Appendix 1

Statement of Accounts
for
2019/2020

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

Staffordshire County Council

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

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

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

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

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

Narrative Statement by the County Treasurer

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

Statement of Accounting Policies

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

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Introduction

Comprehensive Income and Expenditure Statement

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

The Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Staffordshire Pension Fund

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

Glossary

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

Narrative Statement by the County Treasurer

Introduction

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

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

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

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

Revenue Budget

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

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

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

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

Narrative Statement by the County Treasurer

Final Outturn

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

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

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

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

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

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

Narrative Statement by the County Treasurer

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

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

Schools

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

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

Capital Programme

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

The capital spend of £106.7 million includes £5.7 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue cost reductions, this includes salary costs of staff supporting transformational activities and redundancy costs.

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

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

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

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

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

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

The Financial Statements

There are four financial statements in the accounts; these are the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cashflow Statement. The Comprehensive Income and Expenditure Statement shows the amount that services have cost to provide and the amount of income received to fund them. A deficit on this statement means that the cost of services has not been covered by income and may need to be funded by taxpayers in future years. However, not all the charges in this statement are actual cash and these notional charges are required by statute, these are shown in detail in Note 4. These notional charges mean that the figures in this statement are different from the final outturn figures described above. The outturn shows the cash position of services and how their spending compared with their budgets. This statement is showing a surplus on the provision of services of £6.3 million which is an increase from the previous year's deficit of £17.9 million. The net cost of services has remained broadly similar from £491.5 million in 2018/2019 to £499.9 million in 2019/2020. The Families and Communities Directorate has seen the largest increase in its costs which reflects the overspend in Children's Services, whilst Corporate Services and centrally controlled budgets have seen the greatest reduction, again reflecting the MTFS savings in those service areas.

Narrative Statement by the County Treasurer

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

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

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

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

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

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

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

Pension Fund

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

Narrative Statement by the County Treasurer

Outlook

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

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

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

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

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

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

Non Financial Performance

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

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

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

Narrative Statement by the County Treasurer

Format of the Statement of Accounts

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

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

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

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

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

Rob Salmon CPFA
County Treasurer
Date: 8th December 2020

Narrative Statement by the County Treasurer

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

Audit Opinion

To follow

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

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

- Approve the Statement of Accounts.

The County Treasurer's Responsibilities

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

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

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

The County Treasurer has also:

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

COUNTY TREASURER'S CERTIFICATE

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

Rob Salmon CPFA
County Treasurer
Date: 8th December 2020

Chairman's Certificate

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

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

Statement of Accounting Policies

1 General

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

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

The Statement of Accounts has been prepared with reference to:

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

2 Accruals of Income and Expenditure

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

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

3 Property, plant and equipment

Recognition

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

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

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

Measurement

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

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

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

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

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

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

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

Reduction in valuation

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

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

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

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

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

Schools

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

4 Basis of charge for using property, plant and equipment

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

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

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

5 Assets held for sale

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

6 Heritage assets

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

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

7 Leases

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

Council as Lessee

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

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

Council as Lessor

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

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

8 Inventories

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

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

8 Pensions

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

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

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

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

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

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

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

Service cost, which comprises:

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

Remeasurements, which comprise:

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

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

Discretionary benefits

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

10 Reserves

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

11 Revenue expenditure funded from capital under statute

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

12 Provisions

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

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

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

<u>Contingent Liabilities</u>

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

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

<u>Contingent Assets</u>

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

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

Statement of Accounting Policies

13 Interest on balances

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

14 VAT

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

15 Government grants and contributions

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

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

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

16 Private finance initiative (PFI)

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

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

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

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

17 Endowment and trust funds

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

18 Financial Instruments

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

Financial Liabilities

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

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

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

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

Lender option borrower option (LOBO)

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

Financial Assets

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

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

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

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

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

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

Expected credit losses

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

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

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

19 Cash and cash equivalents

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

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

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

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

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

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

20 Interests in companies

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

21 Employee Benefits

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

22 Pooled Budgets

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

23 Accounting Standards Issued but Not Yet Adopted

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

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

Comprehensive Income and Expenditure Statement

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

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

Movement in Reserves Statement

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

1. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

6) Coronavirus - Going Concern Impact Assessment

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

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

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

Our estimate for 2020/2021 assumes:

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Events After the Balance Sheet Date

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

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

4. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

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

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

5. Transfers to/from Earmarked Reserves

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

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

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

School Reserves

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

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

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

6. Other Operating Expenditure

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

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

7. Financing and Investment Income and Expenditure

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

8. Taxation and Non-Specific Grant Income

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

9. Expenditure and Funding Analysis

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

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

10. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/2020

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

Adjustments between Funding and Accounting Basis 2018/2019 Comparative Figures

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

(a) Adjustments for Capital Purposes

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

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

(b) Net Change for the Pensions Adjustments

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

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

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

(c) Other Differences

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

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

11. Expenditure and Income Analysed by Nature

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

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

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

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

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

12. Property, Plant and Equipment

Movements on Balances in 2019/2020

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

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

Accumulated Depreciation and Impairment

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

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

Comparative Movements in 2018/2019

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

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

Accumulated Depreciation and Impairment

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

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

Valuations

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

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

13. Heritage Assets

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

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

13. Heritage Assets (Cont'd)

Archives

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

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

Museums

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

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

County Buildings and Judges House

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

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

14. Interests in Companies

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

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

15. Financial Instruments

Categories of Financial Instruments

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

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

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

15. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities

Financial assets, financial liabilities, debtors and creditors are carried in the Balance Sheet at amortised cost. Financial instruments must be shown at 'fair value'. Fair value is the price that would be be received to sell an asset, or paid to transfer a liability in an arms-length transaction between market participants at the measurement date.

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

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

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

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

The fair values calculated are as follows:

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

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

15. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities (Cont'd)

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

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

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

15. Financial Instruments (Cont'd)

Gains and Losses

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

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

16. Long Term Debtors

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

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

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

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

17. Short Term Debtors

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

18. Cash and Cash Equivalents

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

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

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

19. Assets Held for Sale

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

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

20. Short-Term Creditors

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

21. Provisions

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

Long term provisions

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

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

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

22. Unusable Reserves

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

Revaluation Reserve

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

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

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

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

22. Unusable reserves (Cont'd)

Capital Adjustment Account

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

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

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

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

22. Unusable reserves (Cont'd)

Pensions Reserve

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

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

23. Cash Flow Statement - Operating Activities

The cash flows from operating activities includes the following items:

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

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

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

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

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

24. Cash Flow Statement - Investing Activities

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

25. Cash Flow Statement - Financing Activities

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

26. Trading Operations

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

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

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

27. Pooled Budgets

Better Care Fund

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

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

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

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

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

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

28. Members' Allowances

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

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

29. Officers' Remuneration

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

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

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

29. Officers' Remuneration (Cont'd)

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

Notes for clarification

This note is a disclosure of in year salary payments.

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

29. Officers' Remuneration (Cont'd)

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

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

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

30. Exit Packages

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

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

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

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

31. External Audit Costs

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

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

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

32. Dedicated Schools Grant

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

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

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

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

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

33. Grant Income

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

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

33. Grant Income (Cont'd)

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

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

34. Related Parties

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

Central government

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

Members

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

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

Pension Fund

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

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

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

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

34. Related Parties (Cont'd)

Payments to the Environment Agency

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

Entrust

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

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

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

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

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

Penda Ltd

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

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

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

34. Related Parties (Cont'd)

Nexxus Trading Services Ltd

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

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

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

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

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

35. Capital Expenditure and Capital Financing

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

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

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

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

36. Leases

Operating Leases

Council as Lessee

The Council has operating leases in place for various properties.

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

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

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

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

36. Leases (continued)

Finance Leases

Council as Lessee

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

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

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

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

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

36. Leases (Cont'd)

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

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

37. Private Finance Initiatives (PFI) and Similar Contracts

We have four PFI schemes as follows:

1. Two Schools PFI Scheme

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

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

2. Streetlighting PFI Scheme

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

3. Children's Homes PFI Scheme

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

4. Waste to Energy PFI Scheme

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

Valuation of PFI assets

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

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

Value of PFI liabilities

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

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

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

Details of payments due

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

Two Schools Scheme

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

Streetlighting Scheme

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

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

Children's Homes Scheme

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

Waste to Energy

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

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

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

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

38. Impairment Losses

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

39. Termination Benefits

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

40. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

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

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

41. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

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

Transactions relating to post-employment benefits

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

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

41 Defined Benefit Pension Schemes (Cont'd)

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

41. Defined Benefit Pension Schemes (Cont'd)

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

Local Government Pension Scheme assets

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

41. Defined Benefit Pension Schemes (Cont'd)

Basis for Estimating Assets and Liabilities

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

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

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

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

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

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

41. Defined Benefit Pension Schemes (Cont'd)

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

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

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

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

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

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

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

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

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

<u>Projected defined benefit cost for the period to 31 March 2020</u>

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

42. Contingent Liabilities

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

Entrust

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

43. Contingent Assets

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

44. Nature and Extent of Risks Arising from Financial Instruments

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

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

The main risks covered are listed below:

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

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

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

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

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

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

1. Security (credit) risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Liquidity Risk

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

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

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

3. Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

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

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

4. Price Risk

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

5. Refinancing Risk

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

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

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

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

The repayment structure of financial liabilities is as follows:

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

** LOBO - Lender Option Borrower Option loan*

Using Cash in Lieu of Borrowing

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

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

IFRS 9 Financial Instruments

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

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

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

45. Education Endowments

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

The funds are shown below.

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

46. Trust Funds

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

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

STAFFORDSHIRE PENSION FUND

Financial statements

1 April 2019
to
31 March 2020

Pension Scheme registration number: 10011745

Pension Fund account

Staffordshire Pension Fund account for the year ended 31 March 2020

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

Net assets statement

Net assets statement at 31 March 2020

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

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

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

Notes to the accounts

1. Description of the Fund

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

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

a) General

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

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

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

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

b) Membership

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

Organisations participating in the Fund include the following:

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

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

Membership of the Fund

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

c) Funding

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

d) Benefits

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

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

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

2. Basis of preparation

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

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

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

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

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

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

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

3. Accounting policies

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

Contributions

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

Transfer values

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

Investment income

Investment income is recognised as follows:

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

Benefits payable

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

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

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

Taxation

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

Management expenses

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

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

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

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

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

Investments

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

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

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

The value of bonds are recorded at the net market value based on their current market yields. The value does not include interest earned but not paid at the year end, which is included separately within accrued investment income.

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation by Savills, as at 31 March 2020. This report has been prepared in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together with the UK National Suuplement effective 14 January 2019, together the "Red Book".

The private equity, private debt and hedge fund valuations are valued based on the Fund's share of the net assets of the underlying funds using the latest financial statements provided by the respective fund managers (see Note 15 for further details).

Derivative contracts are valued at bid market price.

Foreign currency transactions

Dividends, interest and the purchase and sale of investments in foreign currencies have been accounted for at the spot rates at the date of transaction. Where forward foreign exchange contracts are in place for assets and liabilities in foreign currencies, the exchange rate set out in the contract is used. Other assets and liabilities in foreign currencies are given in Sterling (£) at the rates of exchange that apply at the end of the financial year.

Surpluses and deficits arising when converting currency are dealt with as part of the change in market value of investments.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Contingent assets and contingent liabilities

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

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

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an accompanying actuarial report.

4. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the Fund actuary, Hymans Robertson, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19, the assumptions underpinning the valuation are given in the accompanying Actuarial Statement. The estimate is subject to significant variances based on changes to the underlying assumptions.

Property

Savills, have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property, nor have they allowed for any adjustment to any of the properties' income streams to take into account any tax liabilities that may arise. Their valuation is exclusive of VAT (if applicable). They have excluded from their valuation any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupiers.

No allowance has been made for rights, obligations or liabilities arising in relation to fixed plant and machinery, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation.

The outbreak of coronavirus has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.

Investment in LGPS Central Limited

This investment of £1.315m has been valued at cost on the basis that fair value as at 31 March 2020 cannot be reliably estimated. Management have made this judgement because:

- LGPS Central Ltd did not commence trading until 3 April 2018;
- no dividend to shareholders has yet been declared;
- Published trading results are only available for one year, in the Fund's opinion this does not give sufficient enough information to allow fair value to be accurately calculated on a net asset basis.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainty	Effect if actual results differ from assumptions
Private equity	Private equity funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £197.1m. There is a risk that this investment may be under or overstated in the accounts.
Private debt	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of private debt funds in the financial statements is £250.5m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the Funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Hedge funds in the financial statements is £84.2m. There is a risk that this investment may be under or overstated in the accounts.
Freehold/leasehold property and pooled property funds	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property. The outbreak of coronavirus has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.	The total value of all property in the financial statements is £466.0m. There is a risk that this investment may be under or overstated in the accounts.

6. Events after the balance sheet date

The Fund is not aware of any post balance sheet events impacting on the statement of accounts.

7. Contributions receivable

	2018/2019	2019/2020
Employers	**£m**	**£m**
Normal	114.6	109.8
Actuarial strain	7.3	8.1
Deficit recovery contributions	0.0	0.0
Scheme members		
Normal	35.2	35.2
Total	**157.1**	**153.1**

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

	2018/2019	2019/2020
	£m	**£m**
Staffordshire County Council	39.7	39.8
Scheduled bodies	98.7	100.9
Admitted bodies	18.7	12.4
Total	**157.1**	**153.1**

8. Transfers in

	2018/2019	2019/2020
	£m	**£m**
Individual transfers in from other schemes	11.3	9.2
Group transfers in from other schemes	1.4	0
Total	**12.7**	**9.2**

9. Benefits payable

	2018/2019	2019/2020
	£m	**£m**
Pensions	143.3	151.6
Commutations and lump-sum retirement benefits	34.8	40.8
Lump-sum death benefits	4.2	3.4
Total	**182.3**	**195.8**

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

	2018/2019	2019/2020
	£m	**£m**
Staffordshire County Council	70.3	76.3
Scheduled bodies	92.4	101.1
Admitted bodies	19.6	18.4
Total	**182.3**	**195.8**

10. Payments to and on account of leavers

	2018/2019 £m	2019/2020 £m
Individual transfers to other schemes	18.3	19.4
Group transfers to other schemes	0.7	0
Payments for members joining / (leaving) state scheme	0.1	0.1
Refunds to members leaving service	0.6	0.7
Total	**19.7**	**20.2**

11. Management expenses

	2018/2019 £m	2019/2020 £m
Administration expenses	2.2	2.8
Investment management expenses (see note 11a)	16.5	16.4
Oversight and governance costs	1.7	1.6
Total	**20.4**	**20.8**

Included within oversight and governance costs are the Fund's external audit costs of £0.02m for 2019/2020 (£0.03m for 2018/2019).

11a. Investment management expenses

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

	2018/2019 £m	2019/2020 £m
Transaction costs	0.8	0.7
Management fees	14.7	14.8
Performance related fees	0.9	0.8
Custody fees	0.1	0.1
Total	**16.5**	**16.4**

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

12. Investment income

	2018/2019 £m	2019/2020 £m
Bonds	15.5	7.6
Dividends from equities	28.2	24.7
Income from pooled investment vehicles	1.4	8.4
Rents from property	18.7	21.4
Interest on cash deposits	1.2	1.0
Stock lending	0.2	0.2
Private Debt	10.6	15.6
Other	0.9	4.0
	76.7	**82.9**
Withholding tax we cannot recover	(0.3)	(0.3)
Total	**76.4**	**82.6**

12a. Directly held property fund account

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

	2018/2019	2019/2020
	£m	**£m**
Rental income	18.7	21.4
Direct operating expenses	(2.3)	(3.1)
Net income	**16.4**	**18.3**

No contingent rents have been recognised as income during the period.

13. Pension Fund investments 2019/2020

	31 March 2019	31 March 2020
	£m	**£m**
Long term investments		
Equities	**1.3**	**1.3**
Investment assets		
Bonds	380.3	0
Equities	990.0	857.5
Pooled investment vehicles	2,699.6	2,796.8
Derivatives	1.2	0
Property	436.0	466.0
Private equity	179.8	197.1
Private debt	206.5	250.5
Hedge funds	89.6	84.2
Cash	139.9	80.3
Outstanding dividend entitlements and recoverable withholding tax	11.1	1.2
Amount receivable for sales of investments	1.0	2.5
Total Investment assets	**5,135.0**	**4,736.1**
Investment liabilities		
Derivatives	(2.4)	0
Amounts payable for purchases of investments	(2.6)	(2.8)
Total Investment liabilities	**(5.0)**	**(2.8)**
Net Investment assets	**5,131.3**	**4,734.6**

All companies operating unit trusts or managed funds are registered in the United Kingdom.

3a. Investment reconciliation

Period 2019/2020	Value at 1 April 2019 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 March 2020 £m
Bonds	380.3	39.8	(429.8)	9.7	0
Equities	991.3	438.9	(401.0)	(170.4)	858.8
Pooled investment vehicles	2,699.5	541.2	(219.7)	(224.3)	2,796.8
Derivatives	(1.1)	1,752.1	(1,749.3)	(1.7)	0
Property	436.0	44.7	0	(14.7)	466.0
Other	475.9	108.4	(50.5)	(2.0)	531.8
	4,981.9	**2,925.1**	**(2,850.3)**	**(403.3)**	**4,653.4**
External cash deposits (central cash)	99.7				62.9
Investment manager cash	40.2			8.7	17.4
	5,121.8			**394.6**	**4,733.7**
Outstanding dividend entitlements and recoverable withholding tax	11.1				1.2
Amount receivable for sales of investments	1.0				2.5
Amounts payable for purchases of investments	(2.6)				(2.8)
Net Investment assets	**5,131.3**				**4,734.6**

The previous years data is provided below:

Period 2018/2019	Value at 1 April 2018 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 March 2019 £m
Bonds	367.7	46.6	(38.3)	4.3	380.3
Equities	920.6	429.2	(407.2)	48.7	991.3
Pooled investment vehicles	2,544.5	2,933.9	(3,008.9)	230.1	2,699.6
Derivatives	1.6	1,830.4	(1,826.0)	(7.2)	(1.2)
Property	386.1	50.0	(0.2)	0.1	436.0
Other	364.3	98.6	(31.9)	44.9	475.9
	4,584.8	**5,388.7**	**(5,312.5)**	**320.9**	**4,981.9**
External cash deposits (central cash)	148.7				99.7
Investment manager cash	31.8			8.6	40.2
	4,765.3			**329.5**	**5,121.8**
Outstanding dividend entitlements and recoverable withholding tax	10.2				11.1
Amount receivable for sales of investments	11.9				1.0
Amounts payable for purchases of investments	(12.5)				(2.6)
Net Investment assets	**4,774.9**				**5,131.3**

The Fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2020 (also at 31 March 2019):

- LGIM, passive UK equity - £288.5m or 6.1% (£354.1m or 6.9%)
- LGIM, passive global equity - £1,269.8m or 26.8% (£1,329.7m or 26.0%)
- LGIM, passive index-linked gilts - £399.4m or 8.4% (£388.1m or 7.6%)
- LGPS Central, active global equity - £456.6m or 9.6% (£505.1m or 9.9%)
- LGPS Central, active corporate bonds - £380.5m or 8.0% (£0m or 0.0%)

As at 31 March 2020 (also at 31 March 2019) the Fund was committed to the following contractual commitments:

- £120.1m of contractual commitments for private equity investments (£99.6m)
- Investment in a UK pooled property fund of £15.0m (£14.1m)
- £186.7m of private debt investments (£177.6m)

13b. Investments analysed by Manager

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

	31 March 2019		31 March 2020	
	£m	%	£m	%
Investments managed by LGPS Central Limited				
LGPS Central Limited Global Equity Active Multi Manager Fund	505.1	10%	837.1	18%
LGPS Central Limited	1.3	0%	1.3	0%
	506.4	**10%**	**838.4**	**18%**
Investments managed outside of LGPS Central Limited				
Insight Investment (corporate bonds)	392.6	7%	0.7	0%
Standard Life Investments (UK equity)	306.1	6%	246.7	5%
JP Morgan Asset Management (global equity)	447.4	9%	399.2	8%
Longview Partners (global equity)	263.0	5%	227.0	5%
Legal & General Investment Management (passive UK index-linked gilts)	388.1	8%	397.4	8%
Legal & General Investment Management (passive all world equity)	1,683.7	33%	1,558.3	33%
Russell Investments (emerging markets equity)	117.8	2%	0	0%
Colliers International UK Plc (property)	436.3	9%	466.2	10%
HarbourVest Partners (private equity)	128.9	3%	134.4	4%
Knightsbridge Advisors (private equity)	21.0	0%	22.9	0%
Partners Group (private equity)	20.4	0%	24.4	0%
Lazard Technology Partners (private equity)	0.9	0%	0.9	0%
Capital Dynamics (private equity)	8.6	0%	13.8	0%
LGPS Central (private equity)	0	0%	0.8	0%
Hayfin Capital Management (private debt)	69.7	1%	90.3	2%
Highbridge Capital Management (private debt)	57.3	1%	74.7	2%
Alcentra Limited (private debt)	79.5	2%	85.5	2%
Goldman Sachs Asset Management (hedge funds)	89.6	2%	84.2	2%
Director of Finance and Resources (central cash)	104.5	2%	68.0	1%
	4,615.4	**90%**	**3,895.4**	**82%**
	5,121.8	**100%**	**4,733.8**	**100%**

13c. Analysis of Investments	31 March 2019 £m	%	31 March 2020 £m	%
Long term investments				
UK equities unquoted	**1.3**	**0%**	**1.3**	**0%**
Investment assets				
Bonds				
UK corporate quoted	176.1	3%	0	0%
Global corporate quoted	204.2	4%	0	0%
	380.3	**7%**	**0**	**0%**
Equities				
UK quoted	341.7	7%	274.4	6%
Global quoted	648.3	12%	583.1	12%
	990.0	**19%**	**857.5**	**18%**
Pooled investment vehicles				
UK	358.9	7%	292.5	6%
UK index-linked	388.1	8%	397.4	9%
Global	1,952.6	38%	2,106.9	45%
	2,699.6	**53%**	**2,796.9**	**60%**
Derivatives (see note 14)				
Forward foreign currency	0.1	0%	0.0	0%
Futures	1.1	0%	0.0	0%
	1.2	**0%**	**0.0**	**0%**
Property				
UK directly held property	397.6	8%	415.3	9%
UK pooled property funds	38.4	1%	50.7	1%
	436.0	**9%**	**466.0**	**10%**
Other				
Private equity	179.8	3%	197.1	4%
Private debt	206.5	4%	250.5	5%
Hedge funds	89.6	2%	84.2	2%
	475.9	**9%**	**527.1**	**11%**
Cash				
External deposits	99.7	2%	62.9	1%
Investment manager cash (Sterling £)	29.3	1%	6.7	0%
Investment manager cash (non Sterling £)	10.9	0%	10.7	0%
	139.9	**3%**	**80.3**	**1%**
	5,124.2	**100%**	**4,733.8**	**100%**
Outstanding dividend entitlements and recoverable withholding tax	11.1		1.2	
Amount receivable for sales of investments	1.0		2.5	
Total Investment assets	**5,136.3**		**4,737.5**	
Investment liabilities				
Derivatives (see note 14)				
Forward foreign currency	(1.0)		0	
Futures	(1.4)		0	
	(2.4)		**0**	
Amounts payable for purchases of investments	(2.6)		(2.8)	
Total Investment liabilities	**(5.0)**		**(2.8)**	
Net Investment assets	**5,131.3**		**4,734.7**	

13d. Stock lending

The Fund lends stock in return for payment. The table below summarises the value of the stock lent out by the Fund at the end of the last two years.

	31 March 2019	31 March 2020
	£m	£m
Equities - UK	54.3	34.8
Equities - Global	59.9	26.6
Fixed interest - UK	1.1	0.0
Fixed interest - Global	8.1	0.0
	123.4	**61.4**

Securities released to a third party under the stock-lending agreement with Northern Trust are included in the net assets statement to reflect the Fund's continuing economic interest in those securities.

Collateral holdings, supporting the loans, are not identified as individual loans but are kept in a pooled structure. As security for the stocks on loan, as at 31 March 2020 the Fund held £66.8 million (£130.6 million at 31 March 2019) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.2 million for the year ending 31 March 2020, (£0.2 million for year ending 31 March 2019). This is included within the investment income figure shown on the Pension Fund account.

13e. Directly held property net asset account

The Fund had investments in property of £466.0m at 31 March 2020 (£436.0m at 31 March 2019), of which £415.3m was in directly held property (£397.6m at 31 March 2019). The account below reconciles the movement in the Fund's investments in directly held property.

The Fund is required to classify its directly held property into a hierarchy by reference to the quality and reliability of information used to determine fair values (See note 15 for more information on the hierarchy). The Fund has classified its directly held property as Level 3, as fair values are based on significant unobservable inputs and estimated using valuation techniques.

Transaction costs for directly held property in 2019/2020 were £3.1m (£2.5m in 2018/2019).

	2018/2019	2019/2020
	£m	£m
Balance at start of year	352.7	397.6
Purchases at cost	46.7	29.8
Sale proceeds	(0.2)	(0.0)
Change in market value	(1.6)	(12.1)
Balance at 31 March	**397.6**	**415.3**

14. Derivative contracts

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

During 2019/2020 the Fund in-specie transferred £420.1m of assets managed by Insight Investment Management into the LGPS Central Global Active Investment Grade Corporate Bond Multi-Manager Fund. This has resulted on no futures contracts being held directly by the Fund at 31 March 2020 and reduced forward foreign currency contracts.

Forward foreign currency contracts

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

	31 March 2019		31 March 2020	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Euro	0.1	0.0	0.0	0.0
United States Dollar	0.0	(1.0)	0.0	0.0
	0.1	**(1.0)**	**0.0**	**0.0**

Futures contracts

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

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

	Nominal Value	31 March 2019		31 March 2020	
		Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m	£m
Euro Bund Future (Euro €) - June 2019	14.4	0.0	(0.3)	0.0	0.0
Long Gilt Future (Sterling £) - June 2019	63.9	1.1	0.0	0.0	0.0
US 10 year Note (US $) - June 2019	55.7	0.0	(0.9)	0.0	0.0
US 5 year Note (US $) - June 2019	15.3	0.0	(0.2)	0.0	0.0
US 10 year Ultra (US $) - June 2019	1.4	0.0	(0.0)	0.0	0.0
Euro Bund Future (Euro €) - June 2020	14.4	0.0	0.0	0.0	0.0
Long Gilt Future (Sterling £) - June 2020	63.9	0.0	0.0	0.0	0.0
US 10 year Note (US $) - June 2020	55.7	0.0	0.0	0.0	0.0
US 5 year Note (US $) - June 2020	15.3	0.0	0.0	0.0	0.0
US 10 year Ultra (US $) - June 2020	1.4	0.0	0.0	0.0	0.0
		1.1	**(1.4)**	**0.0**	**0.0**

15. Fair value - basis of valuation

The basis of the valuation of each asset class of investment is set out below. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. There have been no changes in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments (equities and bonds)	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Bonds are valued at a market value based on current yields	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not required
Unquoted Equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012	- (EBITDA) multiple - Revenue multiple - Discount for lack of Marketability - Control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts
Freehold and leasehold properties	Level 3	Valued at fair value by Savills in accordance with International Valuation Standards and RICS Valuation Standards	- Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled property funds	Level 3	The Funds ownership share in property limited partnerships is applied to the partnership net assets. The net assets are based on the fair value of the underlying investment properties in accordance with International Valuation Standards and RICS Valuation Standards	- Existing lease terms rentals - Independent market research - Covenant strength for existing tenants - Assumed vacancy levels - Estimated rental growth - Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

15. Fair value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012	- EBITDA multiple - Revenue multiple - Discount for lack of marketability - Control Premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Private debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	- Comparable valuation of similar assets - EBITDA multiple - Revenue multiple - Discounted cash flows - Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Hedge funds	Level 3	Closing bid price and offer prices are published	NAV-based pricing set on a forward pricing basis	Valuations are effected by any changes to the value of the financial instrument being hedged.
Forward foreign currency contracts	Level 2	Market forward exchange rates at the year end	Exchange rate risk	Not Required
Futures	Level 1	Published exchange prices at the year-end	Not required	Not Required

Sensitivity of assets valued at Level 3

In consultation with the Fund's investment advisor, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset type	Assessed valuation range %	31 March 2020 £m	Value on increase £m	Value on decrease £m
UK equities unquoted	22%	1.3	1.6	1.0
Freehold and leasehold properties	14%	415.3	473.5	357.2
Pooled property funds	14%	50.7	57.7	43.6
Private equity	28%	197.1	252.4	141.9
Private debt	7%	250.5	268.0	233.0
Hedge funds	15%	84.2	96.8	71.5
		999.1	**1,150.0**	**848.2**

15a. Fair value hierarchy

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

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

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

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

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

31 March 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	857.5	2,796.8	583.8	4,238.1
Non-financial assets at fair value through profit and loss (See note 13e)	0.0	0.0	415.3	415.3
Financial liabilities				
Designated as fair value through profit and loss	0.0	0.0	0.0	0.0
	857.5	**2,796.8**	**999.1**	**4,653.4**

The previous years data is provided below:

31 March 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	1,371.4	2,699.7	515.6	4,586.7
Non-financial assets at fair value through profit and loss (See note 13e)	0.0	0.0	397.6	397.6
Financial liabilities				
Designated as fair value through profit and loss	(1.4)	(1.0)	0.0	(2.4)
	1,370.0	**2,698.7**	**913.2**	**4,981.9**

15b. Reconciliation of fair value measurements within level 3

Period 2019/2020	Market Value 1 April 2019 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Unrealised gains / (Losses) £m	Realised gains / (Losses) £m	Market Value 31 March 2020 £m
UK equities unquoted	**1.3**	0.0	0.0	0.0	0.0	**1.3**
Freehold and leasehold properties	**397.6**	29.8	0.0	(11.0)	(1.1)	**415.3**
Pooled property funds	**38.4**	14.9	0.0	(2.6)	0.0	**50.7**
Private equity	**179.8**	26.1	(24.3)	6.0	9.6	**197.1**
Private debt	**206.5**	82.4	(26.2)	(12.2)	0.0	**250.5**
Hedge funds	**89.6**	0.0	0.0	(5.4)	0.0	**84.2**
	913.2	**153.2**	**(50.5)**	**(28.2)**	**8.5**	**999.1**

The previous years data is provided below:

Period 2018/2019	Market Value 1 April 2018 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Unrealised gains / (Losses) £m	Realised gains / (Losses) £m	Market Value 31 March 2019 £m
UK equities unquoted	**1.3**	0.0	0.0	0.0	0.0	**1.3**
Freehold and leasehold properties	**352.7**	46.7	(0.2)	(0.3)	(1.3)	**397.6**
Pooled property funds	**33.4**	3.3	0.0	1.7	0.0	**38.4**
Private equity	**141.6**	32.5	(28.8)	20.9	13.6	**179.8**
Private debt	**134.5**	66.1	(3.1)	9.0	0.0	**206.5**
Hedge funds	**88.2**	0.0	0.0	1.4	0.0	**89.6**
	751.7	**148.6**	**(32.1)**	**32.7**	**12.3**	**913.2**

16. Classification of financial instruments

The net assets of the Fund disclosed in the Net assets statement and in notes 13a to 13e, 18, 18a, 19 and 19a are made up of the following categories of financial instruments. No financial instruments were reclassified during 2019/2020.

The analysis within notes 16, 16b and 17 on financial instruments does not include the Pension Fund's directly held property. This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed in note 13e - Directly held property net asset account and note 12a - Directly held property fund account.

	Designated as fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost	Total
31 March 2020	**£m**	**£m**	**£m**	**£m**
Financial assets				
Bonds	0.0	0.0	0.0	0.0
Equities	858.8	0.0	0.0	858.8
Pooled investment vehicles	2,796.8	0.0	0.0	2,796.8
UK pooled property funds	50.7	0.0	0.0	50.7
Cash	0.0	83.1	0.0	83.1
Other investment balances	531.8	3.7	0.0	535.5
Derivatives	0.0	0.0	0.0	0.0
Long term assets	0.0	1.0	0.0	1.0
Current assets	0.0	15.5	0.0	15.5
	4,238.1	**103.3**	**0.0**	**4,341.4**
Financial liabilities				
Derivatives	0.0	0.0	0.0	0.0
Other investment balances	0.0	0.0	(2.8)	(2.8)
Long term Liabilities	0.0	0.0	(0.1)	(0.1)
Current liabilities	0.0	0.0	(9.4)	(9.4)
	0.0	**0.0**	**(12.3)**	**(12.3)**
	4,238.1	**103.3**	**(12.3)**	**4,329.1**

16. Classification of financial instruments (continued)

The previous years data is provided below:

31 March 2019	Designated as fair value through profit and loss £m	Financial Assets at amortised cost £m	Financial liabilities at amortised cost £m	Total £m
Financial assets				
Bonds	380.3	0.0	0.0	380.3
Equities	991.3	0.0	0.0	991.3
Pooled investment vehicles	2,699.6	0.0	0.0	2,699.6
UK pooled property funds	38.4	0.0	0.0	38.4
Cash	0.0	142.3	0.0	142.3
Other investment balances	475.9	12.1	0.0	488.0
Derivatives	1.2	0.0	0.0	1.2
Long term assets	0.0	1.0	0.0	1.0
Current assets	0.0	16.1	0.0	16.1
	4,586.7	**171.5**	**0.0**	**4,758.2**
Financial liabilities				
Derivatives	(2.4)	0.0	0.0	(2.4)
Other investment balances	0.0	0.0	(2.6)	(2.6)
Long term Liabilities	0.0	0.0	(0.1)	(0.1)
Current liabilities	0.0	0.0	(19.6)	(19.6)
	(2.4)	**0.0**	**(22.3)**	**(24.7)**
	4,584.3	**171.5**	**(22.3)**	**4,733.5**

16b. Net gains on financial instruments

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

	31 March 2019 £m	31 March 2020 £m
Financial assets		
Designated as fair value through profit and loss	322.5	(391.2)
Amortised cost	8.6	8.7
	331.1	**(382.5)**

17. Nature and extent of risks arising from financial instruments

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

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

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

Market risk

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

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

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

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

Market risk – sensitivity analysis

In consultation with the Fund's investment advisor the following movements in market prices have been judged as possible for the 2019/2020 financial year. The potential market movement figures also allow for interest rate and currency rate fluctuations.

Asset type	Possible market movements
UK equity	+/- 22%
Global equity	+/- 21%
Private equity	+/- 28%
Private debt	+/- 7%
UK fixed interest bonds	+/- 8%
UK index-linked bonds	+/- 7%
Corporate bonds	+/- 9%
Cash	+/- 0%
UK Commercial property	+/- 14%
Hedge funds	+/- 15%

This movement in the market prices would increase or decrease the net assets at 31 March 2020 to the amounts shown below:

Asset type	**31 March 2020 £m**	**Percentage change (+/-) %**	**Value on increase £m**	**Value on decrease £m**
UK equities unquoted	1.3	22%	1.6	1.0
UK corporate bonds	0.0	9%	0.0	0.0
Global corporate bonds	0.0	9%	0.0	0.0
UK equities	274.4	22%	334.7	214.0
Global equities	583.1	21%	705.6	460.7
UK pooled investments	292.5	22%	356.9	228.2
UK index-linked pooled investments	397.4	7%	425.2	369.6
Overseas pooled investments	2,106.9	21%	2,549.4	1,664.5
Derivatives	0.0	0%	0.0	0.0
UK pooled property funds	50.7	14%	57.8	43.6
Private equity	197.1	28%	252.3	142.0
Private debt	250.5	7%	268.1	233.0
Hedge funds	84.2	13%	96.8	71.5
Cash	80.3	0%	80.3	80.3
Outstanding dividend entitlements and recoverable withholding tax	1.1	0%	1.1	1.1
Amount receivable for sales of	2.5	0%	2.5	2.5
Amounts payable for purchases of investments	(2.8)	0%	(2.8)	(2.8)
Long term assets	1.0		1.0	1.0
Current assets	18.3	0%	18.3	18.3
Long term Liabilities	(0.1)		(0.1)	(0.1)
Current liabilities	(9.4)	0%	(9.4)	(9.4)
	4,329.1		**5,139.3**	**3,519.0**

The previous years data is provided below:

Asset type	31 March 2019 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
UK equities unquoted	1.3	18%	1.5	1.1
UK corporate bonds	176.1	7%	188.4	163.8
Global corporate bonds	204.2	7%	218.5	189.9
UK equities	341.7	18%	403.2	280.2
Global equities	648.3	22%	790.9	505.7
UK pooled investments	358.9	18%	423.5	294.3
UK index-linked pooled investments	388.1	9%	423.0	353.2
Overseas pooled investments	1,952.6	22%	2,382.2	1,523.0
Derivatives	(1.2)	0%	(1.2)	(1.2)
UK pooled property funds	38.4	14%	43.8	33.0
Private equity	179.8	27%	228.3	131.3
Private debt	206.5	7%	221.0	192.0
Hedge funds	89.6	13%	101.2	78.0
Cash	139.9	1%	141.3	138.5
Outstanding dividend entitlements and recoverable withholding tax	11.1	0%	11.1	11.1
Amount receivable for sales of	1.0	0%	1.0	1.0
Amounts payable for purchases of investments	(2.6)	0%	(2.6)	(2.6)
Long term assets	1.0		1.0	1.0
Current assets	18.5	0%	18.5	18.5
Long term Liabilities	(0.1)		(0.1)	(0.1)
Current liabilities	(19.6)	0%	(19.6)	(19.6)
	4,733.5		**5,574.9**	**3,892.1**

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk - sensitivity analysis

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

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 basis points (i.e.1%) change in interest rates:

Asset type	31 March 2020 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
Cash and cash equivalents	62.9	0%	62.9	62.9
Cash balances	2.8	0%	2.8	2.8
Bonds	0.0	1%	0.0	0.0
	65.7		**65.7**	**65.7**

Asset type	31 March 2019 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
Cash and cash equivalents	99.7	0%	99.7	99.7
Cash balances	2.4	0%	2.4	2.4
Bonds	380.3	1%	384.1	376.5
	482.4		**486.2**	**478.6**

Foreign currency risk

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

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

Foreign currency risk - sensitivity analysis

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

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

Asset type	31 March 2020 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
Global corporate bonds	0.0	10%	0.0	0.0
Global equities	583.1	10%	641.5	524.8
Overseas pooled investments	2,106.9	10%	2,317.6	1,896.2
Private equity	197.1	10%	216.9	177.4
Private debt	250.5	10%	275.5	225.5
Hedge funds	84.2	10%	92.6	75.7
	3,221.8		**3,544.1**	**2,899.6**

Asset type	31 March 2019 £m	Percentage change (+/-) %	Value on increase £m	Value on decrease £m
Global corporate bonds	204.2	10%	224.6	183.8
Global equities	648.3	10%	713.1	583.5
Overseas pooled investments	1,952.6	10%	2,147.9	1,757.3
Private equity	179.8	10%	197.8	161.8
Private debt	206.5	10%	227.2	185.9
Hedge funds	89.6	10%	98.6	80.6
	3,281.0		**3,609.2**	**2,952.9**

Credit risk

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

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

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

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

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

Summary	**Rating**	**31 March 2019**	**31 March 2020**
		£m	**£m**
Bank current account			
Lloyds Bank (see note 18a)	A+	**2.4**	**2.7**
Loan			
LGPS Central	N/A	0.7	0.7
Money market funds			
Aberdeen Ultra Short Duration Sterling Fund (formerly Standard Life Investments Short Duration Managed Liquidity Fund)	AAA	20.0	20.0
Federated (PR) Short-Term GBP Prime Fund Class 3	AAA	16.0	6.0
Goldman Sachs Sterling Liquid Reserve Institutional Inc	AAA	5.0	0.5
JPMorgan Sterling Liquidity Capital	AAA	5.0	0.0
Aviva Investors Sterling Liquidity Fund 3	AAA	0.0	5.5
Morgan Stanley Sterling Liquidity Inst	AAA	5.0	0.3
Royal London Cash Plus Fund	AAA	20.0	10.0
Local Authority Loans			
Kingston Upon Hull	N/A	0.0	5.0
Cornwall Council	N/A	10.0	0.0
Liverpool City Council	N/A	0.0	5.0
Isle of Wight Council	N/A	5.0	0.0
Mid Suffolk District Council	N/A	3.0	0.0
London Borough of Barking & Dagenham	N/A	0.0	5.0
Plymouth City Council	N/A	0.0	5.0
Thurrock Borough Council	N/A	5.0	0.0
Wirral Metropolitan Borough Council	N/A	5.0	0.0
		99.7	**63.0**
		102.1	**65.7**

Liquidity risk

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

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

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

18. Long term assets

	31 March 2019	31 March 2020
	£m	£m
Contributions due – employers (see note 22)	1.0	1.0
Total	**1.0**	**1.0**

18a. Current assets

	31 March 2019	31 March 2020
	£m	£m
Short term debtors		
Contributions due - employers	9.6	8.6
Contributions due - members	2.5	2.5
Cash balances	2.4	2.7
Other	3.9	4.5
Total	**18.4**	**18.3**

19. Long term liabilities

	31 March 2019	31 March 2020
	£m	£m
Income received in advance (see note 23)	(0.1)	(0.1)
Total	**(0.1)**	**(0.1)**

19a. Current liabilities

	31 March 2019	31 March 2020
	£m	£m
Cash overdrawn	0.0	0.0
Investment management expenses	(1.3)	(1.4)
Income received in advance	(1.5)	(2.5)
Benefits payable	(4.0)	(4.2)
Other	(12.8)	(1.3)
Total	**(19.6)**	**(9.4)**

20. Additional voluntary contributions

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

The contributions are not included within the Fund accounts, in line with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2017. The table below shows the activity for each AVC provider in the year.

	Scottish Widows £m	Equitable Life £m	Standard Life £m
Opening value	**0.8**	**0.5**	**2.0**
Income	0.0	0.0	0.2
Expenditure	(0.1)	(0.1)	(0.3)
Change in market value	(0.0)	0.0	(0.1)
Closing value	**0.7**	**0.4**	**1.8**

21. Related-party disclosure

- Staffordshire Pension Fund is administered by Staffordshire County Council. During the reporting period the County Council incurred costs of £2.2m (£2.1m in 2018/2019) in relation to the administration of the Pension Fund. The County Council was subsequently reimbursed by the Fund for these expenses.
- The Pension Fund holds a proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the Fund's Annual Investment Strategy, which sets out the permitted counterparties and limits. At 31 March 2020 the Fund held £65.7m in cash (£102.1m at 31 March 2019).

LGPS Central Limited

- LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which Staffordshire County Council, as the administering authority for Staffordshire Pension Fund, is one of the shareholders.

  The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPS Central at 31 March 2020 (31 March 2019, £1.315m and £0.685m, respectively) and was owed interest of £0.036m on the loan to LGPSC on the same date (31 March 2019, £0.043m).

  During 2019/20, the Fund in-specie transferred £420.1m of assests managed by Insight Investment Management into the LGPS Central Global Active Investment Grade Corporate Bond Multi-Manager Fund. In total, the transition involved the restructuring of five mandates (from four Partner Funds) to two corporate bond mandates within the LGPS Central Authorised Contractual Scheme. The portfolios were funded to the new managers on 23 March 2020.

  The Fund incurred £0.847m in respect of Governance, Operator Running and Product Development costs in connection with LGPS Central Limited in 2019/2020 (£0.802m in 2018/2019). The accounts payable in respect of these services at 31 March 2020 was £0.221m (£0.066m at 31 March 2019).

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21a. Key management personnel

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

	31 March 2019	31 March 2020
	£m	**£m**
Short Term Benefits	0.1	0.1
Post-employment Benefits	0.1	0.1
	0.2	**0.2**

22. Deferred debtor

A transfer was made from the Fund to the Civil Service Pension Scheme on 1 April 2005 in respect of Magistrates Courts. As at 31 March 2011 agreement had been reached that the Fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the Fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the Fund of £1.004m. At 31 March 2020, the remaining balance was £1.004m as per the long term assets in note 18.

23. Deferred liability

A cash transfer of £0.188m was made to the Fund in 2011/2012 by the Environment Agency. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2019/2020 and £0.013m will be released per year until 2025/2026. At 31 March 2020 the remaining balance was £0.075m as per the long term liabilities in note 19.

24. Accounting Standards issued but not yet adopted

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

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

Actuarial statement

Staffordshire Pension Fund ("the Fund")

Actuarial Statement for 2019/20

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 68% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £5,131 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £73 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.9%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.2 years	23.6 years
Future Pensioners*	22.1 years	25.0 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Laura McInroy FFA
15 May 2020
For and on behalf of Hymans Robertson LLP

Pension Fund accounts reporting requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Staffordshire Pension Fund (“the Fund”).

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

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

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

Present value of promised retirement benefits

Year ended	31 March 2020	31 March 2019
Active members (£m)	2,519	3,808
Deferred members (£m)	1,611	1,593
Pensioners (£m)	2,546	2,274
Total (£m)	**6,676**	**7,675**

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the “McCloud ruling”, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority’s IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £668m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £259m.

Financial assumptions

Year ended (% p.a.)	31 March 2020	31 March 2019
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.3%	2.9%
Discount Rate	2.3%	2.4%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	23.6 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.1 years	25.0 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

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

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	10%	636
0.5% p.a. increase in the Salary Increase Rate	1%	43
0.5% p.a. decrease in the Real Discount Rate	10%	683

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

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2020 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Laura McInroy FFA
15 May 2020
For and on behalf of Hymans Robertson LLP

Glossary

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

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

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

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

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

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

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

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

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

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

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

Bid-Market Price
The price a buyer pays for a stock.

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

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

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

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

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

Glossary

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

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

Capital Financing Requirement
Our need to borrow to pay for capital expenditure.

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

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

Capitalised
Spending on assets which carry a future benefit.

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

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

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

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

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

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

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

Contingency
The money we set aside for unexpected spend.

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

Contributors
Employees of authorities who contribute to the pension fund.

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

Glossary

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

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

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

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

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

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

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

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

Deficit
A situation where spending is more than income.

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

Discontinued Operations
Any operation which meets all of the following conditions.

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

whichever is earlier.

b All activities have permanently stopped.

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Local Education Authority (LEA)
The part of the county council responsible for schools in Staffordshire.

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

Medium-Term Financial Strategy (MTFS)
A three-year financial-planning process designed to make best use of our aims within our available resources.

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

Non-Current Assets
Assets that give us benefits for more than one year.

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

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

Glossary

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

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

Pooled Investments
When assets of more than one investor are combined.

Portfolio
A list of all the investments an investor owns.

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

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

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

Provision for Credit Liabilities (PCL)
An amount we must set aside to repay finance leases and for other limited purposes.

Public Works Loan Board (PWLB)
A government agency that provides longer-term loans to local authorities.

Realised Gain, Realised Loss
The profit or loss resulting from selling investments during the year.

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

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

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

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

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

Revenue Contribution to Capital Outlay (RCCO)
A contribution towards paying for capital spending from the revenue account rather than by borrowing.

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

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

Glossary

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

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

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

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

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

Tactical Asset Allocation
Using futures to:

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

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

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

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

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

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