accounts (continued)

29. 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 pension 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 2015/2016 financial year. The potential market movements figures also allow for interest rate and currency rate fluctuations.

Asset type	Potential market movements
UK equity	+/- 17%
Global equity	+/- 22%
Private equity	+/- 29%
UK fixed interest bonds	+/- 13%
UK Index-linked bonds	+/- 9%
Corporate bonds	+/- 12%
Cash	+/- 1%
UK pooled property funds	+/- 15%
Alternatives	+/- 10%

This movement in the market prices would increase or decrease the net assets at 31 March 2015 to the amounts shown overleaf.

Notes to the accounts (continued)

Asset type	31 March 2015	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK corporate bonds	97.0	12%	108.6	85.4
Global corporate bonds	117.8	12%	131.9	103.7
UK equities	374.5	17%	438.2	310.8
Global equities	889.7	22%	1,085.4	694.0
UK pooled investments	332.3	17%	388.8	275.8
UK index-linked pooled investments	196.6	9%	214.3	178.9
Overseas pooled investments	934.8	22%	1,140.5	729.1
Forward foreign currency	(0.9)	0%	(0.9)	(0.9)
Futures	0.1	0%	0.1	0.1
UK pooled property funds	42.0	15%	48.3	35.7
Hedge funds	88.1	10%	96.9	79.3
Private equity	118.6	29%	153.0	84.2
Alternatives funds	105.2	10%	115.7	94.7
Cash	208.2	1%	210.3	206.1
Outstanding dividend entitlements and recoverable withholding tax	8.1	0%	8.1	8.1
Amount receivable for sales of investments	5.6	0%	5.6	5.6
Amounts payable for purchases of investments	(9.8)	0%	(9.8)	(9.8)
Current assets	14.4	0%	14.4	14.4
Current liabilities	(9.6)	0%	(9.6)	(9.6)
	3,512.7		4,139.8	2,885.6

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 fixed interest and index-linked securities. The amount of income the fund generates from its cash holdings would also be affected.

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. To reduce the volatility associated with fluctuating currencies, the fund employed Record Currency Management to manage a dynamic currency hedging mandate. Whilst the reduction in volatility was acknowledged the programme was deemed to have added insufficient additional value for the fee. Due to this the mandate was terminated in July 2014 and the programme fully wound down by May 2015.

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.

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.

Notes to the accounts (continued)

Through its stock lending programme 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 Pension Fund team in line with the fund's Annual Investment Strategy which sets out the permitted counterparties and limits.

In 2014/2015 investments were made with:

Staffordshire County Council's banker, Lloyds Bank (lower of £30m or 15% of cash up to 50% of total cash held).

"AAA" rated Sterling (£) Money Market funds with same day access (lower of 0.50% of MMF size or 10% of cash per MMF up to 50% of total cash held).

Banks and Building Societies that met the funds credit criteria (lower of £30m or 15% of cash up to 50% of total cash held).

At 31 March 2015, £107.6m was held in this way (£103.3m at 31 March 2014).

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 to meet short term commitments.

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 alternatives funds currently make up a smaller proportion of the fund's assets.

In the short-term we can borrow money on the money markets to cover any shortfall that may arise. Overall there is very little risk that we will not be able to raise funds to meet our commitments.

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.

Area Based Grant (ABG)

A general grant to support local authority spending.

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 Account

This reserve represents amounts set aside from revenue resources or capital receipts to pay for non-current assets, or to repay loans and certain other amounts.

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.

Curtailement Costs

Curtailement 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.

Formula Spending Share (FSS)

The amount of spending (after allowing for specific grants) which the Government considers appropriate for each local authority to pay to provide a similar level of service. The formula spending share is the main factor in deciding the amount of formula grant allocation paid to each authority.

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.

Service Reporting Code of Practice (SeRCOP)

The CIPFA Code of Practice which sets out the categories for reporting services externally.

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.

Staffordshire County Council

Report to those charged with governance

Report to the Audit and Standards Committee of the authority on the audit for the year ended 31 March 2015 (*ISA (UK&I) 260*)

Government and
Public Sector
September 2015

Agenda Item 6

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2015; we have reviewed the plan and concluded that it remains appropriate with one revision made to include valuations as a significant risk due to property, plant and equipment (PPE) representing the largest balance in the Council's Balance Sheet. Details of our Audit Approach are included in the following section of this report.

An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts following approval of the Statement of Accounts by the Audit and Standards Committee on the 14 September 2015.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- completion of our internal review and quality control procedures including our final review of the Council's amended financial statements and post audit adjustments;
- completion procedures including subsequent events review;
- approval of the Statement of Accounts, Annual Governance Statement and letter of representation by the Audit and Standards Committee; and
- receipt of the final signed Statement of Accounts, Annual Governance Statement and the management representation letter

There are key judgments which require the Audit and Standards Committee attention – further details are set out commencing on pages 8 to 16.

The following additional reports have been issued to those charged with governance in 2014/15:

- External Audit Plan 2014/15 – March 2015

We have issued the following report to the Director of Finance and Resources during 2014/15:

- Economy, Efficiency and Effectiveness Report – September 2015.

Please note that this report will be sent to Public Sector Audit Appointments Limited in accordance with the Audit Commission transition requirements.

This is the final year of the Audit Commission framework contract and therefore our final year as your external auditor. We remain committed to providing you with a high quality service and will work with your incoming auditors to ensure a smooth transition. We will be providing Ernst and Young with audit documents and allowing access to our 2014/15 audit files to enable a smooth transfer following completion of the audit.

We look forward to discussing our report with you on 14 September 2015. Attending the meeting from PwC will be Richard Bacon and Natalie Shaw.

We thank the Finance Team and others for their support and assistance during the course of our work.

The scorecard below summarises our view of your accounts and audit performance:

Key

- **Red** – significant improvements required
- **Amber** – some minor improvements required
- **Green** – no / minimal improvements required

Area	Rating	Comments
Draft accounts	● Green	Your draft accounts (including pension fund) were submitted to us ahead of the June deadline and were of a good quality. As we would expect in any audit, we identified a small number of disclosure issues which the Council agreed to amend within the financial statements; none of these disclosure issues were significant.
Readiness for start of audit and working papers	● Green	Samples were able to be selected in advance of the audit and working papers were ready for us at the start of the audit which were provided electronically. This helped the efficiency and smooth running of the audit, and allowed us to make a prompt and efficient start to our work on the first day we arrived on site. Supporting working papers were of a consistently good standard.
Availability and responsiveness of staff	● Green	The finance team and key members of staff were easily accessible to us during the audit and responded promptly to our audit questions and requests for information. In light of the other pressures on the finance team, the Council's accounting performance is to be commended.

Area	Rating	Comments
Significant audit and accounting issues	● Green	We identified some audit and accounting issues during the audit which are explained later in this report. We are satisfied that these are appropriately reflected and disclosed in the financial statements and will be giving an unqualified opinion on the 2014/15 financial statements.
Deficiencies in internal control systems	● Green	We have not identified any significant or material deficiencies in internal control.
Annual Governance Statement	● Green	The Annual Governance Statement was submitted before the draft accounts. We have confirmed that the Annual Governance Statement has been prepared in accordance with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework.
Value for Money	● Green	We anticipate issuing an unqualified Value for Money conclusion. We report in more detail a summary of our work and the findings that we wish to bring to your attention and that support our overall conclusion later in this report.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2015.

We have summarised below the significant risks we identified in our audit plan relating to the audit of the Council's financial statements, the audit approach we took to address each risk and the outcome of our work. We will report separately to the Pension Fund Management Board in October 2015 the work which we have undertaken on the risks identified in our audit plan relating to the Staffordshire Pension Fund.

Since we communicated our audit plan and prior to starting our final audit, we have amended our audit approach to include valuations as a significant risk. This is due to property, plant and equipment (PPE) representing the largest balance in the Council's Balance Sheet with properties measured at fair value which involves a range of assumptions and the use of valuation expertise which increases the complexity of the valuation with material annual movements in the valuation of such properties.

Risk

Management override of controls (Significant Risk)

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls in order to manipulate the financial statements. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.

Risk of fraud in revenue and expenditure recognition (Significant Risk)

Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.

We extend this presumption to the recognition of expenditure in local government.

There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported revenue position.

Audit approach and results of work performed

We understood and evaluated your internal control processes and reviewed the work of Internal Audit to consider the issues they raised and the level of assurance that they provided regarding management's ability to override controls.

We performed the following procedures:

- reviewed the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards;
- sample tested the appropriateness of journals entries on a risk basis;
- reviewed accounting estimates for bias and evaluated whether circumstances producing any bias represent a risk of material misstatement due to fraud;
- evaluated the business rationale underlying significant transactions;
- independently confirmed the Council's bank account and tested the bank and other reconciliations; and
- included an element of 'unpredictability' in our testing.

We did not identify any issues to report.

We understood and evaluated your internal control processes surrounding income and expenditure, and reviewed the work of Internal Audit to consider the issues they raised.

We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting.

We performed detailed testing of a sample of revenue and expenditure transactions, including deferred revenue, accruals, provisions and capital grants received in advance. Our work focussed on the areas of greatest audit risk including procedures in relation to the appropriateness of journals and other adjustments; and income and expenditure 'cut-off'.

We reviewed significant accounting estimates and judgements for indicators of management bias.

We did not identify any issues to report.

Risk

Estates – impairments and valuations (Significant Risk)

Property, plant and equipment (PPE) represents the largest balance in the Council's Balance Sheet. The Council measures its properties at fair value which involves a range of assumptions and the use of valuation expertise.

ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.

Specific areas of audit risk regarding the valuation of land and buildings include:

- the accuracy and completeness of detailed information on assets;
- where the Council's underlying the classification of properties are appropriate; and
- the valuer's methodology, assumptions and underlying data, and our access to these.

Audit approach and results of work performed

We confirmed that the approach taken to valuations was compliant with accounting standards and the requirements of the Code of Practice on Local Authority Accounting.

We have considered and validated a sample of the valuations undertaken and the input data on which the valuation is based. This included physical verification of the sample selected.

We have reviewed the assumptions and the estimates used in the valuation performed by the valuer including the industry standard indices used, and considered the reasonableness of these through consultation with our own internal valuation specialists.

We have checked to ensure that the valuation information has been correctly input into the Fixed Asset Register and recorded appropriately in the Council's accounts.

We have reviewed the Council's consideration of the period from the date of the valuation to the reporting period end date including the Council's impairment assessment and the potential for changes in fair value of the remaining estate not subject to a formal revaluation in the year.

We did not identify any issues to report.

We also as part of our planning identified one elevated risk in respect of the accounting for schools non-current assets. Further details of the work we performed in relation to this are included in the Accounting Issues section of this report on page 9 and 10.

Intelligent scoping

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy. Our materiality thresholds were updated on receipt of the draft 2014/15 financial statements.

Our revised materiality levels are as follows:

	Council Revised £m	Council Original £m	Pension Fund Revised £m	Pension Fund Original £m
Overall materiality	14.089	13.850	14.089	32.934
Clearly trivial reporting de minimis	0.704	0.690	0.704	1.647

Overall materiality has been set at 1% of actual expenditure for the year ended 31 March 2015.

Overall materiality for the pension fund audit was initially set at 1% of net assets for the year ended 31 March 2014, This has been adjusted to the lower materiality used for the County Council in order to ensure that the consolidated financial statements are not materially misstated.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in March 2015.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- completion of our internal review and quality control procedures including our final review of the Council's amended financial statements and post audit adjustments;
- completion procedures including subsequent events review;
- approval of the Statement of Accounts, Annual Governance Statement and letter of representation by the Audit and Standards Committee; and
- receipt of the final signed Statement of Accounts, Annual Governance Statement and the management representation letter.

Subject to the satisfactory resolution of these matters we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

Accounting issues

Single Lump Sum Payment Pension Contributions

Following receipt of a letter from the Council's Actuary Hymans Robertson in June 2014, the Council paid the total required deficit contributions for the triennial period 1 April 2014 to 31 March 2017 as a single lump sum payment in 2014/15, rather than paying the deficit contributions annually which were disclosed within the Rates and Adjustment Certificate. The purpose of this was to realise a saving of £1.468 million over the 3 financial years as follows:

	Initial Rates and Contributions Certificate (£000)	Lump Sum Payment Contributions (£000)
2014/15	4,931	4,821
2015/16	6,720	6,282
2016/17	8,654	7,734
Total	20,305	18,837

The Council in the draft financial statements treated the lump sum payment of £18.837 million as follows:

Dr Expenditure £4.821 million

Dr Prepayment £14.016 million

Cr Cash £18.837 million with the intention of releasing the prepayment expense to the General Fund in line with the contributions set out in the revised letter received from the Actuary. This was on the basis that the amounts included in the Actuary's letter supersede those which were set out in the Rates and Adjustments Certificate.

This treatment essentially double-counted the benefit the Council gets from increasing its share of the pension scheme funds – an increased pension scheme asset *and* a prepayment for the remaining two years.

Following the audit, it was proposed by the Council to use the Pensions Reserve to smooth out the payments over the remaining two years rather than accounting for it as a prepayment as follows:

Dr Pensions Reserve £14.016 million

Cr Prepayment £14.016 million

We agreed with the Council's revised accounting treatment and adjustment to use account for the payment through reserves rather, which has been included as an adjusted misstatement in Appendix 1. The misstatement identified did not impact on the draft reported General Fund outturn or on the cash position of the Council.

Accounting for schools non-current assets

In December 2014, CIPFA issued LAAP Bulletin 101 "*Accounting for non-current assets used by local authority maintained schools*," which provided additional guidance on the practical application of the asset recognition tests for property used by schools.

The Council reviewed the existing treatment::

- Community Schools to remain on balance sheet due to ownership and control with the Council;
- Voluntary Aided Schools to come on balance sheet if the Council has ownership, but off balance if diocesan ownership;
- Voluntary Controlled Schools to remain on balance sheet if the Council has ownership, but off balance if diocesan ownership;
- Foundation Schools to be brought on balance sheet as ownership with school governing body; and
- Foundation Trust Schools to remain off balance sheet as ownership with separate trustees.

We reviewed the Council's assessment and confirmed that the Council's accounting treatment was consistent with the Code of Practice on Local Authority Accounting.

The main impact related to Foundation Schools, as a previous exercise was carried out in 2012/13 so that all Voluntary Aided and Voluntary Controlled schools under diocesan ownership had been removed from the balance sheet, other than those where the Council had ownership. As part of the exercise, the Finance Team utilised the Legal and Property Team for the identification of assets impacted by the change in guidance.

These adjustments were recognised as additions (£20.0m) and disposals (£27.1m) in the draft financial statements, although since these are adjustments and not actual additions or disposals we suggested a single adjustment line in the note to the accounts. Testing was performed on the additions and disposals to validate the ownership of the assets as being the Governing Body (Council) or Trust. Our testing identified one addition (Hollingsclough Primary School) which had been incorrectly brought on balance sheet, but the value of this was below our reporting threshold and so no adjustment was proposed.

The draft financial statements of the Council accounted for the additions and disposals as an in year transaction during 2014/15 due to the net impact of the adjustments being immaterial. The guidance issued by CIPFA states:

"The recognition of the non-current assets will be deemed to be a change in accounting policy if non-current assets are not recognised currently in the local authority balance sheets. Alternatively, it might require assets to be derecognised."

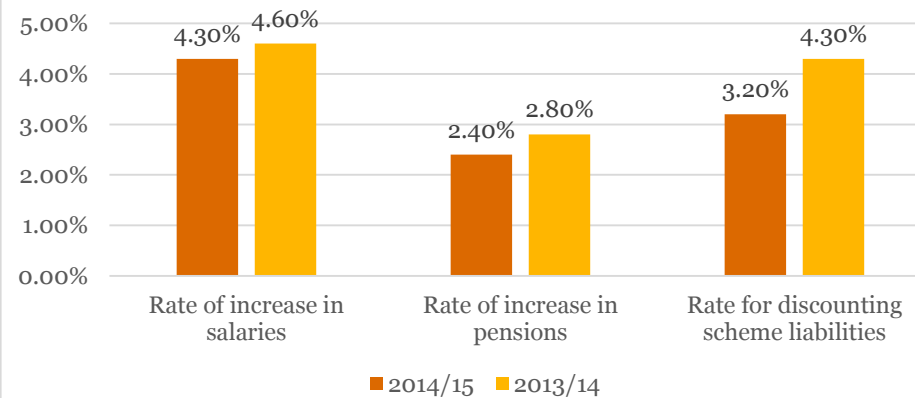
We proposed the financial statements be adjusted for this, to be accounted for as a prior period adjustment. The Council were of the view that as the overall impact was a £7.0 million adjustment to the value of Property, Plant and Equipment in the Balance Sheet, and the impact to depreciation would be immaterial, that no prior period adjustment was required. The Council amended the existing disclosures in the financial statements to explain the change in accounting policy and to make the impact of the change in schools accounting more transparent to the reader of the financial statements.

Pensions liability

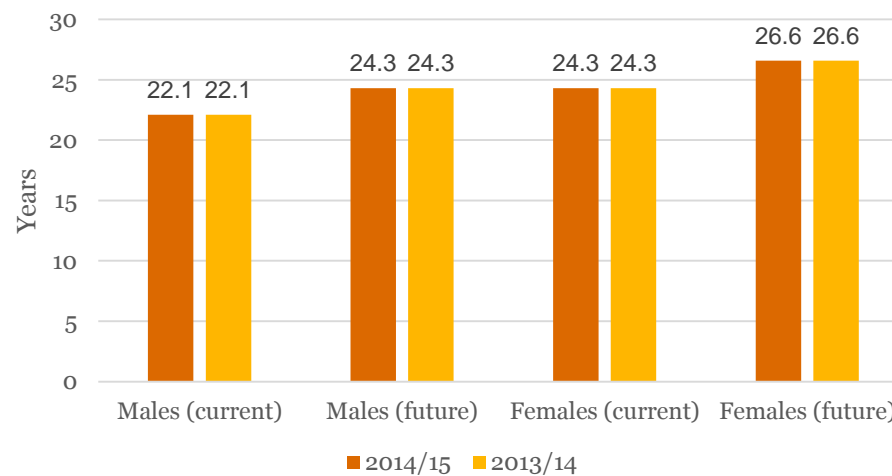
The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Staffordshire pension fund. Your net pension liability at 31 March 2015 was £1,139.7 million (2014 - £927.0 million).

You rely on the work of an actuary in calculating these balances. Changes in the assumptions used by the scheme have yielded a pension actuarial loss of £188.3 million in 2014/15 (£81.2 million loss in 2013/14). The assumptions which have been used by the actuary and the impact on the movement in the fair value of scheme assets and present value of scheme liabilities are as follows:

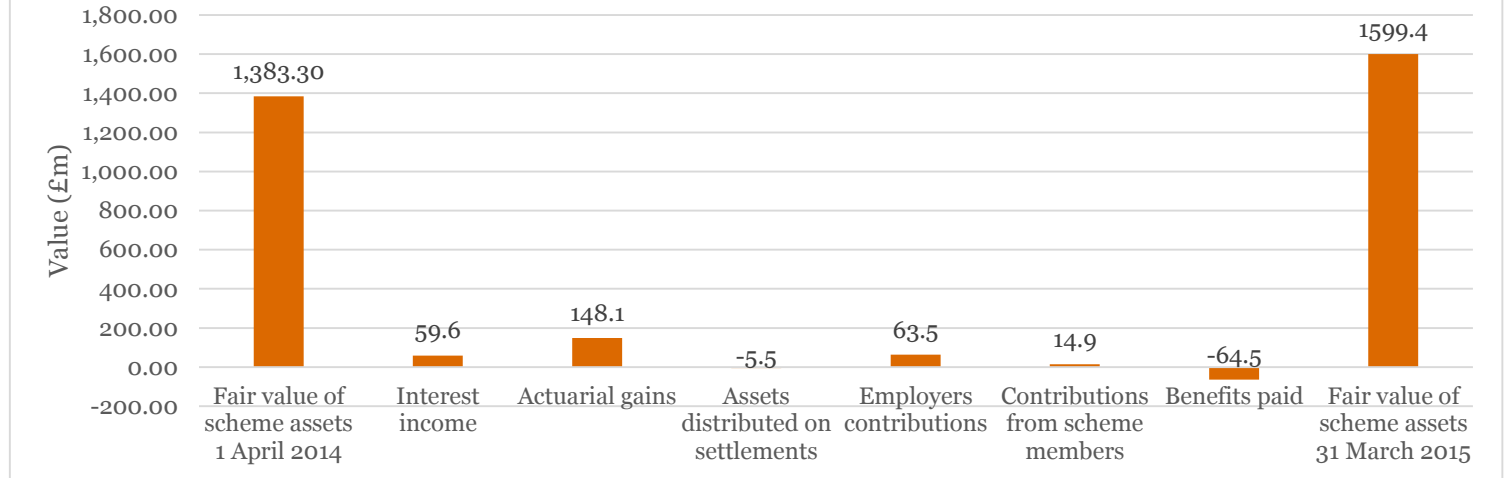
Assumptions 2014/15 Compared to 2013/14



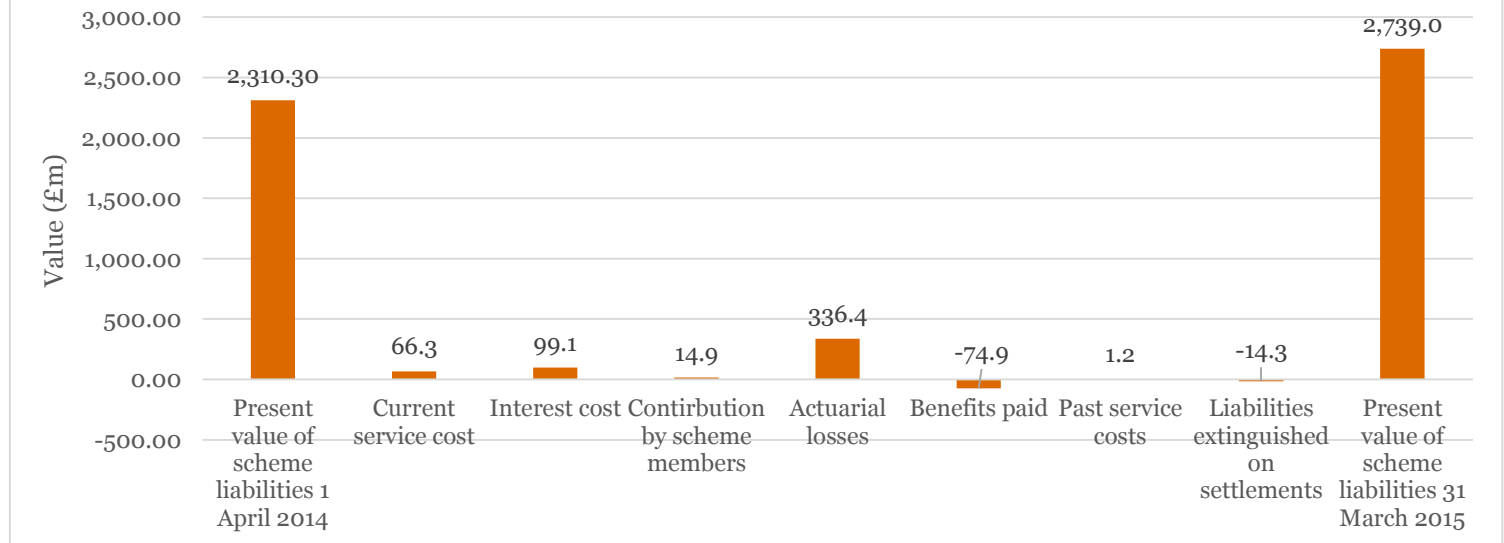
Life Expectancy at Age 65 Years



Reconciliation of the Movements in the Fair Value of Scheme Assets



Reconciliation of Present Value of the Scheme Liabilities



We reviewed the reasonableness of the assumptions underlying the pension liability and utilised the work of actuarial experts to assess the assumptions, and we are comfortable that the assumptions are within an acceptable range. Our letter of representation will ask you to confirm that you are satisfied with the assumptions being made in arriving at these judgements and estimates in the accounts. Please refer to the management representation letter in Appendix 2.

We validated the data supplied to the actuary on which to base their calculations. We have no issues to report in terms of the accuracy and the completeness of the data submitted to the actuary.

We have confirmed the assets held by the pension fund with the custodians as part of the audit of the Pension Fund financial statements. We performed a reasonableness check on the pension assets by comparing the value estimated by the Actuary for the Fund's assets against the actual value at 31 March 2015, and considering the amount which was attributable to the Council based on the Council's share of the funds. We have no issues to report in terms of the work performed.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We are also required to report to you material amendments made to your draft accounts as a result of the audit.

We are pleased to report that our work there are no uncorrected misstatements.

We bring to your attention in Appendix 1 to this report the misstatements which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities.

The two misstatements identified did not impact on the draft reported General Fund outturn or on the cash position of the Council.

We are pleased to report that there were no adjustments proposed for the Pension Fund Accounts.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management and the Audit and Standards Committee to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered. Please refer to the management representation letter in Appendix 2.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

Property, plant and equipment – depreciation and valuations

You charge depreciation based on an estimate of the Useful Economic Lives of your Property, Plant and Equipment (PPE). This involves a degree of estimation. You also value your PPE in accordance with your accounting policies to ensure that the carrying value is true and fair. This involves some judgement and reliance on your internal valuers assumptions and methodology. As we have already set out in this report, we have undertaken specific steps to ensure that the judgements you have made, and those made by the valuer are in line with our expectations.

Property, plant and equipment – enhancing and non-enhancing expenditure

You classify capital expenditure between ‘enhancing’ expenditure (which results in new or improved assets) and ‘non-enhancing’ expenditure (which does not enhance an asset). Non-enhancing expenditure also includes repairs and maintenance which have been incurred during the year. This classification involves some judgement by looking at the overall expenditure which has been incurred on a scheme and undertaking an assessment of what assets the repairs and maintenance have been incurred against. Our testing did not find any issues with the classification of enhancing and non-enhancing expenditure.

Bad debt provision

Your bad debt provision for sundry debtors is calculated on the basis of age and an assessment of the potential recoverability of the debt. There is an inherent judgement in calculating these provisions and you rely on the knowledge of the Joint Finance Units for information on specific transactions. The bad debt provision at 31 March 2015 is £2.9 million, compared with £3.2 million as at 31 March 2014. We have reviewed the basis of calculation and identified one recommendation which is included later in the Internal Controls section of this report.

Accruals including accumulated absences

You raise accruals for expenditure where an invoice has not been received at the year end, but you know there is a liability to be met which relates to the current year. You also raise accruals for income where a service has been provided but the Council has not raised an invoice at the year-end. Both of these involve a degree of estimation. Testing was performed on a sample of accruals. A small number of misstatements were identified with regards to the cut-off of transactions which were individually and in aggregate below the agreed reporting level of £0.7 million.

You calculate your accrual for untaken holiday and employment benefits at the year-end based on returns completed by managers for a sample of members of staff within each directorate. You apply an average calculation on these returns. The balance at 31 March 2015 is £9.9 million compared to £10.0 million at 31 March 2014. We have reviewed the calculation for the estimate and confirmed that this is reasonable.

Provisions

Provisions at 31 March 2015 total £9.8 million (£11.2 million as at 31 March 2014). The decrease of £1.4 million is largely due to payments of £2.1 million being made for insurance claims (post local government reorganisation) and recognition of an additional £0.5 million for the waste provision for an ongoing dispute with BIFFA. Provisions are liabilities of uncertain

amount and timing. There is therefore an inherent level of judgement to be applied. Our testing did not find any issues with regards to the Council's judgement or estimates.

Deferred income

Deferred income at 31 March 2015 totalled £1.4 million (£2.6 million as at 31 March 2014). Because deferred income is income that the Council has received for services to be provided in the future, the amount should be recognised for as deferred income if the Council has the right to do so. Our testing did not find any issues with regards to the Council's judgement or estimates.

Capital grants receipts in advance

Capital grants receipts in advance at 31 March 2015 total £18.8 million (£19.1 million restated as at 31 March 2014). There is an inherent level of judgement to be applied due to that capital grants can only be recognised if the grant conditions have been met, where these have not then these will be recognised as a liability. The Council identified that for the Basic Need grant which is received from the Department for Education that there were no conditions associated with the grant, and that this had been recorded as a capital grant received in advance in error at 31 March 2014. A prior period adjustment was made for £11.6 million to correct this which is detailed in Note 1 to the financial statements.

Our testing identified a further grant for £4.5 million which had been recognised as a capital grant received in advance at the 31 March 2015 which was unconditional. This has been described in further detail in the Misstatements and Significant Audit Adjustments section of this report.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

Financial standing

You identified no material uncertainties related to events and conditions that may cast significant doubt on the Authorities' ability to continue as a going concern and that in overall terms there are sufficient resources available to meet your commitments for at least a 12-month period after the projected date of our audit opinion. We concluded that this consideration is appropriate.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

To confirm completeness we performed a range of additional procedures to identify potential related party transactions and did not identify matters during the course of our work. We identified one recommendation which we believe the Audit and Standards Committee should be aware of which is included later in the Internal Controls section of this report.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

Relationships between PwC and the Authority

We are aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit engagement is subject to an independent partner review of all significant judgements taken, including our reporting to the Audit and Standards Committee and a review of the annual report. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Authority that may be perceived to impact upon our independence and the objectivity of our audit team. This work together with the related safeguards are set out on the following page:

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
Certification of claims and returns	6,000 - 6,500 (TBC)	<p>Self Review Threat: There is no self review threat as we are certifying management completed grant returns and claims.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Council. We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.</p>
Provision of specialist support to your internal audit team:		
Council Reviews		
<ul style="list-style-type: none"> Appointment and payment of consultants 	6,547	<p>Self Review Threat: The reviews have been conducted by a separate engagement team who have no involvement in the audit of the financial statements. There is no self review threat as the results of the reviews will not be used by the audit team as they do not impact on the financial statements.</p>
<ul style="list-style-type: none"> Total performance management 	3,771	<p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Council. We have concluded that this work does not pose a self interest threat.</p>
<ul style="list-style-type: none"> Information Security Review (delivered in 2014/15 part of the 2013/14 plan) 	9,073	<p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work, the work is to review, comment and advise. All reports are issued by the Council's Head of Internal Audit. We have concluded that this work does not pose a management threat.</p>
Other Bodies' Reviews		
<ul style="list-style-type: none"> Communities facilities review 	2,919	<p>Advocacy Threat: This work does not constitute a significant piece of internal audit work and we will not be leading or directing or making</p>

• Volunteers review	2,919	significant decisions as part of this work. We have therefore concluded that this work does not pose an advocacy threat.
• Recruitment review	3,731	Familiarity Threat: The work will not be used by the external audit team and does not present a familiarity threat.
• Referrals and waiting lists review	3,731	Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on page 26 and our non-audit fees on pages 16 to 17. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Audit and Standards Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In meeting our statutory responsibilities relating to economy, efficiency and effectiveness, the Audit Code of Audit Practice requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. In our planning risk assessment and audit plan we identified your medium term financial plans and savings targets over the next few years for detailed review. This risk is included to highlight that we judge that there is a significant risk in relation to our value for money responsibility.

We agreed in the audit plan that we would:

- review your updated MTFS and its key assumptions, and benchmark the assumptions you have used within it against other local authorities;
- review savings plans and the assumptions which underpin material savings plans to review their relevance and robustness;
- review your in-year finance reports to identify the key issues and consider their impact on budgets and plans; and
- maintain a watching brief on financial management arrangements in relation to any significant new areas of spend.

You will be required to make around £230.0 million of savings and service reductions over the 5 years (2015/16 – 2019/20), with a further £1.9 million of funding gap to be met through the use of General Reserves in 2015/16 with headroom in 2016/17 and 2017/18 which totals £10.1 million, and a funding gap of £3.0 million and £2.2 million in 2018/19 and 2019/20 respectively. This means that the MTFS is broadly balanced over the planned period if these savings are achieved.

You have identified planned schemes which total £230.0 million for the period 2015/16 to 2019/20, which are assessed in terms of delivery as either delivered (recurrent savings) or high, medium and low. Of the savings to be achieved in 2015/16 which total £31.5 million, you have already delivered over half £16.3 million, with £5.1 million assessed as low risk. £5.0 million of this relates to savings to be realised through integration with the Staffordshire and Stoke on Trent Partnership Trust.

You reported to members in June 2015 an overspend against the budget of £7.3 million (1.5%), the majority of which was within People, for £10.8 million. This was for a variety of reasons which included:

- pressures relating to increasing numbers of older people requiring care leading to savings of £4.2m not being realised;
- pressures due to growing numbers of looked after children of £1.9m;
- following consultations and listening to the public, a reduction in the planned savings for modernisation of day and residential services; and
- pressures from new and increased packages of care for £6.3m.

We have prepared a more detailed report for the Director of Finance and Resources which will be presented to the Budget Working Group in September 2015. The areas of focus and proposed work undertaken as part of this report are as follows:

Area of Focus	Proposed work.
Programme management	Review the governance structure in place to deliver your plans (including extent of Member involvement), the level and extent of accountability including escalation of issues, and how your monitoring and reporting will work.
Progress to date	<ul style="list-style-type: none"> • Undertake a review of how you have managed your 2014/15 savings programme; • Investigate the reasons behind any significant variations from the plan; and • Consider how this is connected with the forward-looking MTFS.
Assumptions	Review the key assumptions included in the MTFS, comparing them with best practice and those used by other Local Authorities.
Reserves	Consider the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the MTFS.
Economy, efficiency and effectiveness	<ul style="list-style-type: none"> • Assess how you have prioritised resources as part of the MTFS; and

-
- Update our understanding of your arrangements to review the value for money which your services provide and the actions you have taken in response.
-

The key points we have noted from this work are:

- You have demonstrated in the past that you have robust programme management arrangements in place and that you substantially achieve the savings targets which you have set yourself.
- You have recognised that as demand for care for the elderly, for people with disabilities and for looked after children continues to grow that you need to invest to be able to provide this support, with £20m being invested in 2015/16.
- You have applied a number of prudent assumptions in setting your MTFS. In some cases these were more prudent than in our benchmark average. However, we believe these are realistic assumptions which will help you to meet manage the financial risks which exist over the plan period.
- The Audit Commission value for money profile, whilst backwards looking, continues to show a number of key areas where the Authority is providing services which can demonstrate value for money when compared with other County Councils. Spend on services is largely in line with the average for other authorities with the exception of sustainable economy and environmental services which are below the average.
- The assumptions you have used in setting your MTFS are broadly in line with other similar authorities. Our work in this particular area has not identified any issues which would lead to a qualified value for money conclusion. We have identified that further work will need to be performed on the MTFS once you have factored in the impact of any further loss in revenue support grant once this becomes known and that whilst your current reserves level is adequate, you will need to begin to replenish the level of reserves which have been used in previous years to manage the overspends incurred or budget gaps.
- The majority of savings which are included in the MTFS are legacy savings which have a recurrent impact over the lifetime of the MTFS. Our testing of schemes over £1.0m did not identify any issues.

We have identified no significant concerns and there are no areas where further risk based audit work is required at this time.

We anticipate issuing an unqualified value for money conclusion.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention.

No significant deficiencies in internal control were identified through our work. However, in our professional judgement we believe the following matters should be brought to your attention:

Deficiency

Input Data for Valuations

Our testing of the input data for the valuations of land and buildings identified that the Property Team do not retain complete audit trails. Specific areas noted include:

- The value applied to the land area is based on a judgement by the valuer which is not supported by further documentation/calculations.
- For 1 valuation tested this was based on historic floor areas used in previous valuations as the Property Team were unable to locate the relevant file.
- Where land is split between developed and non-developed, the developed area can be based on drawings that are digitally measured, however these measurements are not retained.

As part of our work, we performed additional testing to obtain comfort over the accuracy of the valuations undertaken.

Recommendation

That where valuations are performed during the year the Property Team ensure that there is supporting documentation available for the key input judgements which have been used when calculating the valuation for the year and that this is retained on file.

Deficiency

Declarations of Interest

Our testing of Members Declarations of Interest identified that 27 Members had not responded to the Council's request for disclosure of related party relationships and there were 27 instances where our testing identified undisclosed interests based on the independent checks which we performed.

Our testing confirmed for these undisclosed interests there were no related party relationships and transactions which had been omitted from the financial statements.

Review of aged debtors within the bad debt provision

Our testing of the bad debt provision identified one debt included in the provision which was dated over 15 years old, this was subsequently written off during the year end final audit. Further review of the listing of debts provided for identified a number of significantly aged low value debtors.

Recommendation

The Council collate the declaration of interest forms as part of the year-end close down procedures to ensure there is adequate disclosure of all related party interests in the financial statements and that members are reminded of their responsibilities to provide such declarations. Where declaration of interest forms are collected in advance of the year-end that confirmation is received that there have been no changes at the year-end to those previously disclosed.

That a review is undertaken of the debts currently provided for and for those that are significant in age these are considered in further detail for write off if it is deemed that they are not recoverable.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

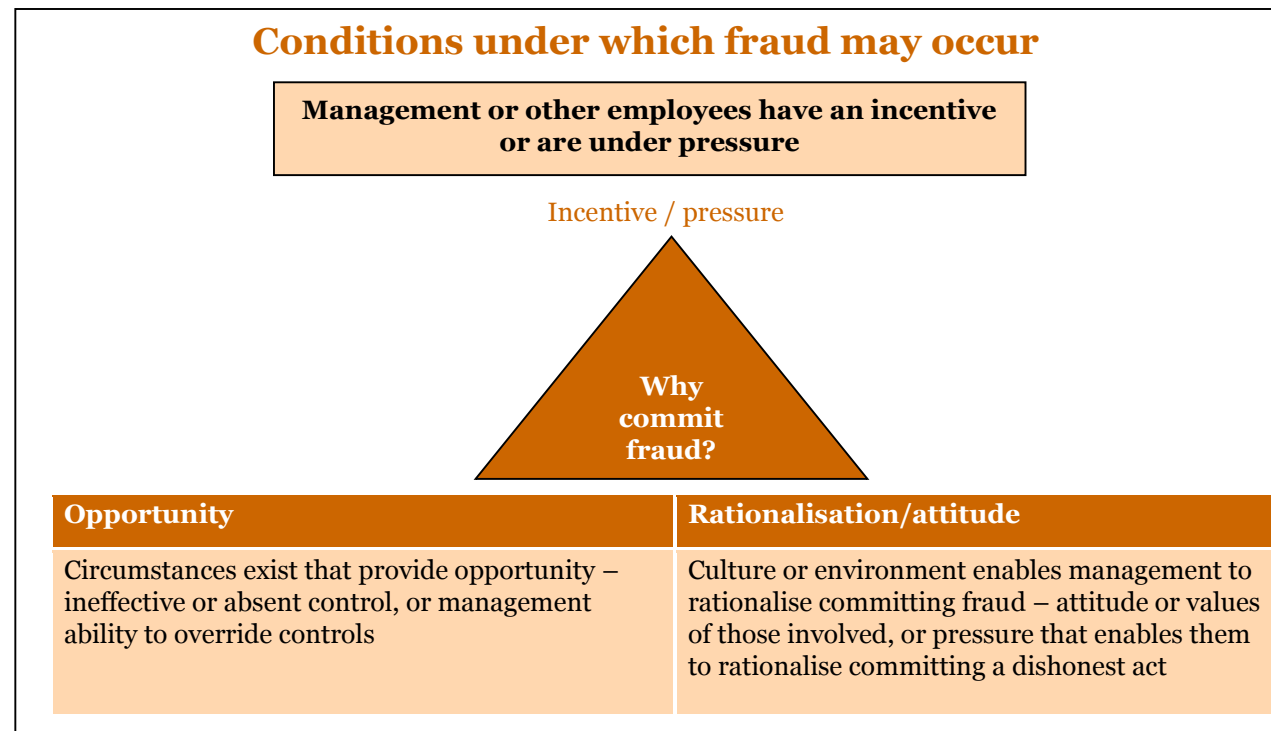
In our audit plan presented to the Audit Committee in March 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?

- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

We included two fraud related risks in our audit plan. These risks along with our findings in these areas are set out earlier in this report in the Audit Approach section.



Fees update

Fees update for 2014/15

We reported our fee proposals in our plan. Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2014/15 outturn (£)	2014/15 fee proposal (£)
Audit work performed under the Code of Audit Practice:	146,340	146,340
- Statement of Accounts		
- Use of Resources Conclusion		
- Whole of Government Accounts		
Pension Fund audit work	28,637	28,637
Additional local risk based audit work – Migration of pension fund data from SAP to Altair	2,211	2,211
Total	177,188	177,188

Appendices

Appendix 1: Summary of misstatements

We have identified the following misstatements during our audit of the financial statements that have been corrected by management.

No	Description of misstatement (factual, judgemental, projected)		Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Pensions Prepayment Dr Pension Reserve Cr Prepayment Being an adjustment for the lump sum payment of the contributions for 2015/16 and 2016/17 as a prepayment in order for this to be accounted for through the pension reserve in the year ending 31 March 2015	J			14.0	14.0
2	Overstatement of capital grants receipts in advance Dr Capital grants receipts in advance Cr Income Through testing performed we identified one unconditional grant and therefore the balance should have been recognised in the Comprehensive Income and Expenditure Statement in 2014/15. Further investigation by the Council identified that there were no other education grants which were unconditional that had been treated as deferred at the 31 March 2015.	F		4.4	4.4	
Total misstatements			-	4.4	18.4	14.0

The two misstatements identified did not impact on the draft reported General Fund outturn or on the cash position of the Council.

Appendix 2: Letter of representation

[Staffordshire County Council letterhead]

PricewaterhouseCoopers LLP

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Dear Sirs

Representation letter – audit of Staffordshire County Council’s (the “Authority”) Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2015 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Director of Finance and Resources for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

The restatement made to correct a material misstatement in the prior period Statement of Accounts that affects the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The decision by the Authority to not restate the prior period in respect of the accounting for schools non-current assets was on the basis that this was not material to the financial statements.

The following have been recognised, measured, presented or disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the statement of accounts, including non-compliance.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the selection and application accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule/schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

No transactions involving members, officers and others requiring disclosure in the Statement of Accounts under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 have been entered into.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Statement of Accounts have been disclosed to you.

Pension fund registered status

I confirm that the Staffordshire Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Accounting estimates: measurement processes, assumptions, disclosures and effects of subsequent events

Regarding accounting estimates that were recognised in the Statement of Accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

Provisions

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the statement of accounts.

I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.

Using the work of experts

I agree with the findings of our internal valuations team, experts in evaluating the valuation of our property, plant and equipment (land and buildings) and Arlingclose, experts in providing estimates of fair values in respect of financial liabilities. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used

in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts.

Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Retirement benefits

All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

- Rate of increase in salaries 4.3%;
- Rate of increase in pensions 2.4%;
- Rate for discounting scheme liabilities 3.2%

- Life expectancy at age 65 years:
 - Males: current 22.1 years; future 24.3 years; and
 - Females: current 24.3 years; future 26.6 years.

The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Other matters

I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

As minuted by the Audit and Standards Committee at its meeting on 14 September 2015

.....

Director of Finance and Resources

For and on behalf of Staffordshire County Council

Date

Appendix 1 - Related parties and related party transactions

- Keele University Science and Business Park
- Rawlett Trust
- Staffordshire Playing Fields Association
- Cannock Chase District Council
- Hednesford Town Council
- Newcastle-under-Lyme Borough Council
- Rochester PC
- Local Government Association
- CCN
- South Staffordshire Council
- East Staffordshire Borough Council
- Barton Quarry
- Newbold Quarry
- Yoxall Town Lands Trust
- Wombourne Parish Council
- Stoke-on-Trent and Staffordshire Fire and Rescue Authority
- Lichfield District Council
- Lichfield City Council
- Kinver Parish Council
- Stafford Borough Council
- Beyne School Foundation
- Tamworth Borough Council
- Tamworth Cornerstone Housing Association
- Staffordshire Moorlands District Council
- Horton Parish Council
- Perton Parish Council
- Staffordshire and Stoke-on-Trent Partnership Trust
- Bilbrook Parish Council
- Codsall Parish Council
- Codsall Middle School
- Codsall Community High School
- Rugeley Town Council
- Stretton Parish Council
- Royal British Legion
- Conservative Party
- Oak Tree Farm Rural Project Limited
- Entrust Education Services Limited
- New Vic Theatre Trust
- Stoke-on-Trent and North Staffordshire Theatre Trust Limited
- Blythe Bridge High School Music Trust
- Great Wyrley Parish Council
- Ramblers Association
- Heath Hayes and Wimblebury Parish Council
- Five Ways Primary School
- Etching Hill Tennis Club
- Forest of Mercia
- Mid Staffordshire NHS Foundation Trust (former)
- Four Ashes Energy Recovery Facility – Veolia UK
- Brewood and Coven Parish Council
- Clayton Hall Business and Language Council
- LDC
- Armitage with Handsacre Parish Council
- Lichfield Cathedral
- Hatherton and Walgherton Parish Council
- Saredon Parish Council
- Littleton Green Community School
- Ranton Parish Council
- Burntwood Town Council
- Age UK South Staffordshire
- South Staffordshire Conservative Association
- Staffordshire Pension Fund
- Biddulph High School
- Changeworks Communications Limited
- Macmillan Cancer Support
- Integrated Water Services
- Mid Counties Cooperative
- ABSR Holdings Limited
- Instaffs (UK) Limited
- JABA Associates Limited
- Request Systems Limited
- Chase Co-Operative Learning Trust

- Greater Birmingham and Solihull Local Enterprise Partnership
- Leek Citizens Advice Bureau
- Stoke-on-Trent and Staffordshire Safer Communities Community Interest Company
- Burton Co-Operative Learning Trust
- Back 2 Bikes
- Make Some Noise (West Midlands) Limited
- Cable (Cannock) Limited
- West Midlands Estates Limited
- West Midlands Estates (Properties) Limited
- Basterfield Group Limited
- South Staffordshire Community and Voluntary Action
- Cherry Orchard Garden Services
- Darwin Hall Community Association
- Francis and Jellyman Limited
- Staffordshire and Black County Business Innovation Centre Limited
- The De Ferrers Academy
- Aspire Group (Staffordshire) Limited
- Staffordshire Environmental Fund
- Community Transport Stafford and District
- Biddulph Citizens Advice Bureau
- Moorlands Housing
- Springfield China Limited
- Sinnett Lawson Limited
- Lakeland Promotions Limited
- Digital Dragons Global Limited
- J H Marshall (Holdings) Limited
- J H Marshall (Pressings) Limited
- J & D Transport (Midlands) Limited
- Groupage Consultancy Services Limited
- South Staffordshire Network for Mental Health
- Saffron Young Peoples Project Limited
- Stafford and Stone Citizens Advice Bureau
- Staffordshire South West Citizens Advice Bureau
- Simon Tagg Limited
- South East Staffordshire Citizens Advice Bureau
- Central Technology Belt
- Local Information Unit Limited
- Nexxus Trading Services Limited
- John Pointon Sports and Recreation Facility
- The JCB Academy Trust
- LGG Limited
- The Association of Council Secretaries and Solicitors
- Nabal Limited
- Public Health Foundation of Nigeria
- PH Now Limited
- Precision Architecture and Construction
- Sustainability West Midlands



In the event that, pursuant to a request which Staffordshire County Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Staffordshire County Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Staffordshire County Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Staffordshire County Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Staffordshire County Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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Local Members' Interest
N/A

Audit and Standards Committee – 14 September 2015

Work Programme for the Audit and Standards Committee / Member Training Update

Recommendations

1. To note that the indicative agenda for the meeting on 7 December 2015 will be confirmed following consultation with the Chairman.
2. To consider the need for a programme of awareness training having regard to the rolling work programme.

Report of the Director of Finance and Resources

3. The rolling work programme is attached at Appendix 1.

Training Update

4. The following session(s) have been provided to Members of the Audit and Standards Committee subsequent to the County Council elections in May 2013.
 - The role of the Audit and Standards Committee
 - Understanding the Statement of Accounts

Equalities, Climate Change, Legal and Resource and Value for Money Implications

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

Risk Implications

6. Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an audit committee, independent from the executive and scrutiny functions. Effective audit committees raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. In addition, they enhance public trust and confidence in the financial governance of an authority. In order to discharge their responsibilities, it is vital that audit committee members receive full and regular training.

Report Author

Author's name: Jon Waller
Ext. No: 276380

List of Background Documents

None Specific

APPENDIX 1

ROLLING WORK PROGRAMME OF THE AUDIT AND STANDARDS COMMITTEE

26 January 2015 –Agenda

Meeting Cancelled

23 March 2015 –Agenda

Proposed Changes to the Constitution
Annual Report on Information Governance
External Audit Plan 2014/15
Staffordshire Pension Fund – External Audit Plan 2014/15
Protecting the Public Purse – Fraud Briefing (2013/14 Exercise)
Launch of the North West Staffordshire Fraud Hub
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Reports – High Risk Reviews plus Limited Assurance Reviews plus Special Investigations

30 June 2015 –Agenda

External Audit – Progress Report
Internal Audit Outturn Report 2014/15
Internal Audit Charter
Internal Audit Strategy and Plan 2015/16
Code of Corporate Governance
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Outturn Report 2014/15 – Appendix 1

15 September 2015 –Agenda

Annual Governance Statement
Training Session - Understanding the Statement of Accounts
2014/15 Statement of Accounts including the Pension Fund
Report to those Charged with Governance
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Draft Organogram

7 December 2015 – Indicative Agenda

Annual Report on Health, Safety and Wellbeing Performance
Annual Audit Letter 2014/15
Internal Audit Plan Update – 2015/16
National Fraud Initiative (NFI) – 2014 - Update
Risk Management Briefing / Awareness Training
Fraud Briefing / Awareness Training
Work Programme for the Audit and Standards Committee / Member Training Update
Internal Audit Reports – High Risk Reviews plus Limited Assurance Reviews plus Special Investigations

Future Agendas

- * English National Concessionary Travel Scheme – Update
- * Bribery Act 2010 - Update
- * Mental Health Trust, Financial Management Arrangements - Update
- * Auditing in a Commissioning Environment
- * Format of the External Assessment of Internal Audit *
- * Update on Staffordshire Health Economy (SSOTP / Better Care Fund / Care Act)
- * Procurement Regulations and Financial Regulations

Through political and executive leadership:

Asking these key opinion questions:

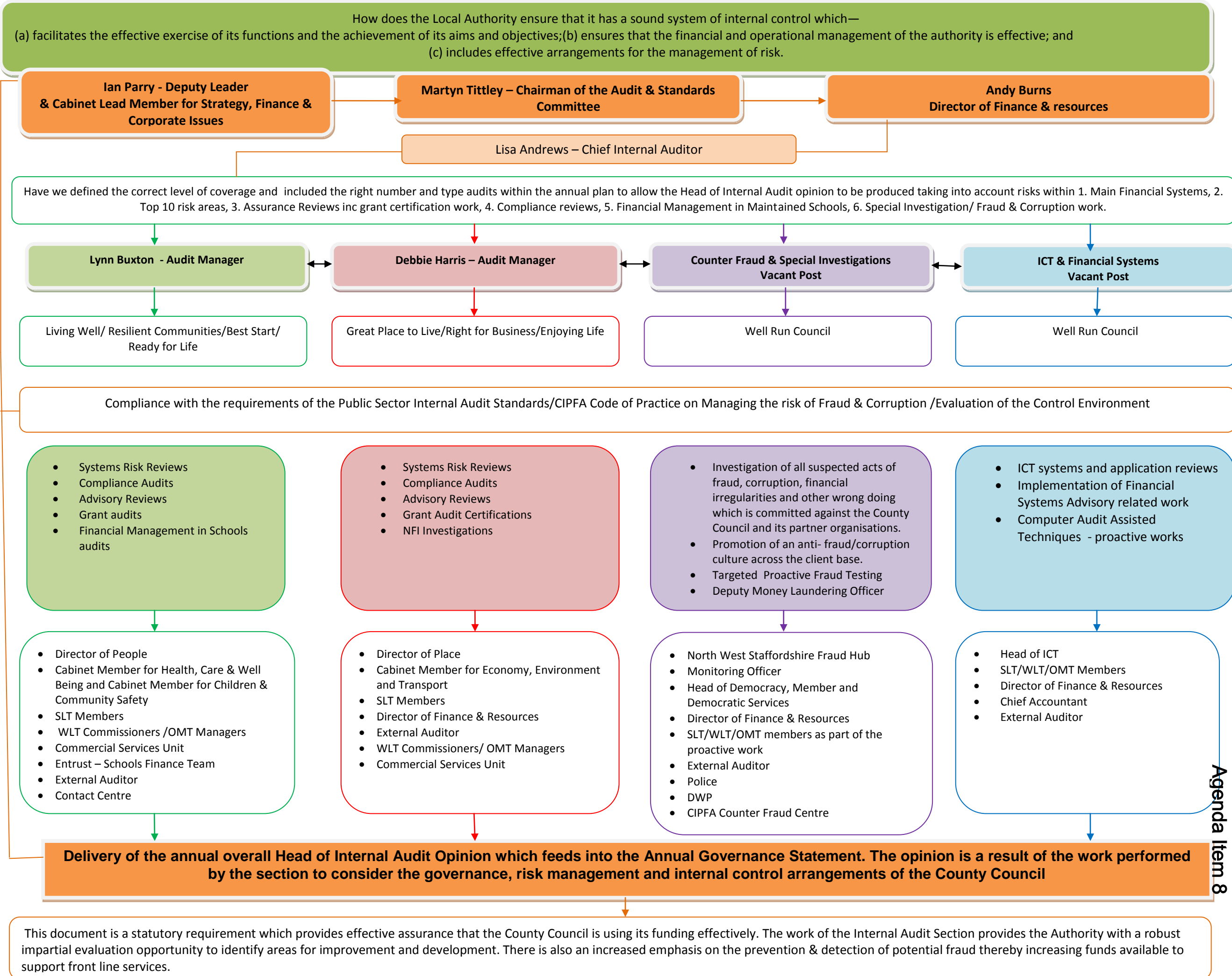
Organised into these linked teams:

Focused on work which feeds into the achievement of the key Outcomes

Managing these core functions:

Linking to/engaging with other key individuals/partnerships

To secure the outcomes:



Audit and Standards Committee – 14 September 2015 County Council – Thursday - 8 October 2015

Proposed Changes to the Constitution – Authority to appoint Directors and Shareholders of Companies

Recommendation:

1. That Council be recommended to approve additions to the role purpose and delegations to the Leader of the Council and Chief Executive respectively to authorise the appointment of Board members and shareholders of companies of which the County Council is to be involved.

Report of the Director for Democracy, Law and Transformation

Background

County Council involvement in Companies

2. The County Council is becoming increasingly involved in partnership working with organisations from both the public and private sector for the delivery of quality services to the community of Staffordshire. In some instances this has led to the creation of companies of which the County Council has active involvement. Examples include Entrust and, most recently, the Penda Property Partnership.

Proposal

3 As a company partner the County Council is allocated Directorships on the Board to which members and/or officers need to be appointed. Those Directors have statutory duties and responsibilities under the Companies Act 2006 therefore it is important that their appointment is formally approved with proper arrangements in place to address the dual role required of them as a County Council employee and role of Director. Work is underway on addressing the latter. In the meantime authority is sought for the following addition to the Role Purpose for the Leader of the Council as detailed in the Constitution:

- *In consultation with the Chief Executive, to appoint officers and members (as appropriate) to act as Directors on Boards of companies of which the County Council is a member or is to be a member'*

The Leaders current Role Purpose is shown at Appendix 2 to this report.

4. The County Council as an organisation is described as a 'Body Corporate' and as such it is the Council itself that is the shareholder of any company. Consequently it is necessary to appoint an officer(s) to undertake the shareholder role of any company of which the County Council is or is to be such. Approval is therefore sought to the following addition to the Delegated Powers of the Chief Executive:

- 'In consultation with the Leader of the Council, to appoint an officer(s) to act as the shareholder(s) and members of any company on behalf of the County Council'

The Chief Executives current delegated powers are shown at Appendix 2 to this report.

Appendix 1

Equalities Implications: None

Legal and Risk Implications: These amendment to the Constitution are required to provide transparency and formal appointment procedures for County Council representatives on companies of which it is a member.

Resource and Value for Money Implications: The cost of the proposal is expected to be negligible.

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CABINET MEMBER ROLES

Leader	
Role Purpose	<ul style="list-style-type: none"> • To be responsible for the Council's overall strategy and budget setting and monitoring. • To provide clear political leadership both within and outside the County Council to help advance all of the County Council's key outcomes. • To create effective internal and external relationships with key organisations both within Staffordshire, nationally and internationally. • To win new resources for Staffordshire to deliver the vision of a connected Staffordshire, where everyone has the opportunity to prosper, be healthy and happy • To be accountable for the development and delivery of the county council strategies and to ensure that those strategies are able to meet the outcomes required by the Council and Cabinet. • To appoint and hold Cabinet colleagues to account as they ensure accountability within their commissioning/service areas including that financial and operational performance in those areas meets the requirements of the Corporate Plan, Business Plan and the Medium Term Financial Strategy (MTFS). • To hold Cabinet colleagues accountable for the delivery of the appropriate key projects/programmes including the delivery on time and budget and meet the requirements of the Corporate Plan, Business Plan and the MTFS. • To be the County Council's representative on the Local Enterprise Partnership • To Chair meetings of the Cabinet • To represent, or appoint a representative of, the County Council on a range of outside bodies both within and outside of Staffordshire.
Key External Relationships	<ul style="list-style-type: none"> • Public sector bodies • Business locally, nationally and internationally as appropriate
Key Internal Relationships	<ul style="list-style-type: none"> • Cabinet • Shadow Cabinet • Senior Leadership Team
Strategic Responsibilities	<ul style="list-style-type: none"> • Development and implementation of Council's Strategic Plan
Project Responsibilities	<ul style="list-style-type: none"> • Overseeing all key projects through Cabinet and Cabinet Support members

TABLE 2

DELEGATIONS TO THE CHIEF EXECUTIVE

	DELEGATION	OVERALL RESPONSIBLE BODY
1	To be the Council's Head of Paid Service.	COUNCIL
2	Notwithstanding any other provision of this Constitution, after discussion, if practicable, with the Leader of the Council or the relevant Portfolio Holder and/or Chairman, as the case may be, to take action not involving a key decision as he deems to be necessary in matters requiring urgent consideration and which, because of the timescale involved, or the need to safeguard the interests of the County Council, cannot wait for the next following meeting of the Council, the Cabinet or Committee, as the case may be. Any action taken under this delegation shall be reported to the next meeting of the Council, Cabinet or Committee as necessary.	COUNCIL/CABINET
3	To appoint from time to time, for such duration and in such circumstances and subject to such conditions as the Chief Executive may specify, a Chief Officer to act as Deputy to the Chief Executive, such Deputy to have (when authorised to act) all the powers, duties and responsibilities of the Chief Executive as the County Council's Head of Paid Service. Notification of such appointment and its applicable duration, circumstances and conditions shall be given in writing by the Chief Executive to the Leader of the Council, Monitoring Officer and Director of Finance and Resources.	COUNCIL
4	To be the Proper Officer and the County Council's Returning Officer for the purpose of the election of County Councillors and to undertake all the duties of those offices pursuant to the Representation of the People Act 1983, and the Local Government Act 1972.	COUNCIL
5	To give public notice of any vacancy in the office of Councillor pursuant to Sections 86 and 87 of the Local Government Act 1972.	COUNCIL
6	To approve and implement national and provincial pay awards, after consultation with the Director of Finance and Resources, as soon as possible after agreement and notification from the appropriate body, subject to any element of discretion being referred to the Cabinet for consideration.	COUNCIL
7	To decide exceptional cases and any question about the interpretation or administration of the County Council's Long Service Awards Scheme.	COUNCIL

