

Local Members' Interest
N/A

Audit and Standards Committee – 30 July 2018

2017/2018 Statement of Accounts

Recommendations

1. That members approve the 2017/2018 Statement of Accounts as attached to this report.
2. To approve the letters of representation from the Director of Finance and Resources.

Report of the Director of Finance and Resources

Background

3. The 2017/2018 Statement of Accounts is attached as Appendix 4 to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).
4. The Code of Practice is updated annually and for 2017/2018 there were no major changes. However the Accounts and Audit Regulations 2015 changed the statutory deadlines from 2017/18 onwards. The draft accounts must be produced by 31st May each year and approved by the Audit and Standards Committee by 31st July. These new deadlines are challenging for all local authorities and audit firms as it means compressing three months' of work into two months.
5. As part of normal year end processes I am required to make written representation to the auditors expressing an opinion as to whether the accounts give a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations. My letters are attached as Appendices 2 and 3 to this report and I would welcome discussion regarding any matters covered by the letters. The committee members are asked to approve the letters.

Revenue Outturn

6. We spent £499.0 million on our day to day activities after allowing for transfers to reserves. This was £4.8 million (or 0.9%) less 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 2017/2018

	Budget	Outturn	Over / (Under) spend
	£m	£m	£m
Health and Care			
Public Health and Prevention	(6.444)	(6.444)	0.000
Adult Social Care and Safeguarding	42.951	42.647	(0.304)
Care Commissioning	183.502	177.729	(5.773)
Health and Care Total	220.009	213.932	(6.077)
Families and Communities			
Children's Services	100.366	108.061	7.695
Children's Public Health	(3.222)	(3.222)	0.000
Education Services	9.792	7.869	(1.923)
Culture and Communities	7.078	7.078	0.000
Rural	2.160	2.160	0.000
Community Safety	8.113	8.211	0.098
Families and Communities Total	124.287	130.157	5.870
Economy, Infrastructure and Skills			
Business and Enterprise	1.346	1.277	(0.069)
Infrastructure and Highways	26.502	27.693	1.191
Transport, Connectivity and Waste	38.225	36.221	(2.004)
Skills	3.634	3.634	0.000
EI&S Business Support	1.063	0.841	(0.222)
Economy, Infrastructure and Skills Total	70.770	69.666	(1.104)
Finance and Resources	18.558	20.003	1.445
Strategy, Governance and Change	18.209	17.859	(0.350)
Trading Services	(0.692)	(0.681)	0.011
Total Portfolio Budgets	451.141	450.936	(0.205)
Centrally Controlled Items			
Interest on Balances and Debt Charges	34.969	35.002	0.033
Pooled Buildings and Insurances	13.923	13.049	(0.874)
Contingency	3.746	0.000	(3.746)
Centrally Controlled Total	52.638	48.051	(4.587)
Net Revenue Budget / Expenditure	503.779	498.987	(4.792)

7. The Health and Care Directorate has seen increasing pressures over recent years due to rising demographic pressures and challenging market conditions. The allocation of the additional Improved Better Care Fund was welcomed in this service area and has helped to ensure it kept its spending within budget. Additional savings have also been made in this service area by a variety of means including holding vacancies, contractual savings and an increase in client income which has increased in line with the corresponding increase in expenditure.
8. During the year, numbers of Looked After Children increased significantly and expenditure on independent sector placements increased as a result. The number of children with disabilities who need the care of the County Council increased and this can involve residential placements. This increase in numbers has also seen further expenditure on in-house fostering and Special Guardianship Orders. The Special Educational Needs Home to School Transport service also overspent and a review has been undertaken of this service with proposed efficiencies being implemented. Savings identified in Education Services helped to reduce the overspends elsewhere but the Families and Communities Directorate had an overspend position at the end of the year of £5.9 million.
9. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall underspend of £1.1 million. This has arisen from various initiatives including holding vacancies and achieving higher than expected levels of income but also the delivery of some planned savings earlier than anticipated.
10. Support services overspent by £1.1m mainly as a result of not achieving a budgeted saving from changes to HR terms and conditions of employment. This particular saving will not be achieved in future years and has now been removed from the budget from 2018/19 onwards.
11. Against the approved budget these amounts have resulted in the overall underspend of £4.8 million.

Capital Outturn

12. In 2017/2018, our final capital spend was £128.4 million, compared to £127.3 million in 2016/2017. This investment was funded from a variety of sources including grants from the Government totalling £68.9 million and borrowing of £25.6 million.
13. The capital spend of £128.4 million includes £15.8 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue savings, this includes redundancy costs, reviews and staff supporting transformation in all services and the new HR and Finance systems. Capitalising this expenditure was included in the revenue budget for 2017/18.

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

	£m
Health and Care	1.3
Families and Communities	45.2
Economy, Infrastructure and Skills	64.9
Finance and Resources	14.6
Traded Services	0.3
Transformational Spend	15.9
Grand Total	142.2

15. Our achievements during the year include the following:

- Construction of a new secondary school in Burton, plus construction of a new primary school, Henshurst Ridge in Burton;
- An extension to Hob Hill Primary school in Rugeley and construction of a new Maths faculty building at De Ferrers Academy;
- Works on the A50 in conjunction with Highways England have commenced and are nearing completion;
- The continued roll out of superfast broadband to rural and isolated communities;
- The partnership between the County Council, Newcastle Borough Council and the Office of the Police and Crime Commissioner has seen the completion of a new multi-agency hub in Newcastle city centre;
- Continued work on a number of large regeneration projects including further development at Keele and the Kingswood Lakes site in Cannock as well as the introduction of Tamworth Cultural Quarter;
- Relocation of County Council staff, including significant investment in IT infrastructure to allow for more agile and responsive ways of working.

Interpretation and comment on the main financial information

16. The total of assets less liabilities in 2016/2017 was £74.5 million, a considerable reduction from 2015/2016 as a result of a decrease in asset values. However in 2017/2018 the total of assets less liabilities has increased to £180.7 million, reflecting an increase in asset values this year. Additionally, there is a decrease of £31.9 million in the Council's share of liabilities associated with the pension fund. 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.

17. The Balance Sheet also includes a Prior Period Adjustment which was required by the external auditors. After the 2016/2017 accounts had been approved, the County Council was notified that Entrust had decided, in conjunction with their auditors, to impair the amount of goodwill held on their balance sheet which means that the County Council needs to recognise its 49% share of this adjustment. As the adjustment actually relates to a previous financial year, this has been shown as a prior period adjustment in the 2017/2018 accounts. It should be emphasised that this impairment is notional only and does not impact on the cash held by either organisation.
18. The Prior Period Adjustment also includes asset transactions which have been identified as relating to 2016/17. These are in two parts, the first is where schools have converted to academy status and their leases have been approved and signed during a particular financial year but the assets remained on the balance sheet. The second adjustment is for capital expenditure of an impairment nature which was reflected already in the Comprehensive Income and Expenditure Statement but was not shown against service lines, this has now been adjusted in both 2016/17 and 2017/18.

Reserves and balances

19. 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 £2.5 million which means that they have effectively remained static since 2016/17.
20. The amalgamated capital reserves (that is, money set aside for capital expenditure) have decreased by £11.9 million. This reflects the decisions we have made on funding our capital programme. These amalgamated reserves include capital receipts and unspent capital grants which we can use in future years.
21. Earmarked revenue reserves (excluding school reserves) have increased by £12.2 million as a result of decisions made to carry forward specific grants in order to fund expenditure in 2018/19.
22. After taking account of the outturn, the General Fund Balance total was £26.2 million as at 31 March 2018.
23. School reserves have decreased by £3.0 million to £26.1 million. School reserves can reduce as a result of academy conversions and for other reasons such as schools using their reserves for specific projects or to support their revenue budgets.

Pension fund

24. The Staffordshire Pension Fund performed strongly over the year and reached a market value of £4.8 billion as at 31 March 2018, the highest value reported at a financial year end. The Fund outperformed its strategic benchmark during the year, and over the longer term, returns in both the 3 and 5 year time periods are in excess of 8% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

Format of the Statement of Accounts

25. 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.
26. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 276065.
27. 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:

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List of Background Papers:

Accounts and Audit Regulations 2015
Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

30 July 2018

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

Dear Stephen

This letter of representations is provided in connection with your audit of the financial statements of Staffordshire County Council ("the Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Staffordshire County Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.



3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. More specifically, there was an error totaling £8,175m caused by the difference in estimate of Local Government Pension Fund asset value to the actual. Due to the impact affecting both side of the balance sheet only, and so not the cost of services, no adjustment was made. We are comfortable that the estimates used this year are adequate for the purpose.

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

We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

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



C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the County Council, Cabinet and Audit & Standards Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 July 2018.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or



disclosure in the financial statements or notes thereto.

F. Other information

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

G. Comparative information – prior period adjustments

We represent, to the best of our knowledge and belief, the financial statements have been adjusted to reflect the following:

- changes in the valuation of our long term investment in Entrust. The amounts involved are set out in Note 47 to the financial statements.
- to remove accumulated depreciation on assets revalued and disposed of in prior years.
- To correct the timing of disposals of assets that were accounted for in the wrong financial year.
- to remove non-enhancing expenditure accounted for incorrectly in surplus on revaluation of non-current assets and re-classify in net cost of services.
- to reclassify salary, fees and allowances to separately disclose performance related pay in the senior officers remuneration note.

The comparative amounts have been correctly restated to reflect the above matters in the primary statements and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

H. Retirement benefits

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

I. Use of the Work of a Specialist

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



J. Accounting Estimates

Valuation of Pension Asset/Liabilities and Property, Plant and Equipment

1. We believe that the measurement processes, including related assumptions and models, used to determine the above accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.
3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the council financial statements due to subsequent events.

Yours faithfully

Andrew Burns

Director of Finance and Resources

Councillor Martyn Tittley

Chair of the Audit and Standards Committee



Suresh Patel
Associate Partner
Ernst & Young
1 More London Riverside
London
SE1 2AF

Reference: PEN/1718

Date: 30th July 2018

Dear Sir

This letter of representations is provided in connection with your audit of the financial statements of Staffordshire Pension Fund (“the Fund”) for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2018 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of

the Fund in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of Pensions committees and Panel (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

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

E. Subsequent Events

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

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Staffordshire County Council Annual Report 2017/18.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

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

H. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

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

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

J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2018 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

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

L. Estimates

Level 3 Investment Valuation Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of International Financial Reporting Standards.
2. We confirm that the significant assumptions used in making the accounting estimate appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with International Financial Reporting Standards.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

M. Investment Managers' Control Reports ISAE 3402

1. The latest reports available for all fund managers cover the whole of the 2017/18 audit year, or we have obtained bridging letters to cover the period to 31 March 2018. We can confirm that we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours faithfully,

Director of Finance and Resources

Chair, Audit and Standards Committee