

# **Statement of Accounts**

for

## **2017/2018**

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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 2017/2018 was available for inspection from 18 June to 13 July 2018. The formal audit of our accounts began on 18 June 2018 and we received an unqualified opinion on the accounts on XX July 2018. This means that, in the auditors' opinion, our accounts presented a true and fair view of our financial position.

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

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

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

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

## **Narrative Statement by the Director of Finance and Resources**

This provides a brief background to the budget for 2017/2018, the final financial position and an assessment of our financial prospects in the future.

## **Statement of Accounting Policies**

This specifies the accounting practices we have used to prepare the accounts. We provide other notes to explain the information we have given. We have prepared the accounts and statements in line with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards (IFRS). If we have not been able to do this fully, we say so in the accompanying notes. The Code of Practice is updated each year and there have been no material changes for the 2017/2018 financial year.

# 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 2018 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](http://www.staffspf.org.uk)

## **Glossary**

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

# Narrative Statement by the Director of Finance and Resources

## Introduction

I am pleased to introduce our statement of accounts for 2017/2018.

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

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

- Be able to access more good jobs and 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 Medium Term Financial Strategy (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.

The County Council approved a revenue budget of £475.6 million on providing services during 2017/2018. This money came from government grants of £52.9 million, council tax of £315.8 million (after adjusting for any surplus or deficit) and £99.1 million of business rates. It also includes a contribution from our reserves of £7.8 million. The budget included £15.0 million of capital receipts to be used to fund revenue expenditure which is transformational and will generate ongoing revenue savings. Staffordshire has a good track record of generating savings and 2017/2018 was no exception with £47.3 million included in the budget.

In 2016/2017, the government first allowed local authorities to raise additional money from council tax for the costs of adult social care, this policy has been continued and in 2017/2018 the County Council again set a part of the council tax aside for adult social care. The government stated that the increase could be as much as 3% but the total increase cannot exceed 6% for the three years of 2017/2018 to 2019/2020. The County Council increased its council tax by 4.95% in 2017/2018; this increase consists of 3% for adult social care and 1.95% for the general precept. Most other local authorities approved similar increases and Staffordshire's council tax rate remains the third lowest of any English County Council.

The budget for 2017/2018 was approved in February 2017 and, in March, the Chancellor announced additional funding for adult social care in his Spring Budget. The allocations were made over a three-year period and Staffordshire received £15.6 million in 2017/2018 and in future years this reduces, with £10.1 million due in 2018/2019 and £5.0 million due in 2019/2020. This funding is part of the Improved Better Care Fund. The budget set in February was amended to include this additional funding and this gave the County Council a total budget of £503.8 million for 2017/2018.

# Narrative Statement by the Director of Finance and Resources

## Final Outturn

We spent £499.0 million on our day to day activities which was £4.8 million (or 0.9%) less than the revised budget of £503.8 million. The Contingency budget remained unspent at the end of the year and at £3.7 million, this represents a large part of the overall underspend.

At the First Quarter Budget Monitoring report, a forecast overspend of £8.6 million was shown and over the course of the year, services have made efforts to bring their spending in line with budgets and to make additional savings to offset increasing pressures in the children's social care area. The final outturn position is within our Financial Health target of 2% variation on revenue budgets and the figures are summarised in the table on page 10.

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.

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.

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.

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.

Overall the position on services is almost breakeven with a small underspend of £0.2 million which is testament to the efforts made to identify savings in order to mitigate the pressures on Children's Services.

The centrally controlled budgets therefore contributed the majority of the underspend with £3.7 million remaining unspent as the Contingency budget. Pooled Buildings and Insurances also contributed £0.9 million to the underspend as a result of delays in undertaking planned maintenance to fit in with service needs and in addition a budgeted saving relating to the rationalisation of property was delivered early.

# Narrative Statement by the Director of Finance and Resources

## Schools

Spending on schools is paid for through a Dedicated Schools Grant (DSG) from Central Government. We include this expenditure in the financial statements but do not include it for internal reporting purposes and therefore it is not included in the table on page 10. We received £342.8 million in DSG during 2017/2018 and added £8.3 million which was brought forward from 2016/2017, giving us a total of £351.1 million to spend in 2017/2018. From this total, £5.0 million remains unspent (see note 32 on page 64). After allowing for all spending from reserves including capital investment, overall school reserves have decreased by £3.0 million to £26.1 million at the end of the year.

## Capital Programme

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.

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 2017/2018.

The achievements we have made 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.

We use borrowing to fund our capital programme when other sources of finance are not sufficient and we monitor our borrowing to ensure it remains affordable. The County Council's Treasury Management Strategy sets out the limits around the borrowing and the indicators we will use to monitor it. Our capital financing requirement reflects the total amount that would need to be financed if the County Council was to cease operating. This requirement at the end of 2017/2018 is £638.1 million. To put this in context, the fair value of

# Narrative Statement by the Director of Finance and Resources

all our long term assets is £1,798.9 million therefore the capital financing requirement is 35.5% of this.

You can get more information on our overall 2017/2018 figures for revenue and capital in the report to Cabinet on 21 June 2018, 'Final Financial Outturn Report for 2017/2018'.

## The Financial Statements

There are four financial statements in the accounts; these are the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cashflow Statement. The Comprehensive Income and Expenditure Statement shows the amount that services have cost to provide and the amount of income received to fund them. A deficit on this statement means that the cost of services has not been covered by income and may need to be funded by taxpayers in future years. However, not all the charges in this statement are actual cash and these notional charges are required by statute, these are shown in detail in Note 4. This statement is showing a deficit on the provision of services of £25.2 million which is a decrease from the previous year's deficit of £142.1 million. The cost of services has reduced but most of this is due to asset-related notional costs which are shown in this statement.

In 2016/2017, services were charged a notional £72 million for asset impairments where asset values were reduced but in 2017/2018, values have increased and this has resulted in an increase in costs of £15.4 million, this is a movement of circa £56.6 million. A further notional asset-related entry in the accounts is the gain or loss we make when we sell an asset. In 2016/2017, this was a large loss of £131.5 million for schools converting to academy status but in 2017/2018 the loss is £22.4 million. Together these two movements account for the majority of the change in the deficit.

The Movement in Reserves Statement shows the final balances of the County Council's general fund and other earmarked reserves and this statement shows the money available to support services in future years. The general fund balance is £26.2 million and other earmarked reserves are £74.5 million, of which £26.1 million relates to schools and cannot be spent on other services. Overall, general balances have increased during 2017/2018, which is due to the underspend achieved by services. In total, useable reserves have increased by £2.5 million.

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 2018 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/s104595/County%20Council%20report%20v3.pdf>

The Balance Sheet also shows the amount held in reserves, both cashable and non-cashable, as well as the liabilities that will need to be paid in future years. 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.



# Narrative Statement by the Director of Finance and Resources

Other large movements in the balance sheet are reductions in short term debtors and the cash balances held by the County Council. These two movements show that we are collecting money due to us and that we are using more cash over time. The amount of cash held has reduced since last year but our cashflow is managed carefully and the Treasury Management Strategy includes the use of internal cash rather than taking out additional borrowing. In addition the creditor which represents the County Council's liability to reimburse employees for untaken leave has reduced, the timing of the Easter holiday in schools has a significant impact on this calculation and this is the reason for this reduction.

The Council's share of any liabilities associated with the pension fund has decreased slightly to £947.9 million, a reduction of £31.9 million. This liability relates solely to the Council and is not the liability of the whole Pension Fund. It should be noted that this liability is 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.

The Cashflow Statement shows how the County Council has managed its cash during the year and would highlight whether there was a problem with the amount of cash coming in or flowing out of the organisation. There has been a small decrease in the cash balance but not a significant change which shows that the County Council is stable and does not have any cashflow problems.

This year there is also a Prior Period Adjustment in Note 47 to the accounts. This occurs where balances relating to previous years need to be amended. 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.

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.

## **Pension Fund**

In 2017/2018 the market value of the Pension Fund increased from the previous year, even with a large fall in global equity markets in February 2018. The fall in equity markets was caused by concerns that strong US economic growth would increase inflation and lead to higher interest rates. Despite this, the Fund still achieved a return of 3.1% over the year and was valued at £4,777.8 million at 31 March 2018, the highest ever annually reported value.

More detail on the Fund's assets and liabilities can be seen in the Pension Fund Account and separate Net Assets Statement on pages 104 and 105.

# Narrative Statement by the Director of Finance and Resources

## Outlook

In 2017/18 we have managed to achieve a small underspend, largely as a result of services living within their means and not requiring the full contingency budget. The Adult Social Care service was able to live within its means because of the additional funding allocated to it by the Chancellor as his Spring Budget. Without this funding the service would probably have overspent and the risk of overspending increases in future years as the additional funding reduces.

Looking ahead, the government have announced changes to the funding we will receive in future years and our general grant will disappear altogether by 2020/2021. However, the government has promised to look at the way in which funding is allocated across the country and this means uncertainty for Staffordshire until we know more about the new funding formula. A further announcement is that there will be 75% retention of business rates from 2020/2021. Staffordshire submitted a bid to be a business rates pilot area in 2018/2019 and all the districts, boroughs, Fire and Rescue Authority and Stoke on Trent City Council were included in the bid, however it was not successful and this would have meant keeping a large amount of income in the area. It is likely that another bid will be submitted for 2019/2020 and we hope to be successful this time.

The budget for 2018/2019 identified an additional £11.3 million of savings, over and above those already planned. These savings increase to £29.8 million by 2022/2023. In addition to this we took the opportunity to increase council tax by the additional 3% permitted by the government in order to fund the rising costs of adult social care. The government also allowed local authorities to increase the general part of the council tax by up to 3%. This took the total council tax increase in 2018/2019 to 5.95%. Whilst we managed to balance the budget for 2018/2019, there are large gaps in future years and 2019/2020 starts with a gap of £35 million. As a result, Members have approved the MTFS process for 2019/2020 starting earlier and in fact it began in March 2018 and efforts are being made to close the gap.

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, health issues, unemployment and so on);
- rising public expectations; and
- reductions in government funding.

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 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.

# Narrative Statement by the Director of Finance and Resources

## Non Financial Performance

We use a variety of indicators to measure how we are performing against our priority outcomes. These indicators, together with a summary of our performance in 2017/2018, can be viewed here:

<http://moderngov.staffordshire.gov.uk/documents/s106318/Quarter%204%20201718%20Performance%20Report.pdf>

## Format of the Statement of Accounts

We have to produce the accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. In this report I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future. Please send any comments to:

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

E-mail: [rachel.spain@staffordshire.gov.uk](mailto:rachel.spain@staffordshire.gov.uk)

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

The full statement will also be available on our website ([www.staffordshire.gov.uk](http://www.staffordshire.gov.uk)).



**Andrew Burns FCPFA MBA**  
**Director of Finance and Resources**  
**Date: 30 July 2018**

# Narrative Statement by the Director of Finance and Resources

The table compares the budget with the final outturn (spending) for 2017/2018			
	Budget	Outturn	Over / (Under) spend
	£m	£m	£m
<b>Health and Care</b>			
Public Health and Prevention	(6.444)	(6.444)	0.000
Adult Social Care & Safeguarding	42.951	42.647	(0.304)
Care Commissioning	183.502	177.729	(5.773)
<b>Health and Care Total</b>	<b>220.009</b>	<b>213.932</b>	<b>(6.077)</b>
<b>Families and Communities</b>			
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
<b>Families and Communities Total</b>	<b>124.287</b>	<b>130.157</b>	<b>5.870</b>
<b>Economy, Infrastructure and Skills</b>			
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)
<b>Economy, Infrastructure and Skills Total</b>	<b>70.770</b>	<b>69.666</b>	<b>(1.104)</b>
<b>Finance and Resources</b>	<b>18.558</b>	<b>20.003</b>	<b>1.445</b>
<b>Strategy, Governance and Change</b>	<b>18.209</b>	<b>17.859</b>	<b>(0.350)</b>
<b>Trading Services</b>	<b>(0.692)</b>	<b>(0.681)</b>	<b>0.011</b>
<b>Total Portfolio Budgets</b>	<b>451.141</b>	<b>450.936</b>	<b>(0.205)</b>
<b>Centrally Controlled Items</b>			
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)
<b>Centrally Controlled Total</b>	<b>52.638</b>	<b>48.051</b>	<b>(4.587)</b>
<b>Net Revenue Budget / Expenditure</b>	<b>503.779</b>	<b>498.987</b>	<b>(4.792)</b>

# 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 2018 and its income and expenditure for the year ended 31 March 2018.



**Andrew Burns FCPFA MBA**  
**Director of Finance and Resources**  
**Date: 30 July 2018**

# Chairman's Certificate

I confirm that the 2017/2018 Statement of Accounts for Staffordshire County Council and Staffordshire Pension Fund were approved by the Audit and Standards Committee on 30 July 2018.

**Chairman of Audit and Standards Committee**  
**Date:**

# Statement of Accounting Policies

## 1 General

The Statement of Accounts shows the Authority's transactions for the 2017/2018 financial year and its position at the year end of 31 March 2018. In preparing the accounts we have followed the accounting practices set out in the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018' (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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 an orderly transaction between participants at the measurement date.

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

### Recognition

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

Assets are initially measured at cost made up of the purchase price and costs associated with bringing the asset to the location and condition necessary for it to be used as intended. Subsequent expenditure that maintains the asset and restores the level of service provision but does not enhance the asset (i.e. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

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



# Statement of Accounting Policies

## Measurement

We value non-current assets in the way recommended by the CIPFA Code of Practice, reflecting the adoption of IFRS 13 Fair Value Measurement. Fair value is the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset, or in the absence of the principal market, in the most advantageous market for the asset.

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

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

- We include property assets in the balance sheet at the amount that would be paid for them in their existing use.
- We include infrastructure assets and assets under construction in the balance sheet at the cost we originally paid.
- We include vehicles, plant, furniture and equipment on the balance sheet at depreciated historic cost.
- If we do not know the original cost of community assets, we include them in the balance sheet at a value of £1 each. If we know the original cost of community assets, these are held on the balance sheet at that cost
- We include surplus assets that we do not currently need, in the balance sheet at fair value, measured at the highest and best use price for the asset.

We have added any increase in the value of property, plant and equipment to the Revaluation Reserve, with the effective date of revaluation being 31 March 2018. We will 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.

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 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 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.

# Statement of Accounting Policies

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.

## **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 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.
- The expected lives of vehicles, plant, furniture and equipment range from five to 20 years.
- We work out charges for new assets from the financial year following the year that we buy them.
- We assume that an asset has no value at the end of its useful life.

We do not have to raise council tax to cover depreciation. However, under the Local Authorities (Capital Finance and Accounting) 2003 Regulations (amended in 2008), we have 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. Where we have used unsupported borrowing to pay for an asset, we will repay that borrowing over the life of that asset. We only start to repay the borrowing for assets which are completed. If depreciation is different from this amount, we 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.

## **4 Assets held for sale**

We include assets held for sale in the current assets part of the balance sheet. 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.

# Statement of Accounting Policies

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.

## 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 are shown in the notes to the accounts where the value is significant.

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

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. 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. If a debt may not be settled and its collection is doubtful, we make a charge to revenue and write down the balance of the debt. We do make

# Statement of Accounting Policies

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 pay and length of service. One scheme is for teachers and one is for other employees, as follows:

- **Teachers'**  
This is an unfunded scheme (that is, there is no fund set aside to pay future pensions) run by the Department for Education. The pension cost we charge to the accounts is the contribution rate set by the Department for Education.
- **Other employees**  
Other employees, depending on certain conditions, can join the Local Government Pension Scheme (LGPS), which we run. The pension costs we charge to our accounts for these employees are equal to the contributions we pay to the pension scheme for these employees, including the effect of any actuarial changes. See Note 41 for further detail.

### 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.

# Statement of Accounting Policies

## Lender option borrower option (LOBO)

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

## **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 Revenue expenditure funded from capital under statute**

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

## **14 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.

## **15 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.

## **16 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.

## **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. 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.

# Statement of Accounting Policies

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.

## **18 Private finance initiative (PFI)**

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

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

We have shown the payment to the contractor in three places in the Comprehensive Income and Expenditure Account, as a cost to the service, as part of interest payable and to depreciate the asset.

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 26 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 price that would be paid to transfer a liability) and report this in the notes to the accounts.

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 price that would be received on selling an asset), and record these in the notes to the accounts.



# Statement of Accounting Policies

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.

## 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 interests in three companies, Entrust (49% holding), Penda (50% holding) and Nexxus (100%).

Entrust is shown on the balance sheet at the cost of the investment plus our share of the company's net assets. Penda and Nexxus are not currently material in value and are shown at the cost of the investment.

## 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.

# 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.

2016/2017 Gross expenditure £m Restated	2016/2017 Gross income £m Restated	2016/2017 Net expenditure £m Restated		2017/2018 Gross expenditure £m	2017/2018 Gross income £m	2017/2018 Net expenditure £m
332.5	(128.1)	204.4	Health and Care	339.3	(125.0)	214.3
737.8	(535.9)	201.9	Families and Communities Economy, Infrastructure and	713.9	(548.4)	165.5
155.1	(74.3)	80.8	Skills	121.8	(52.2)	69.6
51.9	(18.9)	33.0	Finance and Resources Strategy, Governance and	62.4	(33.8)	28.6
23.2	(5.5)	17.7	Change	26.0	(8.6)	17.4
34.0	(17.4)	16.6	Centrally Controlled Costs	33.6	(17.7)	15.9
(21.7)	0.0	(21.7)	Non distributed costs	(11.2)	0.0	(11.2)
<b>1,312.8</b>	<b>(780.1)</b>	<b>532.7</b>	<b>Cost of services</b>	<b>1,285.8</b>	<b>(785.7)</b>	<b>500.1</b>
		131.8	Other operating expenditure (Note 6)			22.8
		58.0	Financing and investment (income)/expenditure (Note 7)			65.3
		(555.2)	Taxation and non-specific grant income (Note 8)			(563.0)
		<b>167.3</b>	<b>Deficit on provision of services</b>			<b>25.2</b>
		(15.4)	Deficit/(Surplus) on revaluation of non current assets			(75.9)
		17.9	Remeasurement of the net defined benefit liability/(asset) (Note 41)			(54.9)
		<b>2.5</b>	<b>Items that will not be reclassified to the deficit on the provision of services</b>			<b>(130.8)</b>
		22.1	Deficit/(Surplus) on revaluation of Available For Sale Financial Assets			(0.6)
		<b>22.1</b>	<b>Items that may be reclassified to the deficit on the provision of services</b>			<b>(0.6)</b>
		<b>24.6</b>	<b>Other comprehensive expenditure/(income)</b>			<b>(131.4)</b>
		<b>191.9</b>	<b>Total comprehensive expenditure/(income)</b>			<b>(106.2)</b>



# 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 £m Balance	Schools (Note 5) £m	Other Reserves Revenue (Note 5) £m	Amalgamated General Revenue Reserves £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Amalgamated Capital Reserves £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
<b>Balance at 1 April 2016</b>	<b>(11.9)</b>	<b>(42.3)</b>	<b>(39.0)</b>	<b>(81.3)</b>	<b>(18.9)</b>	<b>(30.4)</b>	<b>(49.3)</b>	<b>(142.5)</b>	<b>(123.9)</b>	<b>(266.4)</b>
<u>Movement in reserves during 2016/2017</u>										
Deficit on the provision of services	167.3	0.0	0.0	0.0	0.0	0.0	0.0	167.3	0.0	167.3
Other comprehensive (income)/ expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.6	24.6
<b>Total comprehensive income and expenditure</b>	<b>167.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>167.3</b>	<b>24.6</b>	<b>191.9</b>
Adjustments between accounting basis and funding basis under regulations (Note 4)	(160.4)	0.0	0.0	0.0	5.7	7.0	12.7	(147.7)	147.7	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>6.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.7</b>	<b>7.0</b>	<b>12.7</b>	<b>19.6</b>	<b>172.3</b>	<b>191.9</b>
Transfers (to)/from earmarked reserves	(16.0)	13.2	2.8	16.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in year</b>	<b>(9.1)</b>	<b>13.2</b>	<b>2.8</b>	<b>16.0</b>	<b>5.7</b>	<b>7.0</b>	<b>12.7</b>	<b>19.6</b>	<b>172.3</b>	<b>191.9</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>(21.0)</b>	<b>(29.1)</b>	<b>(36.2)</b>	<b>(65.3)</b>	<b>(13.2)</b>	<b>(23.4)</b>	<b>(36.6)</b>	<b>(122.9)</b>	<b>48.4</b>	<b>(74.5)</b>
<u>Movement in reserves during 2017/18</u>										
Deficit on the provision of services	25.2	0.0	0.0	0.0	0.0	0.0	0.0	25.2	0.0	25.2
Other comprehensive (income)/ expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(131.4)	(131.4)
<b>Total comprehensive income and expenditure</b>	<b>25.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>25.2</b>	<b>(131.4)</b>	<b>(106.2)</b>
Adjustments between accounting basis and funding basis under regulations (Note 4)	(39.6)	0.0	0.0	0.0	10.0	1.9	11.9	(27.7)	27.7	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(14.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>	<b>1.9</b>	<b>11.9</b>	<b>(2.5)</b>	<b>(103.7)</b>	<b>(106.2)</b>
Transfers (to)/from earmarked reserves	9.2	3.0	(12.2)	(9.2)	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in year</b>	<b>(5.2)</b>	<b>3.0</b>	<b>(12.2)</b>	<b>(9.2)</b>	<b>10.0</b>	<b>1.9</b>	<b>11.9</b>	<b>(2.5)</b>	<b>(103.7)</b>	<b>(106.2)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(26.2)</b>	<b>(26.1)</b>	<b>(48.4)</b>	<b>(74.5)</b>	<b>(3.2)</b>	<b>(21.5)</b>	<b>(24.7)</b>	<b>(125.4)</b>	<b>(55.3)</b>	<b>(180.7)</b>

# Balance Sheet

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

31 March 2016 Restated £m	31 March 2017 Restated £m		Notes	31 March 2018 £m
1,754.6	1,640.6	Property, plant and equipment	12	1,740.7
8.4	8.4	Heritage assets	13	8.4
22.5	19.7	Long term debtors	16	17.7
53.7	31.6	Long term investments	15	32.1
<b>1,839.2</b>	<b>1,700.3</b>	<b>Long term assets</b>		<b>1,798.9</b>
21.7	8.6	Assets held for sale	19	9.8
1.3	1.2	Inventories		1.0
112.7	103.1	Short term debtors	17	86.1
32.6	45.2	Cash and cash equivalents	18	22.8
<b>168.3</b>	<b>158.1</b>	<b>Current assets</b>		<b>119.7</b>
(0.4)	(0.3)	Short term borrowing		(0.2)
(92.6)	(103.5)	Short term creditors	20	(108.5)
(85.1)	(57.0)	Long term borrowing repayable within one year	15	(54.1)
(7.5)	(7.5)	PFI and finance leases deferred liability	15	(7.2)
(5.7)	(8.8)	Accumulated absences creditor	22	(7.7)
<b>(191.3)</b>	<b>(177.1)</b>	<b>Current liabilities</b>		<b>(177.7)</b>
(2.7)	(2.1)	Long term creditors		(1.6)
(10.6)	(9.3)	Long term provisions	21	(10.4)
(422.4)	(430.5)	Long term borrowing	15	(428.0)
(935.0)	(979.8)	Pension scheme liability	41	(947.9)
(88.4)	(86.6)	PFI and finance lease liability	15	(77.1)
(76.8)	(73.3)	PFI third party financing liability	37	(69.8)
(13.9)	(25.2)	Capital grants receipts in advance	33	(25.4)
<b>(1,549.8)</b>	<b>(1,606.8)</b>	<b>Long term liabilities</b>		<b>(1,560.2)</b>
<b>266.4</b>	<b>74.5</b>	<b>Net assets</b>		<b>180.7</b>
(142.5)	(122.9)	Usable reserves (Movement in Reserves Statement)		(125.4)
(123.9)	48.4	Unusable reserves	22	(55.3)
<b>(266.4)</b>	<b>(74.5)</b>	<b>Total reserves</b>		<b>(180.7)</b>

# 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.

<b>2016/2017</b>		<b>2017/2018</b>
<b>£m</b>		<b>£m</b>
<b>167.3</b>	Net deficit on the provision of services	<b>25.2</b>
(322.2)	Adjustments to net deficit on the provision of services for non cash movements	(119.6)
106.8	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	87.0
(48.1)	Net cash flows from Operating activities (Note 23)	(7.4)
11.4	Investing Activities (Note 24)	20.7
24.1	Financing Activities (Note 25)	9.1
(12.6)	Net (increase)/decrease in cash and cash equivalents	22.4
32.6	Cash and cash equivalents at the beginning of the reporting year (Note 18)	45.2
<b>45.2</b>	<b>Cash and cash equivalents at the end of the reporting year (Note 18)</b>	<b>22.8</b>

# Notes to the Accounts

## 1. Critical Judgements in Applying Accounting Policies

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

- 1) There is a high degree of uncertainty regarding future levels of funding for local government. The Council has undertaken a rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.
- 2) The Council has four PFI contracts to provide schools, children's homes, waste disposal and street lighting facilities. The accounting policies for PFI schemes have been applied to these arrangements and the assets are recognised as non-current assets in the Balance Sheet. These contracts have to be accounted for in this way as we have assessed that they meet the requirements of the applicable accounting standard IFRIC 12.
- 3) The 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.
- 4) The Council acts as the accountable body for the Stoke and Staffordshire Local Enterprise Partnership (SSLEP). We account for the transactions of the SSLEP and hold balances on its behalf. However, the Council does not make decisions about how the funds should be used and we have therefore decided that transactions and balances relating to the SSLEP should not be included in the Council's accounts.

# Notes to the Accounts

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

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

The items in the Council's Balance Sheet at 31 March 2018 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>If funding streams were reduced, in so far as it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. The Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.</p>
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 41.

# Notes to the Accounts

## 3. Events After the Balance Sheet Date

On 30 July 2018 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 30 July 2018. No events have occurred which require disclosure in the accounts.

19 schools have converted to academy status during this period. This does not have an impact on the Council's financial position as at 31st March 2018, therefore the financial statements and notes have not been adjusted in respect of this.

# Notes to the Accounts

## 4. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2017/18	Usable Reserves			Movement in unusable reserves
	General Fund Balance	Capital grants unapplied	Capital receipts reserve	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	£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	(47.8)	0.0	0.0	47.8
Capital grants and contributions applied	50.3	0.0	0.0	(50.3)
Revenue expenditure funded from capital under statute	(15.8)	0.0	15.8	0.0
Amounts of non current assets written off on disposal or sale/part of the gain/loss on disposal to the Income and Expenditure Statement	(35.8)	0.0	0.0	35.8
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	28.4	0.0	0.0	(28.4)
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	27.3	(27.3)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	29.2	0.0	(29.2)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Income and Expenditure Statement	13.3	0.0	(13.3)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	7.5	(7.5)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal	(13.6)	0.0	0.0	13.6
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 22)	0.4	0.0	0.0	(0.4)
Employers pension contributions and direct payments to pensioners payable in the year	(47.4)	0.0	0.0	47.4
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(0.1)	0.0	0.0	0.1
<b>Adjustments involving the Accumulated Absences Account:</b>				
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	1.2	0.0	0.0	(1.2)
<b>Total adjustments</b>	<b>(39.6)</b>	<b>1.9</b>	<b>10.0</b>	<b>27.7</b>

# Notes to the Accounts

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

	Usable Reserves			Movement in unusable reserves
	General Fund Balance	Capital grants unapplied	Capital receipts reserve	
<b>2016/2017</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(102.3)	0.0	0.0	102.3
Capital grants and contributions applied	57.2	0.0	0.0	(57.2)
Revenue expenditure funded from capital under statute	(16.4)	0.0	16.4	0.0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(153.5)	0.0	0.0	153.5
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	26.7	0.0	0.0	(26.7)
Capital expenditure charged against the General fund balance	0.4	0.0	0.0	(0.4)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	20.3	(20.3)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	27.3	0.0	(27.3)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	22.1	0.0	(22.1)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	11.4	(11.4)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 22)	1.0	0.0	0.0	(1.0)
Employers pension contributions and direct payments to pensioners payable in the year	(19.1)	0.0	0.0	19.1
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	6.4	0.0	0.0	(6.4)
<b>Adjustments involving the Accumulated Absences Account:</b>				
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	(3.2)	0.0	0.0	3.2
<b>Total adjustments</b>	<b>(160.4)</b>	<b>7.0</b>	<b>5.7</b>	<b>147.7</b>



# Notes to the Accounts

## 5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/2018.

	Balance at 1 April 2016	Transfers out 2016/2017	Transfers in 2016/2017	Balance at 31 March 2017	Transfers out 2017/2018	Transfers in 2017/2018	Balance at 31 March 2018
	£m	£m	£m	£m	£m	£m	£m
<b>General Fund:</b>							
Information technology	(5.2)	5.0	(3.2)	(3.4)	2.5	(3.0)	(3.9)
PFI equalisation	(4.0)	3.0	(0.1)	(1.1)	0.3	0.0	(0.8)
Other Service Reserves	(0.3)	0.0	0.0	(0.3)	0.1	(0.1)	(0.3)
Trading services appropriation reserve	(6.6)	7.7	(4.7)	(3.6)	2.9	(3.3)	(4.0)
Renewing vehicles and plant reserve	(0.2)	0.0	0.0	(0.2)	0.2	0.0	0.0
Insurance self funding schools absence	(0.4)	0.1	0.0	(0.3)	0.3	0.0	(0.0)
Other insurance reserves	(1.8)	0.1	(0.5)	(2.2)	0.7	(0.1)	(1.6)
Business Rates Pool	(0.6)	0.0	(1.3)	(1.9)	0.0	(1.6)	(3.5)
Revenue carried forward	(19.9)	45.5	(48.8)	(23.2)	27.3	(38.4)	(34.3)
<b>Total earmarked reserves</b>	<b>(39.0)</b>	<b>61.4</b>	<b>(58.6)</b>	<b>(36.2)</b>	<b>34.3</b>	<b>(46.5)</b>	<b>(48.4)</b>

# Notes to the Accounts

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

### School Reserves

Under the Education Reform Act 1988, if we have given a budget to a school and they have not spent it, they can still use that money, even though, technically it is held in our reserves. In other words, these unspent balances represent a special form of reserve which is not available for us to use. The schools revenue balances we hold in this way currently total £26.1 million. Schools also hold balances of £7.3 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.

	<b>Balance</b>	<b>(Increase)/</b>	<b>Balance</b>	<b>(Increase)/</b>	<b>Balance</b>
	<b>31 March</b>	<b>reduction</b>	<b>31 March</b>	<b>reduction</b>	<b>31 March</b>
	<b>2016</b>		<b>2017</b>		<b>2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<u>Delegated revenue budgets</u>					
Primary schools	(24.6)	7.0	(17.6)	1.3	(16.3)
Secondary schools	(9.1)	4.8	(4.3)	2.9	(1.4)
Special	(2.7)	0.7	(2.0)	0.1	(1.9)
Pupil Referral Unit	(0.7)	0.0	(0.7)	0.5	(0.2)
	<b>(37.1)</b>	<b>12.5</b>	<b>(24.6)</b>	<b>4.8</b>	<b>(19.8)</b>
Outstanding loans	1.3	(0.8)	0.5	0.0	0.5
Net school reserves as 31st March	(35.8)	11.7	(24.1)	4.8	(19.3)
Earmarked reserves	(6.5)	1.5	(5.0)	(1.8)	(6.8)
<b>Total</b>	<b>(42.3)</b>	<b>13.2</b>	<b>(29.1)</b>	<b>3.0</b>	<b>(26.1)</b>

# Notes to the Accounts

## 6. Other Operating Expenditure

2016/2017 £m	2017/2018 £m
0.3 Levies	0.3
0.0 Impairment on assets held for sale	0.1
131.5 Losses on the disposal of non current assets*	22.4
<b>131.8 Total</b>	<b>22.8</b>

\*the losses on disposal are due to the reclassification of school assets for newly created academies. These are accounted for as leased assets and they amount to £18.1 million (£111.1 million in 2016/2017).

## 7. Financing and Investment Income and Expenditure

2016/2017 £m	2017/2018 £m
33.5 Interest payable and similar charges	47.4
Pensions interest cost and expected returns on 32.3 pension assets	25.1
(6.3) Interest receivable and similar income	(6.2)
(1.5) Trading Services Surplus (Note 26)	(1.0)
<b>58.0 Total</b>	<b>65.3</b>

## 8. Taxation and Non-Specific Grant Income

2016/2017 £m	2017/2018 £m
(300.6) Council tax income	(315.5)
(98.4) NNDR	(101.1)
(78.8) Non-ringfenced government grants	(68.9)
(77.4) Capital grants and contributions	(77.5)
<b>(555.2) Total</b>	<b>(563.0)</b>

# Notes to the Accounts

## 9. Expenditure and Funding Analysis

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

2016/2017 Net Expenditure Chargeable to the General Fund	2016/2017 Adjustments between the Funding and Accounting Basis (Note 10)	2016/2017 Net Expenditure in the Comprehen- sive Income and Expenditure Statement		2017/2018 Net Expenditure Chargeable to the General Fund	2017/2018 Adjustments between the Funding and Accounting Basis (Note 10)	2017/2018 Net Expenditure in the Comprehen- sive Income and Expenditure Statement
Restated £m	Restated £m	Restated £m		£m	£m	£m
216.6	(12.2)	204.4	Health and Care	248.6	(34.3)	214.3
204.9	(3.0)	201.9	Families and Communities Economy, Infrastructure and Skills	150.5	15.0	165.5
90.3	(9.5)	80.8	Finance and Resources	87.2	(17.6)	69.6
25.4	7.6	33.0	Strategy, Governance and Change	29.3	(0.7)	28.6
20.4	(2.7)	17.7	Centrally Controlled Costs	18.1	(0.7)	17.4
(44.0)	60.6	16.6	Non distributed costs	(17.9)	33.8	15.9
0.0	(21.7)	(21.7)		0.0	(11.2)	(11.2)
<b>513.6</b>	<b>19.1</b>	<b>532.7</b>	<b>Cost of services</b>	<b>515.8</b>	<b>(15.7)</b>	<b>500.1</b>
0.4	131.4	131.8	Other operating expenditure (Note 6)	1.9	20.9	22.8
25.7	32.3	58.0	Financing and investment (income)/expenditure (Note 7)	40.2	25.1	65.3
(548.8)	(6.4)	(555.2)	Taxation and non-specific grant income (Note 8)	(563.0)	0.0	(563.0)
<b>(9.1)</b>	<b>176.4</b>	<b>167.3</b>	<b>Deficit on provision of services</b>	<b>(5.2)</b>	<b>30.3</b>	<b>25.2</b>
(11.9)			<b>Opening General Fund Balance</b>	(21.0)		
(9.1)			Surplus/Deficit on General Fund Balance in Year	(5.2)		
<b>(21.0)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(26.2)</b>		

# Notes to the Accounts

## 10. Note to the Expenditure and Funding Analysis

### Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (a) £m	Net change for the Pensions Adjustments (b) £m	Other Differences (c) £m	Total Adjustments £m
Health and Care	(27.8)	0.5	(7.0)	(34.3)
Families and Communities	2.7	6.2	6.1	15.0
Economy, Infrastructure and Skills	(11.4)	0.3	(6.5)	(17.6)
Finance and Resources	1.0	0.6	(2.3)	(0.7)
Strategy, Governance and Change	(1.0)	0.5	(0.2)	(0.7)
Centrally Controlled Costs	(4.2)	25.2	12.8	33.8
Non distributed costs	0.0	(11.2)	0.0	(11.2)
<b>Net Cost of Services</b>	<b>(40.7)</b>	<b>22.1</b>	<b>2.9</b>	<b>(15.7)</b>
Other income and expenditure for the Expenditure and Funding Analysis	20.9	25.1	0.0	46.0
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services</b>	<b>(19.8)</b>	<b>47.2</b>	<b>2.9</b>	<b>30.3</b>

### Adjustments between Funding and Accounting Basis 2016/17 Comparative Figures

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (a) £m	Net change for the Pensions Adjustments (b) £m	Other Differences (c) £m	Total Adjustments £m
Health and Care	(20.9)	2.3	6.4	(12.2)
Families and Communities	(24.1)	11.6	9.5	(3.0)
Economy, Infrastructure and Skills	(9.1)	0.7	(1.1)	(9.5)
Finance and Resources	9.9	1.4	(3.7)	7.6
Strategy, Governance and Change	(0.9)	0.1	(1.9)	(2.7)
Centrally Controlled Costs	59.4	(7.7)	8.9	60.6
Non distributed costs	0.0	(21.7)	0.0	(21.7)
<b>Net Cost of Services</b>	<b>14.3</b>	<b>(13.3)</b>	<b>18.1</b>	<b>19.1</b>
Other income and expenditure for the Expenditure and Funding Analysis	131.4	32.3	(6.4)	157.3
<b>Difference between General Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus/Deficit on the Provision of Services</b>	<b>145.7</b>	<b>19.0</b>	<b>11.7</b>	<b>176.4</b>

#### (a) Adjustments for Capital Purposes

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

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

#### (b) Net Change for the Pensions Adjustments

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

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

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

#### (c) Other Differences

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

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

# Notes to the Accounts

## 11. Expenditure and Income Analysed by Nature

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

2016/2017 Restated £m		2017/2018 £m
	<b>Expenditure</b>	
466.8	Employee benefits expenses	457.6
780.9	Other service expenses	809.1
102.1	Depreciation, amortisation and impairment	47.8
33.5	Interest payments	47.4
0.3	Precepts and levies	0.3
131.5	Loss on disposal of assets	22.4
<b>1,515.1</b>	<b>Total expenditure</b>	<b>1,384.6</b>
	<b>Income</b>	
(251.7)	Fees, charges and other service income	(270.8)
(6.3)	Interest and investment income	(6.2)
(399.0)	Income from council tax and non-domestic rates	(417.3)
(690.8)	Government grants and contributions	(665.1)
<b>(1,347.8)</b>	<b>Total income</b>	<b>(1,359.4)</b>
<b>167.3</b>	<b>Deficit on the Provision of Services</b>	<b>25.2</b>

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

# Notes to the Accounts

## 12. Property, Plant and Equipment

### Movements on Balances in 2017/2018

	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
<b>Cost or Valuation</b>								
At 1 April 2017	689.6	302.5	912.4	0.0	8.0	18.5	<b>1,931.0</b>	261.7
Additions	16.6	3.1	62.7	0.0	2.0	29.2	<b>113.6</b>	1.0
Revaluation increases recognised in the Revaluation Reserve	68.6	5.6	0.0	0.0	(0.1)	0.0	<b>74.1</b>	7.4
Revaluation increases/ (decreases) recognised in the Deficit on the Provision of Services	2.3	0.0	0.0	0.0	(1.5)	0.1	<b>0.9</b>	0.0
Derecognition - Disposals	(39.5)	(1.0)	0.0	0.0	0.0	0.0	<b>(40.5)</b>	0.0
Assets Reclassified (to) / from Held for Sale	(6.3)	0.0	0.0	0.0	1.0	0.0	<b>(5.3)</b>	0.0
Reversal of non-enhancing expenditure initially capitalised as capital spend	(10.6)	(1.0)	(6.7)	0.0	(0.2)	0.0	<b>(18.5)</b>	0.0
Other movements in cost or valuation	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2018</b>	<b>720.7</b>	<b>309.2</b>	<b>968.4</b>	<b>0.0</b>	<b>9.2</b>	<b>47.8</b>	<b>2,055.3</b>	<b>270.1</b>

# Notes to the Accounts

## 12. 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 2017	(15.4)	(118.9)	(156.1)	0.0	0.0	0.0	<b>(290.4)</b>	(33.3)
Depreciation Charge	(10.0)	(10.6)	(17.8)	0.0	0.0	0.0	<b>(38.4)</b>	(7.3)
Depreciation written out to the Revaluation Reserve	5.9	0.2	0.0	0.0	0.0	0.0	<b>6.1</b>	0.3
Depreciation written out to the Deficit on the Provision of Services	2.2	0.0	0.0	0.0	0.0	0.0	<b>2.2</b>	0.0
Derecognition - Disposals	1.9	1.0	0.0	0.0	0.0	0.0	<b>2.9</b>	0.0
Derecognition - Other	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other movements in Depreciation and Impairment	0.0	3.0	0.0	0.0	0.0	0.0	<b>3.0</b>	3.0
<b>At 31 March 2018</b>	<b>(15.4)</b>	<b>(125.3)</b>	<b>(173.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(314.6)</b>	<b>(37.3)</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>705.3</b>	<b>183.9</b>	<b>794.5</b>	<b>0.0</b>	<b>9.2</b>	<b>47.8</b>	<b>1,740.7</b>	<b>232.8</b>
<b>At 31 March 2017</b>	<b>674.2</b>	<b>183.6</b>	<b>756.3</b>	<b>0.0</b>	<b>8.0</b>	<b>18.5</b>	<b>1,640.6</b>	<b>228.4</b>



# Notes to the Accounts

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

### Comparative Movements in 2016/2017

	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
<b>Cost or Valuation</b>								
At 1 April 2016	852.3	303.4	851.5	0.0	6.8	4.5	<b>2,018.5</b>	271.4
Additions	23.9	2.4	62.5	7.0	0.7	14.2	<b>110.7</b>	1.0
Revaluation increases recognised in the Revaluation Reserve	0.6	2.4	0.0	0.0	0.0	0.0	<b>3.0</b>	2.3
Revaluation increases/ (decreases) recognised in the Deficit on the Provision of Services	(27.4)	0.0	0.0	0.0	0.0	0.0	<b>(27.4)</b>	0.0
Derecognition - Disposals	(143.7)	(5.6)	0.0	0.0	0.0	0.0	<b>(149.3)</b>	(13.0)
Assets Reclassified (to)/ from Held for Sale	(3.0)	0.0	0.0	0.0	1.0	0.0	<b>(2.0)</b>	0.0
Reversal of non-enhancing expenditure initially capitalised as capital spend	(13.1)	(0.1)	(1.6)	(7.0)	(0.5)	(0.2)	<b>(22.5)</b>	0.0
Other movements in cost or valuation	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2016</b>	<b>689.6</b>	<b>302.5</b>	<b>912.4</b>	<b>0.0</b>	<b>8.0</b>	<b>18.5</b>	<b>1,931.0</b>	<b>261.7</b>

# Notes to the Accounts

## 12. 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 2016	(8.7)	(115.7)	(139.5)	0.0	0.0	0.0	<b>(263.9)</b>	(33.1)
Depreciation Charge	(12.6)	(11.3)	(16.6)	0.0	0.0	0.0	<b>(40.5)</b>	(7.5)
Depreciation written out to the Revaluation Reserve	10.0	3.6	0.0	0.0	0.0	0.0	<b>13.6</b>	6.1
Depreciation written out to the Deficit on the Provision of Services	(10.5)	0.0	0.0	0.0	0.0	0.0	<b>(10.5)</b>	0.0
Derecognition - Disposals	6.4	4.5	0.0	0.0	0.0	0.0	<b>10.9</b>	1.2
Derecognition - Other	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
Other movements in Depreciation and Impairment	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0
<b>At 31 March 2017</b>	<b>(15.4)</b>	<b>(118.9)</b>	<b>(156.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(290.4)</b>	<b>(33.3)</b>
<b>Net Book Value</b>								
<b>At 31 March 2017</b>	<b>674.2</b>	<b>183.6</b>	<b>756.3</b>	<b>0.0</b>	<b>8.0</b>	<b>18.5</b>	<b>1,640.6</b>	<b>228.4</b>
<b>At 31 March 2016</b>	<b>843.6</b>	<b>187.7</b>	<b>712.0</b>	<b>0.0</b>	<b>6.8</b>	<b>4.5</b>	<b>1,754.6</b>	<b>238.3</b>

# Notes to the Accounts

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

### Valuations

In accordance with IAS16, the Council revalues Property, Land and Buildings on a rolling five year programme on a fair value basis as set out in Accounting Policy Note 2. It is considered that there is no material difference in a fair value basis compared to a valuation based on carrying value. All valuations were carried out externally by Cecilia Reed MRICS, District Valuer Services. Valuations of land and buildings were carried out with an effective date of 31st March 2018 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Summary values are shown in the following table:

	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
Carried at historical cost 2017/2018		309.2	968.4	0.0		47.8	1,325.4
Carried at valuation as at:							
31 March 2018		720.7			9.2		729.9
31 March 2017		689.6			8.0		697.6

## 13. Heritage Assets

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

	Archives £m	Museums £m	County Buildings & Judges House £m	Total Assets £m
<b>Cost or Valuation</b>				
1 April 2016	5.6	2.5	0.3	8.4
<b>At 31 March 2017</b>	<b>5.6</b>	<b>2.5</b>	<b>0.3</b>	<b>8.4</b>
<b>Cost or Valuation</b>				
1 April 2017	5.6	2.5	0.3	8.4
<b>At 31 March 2018</b>	<b>5.6</b>	<b>2.5</b>	<b>0.3</b>	<b>8.4</b>

# Notes to the Accounts

## 13. Heritage Assets (Cont'd)

### Archives

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

The archived collections include a number of significant documents such as The Sutherland Papers valued at £1.3 million and a printed book collection valued at £1 million.

### Museums

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

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

### County Buildings and Judges House

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

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

## 14. Interests in Companies

The Council has a 49% share of the company Entrust which provides education support services to schools. This share was purchased in 2012/2013 for £30.2m 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 2016	At 31 March 2017 restate d	At 31 March 2018
	£m	£m	£m
Opening Balance	23.7	23.2	1.1
Revaluation	(0.5)	(22.1)	0.6
Closing Balance	<u>23.2</u>	<u>1.1</u>	<u>1.7</u>

See Note 47 for further information

# Notes to the Accounts

## 15. Financial Instruments

### Categories of Financial Instruments

Under accounting standards, we need to break down 'financial instruments' (relating to our investment, lending and borrowing activities) shown on the Balance Sheet into various categories. A financial instrument is a contract that gives rise to a financial asset in one entity and financial liability in another entity and this breakdown is shown below.

	Long - Term			Current		
	31 March 2016 £m	31 March 2017 £m	31 March 2018 £m	31 March 2016 £m	31 March 2017 £m	31 March 2018 £m
Investments	30.4	30.5	30.4	0.0	0.0	0.0
Call accounts and short term deposits	0.0	0.0	0.0	6.5	9.0	4.0
Bank Overdraft	0.0	0.0	0.0	(8.9)	(13.8)	(23.9)
Loans and receivables	30.4	30.5	30.4	(2.4)	(4.8)	(19.9)
Available for sale investments	23.3	1.1	1.7	35.0	50.0	42.7
<b>Total investments</b>	<b>53.7</b>	<b>31.6</b>	<b>32.1</b>	<b>32.6</b>	<b>45.2</b>	<b>22.8</b>
Trade debtors	0.0	0.0	0.0	93.8	86.5	72.7
<b>Total debtors</b>	0.0	0.0	0.0	93.8	86.5	72.7
Loans at amortised cost	(422.4)	(430.5)	(428.0)	(85.1)	(57.0)	(54.1)
<b>Total borrowings</b>	<b>(422.4)</b>	<b>(430.5)</b>	<b>(428.0)</b>	<b>(85.1)</b>	<b>(57.0)</b>	<b>(54.1)</b>
PFI and finance lease liabilities	(88.4)	(86.6)	(77.1)	(7.5)	(7.5)	(7.2)
<b>Total other long term liabilities</b>	<b>(88.4)</b>	<b>(86.6)</b>	<b>(77.1)</b>	<b>(7.5)</b>	<b>(7.5)</b>	<b>(7.2)</b>
Trade and other creditors	0.0	0.0	0.0	(79.3)	(89.0)	(96.4)
<b>Total creditors</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(79.3)</b>	<b>(89.0)</b>	<b>(96.4)</b>

Investments and Borrowing 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

## 15. Financial Instruments (Cont'd)

### Income, Expense, Gains and Losses

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

	2016/2017			2017/2018		
	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	(33.5)	0.0	<b>(33.5)</b>	(47.4)	0.0	<b>(47.4)</b>
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(33.5)</b>	<b>0.0</b>	<b>(33.5)</b>	<b>(47.4)</b>	<b>0.0</b>	<b>(47.4)</b>
Interest income / Increase in fair value	0.0	6.3	<b>6.3</b>	0.0	6.2	<b>6.2</b>
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0.0</b>	<b>6.3</b>	<b>6.3</b>	<b>0.0</b>	<b>6.2</b>	<b>6.2</b>
<b>Net (loss) /gain for the year</b>	<b>(33.5)</b>	<b>6.3</b>	<b>(27.2)</b>	<b>(47.4)</b>	<b>6.2</b>	<b>(41.2)</b>

# Notes to the Accounts

## 15. Financial Instruments (Cont'd)

### Fair Value of Assets and Liabilities

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

However, in these notes we must also show financial instruments at 'fair value'. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- No early repayment or impairment of loans is recognised for any financial instrument.
- The rate used is the rate applicable on the date of valuation for a similar instrument with the same duration.
- The fair value of short-term instruments is assumed to approximate to the carrying value.

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

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

The fair values calculated are as follows:

		31 March 2016	31 March 2016	31 March 2017	31 March 2017	31 March 2018	31 March 2018
	Fair Value Level	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m
PWLB - maturity	2	404.4	564.0	404.4	639.5	430.0	640.6
PWLB - equal instalments of principal	2	0.3	0.3	0.3	0.3	0.2	0.2
Lender option borrower option	2	82.8	128.6	82.8	148.2	51.9	92.0
Temporary Loans	2	20.0	20.0	0.0	0.0	0.0	0.0
<b>Total borrowings</b>		<b>507.5</b>	<b>712.9</b>	<b>487.5</b>	<b>788.0</b>	<b>482.1</b>	<b>732.8</b>

The fair value of the liabilities held at amortised cost is higher than the carrying amount as at 31 March 2016. This is because we have a number of fixed rate loans where at the balance sheet date, the interest rates are higher than the current rates available from the market for similar loans.

In January 2018, the Council repaid £30.5 million of its Eurohypo LOBO loans ( held by Commerzbank) and replaced them with £30.5 million PWLB loans - see note 44

# Notes to the Accounts

## 15. Financial Instruments (Cont'd)

### Fair Value of Assets and Liabilities (Cont'd)

		31 March 2016	31 March 2016	31 March 2017	31 March 2017	31 March 2018	31 March 2018
	Fair Value Level	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
		£m	£m	£m	£m	£m	£m
Deposits with banks and building societies	2	1.0	1.0	9.0	9.0	4.0	4.0
Local authority deposits	2	30.4	37.9	30.5	37.4	30.4	37.5
<b>Loans and receivables</b>		<b>31.4</b>	<b>38.9</b>	<b>39.5</b>	<b>46.4</b>	<b>34.4</b>	<b>41.5</b>
Money market funds	1	35.0	35.0	50.0	50.0	42.7	42.7
Equity Investments	3	23.3	23.3	1.1	1.1	1.7	1.7
<b>Available for Sale investments</b>		<b>58.3</b>	<b>58.3</b>	<b>51.1</b>	<b>51.1</b>	<b>44.4</b>	<b>44.4</b>
<b>Financial Assets</b>		<b>89.7</b>	<b>97.2</b>	<b>90.6</b>	<b>97.5</b>	<b>78.8</b>	<b>85.9</b>

The fair value and carrying amount for money market fund and bank and building society deposits are broadly the same at 31 March 2017 as interest rates being received are similar to market rates. The fair value of the local authority deposits is higher at 31 March 2017 as the interest rate on similar investments is now lower than when the investments were originally made.

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



# Notes to the Accounts

## 16. Long Term Debtors

31 March 2016 £m	31 March 2017 £m		31 March 2018 £m
0.7	0.6	Deferred consideration (PFI)	0.5
21.8	19.1	Other long term debtors	17.2
<hr/>	<hr/>		<hr/>
<b>22.5</b>	<b>19.7</b>	<b>Total</b>	<b>17.7</b>

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

The other long term debtors shown above include amounts that relate to the Police Authority (£0.5m) and Stoke on Trent City Council (£15.3m). These debts arose when these two organisations were part of the County Council. Both organisations make payments to us to service the debts.

There is also a debt relating to the Black Country Reinvestment Society of £1.1m which arose when we gave the Society money for it to lend out to small businesses in Staffordshire. As these businesses grow they repay the loan and the Society repays us.

# Notes to the Accounts

## 17. Short Term Debtors

31 March 2016	31 March 2017		31 March 2018
£m	£m		£m
99.7	97.4	Trade debtors	85.1
9.5	5.2	Prepayments	3.5
8.9	8.8	VAT (due to us)	7.6
(5.4)	(8.3)	Allowance for doubtful debts (debts we think may not be paid)	(10.1)
<b>112.7</b>	<b>103.1</b>	<b>Total</b>	<b>86.1</b>

## 18. Cash and Cash Equivalents

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

31 March 2016	31 March 2017		31 March 2018
£m	£m		£m
(3.4)	(13.8)	Bank overdraft	(23.9)
1.0	9.0	Call accounts and short-term deposits *	4.0
35.0	50.0	Money Market Funds *	42.7
<b>32.6</b>	<b>45.2</b>	<b>Total cash and cash equivalents</b>	<b>22.8</b>

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

# Notes to the Accounts

## 19. Assets Held for Sale

31 March 2016	31 March 2017		31 March 2018
£m	£m		£m
20.6	21.7	<b>Balance outstanding at start of</b>	8.6
		Assets newly classified as held for sale	5.4
(0.8)	0.0	Assets reclassified as surplus	0.0
(0.2)	0.0	Assets reclassified as operational	0.0
(6.3)	0.0	Impairments	0.0
<u>(12.2)</u>	<u>(15.1)</u>	Assets sold	<u>(4.2)</u>
<b>21.7</b>	<b>8.6</b>	<b>Balance outstanding at year-end</b>	<b>9.8</b>

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

## 20. Short-Term Creditors

31 March 2016	31 March 2017		31 March 2018
£m	£m		£m
(77.0)	(88.8)	Trade and other creditors	(95.6)
(7.2)	(7.0)	Tax and money owed to HM Revenues and Customs	(6.6)
(8.4)	(7.7)	Money received in advance	(6.3)
<u>(92.6)</u>	<u>(103.5)</u>	<b>Total</b>	<u>(108.5)</u>

# Notes to the Accounts

## 21. Provisions

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

### Long term provisions

	<b>Business Rates Appeals</b>	<b>Insurance</b>		<b>Long Term Provisions Total</b>
		<b>Before LGR</b>	<b>After LGR</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Balance at 1 April 2017</b>	(2.8)	(0.2)	(6.3)	<b>(9.3)</b>
Amounts used in 2017/2018	0.6	0.0	3.6	<b>4.2</b>
Amounts contributed to provision	(0.9)	(0.9)	(3.5)	<b>(5.3)</b>
<b>Balance at 31 March 2018</b>	<b>(3.1)</b>	<b>(1.1)</b>	<b>(6.2)</b>	<b>(10.4)</b>

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

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

# Notes to the Accounts

## 22. Unusable Reserves

31 March 2016	31 March 2017		31 March 2018
£m	£m		£m
(180.9)	(128.1)	Revaluation reserve	(194.8)
(907.9)	(843.2)	Capital adjustment account	(884.3)
4.5	4.4	Financial instruments adjustment account	18.0
946.8	982.8	Pensions reserve	974.8
6.9	29.1	Available for Sale reserve	28.5
1.0	(5.4)	Collection fund adjustment account	(5.2)
5.7	8.8	Accumulated absences account	7.7
<b>(123.9)</b>	<b>48.4</b>	<b>Total Unusable Reserves</b>	<b>(55.3)</b>

### 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.

2016/2017			2017/2018	
£m	£m		£m	£m
	(180.9)	<b>Balance at 1 April</b>		(128.1)
(32.1)		Upward revaluation of assets	(92.2)	
		Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	<u>13.1</u>	
<u>19.6</u>				
	(12.5)	Surplus on revaluation of non-current assets not posted to the deficit on the provision of services		(79.1)
4.6		Difference between fair value depreciation and historical cost depreciation	1.5	
<u>60.7</u>		Accumulated gains on assets sold or scrapped	<u>10.9</u>	
	65.3	Amounts written off to the Capital adjustment account		12.4
	<b>(128.1)</b>	<b>Balance at 31 March</b>		<b>(194.8)</b>

# Notes to the Accounts

## 22. Unusable reserves (Cont'd)

### Capital Adjustment Account

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

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

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

2016/2017 £m		2017/2018 £m
<u>(907.9)</u>	<b>Balance at 1 April</b>	<u>(843.2)</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	
102.3		47.8
	Revenue expenditure funded from capital under statute (REFCUS)	
16.4		15.8
	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	
153.5		35.8
	Adjusting amounts written out of the Revaluation Reserve	
(65.3)		(12.4)
<u>206.9</u>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<u><b>87.0</b></u>
	Capital financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure (including REFCUS)	
(27.8)		(23.3)
	Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	
(57.2)		(50.3)
	Application of grants to capital financing from the Capital Grants Unapplied Account	
(27.3)		(29.2)
	Statutory provision for the financing of capital investment charged against the General Fund balance	
(26.7)		(28.4)
	Capital expenditure charged against the revenue fund (including Balance Sheet transactions)	
(3.2)		3.1
<u>(142.2)</u>		<u>(128.1)</u>
<u>(843.2)</u>	<b>Balance at 31 March</b>	<u><b>(884.3)</b></u>

# Notes to the Accounts

## 22. Unusable reserves (Cont'd)

### Pensions Reserve

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

<b>2016/2017</b>	<b>2017/2018</b>
<b>£m</b>	<b>£m</b>
946.8 <b>Balance at 1 April</b>	982.8
17.9 Actuarial (gains)/losses on pension assets and liabilities	(55.0)
Reversal of items relating to retirement benefits debited or credited to the deficit on (1.0) the provision of services in the Comprehensive Income and Expenditure Statement Employer's pension contributions and direct payments to pensioners payable in the 19.1 year	(0.4)
<b>982.8 Balance at 31 March</b>	<b>974.8</b>

# Notes to the Accounts

## 23. Cash Flow Statement - Operating Activities

The cash flows from operating activities includes the following items:

<b>2016/2017</b>		<b>2017/2018</b>
£m		£m
(6.4)	Interest received	(6.3)
23.9	Interest paid	38.0

## 24. Cash Flow Statement - Investing Activities

<b>2016/2017</b>		<b>2017/2018</b>
£m		£m
122.3	Purchase of property, plant and equipment, investments and intangible assets	115.1
(23.8)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16.7)
0.0	(Receipts)/purchases of short-term and long-term investments	0.0
(87.1)	Other receipts from investing activities	(77.7)
<b>11.4</b>	<b>Net cash flows from investing activities</b>	<b>20.7</b>

## 25. Cash Flow Statement - Financing Activities

<b>2016/2017</b>		<b>2017/2018</b>
£m		£m
0.0	Cash receipts of short and long-term borrowing	(30.5)
4.1	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	4.1
20.0	Repayments of short and long-term borrowing	35.5
<b>24.1</b>	<b>Net cash flows from financing activities</b>	<b>9.1</b>



# Notes to the Accounts

## 26. Trading Operations

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

2016/2017							2017/2018
Net (surplus)/ deficit		Turnover	Expenditure	Trading (surplus)/ deficit	Other items Capital charge	Other	Net (surplus)/ deficit
£m		£m	£m	£m	£m	£m	£m
0.1	Central Print	0.0	0.0	0.0	0.0	0.0	0.0
(0.2)	Occupational Health	(0.3)	0.2	(0.1)	0.0	0.0	(0.1)
(1.4)	County Fleet Care	(4.2)	2.2	(2.0)	1.0	0.1	(0.9)
<b>(1.5)</b>	<b>Total</b>	<b>(4.5)</b>	<b>2.4</b>	<b>(2.1)</b>	<b>1.0</b>	<b>0.1</b>	<b>(1.0)</b>

# Notes to the Accounts

## 26. Trading Operations (Cont'd)

<b>Trading Unit</b>	<b>Details of nature of unit</b>
Central Print	The unit provided a print commissioning and design service to business units across the Council. The unit closed during 2016/17.
Occupational Health	The unit provides a full occupational health service to employees of the Council to enhance their well being with a view to reducing sickness absence rates and improving productivity.
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

## 27. Pooled Budgets

### Better Care Fund

In 2017/18 Staffordshire County Council and the Staffordshire Clinical Commissioning Groups entered into a Section 75 Framework Agreement of the National Health Service Act 2006 pooled fund arrangement, known as the Better Care Fund. Staffordshire County Council is the Host Partner for the pool. The total value of the pool was £85.6m.

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

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

Section 75	2016/2017		2017/2018	
	£m	£m	£m	£m
Funding provided to the pooled budget:				
County Council	0.0		0.0	
East Staffordshire CCG	(2.4)		(2.8)	
South East Staffordshire & Seisdon CCG	(4.3)		(5.3)	
Cannock Chase CCG	(2.6)		(3.0)	
North Staffordshire CCG	(4.1)		(4.8)	
Stafford & Surrounds CCG	(2.9)		(3.4)	
Stoke on Trent CCG	<u>(0.2)</u>		<u>(0.2)</u>	
		(16.5)		(19.5)
Expenditure met from the pooled budget:				
County Council	16.5		19.3	
East Staffordshire CCG	0.0		0.0	
South East Staffordshire & Seisdon CCG	0.0		0.2	
Cannock Chase CCG	0.0		0.0	
North Staffordshire CCG	0.0		0.0	
Stafford & Surrounds CCG	0.0		0.0	
Stoke on Trent CCG	<u>0.0</u>		<u>0.0</u>	
		16.5		19.5
<b>County Council share of net surplus/deficit arising on the pooled budget</b>		<u><u>0.0</u></u>		<u><u>0.0</u></u>

The following memorandum account shows the gross income and expenditure of the scheme in 2017/18.

	2016/2017		2017/2018	
	£m	£m	£m	£m
Funding provided to the Pooled Budget:				
Clinical Commissioning Groups	(92.7)		(61.3)	
Department for Communities & Local Government	<u>(6.9)</u>		<u>(24.3)</u>	
		(99.5)		(85.6)
Expenditure met from the Pooled Budget:				
Clinical Commissioning Groups	76.1		58.8	
Staffordshire County Council	16.5		19.3	
District & Borough Councils	<u>6.9</u>		<u>7.5</u>	
		99.5		85.6
<b>Net position on the pooled budget</b>		<u><u>0.0</u></u>		<u><u>0.0</u></u>

# Notes to the Accounts

## 28. Members' Allowances

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

	2016/2017 £m	2017/2018 £m
Basic Allowance	0.6	0.6
Special Responsibility Allowance	0.3	0.4
Expenses	0.0	0.0
<b>Total</b>	<b><u>0.9</u></b>	<b><u>1.0</u></b>

# Notes to the Accounts

## 29. Officers' Remuneration

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

an officer whose salary is £150,000 or more

a statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989

a non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989

Officer	Year	Salary, fees and allowances £	Performance related pay £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Chief Executive - John Henderson	2016/2017	188,393	15,000	0	0	0	203,393
Chief Executive - John Henderson - <b>note 1</b>	2017/2018	188,375	15,000	0	0	0	203,375
Director of Health and Care	2016/2017	153,875	0	0	0	0	153,875
Director of Health and Care - <b>note 2</b>	2017/2018	153,607	12,201	0	0	0	165,808
Director of Families and Communities	2016/2017	135,340	0	11,111	0	29,233	175,684
Director of Families and Communities	2017/2018	136,693	0	11,111	0	30,893	178,697
Director of Economy, Infrastructure and Skills	2016/2017	116,843	4,522	7,037	0	27,655	162,724
Director of Economy, Infrastructure and Skills	2017/2018	116,843	10,854	7,037		28,859	163,593
Director of Strategy, Governance and Change	2016/2017	121,200	0	7,368	0	26,179	154,747
Director of Strategy, Governance and Change	2017/2017	122,412	0	7,368	0	27,665	157,445

# Notes to the Accounts

## 29. Officers' Remuneration (Cont'd)

Officer	Year	Salary, fees and allowances £	Performance related pay £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Section 151 Officer, Director of Finance & Resources	2016/2017	135,340	0	9,367	0	29,233	173,940
Section 151 Officer, Director of Finance & Resources	2017/2018	136,693	0	9,367	0	30,893	176,953

### Notes for clarification

This figures disclosed in this note relate to in year payments.

**note 1** The Chief Executive is not part of the Local Government Pensions Scheme

**note 2** The Director of Health and Care is not part of the Local Government Pension Scheme

# Notes to the Accounts

## 29. Officers' Remuneration (Cont'd)

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

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

Number of employees 2016/2017			Remuneration band	Number of employees 2017/2018		
Teachers	Non-teachers	Leavers		Teachers	Non-teachers	Leavers
129	62	4	£ 50,000 to £ 54,999	121	57	6
100	31	3	£ 55,000 to £ 59,999	71	17	0
59	29	7	£ 60,000 to £ 64,999	47	35	5
37	4	3	£ 65,000 to £ 69,999	37	5	6
20	4	4	£ 70,000 to £ 74,999	14	9	2
11	23	5	£ 75,000 to £ 79,999	11	11	5
8	5	4	£ 80,000 to £ 84,999	3	5	4
6	13	0	£ 85,000 to £ 89,999	6	8	0
5	2	2	£ 90,000 to £ 94,999	5	6	3
2	3	3	£ 95,000 to £ 99,999	2	3	3
0	4	4	£100,000 to £104,999	1	2	2
2	5	4	£105,000 to £109,999	0	4	0
0	0	0	£110,000 to £114,999	0	0	0
0	1	1	£115,000 to £119,999	0	1	1
0	0	0	£120,000 to £124,999	0	0	0
1	1	1	£125,000 to £129,999	0	2	1
0	0	0	£130,000 to £134,999	0	1	0
0	1	0	£135,000 to £139,999	0	1	1
0	1	0	£140,000 to £144,999	0	0	0
0	1	0	£145,000 to £149,999	0	3	1
0	1	0	£150,000 to £154,999	0	1	0
0	0	0	£155,000 to £159,999	0	0	0
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	1	0
<b>380</b>	<b>193</b>	<b>46</b>	<b>Total</b>	<b>318</b>	<b>172</b>	<b>40</b>

# Notes to the Accounts

## 30. Exit Packages

The number of exit packages is disclosed below in bands of £20,000, up to £100,000. Thereafter the number is disclosed in bands of £50,000. 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	2016/2017		Payment band	2017/2018		Total Cost
	Number of employees			Number of employees		
£	Teachers	Other SCC		Teachers	Other SCC	£
1,351,363	21	158	£0 to £ 20,000	12	85	763,930
2,019,378	10	59	£ 20,001 to £ 40,000	5	21	773,103
1,335,628	8	19	£ 40,001 to £ 60,000	6	18	1,186,975
1,064,569	2	13	£ 60,001 to £ 80,000	2	8	718,534
543,227	0	6	£ 80,001 to £ 100,000	0	3	265,120
453,813	0	4	£ 100,001 to £ 150,000	0	4	522,394
			£ 150,001 to £ 200,000	0	1	166,041
			£ 200,001 to £ 250,000	0	3	698,925
			£ 250,001 to £ 300,000	0	1	273,108
<b>6,767,978</b>	<b>41</b>	<b>259</b>	<b>Total</b>	<b>25</b>	<b>144</b>	<b>5,368,129</b>



# Notes to the Accounts

## 31. External Audit Costs

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

	2016/2017	2017/2018
	£m	£m
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year *	0.110	0.122
Fees payable to external auditors for the certification of grant claims and returns for the year	0.006	0.019
<b>Total</b>	<b>0.116</b>	<b>0.141</b>

\* this includes a scale variation fee of £12k for additional work to complete the audit of the 2016/2017 financial statements.

# Notes to the Accounts

## 32. Dedicated Schools Grant

In 2017/2018 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 2017/2018 are as follows:

	<b>Schools budget funded by DSG</b>		
	<b>Central Expenditure £m</b>	<b>Individual Schools Budget £m</b>	<b>Total £m</b>
Final DSG for 2017/2018, before academy recouplement	99.4	466.8	<b>566.2</b>
Academy figure recouped for 2017/2018	0.0	(223.4)	<b>(223.4)</b>
<b>Total DSG after academy recouplement for 2017/2018</b>	<b>99.4</b>	<b>243.4</b>	<b>342.8</b>
Plus: brought forward from 2016/2017	8.3	0.0	<b>8.3</b>
Less: carry-forward to 2018/2019 agreed in advance	0.0	0.0	<b>0.0</b>
<b>Agreed budgeted distribution in 2017/2018</b>	<b>107.7</b>	<b>243.4</b>	<b>351.1</b>
In year adjustments*	0.0	0.0	<b>0.0</b>
<b>Final budget distribution for 2016/17</b>	<b>107.7</b>	<b>243.4</b>	<b>351.1</b>
Less: Actual central expenditure	102.6	0.0	<b>102.6</b>
Less: Actual ISB (Individual Schools Budget) deployed to schools	0.0	243.5	<b>243.5</b>
Plus: Local authority contribution for 2017/2018	0.0	0.0	<b>0.0</b>
<b>Carry forward to 2018/2019</b>	<b>5.1</b>	<b>(0.1)</b>	<b>5.0</b>

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

# Notes to the Accounts

## 33. Grant Income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2017/2018.

	2016/2017 £m	2017/2018 £m
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	67.0	47.0
Improved Better Care Fund	0.0	16.8
New Homes Bonus	3.7	2.9
Local Services Support Grant	0.3	0.3
Education Services Grant	7.8	1.9
<b>Total</b>	<b>78.8</b>	<b>68.9</b>
<b>Credited to Services</b>		
Department for Education	68.2	67.7
Department for Transport	37.4	44.0
Department of Health	41.5	40.3
Department for Communities and Local Government	14.7	10.8
DEFRA	9.7	9.7
Higher Education Funding Council for England	0.5	0.4
Home Office	2.3	2.4
Youth Justice Board	0.9	0.9
Other	6.9	7.9
<b>Total</b>	<b>182.1</b>	<b>184.1</b>

# Notes to the Accounts

## 33. Grant Income (Cont'd)

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

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£m</b>	<b>£m</b>
<b>Capital Grants Receipts in Advance</b>		
Department for Education	1.4	1.1
Department for Transport	6.5	11.0
Department of Health	0	0
Other Contributions	17.3	13.3
<b>Total</b>	<b>25.2</b>	<b>25.4</b>

# Notes to the Accounts

## 34. Related Parties

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

### Central government

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/2018 is shown in Note 28.

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

Councillors Philip Atkins, Ann Beech, Ron Clarke, Tina Clements, John Cooper, Mark Deaville, Alan Dudson, Janet Eagland, Keith James, Jason Jones, Ian Lawson, Jonathan Price, Paul Snape, Stephen Sweeney, Simon Tagg and Mark Winnington are also members of Staffordshire Fire and Rescue Authority.

### 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 27.

On 31 March 2018, we held cash totalling £113,243 (£66,920 on 31 March 2017) 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.

The Council acts as the accountable body for the Stoke and Staffordshire Local Enterprise Partnership (SSLEP), which supports projects that benefit the local economy and supports growth through the creation of jobs, housing and skills (apprenticeships). At 31 March 2018 we held cash of £12.1m (£10.55m on 31 March 2017) on behalf of the SSLEP. This cash is shown on the balance sheet.

# Notes to the Accounts

## 34. Related Parties (Cont'd)

### Payments to the Environment Agency

<b>2016/2017</b>		<b>2017/2018</b>
<b>£m</b>		<b>£m</b>
0.3	Environment Agency - Flood defence levy	0.3
<b>0.3</b>	<b>Total</b>	<b>0.3</b>

### Entrust

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

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

- Cllr Mark Deaville, Cabinet Member for Commercial
- Andrew Burns, Director of Finance and Resources

During 2017/2018, the Council purchased services in the normal course of business from Entrust for £52.2 million (2016/2017 - £51.6 million). Entrust bought services in the normal course of business from the Council for £8.4 million (2016/2017 - £9.7 million).

At the end of the year, Entrust owed the Council £0.6 million (2016/2017 - £3.4 million).

### Penda Ltd

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

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

There were no material transactions between the Council and Penda Ltd in 2017/18.

# Notes to the Accounts

## 34. Related Parties (Cont'd)

### Nexus Trading Services Ltd

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

Nexus is wholly owned by the County Council. During 2017/18, the County Council lent Nexus £150,000 which will be paid back. The current amount outstanding as at 31st March 2018 is £142,134.

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

- Cllr Mark Deaville, Cabinet Member for Commercial
- Cllr Mark Winnington, Cabinet Member for Economic Growth
- Andrew Felton, Business Design Manager
- Robert Flinter, Head of Change
- Helen Riley, Director of Families and Communities
- Andrew Sharp, Social Work and Safeguarding Lead

# Notes to the Accounts

## 35. Capital Expenditure and Capital Financing

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

### Capital Account Summary

		<b>2017/2018</b>			<b>Total</b>
		<b>Infra- Structure (inc Fees) £m</b>	<b>Land &amp; Buildings (inc Fees) £m</b>	<b>Vehicles, Plant &amp; Machinery £m</b>	
<b>2016/2017</b>	<b>Total</b>				
	<b>£m</b>				
		<b>Capital Expenditure</b>			
1.4	<b>Health and Care</b>	0.0	0.9	0.0	0.9
	<b>Families and Communities</b>				
24.0	Education	0.0	34.0	0.4	34.4
7.9	Other	0.0	1.1	0.0	1.1
64.3	<b>Economy, Infrastructure and Skills</b>	62.0	1.7	0.0	63.7
	<b>Finance and Resources</b>				
11.9	Property Consultancy	0.0	11.3	0.0	11.3
0.3	Other	0.0	0.0	0.9	0.9
1.1	<b>Traded Services</b>	0.0	0.0	0.3	0.3
		<b>62.0</b>	<b>49.0</b>	<b>1.6</b>	<b>112.6</b>
16.4	<b>Revenue Expenditure Funded from Capital under Statute</b>				15.8
<b>127.3</b>	<b>Total</b>				<b>128.4</b>
		<b>Financed From</b>			
14.7	Borrowing				25.6
69.4	Capital Grants				68.9
27.8	Capital Receipts				23.4
0.4	Revenue				0.0
0.0	General Capital Reserve			0.0	
0.0	Earmarked Capital Reserves			0.0	
0.0	Trading Services Reserves			0.0	0.0
4.1	Other Contributions				0.1
10.9	Section 106 Contributions				10.4
<b>127.3</b>	<b>Total</b>				<b>128.4</b>



# Notes to the Accounts

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

### Capital Financing Requirement

	2016/2017 £m	2017/2018 £m
<b>Opening Capital Financing Requirement</b>	<b>649.6</b>	<b>643.0</b>
Increase/(decrease) in underlying need to borrow	(4.7)	(1.1)
Assets acquired under finance leases	(0.2)	0.0
Assets acquired under PFI/PPP contracts	(1.7)	(3.8)
<b>Closing Capital Financing Requirement</b>	<b>643.0</b>	<b>638.1</b>

# Notes to the Accounts

## 36. Leases

### *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:

<b>31 March 2017</b> <b>£m</b>		<b>31 March 2018</b> <b>£m</b>
1.2	Not later than one year	1.2
4.3	Later than one year and not later than five years	4.3
45.9	Later than five years	45.7
<hr/>		<hr/>
<b>51.4</b>		<b>51.2</b>

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

<b>31 March 2017</b> <b>£m</b>		<b>31 March 2018</b> <b>£m</b>
1.3	Minimum lease payments	1.3
0.0	Contingent rents	0.0
<hr/>		<hr/>
<b>1.3</b>		<b>1.3</b>

# Notes to the Accounts

## 37. Private Finance Initiatives (PFI) and Similar Contracts

We have four PFI schemes as follows:

### 1. Two Schools PFI Scheme

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

The contract is for 25 years and is worth about £45.0 million. It involves providing repairs and maintenance, energy, cleaning, caretaking and other services. The amount we paid in 2017/2018 was £1.8 million, paid for from extra government grants and contributions from schools. Further payments we make under the contract are performance related. In other words, we take off amounts if the accommodation is not available on time or if the performance is below a given standard.

### 2. Streetlighting PFI Scheme

We have entered into a PFI contract under which street lighting and associated maintenance services are provided. The contract is for 25 years. The amount we paid in 2017/2018 was £7.2 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 2017/2018 was £1 million.

### 4. Waste to Energy PFI Scheme

We entered into a PFI contract for the construction of the Waste to Energy plant at Four Ashes. The contract is for 25 years. The amount we paid in 2017/2018 was £20 million.

### Valuation of PFI assets

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

	31 March 2017 £m	31 March 2018 £m
Two Schools Scheme	2.4 *	2.7
Streetlighting Scheme	47.3	48.6
Children's Homes Scheme	5.9	6.2
Waste to Energy	172.8	175.3
<b>Total value of assets</b>	<b>228.4</b>	<b>232.8</b>

\* Sir Graham Balfour High School converted to academy status on 1 September 2016 and the asset has therefore been removed from our Balance Sheet.

### 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 2017 £m	31 March 2018 £m
Two Schools Scheme	(5.0)	(4.6)
Streetlighting Scheme	(5.5)	(5.0)
Children's Homes Scheme	(3.3)	(3.1)
Waste to Energy	(70.6)	(67.9)
<b>PFI liabilities</b>	<b>(84.4)</b>	<b>(80.6)</b>
Waste to Energy (Third Party financing)	(76.8)	(73.3)
<b>Total value of liabilities</b>	<b>(161.2)</b>	<b>(153.9)</b>

# Notes to the Accounts

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

### Details of payments due

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

#### Two Schools Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.4	0.5	0.9
Due within 2 to 5 years	1.7	1.7	3.8
Due within 6 to 10 years	2.6	1.0	5.3
Due within 11 to 15 years			
<b>Total due</b>	<b>4.7</b>	<b>3.2</b>	<b>10.0</b>

#### Streetlighting Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	2.6	0.5	4.3	0.1
Due within 2 to 5 years	10.8	1.5	18.4	0.5
Due within 6 to 10 years	14.5	0.7	26.4	0.7
Due within 11 to 15 years	0.4	0.0	0.7	0.0
<b>Total due</b>	<b>28.3</b>	<b>2.7</b>	<b>49.8</b>	<b>1.3</b>

# Notes to the Accounts

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

### Children's Homes Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.2	0.4	0.4
Due within 2 to 5 years	0.9	1.3	1.6
Due within 6 to 10 years	1.9	0.8	2.2
Due within 11 to 15 years			
<b>Total due</b>	<b>3.0</b>	<b>2.5</b>	<b>4.2</b>

### Waste to Energy

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	2.0	11.7	6.2
Due within 2 to 5 years	9.1	43.4	26.5
Due within 6 to 10 years	14.1	45.3	37.2
Due within 11 to 15 years	17.9	33.6	42.1
Due within 16 to 20 years	22.8	19.2	48.0
Due within 21 to 25 years	5.4	1.8	10.3
<b>Total due</b>	<b>71.3</b>	<b>155.0</b>	<b>170.3</b>

# Notes to the Accounts

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

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

	Two Schools Scheme		Streetlighting Scheme		Children's Homes Scheme		Waste to Energy	
	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018
	£m	£m	£m	£m	£m	£m	£m	£m
Balance outstanding at start of year	(5.5)	(5.0)	(6.0)	(5.5)	(3.4)	(3.3)	(73.3)	(70.6)
Payments during the year	0.5	0.4	2.6	2.7	0.1	0.2	2.7	2.7
Capital expenditure incurred in the year	0.0	0.0	(2.1)	(2.2)	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balance outstanding at year end</b>	<b>(5.0)</b>	<b>(4.6)</b>	<b>(5.5)</b>	<b>(5.0)</b>	<b>(3.3)</b>	<b>(3.1)</b>	<b>(70.6)</b>	<b>(67.9)</b>

## 38. Impairment Losses

During 2017/2018 the Council recognised impairment losses to a number of properties totalling £53.7 million (£52 million in 2016/2017). 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 2017/2018.

# Notes to the Accounts

## 39. Termination Benefits

The Council terminated the contracts of a number of employees in 2017/2018, incurring liabilities of £3.8 million, of which £0.7 million relates to Teachers. (£5.4 million in 2016/2017, of which £1.0 million related to Teachers).

## 40. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2017/2018, the Council paid £31.9 million to the Teachers' Pension Scheme in respect of teachers retirement benefits, representing 25.8% of pensionable pay. The figures for 2016/2017 were £37.1 million and 25.8%.

The Council is also responsible for all pension payments relating to added years benefits awarded, together with related increases. In 2017/2018 these amounted to £5.3 million (£5.5 million in 2016/2017) representing 3.2% of pensionable pay.

# Notes to the Accounts

## 41. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

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

In 2017/2018, the Council paid an employer's contribution of £62.06 million (£30.6 million in 2016/2017) 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 2017/2018 these payments amounted to £3.1 million (£3.1 million in 2016/2017), representing 1.1% 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.

	2016/2017	2017/2018
	£m	£m
<b><u>Comprehensive Income and Expenditure</u></b>		
<b>Cost of Services:</b>		
<b><i>Service cost compromising:</i></b>		
Current service costs	66.1	93.9
Past service costs	1.0	2.7
(Gains) from settlements	(22.6)	(13.8)
<b><i>Financing and Investment Income and Expenditure</i></b>		
Net interest expense	32.3	25.1
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>76.8</b>	<b>107.9</b>



# Notes to the Accounts

## 41 Defined Benefit Pension Schemes (Cont'd)

	2016/2017 £m	2017/2018 £m
<b>Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising;</b>		
Return on plan assets (excluding the amount included in the net interest expense).	(279.8)	5.4
Actuarial gains and losses arising on changes in demographic assumptions	(10.7)	0.0
Actuarial gains and losses arising on changes in financial assumptions	402.9	(54.3)
Other	(94.5)	(6.0)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>17.9</b>	<b>(54.9)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	17.9	(54.9)
<b>Actual amount charged against the General Fund Balance for pensions in year:</b>		
Employers' contributions payable to scheme	40.0	75.0
Contributions in respect of unfunded benefits	9.9	9.0
	<b>49.9</b>	<b>84.0</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

	31 March 2017 £m	31 March 2018 £m
Present value of the defined benefit obligation	(2,889.8)	(2,911.7)
Fair value of plan assets	1,910.0	1,963.8
<b>Net liability arising from defined benefit obligation</b>	<b>(979.8)</b>	<b>(947.9)</b>

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

	31 March 2017 £m	31 March 2018 £m
1 April	1,600.2	1,910.0
Interest income	55.5	49.7
Actuarial gains and (losses)	279.8	(5.5)
Assets distributed on settlements	(11.2)	(11.8)
Employer's contributions	40.0	75.2
Contributions from scheme members	13.0	11.8
Benefits paid	(67.3)	(65.6)
<b>31 March</b>	<b>1,910.0</b>	<b>1,963.8</b>

# Notes to the Accounts

## 41. Defined Benefit Pension Schemes (Cont'd)

	2016/2017 £m	2017/2018 £m
<u>Reconciliation of Present Value of the Scheme Liabilities:</u>		
1 April	2,535.2	2,889.8
Current service cost	66.1	93.8
Interest cost	88.0	75.1
Contribution by scheme members	13.0	11.8
Actuarial losses	297.7	(60.4)
Benefits paid	(77.4)	(75.4)
Past service costs (including curtailments)	1.0	2.6
Losses on curtailments	0.0	0.0
Liabilities extinguished on settlements	(33.8)	(25.6)
<b>31 March</b>	<b>2,889.8</b>	<b>2,911.7</b>
<u>Local Government Pension Scheme assets</u>		
	<b>31 March 2017</b>	<b>31 March 2018</b>
<b>Cash and Cash Equivalents</b>	95.9	90.0
<b>Equity Instruments</b>		
<i>By industry type;</i>		
Consumer	128.1	85.1
Manufacturing	110.5	82.0
Energy and utilities	47.4	24.0
Financial institutions	127.9	79.8
Health and care	106.3	58.1
Information technology	127.8	55.6
Other	1.9	2.1
<b>Sub-total equity</b>	<b>649.9</b>	<b>386.7</b>
<b>Bonds:</b>		
Corporate Bonds (investment grade)	141.8	149.0
<b>Property:</b>		
UK Property	153.8	152.0
<b>Private Equity:</b>		
All	60.6	57.3
<b>Other Investment Funds:</b>		
Equities	637.5	928.0
Bonds	104.5	115.7
Hedge Funds	37.5	34.4
Other	28.5	50.7
<b>Sub-total Other Investment Funds</b>	<b>808.0</b>	<b>1,128.8</b>
<b>Total Assets</b>	<b>1,910.0</b>	<b>1,963.8</b>

# Notes to the Accounts

## 41. Defined Benefit Pension Schemes (Cont'd)

### Basis for Estimating Assets and Liabilities

Discretionary benefits have been estimated by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2018. The main assumptions they have for working out these costs are shown below:

	31 March 2017	31 March 2018
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1 years	22.1 years
Women	24.4 years	24.4 years
Longevity at 65 for future pensioners		
Men	24.1 years	24.1 years
Women	26.4 years	26.4 years
Rate of increase in salaries	2.8%	2.8%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%

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.

<b>Change in assumptions at 31 March 2018</b>	<b>Approximate % increase to employer liability</b>	<b>Approximate monetary amount (£m)</b>
0.5% decrease in Real Discount Rate	10.0%	283.3
0.5% increase in salaries	1.0%	39.5
0.5% increase in pensions	8.0%	240.3

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

## 41. Defined Benefit Pension Schemes (Cont'd)

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

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

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

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

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

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

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

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

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

### Projected defined benefit cost for the period to 31 March 2018

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 2018 are set out in the Rate and Adjustments certificate. Hymans Robertson estimate the Employer's contribution for the period to 31 March 2019 will be approximately £38.3m

## 42. Contingent Liabilities

A contingent liability arises when we know about an issue at the Balance Sheet date but we do not know what the outcome will be until an event does or does not happen. At 31 March 2018 the Council does not have any material contingent liabilities.

## 43. Contingent Assets

At 31 March 2018 the Council does not have any material contingent assets.

# Notes to the Accounts

## 44. 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 the Council have adopted CIPFA's Code of Practice on Treasury Management and complies with the Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

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

The main risks covered are listed below:

- 1. Security (credit) risk** - the possibility that 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 cash available to make payments on time.
- 3. Interest rate risk** - the possibility of a financial loss for the Council as a result of changes in the value of market
- 4. Price risk** - the possibility that a 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 recognise that no investment or loan portfolio, regardless of the economic conditions, can ever be risk free.

### 1. Security (credit) risk

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

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

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

Investments are made subject to financial limits on both an investment category and individual basis. In the case of investment category limits, investments are limited to 50% of the total each in Money Market Funds or directly with banks. On an individual basis in 2017/18, for Money Market Funds the limit is the lower of 0.50% of Money Market Fund size or 10% of total Council investments and for banks, the lower of 5% of total Council investments or £30m per counterparty.

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

# Notes to the Accounts

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

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

Credit Rating	Long-Term			Short-Term		
	31 March 2016	31 March 2017	31 March 2018	31 March 2016	31 March 2017	31 March 2018
	£m	£m	£m	£m	£m	£m
AAA	0.0	0.0	0.0	35.0	50.0	42.7
A	0.0	0.0	0.0	6.5	9.0	4.0
Unrated local authorities	30.4	30.4	30.4	0.0	0.0	0.0
<b>Total investments</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>	<b>41.5</b>	<b>59.0</b>	<b>46.7</b>

Since April 2010, the Council's strategy of using cash in lieu of long-term borrowing has reduced this risk, as it holds considerably less short-term investments as a result (around £92 million of cash was used in lieu of borrowing as at 31 March 2018).

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, the risk of any failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2018 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 at 31 March 2017	Amounts at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default at 31 March 2018
	£m	A £m	B %	C %	(A x C) £m
Customers	8.3	52.5	19.2	19.2	10.1
<b>Total</b>	<b>8.3</b>				<b>10.1</b>

# Notes to the Accounts

## 44. 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 £35.0 million of the £52.5 million balance is past its due date for payment. The remaining balance of £17.5 million is less than 28 days' old. The amount past its due date for payment can be analysed by age as follows:

	31 March 2017	31 March 2018
	£m	£m
Less than three months	8.0	6.6
Three to six months	4.9	3.1
Six months to one year	4.8	9.0
More than one year	14.0	16.3
<b>Total</b>	<b>31.7</b>	<b>35.0</b>

## 2. Liquidity Risk

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

The Council can borrow from the Public Works Loans Board (PWLB), other local authorities and from banks and building societies. The PWLB is a statutory body currently operating within the United Kingdom Debt Management Office. Following consultation in 2016, the Government is due to abolish the PWLB and transfer its powers to the Treasury; this should have no real effect on the Council's existing PWLB loans or on local authority lending policy from Central Government. There is no perceived 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;
- 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).

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

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

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

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

# Notes to the Accounts

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

At 31 March 2018, 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	(0.9)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0.3</b>
Decrease in fair value of fixed-rate investment assets *	(3.8)
Decrease in fair value of fixed rate borrowings liabilities*	(120.1)

\*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 £1.7 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 £0.1 million gain or loss being recognised in the Available for Sale reserve.

## 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 maturity date is uncertain because the lender has the option, at various intervals, to force an increase in the interest rates payable. This would almost certainly lead to the loan being repaid by the Council.

In January 2018, the Council repaid £30.5 million of its Eurohypo LOBO loans (held by Commerzbank) and replaced them with £30.5 million PWLB loans with a shorter maturity. Restructuring its LOBO loans portfolio has helped the Council



# Notes to the Accounts

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

The repayment structure of financial liabilities is as follows:

On 31 March 2017	Financial Liabilities	On 31 March 2018
£m		£m
404.7	PWLB	430.2
31.0	* LOBO - Eurohypo Bank	0.0
41.7	* LOBO - Depfa Bank	41.8
10.1	* LOBO - Dexia Bank	10.1
<b>487.5</b>	<b>Total</b>	<b>482.1</b>
57.0	within one year	54.1
33.0	over 1 under 2	15.0
19.0	over 2 under 5	9.0
19.8	over 5 under 10	50.3
5.0	over 10 under 15	5.0
29.0	over 15 under 20	24.0
13.2	over 20 under 30	13.2
253.7	over 30 under 40	296.2
57.8	over 40	15.3
<b>487.5</b>	<b>Total</b>	<b>482.1</b>

\* LOBO - Lender Option Borrower Option loan  
one LOBO has been repaid during 2017/18.

## 6. Using Cash in Lieu of Borrowing

As at the 31 March 2018, around £92 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.

## IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets. We do not expect the reclassification changes to have a material impact upon our financial statements as the majority of our financial assets will retain the same measurement basis.

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

# Notes to the Accounts

## 45. Education Endowments

We are responsible for managing 11 (11 in 2016/2017) 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.

	2016/2017			2017/2018		
	Total income	Gross spending	Market value of fund	Total income	Gross spending	Market value of fund
	£000	£000	£000	£000	£000	£000
Rugeley Educational	79	66	2,212	79	74	2,264
Brewood Educational	69	66	1,947	68	69	1,994
Stafford Educational	17	18	475	17	17	486
Stafford Education Centre Charity	107	94	3,001	107	108	4,140
Alleyes – Stone	2	2	47	2	2	48
Alleyes – Uttoxeter	1	0	29	1	0	30
Tamworth High	8	8	237	8	9	244
Tamworth Youth Centre	2	0	56	2	0	57
Others	17	7	489	17	14	499
<b>Total</b>	<b>302</b>	<b>261</b>	<b>8,493</b>	<b>301</b>	<b>293</b>	<b>9,762</b>

## 46. Trust Funds

We manage a number of small funds on behalf of other organisations. These are 12 mainly social services comforts funds which are available to people in residential homes and day centres, and 3 other funds. The funds do not represent our assets and we do not include them in the Balance Sheet.

	Balance	Income Spending		Balance
	31 March 2017 £000	£000	£000	31 March 2018 £000
<b>Trust funds</b>				
Social services comforts funds	31	5	(4)	32
Homestead and Lea House	7	0	0	7
Glebelands	1	0	0	1
Chairman's charity	11	0	(1)	10
<b>Total</b>	<b>50</b>	<b>5</b>	<b>(5)</b>	<b>50</b>

# Notes to the Accounts

## 47. 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.

### Long Term Investments

The Council has a 49% share in the company Entrust, which is shown in Long Term Investments in the balance sheet. The investment is valued at cost, adjusted annually for the County Council's share of any profit or loss made by the company.

In the Council's 2016/17 Statement of Accounts we included an estimate of the Council's share of Entrust's net assets and loss for the period. When the relevant Entrust accounts were published, the actual position was materially different to the estimate and we have therefore restated the Comprehensive Income and Expenditure Statement and the Balance Sheet to reflect this.

### Depreciation

Following a review of valuation methodology, certain specialised property assets, for example schools premises, were revalued downwards in 2016/2017. The accumulated depreciation relating to these assets was also amended to reflect the value of the asset. However the assets that were consequently disposed or revalued did not have their accumulated depreciation removed. This has been adjusted in the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, with the restated figures shown below.

### Non-enhancing capital expenditure

Expenditure which is capital in nature but does not add value to the asset it relates to, should be included in the cost of services in line with the Code of practice. This is a notional accounting entry and does not impact on the General Fund.

### School disposals and revaluations for academy conversions

When schools convert to academy status, assets are removed from the balance sheet and accounted for as leased assets. The adjustment is to take account of leases that had been approved and signed during the prior years, but the assets remained on the balance sheet.

## Comprehensive Income and Expenditure Statement 2016/2017

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

	Original net expenditure 2016/2017 £m	Long term investments £m	Depreciation £m	Non-enhancing Capital Expenditure £m	School disposals and revaluations for Academy conversions £m	Restated net expenditure 2016/2017 £m
Health and Care	204.1	0.0	0.0	0.3	0.0	204.4
Families and Communities	183.0	0.0	10.9	9.3	(1.3)	201.9
Economy, Infrastructure and Skills	79.0	0.0	0.0	1.8	0.0	80.8
Finance and Resources	23.8	0.0	0.0	9.2	0.0	33.0
Centrally Controlled Costs	13.3	0.0	0.0	3.3	0.0	16.6
<b>Cost of services</b>	<b>499.2</b>	<b>0.0</b>	<b>10.9</b>	<b>23.9</b>	<b>(1.3)</b>	<b>532.7</b>
Other operating expenditure (Note 6)	143.9	0.0	0.7	0.0	(12.8)	131.8
<b>Deficit on provision of services</b>	<b>145.9</b>	<b>0.0</b>	<b>11.6</b>	<b>23.9</b>	<b>(14.1) #</b>	<b>167.3</b>
Deficit/(Surplus) on revaluation of non current assets	9.4	0.0	0.0	(23.9)	(0.9)	(15.4)
Available For Sale Financial Assets	0.6	21.5	0.0	0.0	0.0	22.1
<b>Other comprehensive income and expenditure</b>	<b>27.9</b>	<b>21.5</b>	<b>0.0</b>	<b>(23.9)</b>	<b>(0.9)</b>	<b>24.6</b>
<b>Total comprehensive income and expenditure</b>	<b>173.8</b>	<b>21.5</b>	<b>11.6</b>	<b>0.0</b>	<b>(15.0)</b>	<b>191.9</b>

# Notes to the Accounts

## 47. Prior Year Adjustments (Cont.)

### Movement in Reserves Statement 2016/2017

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

	Original Total usable reserves £m 2016/2017	Depreciation £m	Non-enhancing Capital Expenditure £m	School disposals and revaluations for Academy conversions £m	Restated Total usable reserves £m 2016/2017	Original unusable reserves £m 2016/2017	Long Term Investment £m	Depreciation £m	Non-enhancing Capital Expenditure £m	School disposals and revaluations for Academy conversions £m	Restated unusable reserves £m 2016/2017
<b>Balance at 1 April 2016</b>	<b>(142.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(142.5)</b>	<b>(156.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>32.2</b>	<b>(123.9)</b>
<u>Movement in reserves during 2016/2017</u>											
Deficit on the provision of services	145.9	11.6	23.9	(14.1)	167.3	0.0	0.0	0.0			0.0
Other comprehensive income and expenditure	0.0	0.0			0.0	27.9	21.5	0.0	(23.9)	(0.9)	24.6
<b>Total comprehensive income and expenditure</b>	<b>145.9</b>	<b>11.6</b>	<b>23.9</b>	<b>(14.1)</b>	<b>167.3</b>	<b>27.9</b>	<b>21.5</b>	<b>0.0</b>	<b>(23.9)</b>	<b>(0.9)</b>	<b>24.6</b>
Adjustments between accounting basis and funding basis under regulations	(126.3)	(11.6)	(23.9)	14.1	(147.7)	126.3	0.0	11.6	23.9	(14.1)	147.7
<b>Balance at 31 March 2017 carried forward</b>	<b>(122.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(122.9)</b>	<b>(1.9)</b>	<b>21.5</b>	<b>11.6</b>	<b>0.0</b>	<b>17.2</b>	<b>48.4</b>

# Notes to the Accounts

## 47. Prior Year Adjustments (Cont.)

### Balance Sheet as at 31 March 2017

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

	Original Balance Sheet £m 31 March 2017	Depreciation £m	Long term investments £m	School disposals and revaluations for Academy conversions £m	Restated Balance Sheet 31 March 2017 £m
<b><u>Long term assets</u></b>					
Property, plant and equipment	1,669.4	(11.6)	0.0	(17.2)	1,640.6
Long term investments	53.1	0.0	(21.5)	0.0	31.6
<b>Net assets</b>	<b>124.8</b>	<b>(11.6)</b>	<b>(21.5)</b>	<b>(17.2)</b>	<b>74.5</b>
Usable reserves	(122.9)	0.0	0.0	0.0	(122.9)
Unusable reserves	(1.9)	11.6	21.5	17.2	48.4
<b>Total reserves</b>	<b>(124.8)</b>	<b>11.6</b>	<b>21.5</b>	<b>17.2</b>	<b>(74.5)</b>

# Notes to the Accounts

## 47. Prior Year Adjustments (Cont.)

### Cash Flow Statement 2016/2017

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

	Original balances 2016/2017 £m	Depreciation £m	Non- enhancing Capital Expenditure £m	School disposals and revaluations for Academy conversions £m	Restated balances 2016/2017 £m
Net deficit on the provision of services	145.9	11.6	23.9	(14.1)	167.3
Adjustments to net deficit on the provision of services for non cash movements	(300.8)	(11.6)	(23.9)	14.1	(322.2)
<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>(12.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(12.6)</b>

# **STAFFORDSHIRE PENSION FUND**

## **Financial statements**

**1 April 2017  
to  
31 March 2018**

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. As a result of the Public Services Pensions Act 2013, a Local Pensions Board was also set up to aid effective governance. 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 2018

Pensionable employees	33,776
Pensioners	33,156
Deferred pensioners (people who no longer pay into the scheme)	40,552
<b>Total</b>	<b><u>107,484</u></b>



## Organisations which were active members of the Fund at 31 March 2018

Abbots Bromley Parish Council  
ABM Catering Ltd - Kingfisher  
Academy Enterprise Trust - Anglesey  
Academy Enterprise Trust - Belgrave High  
Academy Enterprise Trust - Rawlet  
Academy Transformation Trust - Star Academy  
Academy Transformation Trust - Sun Academy  
Accord Housing  
All Saints Catholic Collegiate - Our Lady's Academy  
All Saints Catholic Collegiate - St Augustine's Academy  
All Saints Catholic Collegiate - St Gregory's Academy  
All Saints Catholic Collegiate - St Maria Goretti Academy  
All Saints Catholic Collegiate - St Thomas Moore Academy  
Alleyne's High School  
Alliance In Partnership Ltd - Hugo Meynell  
Alliance In Partnership Ltd - Langdale  
Alliance In Partnership Ltd - Norton Canes  
Alliance In Partnership Ltd - Sir John Offley  
Alliance In Partnership Ltd – St Giles  
Alpha Academies Trust - Discovery Academy  
Alpha Academies Trust - Excel Academy  
Alpha Academies Trust - Maple Court Primary  
Alpha Academies Trust LTD Studio School  
Alrewas Parish Council  
Amey Services Ltd  
Anglesey Parish Council  
Arthur Terry Learning Partnership - Scotch Orchard Primary School  
Asist  
Aspens – Blythe Bridge  
Aspens - Cannock Chase High  
Aspens – Churnet View  
Aspens - Hart School  
Aspens - Horton Lodge Special School  
Aspens – Leek High  
Aspens – Madeley High School  
Aspens – Shaw Academy Trust  
Aspens – St Edwards Academy  
Aspens – Westwood College  
Aspens Services – Chancel Primary  
Aspens Services – Excel Academy  
Aspens Services – Great Wyrley  
Aspens Services Ltd - De Ferrers  
Aspire Housing  
Audley Parish Council  
Belgrave Academy  
Biddulph Academy  
Biddulph Town Council  
Biffa  
Bilbrook Parish Council  
Boeing  
Branston Parish Council  
Brereton and Ravenhill Parish Council  
Brewood & Coven Parish Council  
Bridgtown Parish Council  
Brilliant Hygiene Services Ltd John Bamford School  
Bromford Housing  
Burntwood Town Council  
Burton and South Derbyshire Education Trust - King Fisher Academy  
Burton on Trent Technical College  
Busy Bee Catering Services - CET  
Cannock Chase Academy  
Cannock Chase District Council  
Carmountside Academy  
Catering Academy Ltd UCAT  
Central Borders Housing Group  
Central Co-operative Learning Trust - Grange Infants  
Central Co-operative Learning Trust - John of Rolleston Primary School  
Central Co-operative Learning Trust - Outwoods Primary School  
Central Co-operative Learning Trust - William Shrewsbury Primary School  
Chartwells  
Chartwells - Christ the King  
Chartwells - Glebe Primary School  
Chartwells - Hazel Slade  
Chartwells - Kingsmead School  
Chartwells - Moorgate Primary Academy  
Chartwells - Nether Stowe School  
Chartwells - St John's Primary School  
Chartwells - St Matthews Academy  
Cheadle Academy  
Cheadle Town Council  
Cheddleton Parish Council  
Cheslyn Hay Parish Council  
Choices Housing Association  
Christ The King Catholic Collegiate - St John Fisher Catholic College  
Christ The King Catholic Collegiate - St Mary's Catholic Primary School  
Christ The King Catholic Collegiate - St Teresa's Catholic Primary  
Christ The King Catholic Collegiate - St Thomas Aquinas Catholic Primary School  
Christ The King Catholic Collegiate - St Wulstan's Catholic Primary  
Churchill Services - St Thomas More Catholic Academy  
City Learning Trust - Haywood Engineering College  
City Learning Trust - Mill Hill Primary  
City Learning Trust - Smallthorne Primary Academy

City Learning Trust -Trentham Academy  
 Cleantec Services Ltd - AET  
 Codsall MAT - Birches First School  
 Codsall MAT - Codsall Middle School  
 Codsall MAT - St Nicholas CE(VC) First School,  
 Codsall  
 Codsall Parish Council  
 Collective Vision Trust - Chesterton Community  
 Sports College  
 Collective Vision Trust - Chesterton Primary  
 School  
 Collective Vision Trust - Churchfield Primary  
 Collective Vision Trust - Crackley Bank Primary  
 School  
 Colwich Parish Council  
 Community Academies Trust - Chadsmead  
 Academy  
 Community Academies Trust - Wilnecote  
 Community Council of Staffordshire  
 Congleton Multi Academy Trust - Castle Primary  
 Co-operative academy  
 Creative Education Academies - Harpfield  
 Creative Education Academies - Hart School  
 Creative Education Academies - Thistley Hough  
 Academy  
 Creative Education Academies - Three Peaks  
 Academy  
 Creative Learning Partnership - Hempstall's  
 Primary School  
 Creative Learning Partnership - Parkside  
 Creative Learning Partnership - Thursfield  
 Primary School  
 Crescent Academy  
 De Ferrers Academy  
 De Ferrers Academy - Eton Park  
 De Ferrers Academy - Horninglow  
 De Ferrers Academy - Lansdowne  
 Draycott in the Clay Parish Council  
 East Staffordshire Borough Council  
 Eaton Park Academy  
 Eccleshall Parish Council  
 Education Central Multi Academy Trust -  
 Featherstone Academy  
 Education Central Multi Academy Trust - Pye  
 Green Academy  
 Elite - Chase Terrace  
 Elite - Great Wyrley  
 Elite - Norton Canes  
 Endeavor Academy Trust - Cherry Trees  
 Endeavor Academy Trust - Wightwick Hall  
 School  
 Entrust  
 Enviroserve - Christchurch CE Primary School  
 Enviroserve - St Dominic's CPS  
 Erasmus Darwin Academy  
 Esprit Multi Academy Trust - Grove Junior  
 Esprit Multi Academy Trust - Hamilton Infants  
 Esprit Multi Academy Trust - Northwood Broom  
 Essington Parish Council

Fidelis – Two Rivers  
 Fierte MAT - Ankermoor Primary School  
 Fierte MAT - Dosthill Primary Academy  
 Fierte MAT - Glascote Heath Academy  
 Fierte MAT - Violet Way Academy  
 Forsbrook Parish Council  
 Fradley and Streethay Parish Council  
 Freedom Leisure - Lichfield DC  
 Freedom Leisure - Stafford BC  
 Future Generation Trust - Gentleshaw Primary  
 Future Generation Trust - St Johns Primary  
 Glebe Primary School  
 Gnosall Parish Council  
 Great Wyrley Parish Council  
 Heath Hayes & Wimblebury Parish Council  
 Hednesford Town Council  
 Holy Trinity MAC - Blessed Mother Teresa's  
 Catholic Primary  
 Holy Trinity MAC - Blessed William Howard  
 Catholic High School  
 Holy Trinity MAC - St Mary's Catholic Primary  
 Holy Trinity MAC - St Patricks Catholic Primary  
 Holy Trinity MAC - St Anne's Catholic Primary  
 Holy Trinity MAC - St Austin's Catholic Primary  
 Holy Trinity MAC - St Dominic's Catholic Primary  
 Holy Trinity MAC - St John's Catholic Primary  
 Horninglow and Eaton Parish Council  
 Inspirational Learning Academies Trust -  
 Newstead Primary  
 Inspirational Learning Academies Trust - Norton  
 Le Moors Primary Academy  
 Inspirational Learning Academies Trust -  
 Whitfield Valley Primary Academy  
 Invictus Trust - Kinver High School  
 Invictus Trust - Ounsdale High School  
 JCB Academy  
 John Taylor Multi Academy Trust - John Taylor  
 Academy  
 John Taylor Multi Academy Trust - Kingsmead  
 School Academy  
 John Taylor Multi Academy Trust - Rykneld  
 Primary School  
 John Taylor Multi Academy Trust - Thomas  
 Russell Infants  
 John Taylor Multi Academy Trust - Yoxall St  
 Peters  
 Keele University  
 Key Educational Trust - Christchurch Academy  
 Key Educational Trust - Oulton CE  
 Key Educational Trust - Christ Church First  
 School  
 KGB Newcastle College  
 Kidsgrove Town Council  
 Kier - OPCC  
 Kier Facilities Services Limited  
 Kier Group  
 Kinver Parish Council  
 Landau Forte Academy Trust - Greenacres  
 Landau Forte Academy Trust - QUEMS

Landau Forte Academy Trust - Woodhouse Academy/Post 16  
 Landscape Group Ltd  
 Lapley, Stretton & Wheaton Aston PC  
 Learning Village Academy Trust - Greenways Primary  
 Learning Village Academy Trust - Milton Primary Academy  
 Leek Town Council  
 Lichfield City Council  
 Lichfield Diocese/Woodard Academy (St Peter's)  
 Lichfield District Council  
 Lichfield Garrick Theatre  
 Lighthouse Trust - Newford Primary Academy  
 Liverpool Personal Services Society  
 Lovell's Partnership  
 Madeley High School  
 Make Some Noise  
 Manor Hall Academy Trust - Cicely Haughton Academy  
 Manor Hall Academy Trust - Loxley Hall Academy  
 Manor Hall Academy Trust - Meadows Special School  
 Manor Hall Academy Trust - Merryfields School  
 Manor Hall Academy Trust - Springfield Community Special School  
 Mears Ltd  
 Mellors - Biddulph High  
 Mellors - Burton Schools  
 Mellors - Holy Trinity Primary  
 Mellors - Newcastle  
 Mellors - Shobnall Primary  
 Mellors - Thomas Russell Infants  
 Mellors - Thomas Russell Jr  
 Mercia Primary Academy Trust - Flax Hill Academy  
 Mercia Primary Academy Trust - Lark Hall Academy  
 Mid Trent Academy Trust - Colwich CE Primary  
 Mid Trent Academy Trust - St Andrews CE Primary  
 Mid Trent Academy Trust - St Peters CE Primary  
 Midland Heart Ltd  
 Moorlands Housing / Your Housing  
 Moorlands Primary Federation - Bishop Rawle  
 Moorlands Primary Federation - Dilhorne  
 Moorlands Primary Federation - Great Wood School  
 Moorlands Primary Federation - St Werbergh's  
 Moorlands Primary Federation - Valley Primary  
 Mosley Academy  
 Newcastle and Stafford Colleges Group  
 Newcastle Under Lyme Borough Council  
 Newman Catholic Collegiate - Our Lady & St Benedict Catholic  
 Newman Catholic Collegiate - Our Lady of Grace  
 Newman Catholic Collegiate - St George & St Martin's Catholic

Newman Catholic Collegiate - St John Evangelist Catholic Primary School  
 Newman Catholic Collegiate - St Joseph Catholic Primary School  
 Newman Catholic Collegiate - St Margaret Ward  
 Newman Catholic Collegiate - St Mary's Catholic Primary School  
 Newman Catholic Collegiate - St Peters Primary School  
 Newman Catholic Collegiate - St Wilfrid's Catholic Primary School  
 North Staffs Combined Health Care  
 North Staffs Combined Healthcare Trust  
 Northgate ( Moorlands)  
 Northgate (Lichfield)  
 Northgate IS Ltd  
 Norton Parish Council  
 Office of Chief Constable Staffordshire  
 Office of Police and Crime Commissioner Staffordshire  
 Ormiston - Meridian Academy  
 Ormiston - Ormiston Horizon Academy  
 Ormiston - Packmoor  
 Ormiston - Sir Stanley Matthews Academy  
 Painsley Catholic College  
 Painsley Catholic College - Faber  
 Painsley Catholic College - St Filumenas  
 Painsley Catholic College - St Giles  
 Painsley Catholic College - St Josephs  
 Painsley Catholic College - St Mary's  
 Painsley Catholic College - St Thomas  
 Penkridge Parish Council  
 Perton Parish Council  
 Praxis - Hollinsclough Primary School  
 Praxis Trust - Bursley Academy  
 Praxis Trust - Manifold Primary School  
 Queen Elizabeth Grammar School MAT - Waterhouses Primary  
 R M Education  
 REACH2 - Five Spires Academy  
 REACH2 - Heath Hayes Primary School  
 REACH2 - Norton Canes Community Primary School  
 REACH2 - Scientia Academy  
 REACH2 - Silkmore Academy  
 REACH2 - Springhill  
 REACH2 - Veritas Academy  
 RM Education – Ormiston Horizon  
 RM Education - Sir Stanley Matthews  
 RM Education – St Peter's  
 RM Education Ltd - Thistley Hough  
 Rugeley Town Council  
 Rural Enterprise Academy  
 Sandon Primary Academy  
 SCC Schools (Capita/Entrust)  
 SCC Schools (Dudley MBC)  
 SCC Schools (Stoke City Council)  
 Service Master – College Academies Trust  
 Service Master – Oaklands Nursery

Service Master – St Giles & St Georges  
 Servicemaster – Mill Hill  
 ServiceMaster Mercia - Charnwood  
 ServiceMaster Mercia - Rocklands  
 ServiceMaster Mercia - Woodlands  
 Shaw Trust - Blackfriars Academy  
 Shaw Trust - Coppice Academy  
 Shaw Trust - Madeley High School  
 Shaw Trust - Meadows Primary  
 Shaw Trust - Saxon Hill Academy  
 Shaw Trust - Seabridge Primary  
 Shaw Trust - Walton Hall Academy  
 Shaw Trust - Wolstanton High School  
 Shenstone Council  
 Silverdale Parish Council  
 Silvertree Cleaning  
 Sir Graham Balfour MAT - Sir Graham Balfour  
 Sixth form College - Stoke on Trent  
 Small Schools Multi Academy Trust - Howard  
 Primary Academy  
 Small Schools Multi Academy Trust - Richard  
 Crosse Primary Academy  
 Small Schools Multi Academy Trust - St Mary's  
 Primary Academy Colton  
 Societas MAT - Ash Green Primary Academy  
 Societas MAT - Ellison Primary School  
 Societas MAT - Gladstone Primary  
 Societas MAT - Goldenhill Primary Academy  
 Societas MAT - Summerbank Primary  
 South East Stafford MAT - Barnfields Primary  
 School  
 South East Stafford MAT - Leasowes Infant and  
 Junior  
 South Staffordshire College  
 South Staffordshire Council  
 South Staffordshire Housing Association  
 South Staffs and Shrops Health Care  
 St Bartholomew's CE MAT - St Benedict Biscop  
 CE Primary  
 St Barts MAT - Kingsland CE Academy  
 St Barts MAT - Knutton, St Mary's CE(VC)  
 Primary School  
 St Barts MAT - Meir Heath Primary  
 St Barts MAT - Park Hall  
 St Barts MAT - St Nathaniels Academy  
 St Barts MAT - St Saviours CE Academy  
 St Barts MAT - Weston Infant Academy  
 St Barts MAT - Weston Junior Academy  
 St Chads Academy Trust - Bishop Lonsdale CofE  
 Primary  
 St Chads Academy Trust - Churchfields Primary  
 St Chads Academy Trust - Havergal Primary  
 Academy  
 St Chads Academy Trust - St James CofE  
 Primary  
 St Chads Academy Trust - St Johns Primary  
 St Chads Academy Trust - St Matthews Primary  
 St Chads Academy Trust - St Peter's CE(VC)  
 Primary School, Stonnal

St Chads Academy Trust - Stoke Minster Primary  
 St Edwards CE Academy  
 St Giles and St Georges Academy  
 St Marys CofE Primary School  
 St Joseph's College Edmund Rice Academy  
 Trust  
 Stafford and Rural Homes  
 Stafford Borough Council  
 Staffordshire County Council  
 Staffordshire Moorlands District Council  
 Staffordshire University  
 Staffordshire University MAT - Boney Hay  
 Primary  
 Staffordshire University MAT - John Wheeldon  
 Academy  
 Staffordshire University MAT - Littleton Green  
 Community Primary  
 Staffordshire University MAT - Moorgate Primary  
 Academy  
 Staffordshire University MAT - Perton Sandown  
 First School  
 Staffordshire University MAT - St Edwards First  
 Staffordshire University MAT - Staffordshire  
 University Academy  
 Staffordshire University MAT - Tynsel Parkes  
 First  
 Staffs & Stoke Partnership Trust  
 Stephen Sutton MAT - Chase Terrace Tec  
 College  
 Stoke and Staffs Combined Fire Authority  
 Stoke City Council  
 Stoke on Trent College  
 Stoke On Trent Sixth Form College  
 Stone Town Council  
 Superclean Services Wothorpe Ltd - Kingfisher  
 Academy  
 Sutherland Academy  
 Swinfen & Packington  
 Talentum - Churnet View  
 Talentum - Leek High School  
 Talentum - Westwood College  
 Tamworth Borough Council  
 Tatenhill Parish Council  
 Taylor Shaw - Birches Head  
 Tiny Toez  
 Trent and Dove Housing  
 Tutbury Parish Council  
 Unitas  
 United Endeavor Trust - Sir Thomas Boughey  
 High  
 United Endeavour Trust - Clayton Hall Academy  
 United Endeavour Trust - Newcastle Academy  
 United Learning Trust - Silverdale Primary  
 Academy  
 University Of Chester Academy Trust - Maryhill  
 Primary  
 University Of Chester Academy Trust - Uttoxeter  
 Uttoxeter Town Council  
 Uttoxeter Learning Trust MAT

Victoria Academy Trust - Rowley Park Primary  
Academy  
Walton MAT - Walton High School  
Wates  
Wates Housing Repairs  
West Stafford Multi Academy Trust - Haughton St  
Giles

West Stafford Multi Academy Trust - St Lawrence  
West Stafford Multi Academy Trust -  
Woodseaves  
Weston Road Academy  
Wigan Leisure and Culture Trust  
Wombourne Parish Council  
Woodhouse Academy



# Actuarial statement

## **Staffordshire Pension Fund (“the Fund”) Actuarial Statement for 2017/18**

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### **Description of Funding Policy**

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to 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 around a 66% 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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £3,753 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £1,059 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 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 2016 valuation report.

## Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	3.8%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

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 2013 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	24.4 years
Future Pensioners*	24.1 years	26.4 years

\*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund or on the Fund's website at [www.staffspf.org.uk](http://www.staffspf.org.uk).

## Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.



Douglas Green FFA  
For and on behalf of Hymans Robertson LLP  
13 April 2018

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# Pension Fund accounts reporting requirement

## Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

## Present value of promised retirement benefits

Year ended	31 March 2018	31 March 2017
Active members (£m)	3,102	2,875
Deferred members (£m)	1,418	1,427
Pensioners (£m)	2,261	2,351
<b>Total (£m)</b>	<b>6,781</b>	<b>6,653</b>

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

## Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £138m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.



## Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

## Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 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	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.4 years

Please note that the longevity assumptions have not changed since 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.

## Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	565
0.5% p.a. increase in the Salary Increase Rate	2%	113
0.5% p.a. decrease in the Real Discount Rate	11%	720

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Douglas Green FFA  
13 April 2018  
For and on behalf of Hymans Robertson LLP

# Pension Fund account

## Staffordshire Pension Fund account for the year ended 31 March 2018

	Notes	2016/2017 £m	2017/2018 £m
<b>Contributions and benefits</b>			
Contributions receivable	4	155.6	232.4
Transfers in	5	11.2	12.5
		<b>166.8</b>	<b>244.9</b>
Benefits payable	6	(165.2)	(171.2)
Leavers	7	(12.0)	(15.3)
		<b>(177.2)</b>	<b>(186.5)</b>
<b>Net additions/(withdrawals) from dealings with fund members</b>		<b>(10.4)</b>	<b>58.4</b>
<hr/>			
<b>Management expenses</b>	8	<b>(16.4)</b>	<b>(16.7)</b>
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<b>Returns on investments</b>			
Investment income	9	64.1	68.9
Change in the market value of investments	10	801.3	76.7
<b>Net returns on investments</b>		<b>865.4</b>	<b>145.6</b>
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Net increase in the Fund during the year		838.6	187.3
Opening net assets of the Fund		3,751.9	4,590.5
<b>Closing net assets of the Fund at 31 March</b>		<b>4,590.5</b>	<b>4,777.8</b>

# Net assets statement

## Net assets statement at 31 March 2018

	Notes	2016/2017 £m	2017/2018 £m
<b>Investment assets</b>			
Bonds	10/10a	324.6	367.7
Equities	10/10a	890.7	920.6
Pooled investment vehicles	10/10a	2,497.3	2,544.5
Property	10/10a	370.6	386.1
Cash deposits	10/10a	185.2	180.5
Other investment balances	10a	321.8	386.4
Derivatives	10a	1.5	2.5
		<b>4,591.7</b>	<b>4,788.3</b>
<b>Investment liabilities</b>			
Derivatives	10a	(0.3)	(0.9)
Other investment balances	10a	(8.3)	(12.5)
<b>Net Investment assets</b>		<b>4,583.1</b>	<b>4,774.9</b>
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Long term assets	12	<b>3.0</b>	<b>2.0</b>
Current assets	12	<b>11.9</b>	<b>12.3</b>
<hr/>			
Long term Liabilities	13	<b>(0.1)</b>	<b>(0.1)</b>
Current liabilities	13	<b>(7.4)</b>	<b>(11.3)</b>
<b>Net assets of the Fund at 31 March</b>		<b>4,590.5</b>	<b>4,777.8</b>

The financial statements summarise the transactions of the Fund and deal with the net assets available to us. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position on the scheme, which does take account of these obligations, is set out in the actuary's report on page 100.

The notes on pages 106 to 130 also form part of the Pension Fund financial statements.

# Notes to the accounts

## 1. Basis of preparation

The scheme is governed by the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 2017/2018 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 Investment Strategy Statement and the Funding Strategy Statement at [www.staffspf.org.uk](http://www.staffspf.org.uk).

## 2. Accounting policies

When preparing the Pension Fund financial statements we have adopted the following significant accounting policies, which we have 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 bonds are recorded at the net market value based on their current market yields. The value does not include interest earned but not paid at the year end, which is included separately within accrued investment income.

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation by Savills, as at 31 March 2018. The valuation has been made in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the “RICS Red Book”).

The private equity, private debt and hedge fund valuations are valued based on the Fund's share of the net assets of the underlying funds using the latest financial statements provided by the respective fund managers.

Derivative contracts are valued at bid market price.

Investment income is recognised as follows:

- Interest income as it accrues.
- Dividend income on the date the shares are quoted ex-dividend.
- Property related income, which primarily consists of rental income, is received in advance and is accrued into the correct year.

- Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **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.

### **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.

### **Management expenses**

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

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

Investment management transaction costs include fees, commissions, stamp duty and other fees (see note 8a).

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

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

### **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 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.

## **Contingent assets and contingent liabilities**

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

## **Financial instruments**

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments of the 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.

### 3. Pension Fund investments 2017/2018

The market value and percentage of assets held by each of the investment managers at the end of the financial year is shown below:

External fund manager	31 March 2017		31 March 2018	
	£m	%	£m	%
Insight Investment (corporate bonds)	332.6	7%	380.2	8%
Standard Life Investments (UK equity)	299.7	7%	301.2	6%
JP Morgan Asset Management (global equity)	397.7	9%	414.9	9%
Longview Partners (global equity)	218.3	5%	223.2	5%
Legal & General Investment Management (passive all world equity)	2,137.5	47%	2,050.1	43%
Legal & General Investment Management (passive UK index-linked gilts)	244.6	5%	367.0	8%
Russell Investments (emerging markets equity)	110.6	2%	122.2	3%
Colliers International UK plc (property)	371.1	8%	386.3	8%
HarbourVest Partners (private equity)	116.2	3%	109.2	2%
Knightsbridge Advisors (private equity)	16.3	0%	15.4	0%
Partners Group (private equity)	10.7	0%	12.1	0%
Lazard Technology Partners (private equity)	1.1	0%	0.8	0%
Capital Dynamics (private equity)	1.8	0%	4.1	0%
Hayfin Capital Management (private debt)	19.8	0%	35.2	1%
Highbridge Capital Management (private debt)	19.5	0%	38.2	1%
Alcentra Limited (private debt)	35.2	2%	61.1	1%
Goldman Sachs Asset Management (hedge funds)	86.4	2%	88.2	2%
Director of Finance and Resources (central cash)	157.6	3%	155.9	3%
	<b>4,576.7</b>	<b>100%</b>	<b>4,765.3</b>	<b>100%</b>

### 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 2017	31 March 2018
	£m	£m
Equities - UK	57.6	49.4
Equities - Global	26.6	61.9
Fixed interest - UK	2.1	1.1
Fixed interest - Global	6.6	2.2
	<b>92.9</b>	<b>114.6</b>

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 2018 the Fund held £121.5 million (£99.5 million at 31 March 2017) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.2 million for the year ending 31 March 2018 (£0.4 million for year ending 31 March 2017). This is included within the investment income figure shown on the Pension Fund account.

#### 4. Contributions receivable

	2016/2017	2017/2018
	£m	£m
<b>Employers</b>		
Normal	113.0	107.5
Actuarial strain	6.1	5.6
Deficit recovery contributions	0.0	84.1
<b>Scheme members</b>		
Normal	36.5	35.2
<b>Total</b>	<b>155.6</b>	<b>232.4</b>

The deficit recovery contributions in 2017/2018 relate to the prepayment of employer deficit funding made by eleven employing bodies in respect of 2017/2018 and future years, as agreed by the actuary.

The 31 March 2016 valuation does not include a common contribution rate for the whole Fund, as it is deemed inappropriate due to the change in regulatory regime and guidance on contribution rates.

**Contributions receivable can be analysed by type of member body as follows:**

	2016/2017	2017/2018
	£m	£m
Staffordshire County Council	44.1	75.9
Scheduled bodies	90.0	138.9
Admitted bodies	21.5	17.6
<b>Total</b>	<b>155.6</b>	<b>232.4</b>

#### 5. Transfers in

	2016/2017	2017/2018
	£m	£m
Individual transfers in from other schemes	11.2	12.5
Group transfers in from other schemes	0.0	0.0
<b>Total</b>	<b>11.2</b>	<b>12.5</b>

#### 6. Benefits payable

	2016/2017	2017/2018
	£m	£m
Pensions	128.8	134.2
Commutations and lump-sum retirement benefits	31.9	33.3
Lump-sum death benefits	4.5	3.7
<b>Total</b>	<b>165.2</b>	<b>171.2</b>



## 6. Benefits payable (Cont'd)

Benefits payable can be analysed by type of member body as follows:

	2016/2017	2017/2018
	£m	£m
Staffordshire County Council	68.5	68.9
Scheduled bodies	82.0	86.6
Admitted bodies	14.7	15.7
<b>Total</b>	<b>165.2</b>	<b>171.2</b>

## 7. Payments to and on account of leavers

	2016/2017	2017/2018
	£m	£m
Individual transfers to other schemes	11.1	14.8
Group transfers to other schemes	0.6	0.0
Payments for members joining / (leaving) state scheme	(0.1)	0.0
Refunds to members leaving service	0.4	0.5
<b>Total</b>	<b>12.0</b>	<b>15.3</b>

## 8. Management expenses

	2016/2017	2017/2018
	£m	£m
Administration expenses	2.2	2.4
Investment management expenses (see note 8a)	13.3	13.3
Oversight and governance costs	0.9	1.0
<b>Total</b>	<b>16.4</b>	<b>16.7</b>

Included within administration expenses are the Fund's external audit costs of £0.03m for 2017/18 (£0.03m for 2016/2017).

### 8a. Investment management expenses

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

	2016/2017	2017/2018
	£m	£m
Transaction costs	1.6	1.1
Management fees	10.6	11.7
Performance related fees	0.9	0.4
Custody fees	0.2	0.1
<b>Total</b>	<b>13.3</b>	<b>13.3</b>

The Fund was also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments.

## 9. Investment income

	2016/2017 £m	2017/2018 £m
Bonds	10.2	15.0
Dividends from equities	29.8	23.9
Income from pooled investment vehicles	1.4	2.0
Rents from property	18.5	20.2
Interest on cash deposits	0.8	0.8
Stock lending	0.4	0.2
Other	3.2	7.1
	<b>64.3</b>	<b>69.2</b>
Withholding tax we cannot recover	(0.2)	(0.3)
<b>Total</b>	<b>64.1</b>	<b>68.9</b>

## 10. Investment reconciliation

	Value at 1 April 2017 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 March 2018 £m
Bonds	324.6	113.7	(48.2)	(22.4)	367.7
Equities	890.7	530.2	(502.8)	2.5	920.6
Pooled investment vehicles	2,497.3	120.0	(142.0)	69.2	2,544.5
Derivatives	1.2	2,035.6	(2,045.8)	10.6	1.6
Property	370.6	3.3	0.0	12.2	386.1
Other	307.1	92.5	(35.2)	(0.1)	364.3
	<b>4,391.5</b>	<b>2,895.3</b>	<b>(2,774.0)</b>	<b>72.0</b>	<b>4,584.8</b>
External cash deposits (central cash)	151.5				148.7
Investment manager cash	33.7			4.7	31.8
	<b>4,576.7</b>			<b>76.7</b>	<b>4,765.3</b>
Outstanding dividend entitlements and recoverable withholding tax	9.1				10.2
Amount receivable for sales of investments	5.6				11.9
Amounts payable for purchases of investments	(8.3)				(12.5)
<b>Net Investment assets</b>	<b>4,583.1</b>				<b>4,774.9</b>

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2018 (also at 31 March 2017):

- LGIM, passive UK equity - £332.6m or 7.0% (£328.1m or 7.1%)
- LGIM, passive all world equity - £992.9m or 20.8% (£1,105.7m or 24.1%)
- LGIM, passive all world equity - £642.5m or 13.5% (£628.2m or 13.7%)
- LGIM, passive index-linked gilts - £367.0m or 7.7% (£244.6m or 5.3%)

As at 31 March 2018 (also at 31 March 2017) the Fund was committed to the following contractual commitments:

- £127.8m of private equity investments (£128.5m)
- Investment in a UK pooled property fund of £7.4m (£10m)
- £161.8m of private debt investments (£139.6m)

**A further analysis of the market value of investments at 31 March is provided below.**

### 10a. Analysis of investments

	31 March 2017		31 March 2018	
	£m	%	£m	%
<b>Investment assets</b>				
<b>Bonds</b>				
UK corporate quoted	108.4	2%	159.2	3%
Global corporate quoted	216.2	5%	208.5	5%
	<b>324.6</b>	<b>7%</b>	<b>367.7</b>	<b>8%</b>
<b>Equities</b>				
UK quoted	341.1	7%	340.9	7%
UK unquoted	0.0	0%	1.3	0%
Global quoted	549.6	12%	578.4	12%
	<b>890.7</b>	<b>19%</b>	<b>920.6</b>	<b>19%</b>
<b>Pooled investment vehicles</b>				
UK	450.5	10%	446.0	9%
UK index-linked	244.6	5%	367.0	8%
Global	1,802.2	40%	1,731.5	36%
	<b>2,497.3</b>	<b>55%</b>	<b>2,544.5</b>	<b>53%</b>
All companies operating unit trusts or managed funds are registered in the United Kingdom.				
<b>Derivatives (see note 11)</b>				
Forward foreign currency	0.2	0%	1.1	0%
Futures	1.3	0%	1.4	0%
	<b>1.5</b>	<b>0%</b>	<b>2.5</b>	<b>0%</b>
<b>Property</b>				
UK directly held property	340.7	7%	352.7	7%
UK pooled property funds	29.9	1%	33.4	1%
	<b>370.6</b>	<b>8%</b>	<b>386.1</b>	<b>8%</b>
<b>Other</b>				
Private equity	146.1	3%	141.6	3%
Private debt	74.6	2%	134.5	3%
Hedge funds	86.4	2%	88.2	2%
	<b>307.1</b>	<b>7%</b>	<b>364.3</b>	<b>8%</b>
<b>Cash</b>				
External deposits	151.5	4%	148.7	4%
Investment manager cash (Sterling £)	19.9	0%	14.3	0%
Investment manager cash (non Sterling £)	13.8	0%	17.5	0%
	<b>185.2</b>	<b>4%</b>	<b>180.5</b>	<b>4%</b>
	<b>4,577.0</b>	<b>100%</b>	<b>4,766.2</b>	<b>100%</b>
Outstanding dividend entitlements and recoverable withholding tax	9.1		10.2	
Amount receivable for sales of investments	5.6		11.9	
<b>Total Investment assets</b>	<b>4,591.7</b>		<b>4,788.3</b>	

## 10a. Analysis of investments (continued)

	31 March 2017	31 March 2018
	£m	£m
<b>Total Investment assets (from previous page)</b>	<b>4,591.7</b>	<b>4,788.3</b>
<b>Investment liabilities</b>		
<b>Derivatives (see note 11)</b>		
Forward foreign currency	(0.1)	0.0
Futures	(0.2)	(0.9)
	<b>(0.3)</b>	<b>(0.9)</b>
Amounts payable for purchases of investments	(8.3)	(12.5)
<b>Total Investment liabilities</b>	<b>(8.6)</b>	<b>(13.4)</b>
<b>Net Investment assets</b>	<b>4,583.1</b>	<b>4,774.9</b>

## 11. Derivative contracts

The holding of derivative contracts is to hedge exposures and reduce risk for the Fund. The use of derivative contracts is managed in line with the investment management agreement between the Fund and the various investment managers who use them.

### Forward foreign currency contracts

A significant proportion of the Fund's equity holdings are held in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, some of the Fund's investment managers hold forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) below against other major currencies.

	31 March 2017		31 March 2018	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Euro	0.0	(0.1)	0.4	0.0
United States Dollar	0.2	0.0	0.7	0.0
	<b>0.2</b>	<b>(0.1)</b>	<b>1.1</b>	<b>0.0</b>

## Futures contracts

Futures contracts are used to manage interest rate risk. All are traded on a stock exchange and are listed below at 31 March.

The Fund invests in fixed-rate corporate bonds denominated in US dollars and Euros. In order to avoid taking duration risk in relation to movements in US dollar and Euro based interest rates, positions are taken in the corresponding government bond futures.

	Nominal Value	31 March 2017		31 March 2018	
		Assets	Liabilities	Assets	Liabilities
		£m	£m	£m	£m
Euro Bund Future (Euro €) - June 2017	15.8	0.0	0.0	0.0	0.0
Long Gilt Future (Sterling £) - June 2017	75.0	1.3	0.0	0.0	0.0
US 10 year Note (US \$) - June 2017	69.4	0.0	(0.2)	0.0	0.0
US 5 year Note (US \$) - June 2017	13.0	0.0	0.0	0.0	0.0
Euro Bund Future (Euro €) - June 2018	15.9	0.0	0.0	0.0	(0.2)
Long Gilt Future (Sterling £) - June 2018	73.4	0.0	0.0	1.4	0.0
US 10 year Note (US \$) - June 2018	59.9	0.0	0.0	0.0	(0.6)
US 5 year Note (US \$) - June 2018	16.2	0.0	0.0	0.0	(0.1)
		<b>1.3</b>	<b>(0.2)</b>	<b>1.4</b>	<b>(0.9)</b>

## 12. Long term/current assets

	2016/2017	2017/2018
	£m	£m
<b>Long term assets</b>		
Contributions due – employers (see note 18)	3.0	2.0
<b>Current assets</b>		
Contributions due - employers	6.8	8.0
Contributions due - members	1.9	2.1
Cash balances	2.7	0.0
Other	0.5	2.2
	<b>11.9</b>	<b>12.3</b>
<b>Total</b>	<b>14.9</b>	<b>14.3</b>

An analysis of assets above by type of body is provided below:

	2016/2017	2017/2018
	£m	£m
Central government bodies	6.0	6.3
Other local authorities	5.0	5.1
NHS bodies	0.3	0.2
Public corporations and trading funds	0.5	0.6
Other entities and individuals	3.1	2.1
<b>Total</b>	<b>14.9</b>	<b>14.3</b>

### 13. Long term/current liabilities

	2016/2017 £m	2017/2018 £m
<b>Long term liabilities</b>		
Income received in advance (see note 19)	(0.1)	(0.1)
<b>Current liabilities</b>		
Cash overdrawn	0.0	(2.8)
Investment management expenses	(1.0)	(1.1)
Income received in advance	(0.6)	(2.2)
Benefits payable	(4.1)	(4.4)
Other	(1.7)	(0.8)
	<b>(7.4)</b>	<b>(11.3)</b>
<b>Total</b>	<b>(7.5)</b>	<b>(11.4)</b>

An analysis of liabilities above by type of body is provided below:

	2016/2017 £m	2017/2018 £m
Central government bodies	0.0	0.0
Other local authorities	0.0	(0.5)
NHS bodies	0.0	0.0
Public corporations and trading funds	0.0	0.0
Other entities and individuals	(7.5)	(10.9)
<b>Total</b>	<b>(7.5)</b>	<b>(11.4)</b>

### 14. Directly held property net asset account

The Fund had investments in property of £386.1m at 31 March 2018 (£370.6m at 31 March 2017), of which £352.7m was in directly held property (£340.7m at 31 March 2017). The account below reconciles the movement in the Fund's investments in directly held property.

The Fund is required to classify its directly held property into a hierarchy by reference to the quality and reliability of information used to determine fair values (See note 25 for more information on the hierarchy). The Fund has classified its directly held property as Level 3, as fair values are based on significant unobservable inputs and estimated using valuation techniques.

Transaction costs for directly held property in 2017/2018 were £0.1m (£3.9m in 2016/2017).

	2016/2017 £m	2017/2018 £m
Balance at start of year	284.5	340.7
Purchases at cost	66.7	0.7
Sale proceeds	(10.1)	0.0
Change in market value	(0.4)	11.3
<b>Balance at 31 March</b>	<b>340.7</b>	<b>352.7</b>

## 15. Directly held property fund account

A summary of the income and expenses associated with the Fund's directly held property is provided below:

	2016/2017	2017/2018
	£m	£m
Rental income	18.5	20.2
Direct operating expenses	(1.2)	(1.4)
<b>Net gain</b>	<b>17.3</b>	<b>18.8</b>

## 16. Additional voluntary contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contributions (AVC) scheme run by external providers. Contributions are paid directly from scheme members to the providers.

The contributions are not included within the Fund accounts, in line with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The table below shows the activity for each AVC provider in the year.

	Clerical Medical £m	Scottish Widows £m	Equitable Life £m	Standard Life £m
<b>Opening value</b>	<b>0.9</b>	<b>0.0</b>	<b>0.6</b>	<b>2.1</b>
Income	0.0	1.0	0.0	0.2
Expenditure	(0.9)	(0.2)	(0.1)	(0.3)
Change in market value	0.0	0.0	0.0	0.0
<b>Closing value</b>	<b>0.0</b>	<b>0.8</b>	<b>0.5</b>	<b>2.0</b>

## 17. Related-party disclosure

- Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.1m (£2.2m in 2016/2017) in relation to the administration of the Pension Fund. The County Council was subsequently reimbursed by the Fund for these expenses.
- The Pension Fund holds a proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the Fund's Annual Investment Strategy, which sets out the permitted counterparties and limits. At 31 March 2018 the Fund held £146m in cash (£154m at 31 March 2017).
- 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, which occurred when the local elections were held in May 2017. At 31 March none of the members of the Pensions Committee and the Pensions Panel remained members of the scheme.
- LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

No services were provided by LGPS Central Ltd during 2017/2018 as operation only commenced on 3 April 2018.

£1.3m has been invested in share capital and £0.7m in a loan to LGPS Central Ltd during the year for regulatory capital purposes. These are the balances at year end.

£0.4 has been spent by Staffordshire Pension Fund on setting up LGPS Central Ltd during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the eight administering authorities. A total of £0.5m is due to be refunded to Staffordshire Pension Fund by LGPS Central during 2018/2019 reflecting the cost of setting up the enterprise to the end of March 2018.

### 17a. Key management personnel

The key management personnel of the Fund are the Staffordshire County Council Director of Finance and Resources (Section 151 Officer), Head of Financial Strategy and Support, and the Head of Treasury and Pensions. Total remuneration payable to key personnel in respect of the Pension Fund is set out below:

	2016/2017	2017/2018
	£m	£m
Short Term Benefits	0.1	0.1
Post-employment Benefits	0.1	0.1
	<b>0.2</b>	<b>0.2</b>

### 18. Deferred debtor

A transfer was made from the Fund to the Civil Service Pension Scheme on 1 April 2005 in respect of Magistrates Courts. As at 31 March 2011 agreement had been reached that the Fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the Fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the Fund of £1.004m. At 31 March 2018, the remaining balance was £2.008m as per the long term assets in note 12.

### 19. Deferred liability

A cash transfer of £0.188m was made to the Fund in 2011/2012 by the Environment Agency. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2017/2018 and £0.013m will be released per year until 2025/2026. At 31 March 2018 the remaining balance was £0.088m as per the long term liabilities in note 13.

### 20. Events after the balance sheet date

On 31 May 2018 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 31 May 2018. No events have occurred which require disclosure in the accounts.

### 21. Critical judgements in applying accounting policies

#### Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19, the



assumptions underpinning the valuation are given in the Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

### Private Equity

The private equity market valuations at 31 March 2018 were not available at the time of the preparation of the financial statements, therefore, adjusted 31 December 2017 market valuations have been included. The market values at 31 December 2017 were adjusted for capital calls and capital distributions for the period from 1 January 2018 to 31 March 2018 and the applicable change in exchange rate for the same period.

### 22. 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below:

Item	Uncertainty	Effect if actual results differ from assumptions
Private equity	Private equity funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £141.6m. There is a risk that this investment may be under or overstated in the accounts.
Private debt	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of private debt funds in the financial statements is £134.5m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Hedge funds in the financial statements is £88.2m. There is a risk that this investment may be under or overstated in the accounts.
Freehold/leasehold property and pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The total value of all property in the financial statements is £386.1m. There is a risk that this investment may be under or overstated in the accounts.

### 23. Classification of financial instruments

The net assets of the Fund disclosed in the Net assets statement and in notes 10 and 12 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2017/2018.

The analysis within notes 23, 24 and 26 on financial instruments does not include the Pension Fund's directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed in note 14 - Directly held property net asset account and note 15 - Directly held property fund account.

	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
31 March 2018	£m	£m	£m	£m
<b>Financial assets</b>				
Bonds	367.7	0.0	0.0	367.7
Equities	920.6	0.0	0.0	920.6
Pooled investment vehicles	2,544.5	0.0	0.0	2,544.5
UK pooled property funds	33.4	0.0	0.0	33.4
Cash	0.0	177.7	0.0	177.7
Other investment balances	364.3	22.1	0.0	386.4
Derivatives	2.5	0.0	0.0	2.5
Long term assets	0.0	2.0	0.0	2.0
Current assets	0.0	12.3	0.0	12.3
	<b>4,233.0</b>	<b>214.1</b>	<b>0.0</b>	<b>4,447.1</b>
<b>Financial liabilities</b>				
Derivatives	(0.9)	0.0	0.0	(0.9)
Other investment balances	0.0	0.0	(12.5)	(12.5)
Long term Liabilities	0.0	0.0	(0.1)	(0.1)
Current liabilities	0.0	0.0	(8.5)	(8.5)
	<b>(0.9)</b>	<b>0.0</b>	<b>(21.1)</b>	<b>(22.0)</b>
	<b>4,232.1</b>	<b>214.1</b>	<b>(21.1)</b>	<b>4,425.1</b>

## 23. Classification of financial instruments (continued)

The previous years data is provided below:

	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
31 March 2017	£m	£m	£m	£m
<b>Financial assets</b>				
Bonds	324.6	0.0	0.0	324.6
Equities	890.7	0.0	0.0	890.7
Pooled investment vehicles	2,497.3	0.0	0.0	2,497.3
UK pooled property funds	29.9	0.0	0.0	29.9
Cash	0.0	187.9	0.0	187.9
Other investment balances	307.1	14.7	0.0	321.8
Derivatives	1.5	0.0	0.0	1.5
Long term assets	0.0	3.0	0.0	3.0
Current assets	0.0	9.2	0.0	9.2
	<b>4,051.1</b>	<b>214.8</b>	<b>0.0</b>	<b>4,265.9</b>
<b>Financial liabilities</b>				
Derivatives	(0.3)	0.0	0.0	(0.3)
Other investment balances	0.0	0.0	(8.3)	(8.3)
Long term Liabilities	0.0	0.0	(0.1)	(0.1)
Current liabilities	0.0	0.0	(7.4)	(7.4)
	<b>(0.3)</b>	<b>0.0</b>	<b>(15.8)</b>	<b>(16.1)</b>
	<b>4,050.8</b>	<b>214.8</b>	<b>(15.8)</b>	<b>4,249.8</b>

## 24. Net gains on financial instruments

The gains recognised in the accounts in relation to financial instruments are made up as follows:

	2016/2017 £m	2017/2018 £m
<b>Financial assets</b>		
Designated as fair value through profit and loss	795.6	60.7
Loans and receivables	6.1	4.7
	<b>801.7</b>	<b>65.4</b>

## 25. Fair value - basis of valuation

The basis of the valuation of each asset class of investment is set out below. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The new procedure for private equity market valuations has been disclosed in note 21, there have been no other changes in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments (equities and bonds)</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Bonds are valued at a market value based on current yields	Not required	Not required
<b>Pooled investment vehicles</b>	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not required
<b>Freehold and leasehold properties</b>	Level 3	Valued at fair value by Savills in accordance with International Valuation Standards and RICS Valuation Standards	<ul style="list-style-type: none"> <li>- Existing lease terms rentals</li> <li>- Independent market research</li> <li>- Covenant strength for existing tenants</li> <li>- Assumed vacancy levels</li> <li>- Estimated rental growth</li> <li>- Discount rate</li> </ul>	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
<b>Pooled property funds</b>	Level 3	The Funds ownership share in property limited partnerships is applied to the partnership net assets. The net assets are based on the fair value of the underlying investment properties in accordance with International Valuation Standards and RICS Valuation Standards	<ul style="list-style-type: none"> <li>- Existing lease terms rentals</li> <li>- Independent market research</li> <li>- Covenant strength for existing tenants</li> <li>- Assumed vacancy levels</li> <li>- Estimated rental growth</li> <li>- Discount rate</li> </ul>	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

## 25. Fair value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	<ul style="list-style-type: none"> <li>- Comparable valuation of similar assets</li> <li>- EBITDA multiple</li> <li>- Revenue multiple</li> <li>- Discounted cash flows</li> <li>- Enterprise value estimation</li> </ul>	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Hedge funds	Level 3	Closing bid price and offer prices are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) Updated	<ul style="list-style-type: none"> <li>- EBITDA multiple</li> <li>- Revenue multiple</li> <li>- Discount for lack of marketability</li> <li>- Control Premium</li> </ul>	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts (See note 21)
Forward foreign currency contracts	Level 2	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Futures	Level 1	Published exchange prices at the year-end	Not required	Not Required

### 25a. Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. The three levels are detailed below:

**Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities. Products classified as Level 1 are quoted equities and bonds.

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 products include pooled investment vehicles, as they are not traded in a market that is considered to be active and where the asset value can be determined by observed values for the underlying assets.

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

The following table provides an analysis by the three levels based on the level at which the fair value is observable.

<b>31 March 2018</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Financial assets</b>				
Designated as fair value through profit and loss	1,288.5	2,545.5	399.0	4,233.0
Non-financial assets at fair value through profit and loss (See note 14)	0.0	0.0	352.7	352.7
<b>Financial liabilities</b>				
Designated as fair value through profit and loss	(0.9)	0.0	0.0	(0.9)
	<b>1,287.6</b>	<b>2,545.5</b>	<b>751.7</b>	<b>4,584.8</b>

The previous years data is provided below:

<b>31 March 2017</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Financial assets</b>				
Designated as fair value through profit and loss	1,216.6	2,497.5	337.0	4,051.1
Non-financial assets at fair value through profit and loss (See note 14)	0.0	0.0	340.7	340.7
<b>Financial liabilities</b>				
Designated as fair value through profit and loss	(0.2)	(0.1)	0.0	(0.3)
	<b>1,216.4</b>	<b>2,497.4</b>	<b>677.7</b>	<b>4,391.5</b>

## 25b. Reconciliation of fair value measurements within level 3

	Market Value 1 April 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (Losses)	Realised gains / (Losses)	Market Value 31 March 2018
	£m	£m	£m	£m	£m	£m
UK equities unquoted	0.0	1.3	0.0	0.0	0.0	1.3
Private equity	146.1	24.6	(34.0)	(14.1)	19.0	141.6
Private debt	74.6	67.9	(1.2)	(8.1)	1.3	134.5
Hedge funds	86.4	0.0	0.0	1.8	0.0	88.2
Pooled property funds	29.9	2.6	0.0	0.9	0.0	33.4
Freehold and leasehold properties	340.7	0.7	0.0	12.0	(0.7)	352.7
	<b>677.7</b>	<b>97.1</b>	<b>(35.2)</b>	<b>(7.5)</b>	<b>19.6</b>	<b>751.7</b>

The previous years data is provided below:

	Market Value 1 April 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains / (Losses)	Realised gains / (Losses)	Market Value 31 March 2017
	£m	£m	£m	£m	£m	£m
Alternative funds	102.1	0.0	(105.0)	(5.6)	8.5	0.0
Private equity	120.6	22.2	(28.4)	20.2	11.5	146.1
Private debt	0.0	95.5	(24.7)	3.8	0.0	74.6
Hedge funds	83.3	0.0	0.0	3.1	0.0	86.4
Pooled property funds	41.4	1.0	(16.5)	(1.2)	5.2	29.9
Freehold and leasehold properties	284.5	66.7	(10.2)	(2.8)	2.5	340.7
	<b>631.9</b>	<b>185.4</b>	<b>(184.8)</b>	<b>17.5</b>	<b>27.7</b>	<b>677.7</b>

## 26. Nature and extent of risks arising from financial instruments

The primary objective of the Fund is to ensure that sufficient funds are available to meet all Pension liabilities as they fall due for payment. The Fund aims to do this by adopting an investment strategy that balances risk and return.

The majority of the Fund is invested through external investment managers. Each has an investment management agreement in place which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions.

Risks are managed through diversification; by investing across asset classes, across managers and styles and ensuring managers maintain a diversified portfolio of investments within their mandate. The majority of the Fund is invested in liquid investments.

**Market risk**

Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies. The Fund is exposed through its investment portfolio to all these market risks.

Market risk also represents the risk that the value of a financial instrument will fluctuate caused by factors other than those mentioned above. These changes can be caused by factors specific to the individual instrument or those affecting the market in general and will affect each asset class the Fund holds in different ways.

A high proportion of the Fund is invested in equities and therefore fluctuation in equity prices is the largest risk the Fund faces. The Fund relies on the fact that it has positive cash flows and a strong employer covenant to underpin its investment in equities and maintains its high exposure to equities over the long-term as they are expected to deliver higher returns.

The Fund manages market risk through a diversified investment portfolio and instructing individual investment managers to diversify investments within their own individual portfolios in line with their investment strategies and mandate guidelines. The Pensions Panel and Pensions Committee regularly receive reports which monitor such risks.

**Market risk – sensitivity analysis**

In consultation with the Fund's investment advisor the following movements in market prices have been judged as possible for the 2018/2019 financial year. The potential market movement figures also allow for interest rate and currency rate fluctuations.

<b>Asset type</b>	<b>Possible market movements</b>
UK equity	+/- 18%
Global equity	+/- 22%
Private equity	+/- 27%
Private debt	+/- 7%
UK fixed interest bonds	+/- 11%
UK index-linked bonds	+/- 9%
Corporate bonds	+/- 7%
Cash	+/- 1%
UK pooled property funds	+/- 14%
Hedge funds	+/- 13%



This movement in the market prices would increase or decrease the net assets at 31 March 2018 to the amounts shown below:

<b>Asset type</b>	<b>31 March 2018 £m</b>	<b>Percentage change (+/-) %</b>	<b>Value on increase £m</b>	<b>Value on decrease £m</b>
UK corporate bonds	159.2	7%	170.3	148.1
Global corporate bonds	208.5	7%	223.1	193.9
UK equities	340.9	18%	402.3	279.5
UK equities unquoted	1.3	18%	1.5	1.1
Global equities	578.4	22%	705.6	451.2
UK pooled investments	446.0	18%	526.3	365.7
UK index-linked pooled investments	367.0	9%	400.0	334.0
Overseas pooled investments	1,731.5	22%	2,112.4	1,350.6
UK pooled property funds	33.4	14%	38.1	28.7
Cash	180.5	1%	182.3	178.7
Private equity	141.6	27%	179.8	103.4
Private debt	134.5	7%	143.9	125.1
Hedge funds	88.2	13%	99.7	76.7
Outstanding dividend entitlements and recoverable withholding tax	10.2	0%	10.2	10.2
Amount receivable for sales of investments	11.9	0%	11.9	11.9
Derivatives	1.6	0%	1.6	1.6
Amounts payable for purchases of investments	(12.5)	0%	(12.5)	(12.5)
Long term assets	2.0	0%	2.0	2.0
Current assets	12.3	0%	12.3	12.3
Long term Liabilities	(0.1)	0%	(0.1)	(0.1)
Current liabilities	(11.3)	0%	(11.3)	(11.3)
	<b>4,425.1</b>		<b>5,199.4</b>	<b>3,650.8</b>

### **Interest rate risk**

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Changes in market interest rates would affect the value of the Fund's bonds. The amount of income the Fund generates from its cash holdings would also be affected.

The Fund's direct exposure to interest rate movements as at 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

### **Interest rate risk - sensitivity analysis**

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. Medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

<b>Asset type</b>	<b>31 March 2018 £m</b>	<b>Percentage change (+/-) %</b>	<b>Value on increase £m</b>	<b>Value on decrease £m</b>
Cash and cash equivalents	148.7	0%	148.7	148.7
Cash balances	(2.8)	0%	(2.8)	(2.8)
Bonds	367.7	1%	371.4	364.0
	<b>513.6</b>		<b>517.3</b>	<b>509.9</b>

### Foreign currency risk

Foreign currency risk represents the risk that the fair value of financial instruments when expressed in Sterling (£) will fluctuate because of changes in foreign exchange rates.

A high proportion of the Fund's equity portfolio is held in global stock markets. Any short term volatility associated with fluctuating currencies is balanced by the long term nature of investments in equity markets.

### Foreign currency risk - sensitivity analysis

Following consultation with the Fund investment advisors, the council considers the likely volatility associated with foreign exchange movements to be 10%.

On the assumption that all other variables, in particular interest rates, remain constant, a 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

<b>Asset type</b>	<b>31 March 2018 £m</b>	<b>Percentage change (+/-) %</b>	<b>Value on increase £m</b>	<b>Value on decrease £m</b>
Global corporate bonds	208.5	10%	229.4	187.7
Global equities	578.4	10%	636.2	520.6
Overseas pooled investments	1,731.5	10%	1,904.7	1,558.4
Private equity	141.6	10%	155.8	127.4
Private debt	134.5	10%	148.0	121.1
Hedge funds	88.2	10%	97.0	79.4
	<b>2,882.7</b>		<b>3,171.1</b>	<b>2,594.6</b>

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. The biggest exposure the Fund has is through its investment in corporate bonds and private debt.

The Fund is also exposed to credit risk through other investment managers that hold assets and the custodian. The Fund minimises credit risk through the careful selection and monitoring of high quality counterparties. Assets and cash held by the custodian are held in individual accounts in the Pension Fund's name, clearly segregated from the assets of other clients and the custodian.

Through the stock lending programme, operated by the Fund's custodian, the Fund is exposed to the collateral provided by the borrower against the securities lent. To manage this risk the collateral permitted is restricted to government obligations (such as Gilts) and equities. Collateral is held in excess of the securities lent.

Foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Fund.

Another source of credit risk for the Fund is the cash it holds to meet short-term commitments. The cash is managed by the Staffordshire County Council Treasury and Pensions Fund team in line with the Pension Fund's Annual Investment Strategy which sets out the permitted counterparties and limits.

<b>Summary</b>	<b>Rating</b>	<b>31 March 2017</b>	<b>31 March 2018</b>
		<b>£m</b>	<b>£m</b>
<b>Bank current account</b>			
Lloyds Bank	A+	2.7	(2.8)
<b>Loan</b>			
LGPS Central	N/A	0.0	0.7
<b>Money market funds</b>			
Deutsche Managed Sterling Platinum	AAA	20.0	18.0
Federated (PR) Short-Term GBP Prime Fund Class 3	AAA	17.0	15.0
Goldman Sachs Sterling Liquid Reserve Institutional Inc	AAA	10.0	5.0
Standard Life Investments Short Duration Managed Liquidity Fund	AAA	24.5	20.0
JPMorgan Sterling Liquidity Capital	AAA	10.0	7.0
Morgan Stanley Sterling Liquidity Inst	AAA	15.0	3.0
Royal London Cash Plus Fund	AAA	25.0	20.0
<b>Local Authority Loans</b>			
Conwy County Borough Council	N/A	5.0	0.0
Fife Council	N/A	5.0	0.0
London Borough of Hackney	N/A	10.0	0.0
Surrey County Council	N/A	10.0	0.0
Birmingham City Council	N/A	0.0	20.0
Eastleigh Borough Council	N/A	0.0	10.0
Rhondda Cynon Taff County Borough Council	N/A	0.0	5.0
Slough Borough Council	N/A	0.0	5.0
Telford and Wrekin Borough Council	N/A	0.0	10.0
Thurrock Borough Council	N/A	0.0	10.0
		<b>154.2</b>	<b>145.9</b>

## **Liquidity risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. To manage this risk the Fund holds an allocation of its assets in cash, the majority of which Staffordshire County Council Treasury and Pensions Fund team have same day access to. This is to ensure short term commitments can be met.

The majority of the stocks held by the Fund's investment managers are quoted on major stock markets and may be realised quickly if required. Less liquid investments such as property, private equity, hedge funds and private debt currently make up a smaller proportion of the Fund's assets.

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

## **27. Accounting Standards issued but not yet adopted**

At the balance sheet date new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.

# Glossary

## **Accounting Period**

The period of time covered by the accounts. This is normally 12 months beginning on 1 April.

## **Accrual**

An amount included in the final accounts to cover income or spending during an accounting period for goods or work done, but for which we have not received or made a payment by the end of that accounting period.

## **Actuarial Strain**

This is a charge paid, or due to be paid to the pension fund for paying pensions early.

## **Actuarial Valuation**

This is when an actuary checks what the pension scheme's assets are worth and compares them with what the scheme owes. They then work out how much the contributions from employers must be so that there will be enough money in the scheme when people get their pensions.

## **Additional Voluntary Contributions (AVCs)**

This is an extra amount (contribution) a member can pay to their own pension scheme to increase their future pension benefits.

## **Admitted Bodies**

Organisations which carry out public functions or receive public finance (or both), and are members of our fund (for example, housing associations).

## **Agency Services**

When one organisation (the agent) provides services on behalf of another organisation that will pay for those services.

## **Amortisation**

A charge we make each year in the income and expenditure account to reduce the value of an asset to zero over a period of years.

## **Balances**

The total general balances we have available, including any income built up, which allows us to work without borrowing until we receive the first precept payments in the early part of the financial year. Balances form part of our reserves.

## **Balance Sheet**

This is a summary of all our assets and liabilities, bringing together all our accounts except the pension fund and various trust funds, whose assets we cannot use.

## **Benchmarks**

These are investment performance standards that we expect our investment managers to achieve and against which we measure their investment return.

## **Bid-Market Price**

The price a buyer pays for a stock.

## **Billing Authority**

The local authority responsible for collecting council tax. In shire areas the billing authority is the District Council.

## **Budget**

A statement of our financial plans for a certain period of time. We prepare and approve a budget before the start of the financial year. We prepare our budget on an 'outturn basis', which means that increases for pay and prices during the financial year are contained within the total budget figure.

## **Budget Requirement**

The amount of spending paid for using the council tax and government grant.

## **Capital Adjustment Account**

This mainly represents the balance of the gains or losses arising when we revalue non-current assets to neutralise any effect on the taxpayer.

## **Capital Charge**

A charge to reflect the cost of non-current assets used to provide services.

# Glossary

## **Capital Direction**

An instruction from the Government saying what spending can be treated as capital expenditure. This means that instead of having to be counted as revenue, we can pay for it using borrowed money or capital receipts.

## **Capital Expenditure**

Spending to buy significant non-current assets that we will use or benefit from for more than a year (for example, land and buildings).

## **Capital Financing Requirement**

Our need to borrow to pay for capital expenditure.

## **Capital Programme**

Our plan of capital projects and spending over future years, including buying land and buildings, putting up new buildings and work, design fees and buying vehicles and major items of equipment.

## **Capital Receipts**

The proceeds from selling an asset (for example, land or buildings) which we may use to pay for new capital spending or to repay loans we owe.

## **Capitalised**

Spending on assets which carry a future benefit.

## **Centrally-Controlled Items**

Budgets not under the control of chief officers. They include spending relating to property, insurance, repairs and maintenance, interest earned on funds and repaying money borrowed.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy (CIPFA). This is the professional organisation for accountants working in the public service.

## **Collateral Holdings**

Assets pledged to a lender until the loan is repaid. If the borrower does not pay off the loan, the lender has the legal right to seize the asset and sell it to pay off the loan.

## **Collection Fund**

A fund run by each billing authority into which council tax money is paid.

## **Combined Code**

This represents best practice in corporate governance, as recommended by various reports on the subject.

## **Community Assets**

Assets that we plan to hold onto indefinitely, that have no set useful life and that may have restrictions on being sold. Examples of community assets are parks and historic buildings.

## **Commutations**

When a member of the fund gives up part of their pension in exchange for a lump sum.

## **Contingency**

The money we set aside for unexpected spend.

## **Contingent Liabilities**

An amount we could owe when we send the accounts for approval. We will include the liability in the balance sheet if we can estimate it reasonably accurately. Otherwise we would add the liability as a note to the accounts.

## **Contributors**

Employees of authorities who contribute to the pension fund.

## **Corporate Governance**

Issues relating to the way in which a company makes sure that it is giving most importance to the interests of its shareholders and how shareholders can influence how the company is managed.

# Glossary

## **County Fund**

Our main revenue fund into which the precept, National Non-Domestic Rates, government grants and other income are paid, and from which we pay the costs of providing services.

## **Credit Approvals**

Authorisations the Government gives to local authorities. They allow the local authorities to pay for capital spending by borrowing or other credit arrangements such as leasing.

## **Creditors**

Amounts we owe for work done, goods received or services provided which have not been paid for by the end of the financial year.

## **Credit Ceiling**

This is a measure of the difference between our total liabilities for capital expenditure paid for using credit and the provision that has been made to meet those liabilities.

## **Curtailed Costs**

Curtailed costs arise when many employees transfer out of the scheme at the same time, such as when an organisation transfers its members to another scheme.

## **Custody**

Where a financial institution holds and manages the assets of the fund.

## **Debtors**

Amounts owed to us for work done or services supplied which have not been paid by the end of the financial year.

## **Deferred Liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off with a yearly amount over a period of time.

## **Deficit**

A situation where spending is more than income.

## **Depreciation**

The loss of value of a non-current asset as it ages, wears out, is used, or comes to the end of its life.

## **Discontinued Operations**

Any operation which meets all of the following conditions.

- a The operation is completed:
  - during a relevant period or within three months of the start of the next period; or
  - on the date on which we approve the accounts;whichever is earlier.

- b All activities have permanently stopped.

- c The assets, liabilities, income and spending of operations and activities are clearly separated for financial reporting purposes.

## **Fees and Charges**

As well as income from council tax payers and the Government, we can charge for a number of services including providing school meals, meals-on-wheels, hiring out school halls and sporting facilities.

## **Financial Instrument**

A contract that provides a financial asset for one organisation and, at the same time, another organisation owes us the same amount. Usually for us this is for long-term loans used to raise funds for capital investment.

## **Financial Instruments Adjustment Account**

A non-cash reserve where we can balance the different rates at which gains and losses in financial instruments are recognised.

## **Financial Regulations**

A written code of procedures we have approved, aimed at providing a framework for sound financial management.



# Glossary

## **Fixed-interest Investments**

Investments, mainly in stocks issued by the Government, which provide a fixed rate of interest.

## **Futures Contracts**

A legally-binding agreement to buy or sell a certain amount of a financial product at an agreed price and on an agreed date in the future.

## **Hedge Fund**

This is an investment fund that uses a number of types of investments to make a consistent and steady return. It aims to make money whether markets are falling or rising.

## **Impairment**

Where an asset's value has been reduced for reasons other than normal wear and tear. The asset's value in the accounts has to be reduced to reflect this impairment.

## **Index-linked Securities**

Investments in stock where the rate of interest and capital value are linked to the rate of inflation.

## **Infrastructure Asset**

A non-current asset that cannot be taken away or transferred, and which we can only continue to benefit from by actually using it. Examples of infrastructure are roads, bridges and footpaths.

## **Investment Management Expenses**

All expenses relating to managing the pension fund's investments.

## **Investment Managers**

Firms we appoint to deal with the pension fund's investments on a day-to-day basis.

## **Leasing**

A way of paying for capital spending where we pay a rental charge for a certain period of time. There are two main types of leasing arrangements.

a) Finance leases, which transfer all the risks and rewards of owning a non-current asset to the person taking out the lease. These assets are included in the non-current assets in the balance sheet.

b) Operating leases, where the leasing company owns the asset and the yearly rental is charged direct to the income and expenditure account.

## **Local Education Authority (LEA)**

The part of the county council responsible for schools in Staffordshire.

## **Minimum Revenue Provision**

The minimum amount we must charge to the income and expenditure account each year and set aside for paying off credit. This is currently 4% of the credit ceiling.

## **Medium-Term Financial Strategy (MTFS)**

A three-year financial-planning process designed to make best use of our aims within our available resources.

## **National Non-Domestic Rate (NNDR)**

This is the charge on non-domestic properties. It is the same for all businesses in England and is set each year by the Government. We pay the amounts we collect to the Government, and we then receive a share of the total paid to the Government.

## **Non-Current Assets**

Assets that give us benefits for more than one year.

## **Payments in Advance**

Amounts actually paid in an accounting period before the period they relate to.

## **Pension Administrative Expenses**

All expenses relating to managing the pension scheme, including working out length of service and benefits and paying pensions.



# Glossary

## **Performance Measurement**

Measuring the investment performance of a pension fund. This often leads to comparisons with other funds and market indexes.

## **Plant**

Items of mechanical or electrical equipment which perform specific construction or maintenance tasks, such as equipment used to maintain grass verges on roads.

## **Pooled Investments**

When assets of more than one investor are combined.

## **Portfolio**

A list of all the investments an investor owns.

## **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which happen between the date the balance sheet is produced and the date the statement of accounts is approved.

## **Precept**

We get part of our income from charges on the district councils in our areas. A charge, based on the 'council tax base' of the district council, is made on each district's 'collection fund'.

## **Provision**

An amount we set aside to provide for something we will need to pay, but where we do not know the exact amount and the date on which it will arise.

## **Provision for Credit Liabilities (PCL)**

An amount we must set aside to repay finance leases and for other limited purposes.

## **Public Works Loan Board (PWLB)**

A government agency that provides longer-term loans to local authorities.

## **Realised Gain, Realised Loss**

The profit or loss resulting from selling investments during the year.

## **Receipts and Payments**

Amounts we actually pay or receive in a given accounting period, no matter for what period they are due.

## **Receipt in Advance**

Amounts actually received in an accounting period before the period they relate to.

## **Refunds of Contributions**

The amount employees will receive if they stop their pensionable employment within the first three months of working for us (two years in the past).

## **Reserves**

'Earmarked reserves' are amounts set aside for a specific purpose in one financial year and carried forward to meet spending in future years. 'General reserves' are balances generally available to support revenue or capital spending.

## **Revenue Budget**

The estimate of yearly income and spending requirements, which sets out the financial implications of our policies and the basis of the yearly charge we will make.

## **Revenue Contribution to Capital Outlay (RCCO)**

A contribution towards paying for capital spending from the revenue account rather than by borrowing.

## **Revenue Support Grant (RSG)**

A general government grant to support local authority spending, and fixed each year in relation to the formula spending share (FSS).

## **Running Expenses**

The day-to-day costs we pay in providing services, not including salaries and expenses, capital financing charges and revenue contribution to capital outlay.

# Glossary

## **Scheduled Bodies**

Organisations whose membership of the fund is laid down in law.

## **Securities**

Investing in shares of companies and in fixed-interest or index-linked stocks.

## **Specific Grants**

Government grants to local authorities to help with particular projects or services.

## **Standing Orders**

The set of rules we follow which set the procedures we use to carry out our business.

## **Stock Lending**

Lending some securities, such as stocks and shares, corporate bonds and government securities from one investor to another approved investor, in return for a fee.

## **Tactical Asset Allocation**

Using futures to:

- make sure that the fund's assets are invested in the relevant area and in line with the targets set for each type of asset and each country; and
- take views on the markets and currencies we expect to perform the best.

## **Time-Weighted Return**

The total capital and revenue returns on a fund. We give this as a percentage of the opening values of the fund in each investment period. It also takes account of any new money received in that investment period.

## **Transfer Values**

The amount that is available from one pension to buy benefits in another pension when employees join or leave the scheme.

## **Trust Funds**

Funds we handle for such purposes as prizes, charities, special projects and on behalf of people under the age of 16.

## **Withholding Tax**

A tax on the income from dividends. We may be able to recover some of this.

## **Work in Progress**

The cost of work done on a project that is not yet finished and the cost has not been charged to the appropriate account at that date.