Statement of Accounts
for
2010/2011

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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 2010/2011 were available for inspection from 27 June to 22 July 2011. The formal audit of our accounts began on 4 July 2011 and we received an unqualified opinion on the accounts on 14 September 2011. This means that, in the auditor's opinion, our accounts presented a true and fair view of our financial position.

Our external auditors are PricewaterhouseCoopers LLP. Their address is:

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

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

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

Foreword by the Director of Finance and Resources

This provides a brief background to the budget for 2010/2011, the final financial position and an assessment of our financial prospects in the future.

Statement of Accounting Policies

This specifies the accounting practices we have used to prepare the accounts. We provide other notes to explain the information we have given. Wherever possible we have prepared the accounts and statements in line with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards (IFRS) and the Best Value Accounting Code of Practice (BVACOP). 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 changes for the 2010/2011 financial year mean that we have had to make changes to the accounts.

The transition to an IFRS-based Code from a UK GAAP-based Statement of Recommended Practice (SORP) results in a number significant changes in accounting practice. We have also restated the 2009/2010 accounts in line with Code of Practice's guidance. We explain the effect those changes have had on the figures for 2009/2010 in note 1 to the accounts and in the foreword.

Introduction

Comprehensive Income and Expenditure Statement

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

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, 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 2011 and includes all our funds apart from the pension fund.

Cash Flow Statement

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

Staffordshire Pension Fund

We run the Staffordshire Pension Fund. We have included the accounts of the pension fund in our statement of accounts. As a result, the independent auditor's report and the statements of assurance cover both our performance and the Pension Fund. You can get copies of the full annual report for the Pension Fund from:

Director of Finance and Resources
Wedgwood Building
Tipping Street
Stafford
ST16 2DH.

Glossary

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

Foreword by the Director of Finance & Resources

Introduction

I am pleased to introduce our statement of accounts for 2010/2011.

This year we have continued to improve the way we deliver our services to the people of Staffordshire. We have continued to make the most of opportunities to improve wealth, health and well-being and to work towards our vision of making Staffordshire County Council 'here for Staffordshire people'.

We have produced a Medium Term Financial Strategy (MTFS) which reflects our priorities in order to achieve this vision. Our five core values are as follows:

- 'Customer and citizen focus'
- 'Listening and responding to local needs'
- 'Encouraging personal responsibility while protecting those who need us'
- 'Prepared to be bold and to show leadership'
- 'Provide efficiency and economy through innovation'

Revenue budget

The MTFS provides the background for our revenue and capital budgets, decisions on council tax, savings and investment plans. We have developed it alongside our Strategic Plan, "Staffordshire Unites", and together they provide the direction and financial framework that we need to deliver our programme of change and to achieve improvements in our services and the way we work.

Overall, we planned to spend £454.8 million on providing services during 2010/2011. This money came from government grants of £157.2 million, council tax of £294.3 million and from using £4.7 million of our reserves (amounts set aside).

We continued to review our services to identify improvements that could be made and we also made savings by doing this review. In 2010/2011 we identified £21.1 million of savings that we could make – this makes a total of over £70 million that has been saved over the last four years.

The council tax increase for a band D property was 1.9%.

Revenue figures

We spent £452.6 million on our day to day activities after allowing for transfers to reserves. This was £1.1 million (or 0.2%) more than we budgeted for. The final figures are summarised in the table on page 8. After taking account of requests from the Children Young People and Families directorate, as well as Waste, Highways and Finance service areas to carry forward £0.7 million into the next financial year, the amount we have spent from general balances was £1.8 million (0.4%).

The final position within the Local Education Authority function is an under spend of £1.2 million, mainly arising from the increase use of grant combined with a reduction in the number of pupils in special schools requiring transport when compared to the original budget assumptions. This is, however, offset by a £1 million overspend on the Vulnerable Children's Service due to an increase in the number of looked after children.

Foreword by the Director of Finance & Resources

The financial year 2010/11 proved challenging as expected for Adult Social Care, which mirrors the position nationally. Rising demographic pressures, breakdown in carer support, challenging market conditions and financial constraints means that Adult Social Care is one of the greatest challenges facing local government today. This situation means that we spent £5.3 million more than budget, around 3% of gross expenditure on Adults Social Care.

The overall overspend of £0.8 million on the Highways service is mainly due to the additional spend requirement on winter maintenance following the harsh winter. This overspend was offset by the overall saving of £0.4 million on Planning services and savings of £0.9 million on the Waste Management budget, due to a combination of lower tonnage/recycling levels plus additional income from the sales of recyclables.

Dedicated Schools Grant

Spending on schools is paid for through a Dedicated Schools Grant (DSG) from Central Government. As a result, we do not include it in the figures reported above and in the table on page 8. We received £462.5 million in DSG during 2010/11. We regularly report how we use this money to the Schools Forum. In 2010/2011 we spent £4.9 million less than expected (see note 28 on page 71). After allowing for all spending from reserves including capital investment, overall school reserves have decreased by £3.5 million to £34.6 million at the end of the year.

Capital figures

In 2010/2011, we received financial support from the Government totalling £74.6 million, including £21.3 million general support for borrowing, compared to £28.8 million in 2009/2010. After including all extra funding such as using our capital receipts (the proceeds from selling assets), specific grants and contributions from developers, our final capital spend for 2010/2011 was £159 million.

Our achievements during the year include the following:

- Making good progress on the Tipping Street redevelopment, a key feature of the regeneration of Stafford town centre as well as facilitating a considerable rationalisation of the County office estate.
- Continued delivery of an improved Highway Capital Programme utilising the second tranche of money made available by the County Council as part of a £30 million Highway Investment Programme.
- Completing the off-site infrastructure works required to facilitate the delivery of the W2R facility at Four Ashes in South Staffordshire. The Energy from Waste facility is being financed through a PFI arrangement and is due to open in 2013.
- Completion of the construction of a Visitor Centre for the Apedale Community Park at Newcastle.
- Establishing new 11-16 and post 16 academies in Tamworth.
- Developing world class youth facilities in Chesterton under the "My Place" project.
- Enhancing access works across a range of school sites.

You can get more information on our overall 2009/2010 figures for revenue and capital in the report to Cabinet on 15 June 2011, '2010/2011 Annual Outturn Report – Finance and Performance'.

Foreword by the Director of Finance & Resources

Interpretation and comment on the main financial information

The accounting changes are due to a move to an IFRS-based Code. Previously the Statement of Accounts were reported on a UK GAAP based SORP. Listed below are the key changes that relate to the County Council:

- *The main financial statements have changed,* with new formats for the Balance Sheet and Comprehensive Income and Expenditure account and a new statement showing the Movement on Reserves required.
- *Grants and Contributions* for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- *There is a greater emphasis on component accounting* for non-current assets, and a greater emphasis on derecognising parts of an asset that are replaced.
- *Service arrangements* not formally recognised as leases, may have to be accounted for as leases where they satisfy IFRS tests for showing that they contain the “substance” of a lease. This is in addition to more stringent tests generally for determining lease classifications, that may result in assets formerly accounted for as operating leases charged to revenue being capitalised on the Balance Sheet (and vice versa).
- *Impairment losses* will be taken initially to the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset.
- *Assets held for sale* is a new heading on the Balance Sheet for which specific criteria apply to this classification of non-current assets.
- *Employee and termination benefits* are to be accounted for as they are earned by the employee, not when they are paid. This will require accruals for items such as holiday pay untaken at the end of the financial year.
- *Cash and cash equivalents* are to be disclosed on the face of the Balance Sheet, which includes current bank account balances, and short term investments that are readily convertible without penalty to cash.

The Balance Sheet on page 19 shows that the total of assets less liabilities is £915.4 million.

The Balance Sheet shows the County Council’s share of any liabilities associated with the pension fund, as assessed by the actuary in line with accounting rules. The overall net liability (that is, the assets less liabilities) has decreased from £889.8 million to £568.4 million. This decrease is mainly due Central Government’s decision to change the inflation on defined benefit pension schemes from being linked with the Retail Price Index (RPI) to the slower growing Consumer Price Index (CPI).

The value of Property, Plant and Equipment has increased by £175.2 million. This is due to the County Council’s capital spend on enhancement during the financial year.

The total debt we owe has decreased by £25.6 million.

Reserves and balances

In total our earmarked reserves (those we set aside for a specific purpose), and our general reserves and balances have decreased by £2.9 million. After taking account of amounts carried forward and our general overspending, the County Fund Revenue Balance total was

£16.8 million as at 31 March 2011 (see the Movement in Reserves Statement and note 6 on pages 18 and 38 respectively).

The Capital Reserve (that is, money set aside for capital expenditure) has decreased by £5.1 million due to getting less than we expected from selling assets. The level of the capital reserve will be restored over the medium term as the surplus assets are sold.

Earmarked reserves (including school reserves) have decreased by £7.1 million to £77.1 million as a result of an increased use of carry forward reserves.

Pension Fund

The value of assets in the fund has increased by 9% from 2009/2010 as stock markets around the world continue to reverse the falls seen as part of the economic downturn. The fund is now valued at £2,617.2 million, which is higher than in 2009/2010 (£2,395.4 million). The fund's overall liabilities are shown in the separate Net Assets Statement on page 104.

Outlook

The steps we have taken over the past 12 months to tackle spending demands in main services, together with our aim of making savings through improved efficiencies, have meant that we have kept our overspend to within 0.4% of the revenue budget. This is still within the limits set out in our financial health indicators. It is important that we continue to create efficiencies during 2011/2012 as the current economic situation means that we will be faced with greater demand for services together with reduced funding. Over the last four years, the efficiencies we have made have resulted in savings totalling over £70 million. Plans for 2011/2012 have been based on the government grant announced, which has reduced the amount of grant we will receive for both the 2011/12 and 2012/13 financial years. The government grants for beyond 2012/13 are less certain with no provisional grant allocations having been announced.

All of this means that we are faced with some important financial challenges and risks over the medium term. We expect the main demand and cost pressures to come from adult social care and protecting vulnerable children. Also, we will face increasing financial pressures in all services due to:

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

These financial pressures are likely to rise in the medium term.

It is essential that we achieve the savings we have agreed to make, and that we continue our progress in improving our efficiency and making savings by reviewing services. With this in mind the County Council is implementing a new operating model that is sustainable in the long-term by not only driving improvements to the front-line but also offering excellent value for money for taxpayers.

Foreword by the Director of Finance & Resources

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:

William Wilkes
Finance Directorate
Wedgwood Building
Tipping Street
Stafford
ST16 2DH.

E-mail: william.wilkes@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 276346.

We will be creating a summary of the accounts and this will be available in libraries and will be published in 'Your Staffordshire' magazine. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

A. N. Burns

Andrew Burns CPFA
Director of Finance and Resources
Date: 30 June 2011

Foreword by the Director of Finance & Resources

The table compares the budget with the final outturn (spending) for 2010/2011.

	Budget £m	Outturn £m	Variation £m
Children, Young People and Families			
Local Education Authority (LEA) budget	38.6	37.4	(1.2)
Children's services	61.7	62.7	1.0
Trading services	0.0	0.0	0.0
Children, Young People and Families total	**100.3**	**100.1**	**(0.2)**
Communities			
Cultural services	11.6	11.7	0.1
Integrated Youth Support service	7.7	7.7	0.0
Chief Executive’s Office	6.7	6.5	(0.2)
Trading services	(0.1)	(0.1)	0.0
Communities total	**25.9**	**25.8**	**(0.1)**
Social Care and Health			
Adults services	171.9	177.2	5.3
Community services	6.6	6.7	0.1
Trading services	0.0	(0.1)	(0.1)
Social Care and Health total	**178.5**	**183.8**	**5.3**
Development Services			
Staffordshire Highways	35.1	35.9	0.8
Property	(0.2)	(0.3)	(0.1)
Planning and Regeneration	11.5	11.1	(0.4)
Waste Management	23.6	22.7	(0.9)
Organisational Development and Resources	2.3	2.3	0.0
Trading services	(1.1)	(2.2)	(1.1)
Development Services total	**71.2**	**69.5**	**(1.7)**
Central and Support			
Finance	5.3	4.4	(0.9)
Law and Governance	6.2	6.3	0.1
Information & Communication Technology (ICT)	9.6	9.4	(0.2)
Central and Support total	**21.1**	**20.1**	**(1.0)**
Total service budgets	**397.0**	**399.3**	**2.3**
Centrally controlled items			
Interest on balances and debt charges	46.1	46.0	(0.1)
Emergency contingency	2.1	0.0	(2.1)
Centrally controlled items	10.8	10.6	(0.2)
Net revenue expenditure	**456.0**	**455.9**	**(0.1)**
Contribution from job evaluation reserve	2.7	2.7	0.0
Contribution from carry forward reserves	0.3	0.3	0.0
Contribution to/from appropriation reserves	0.0	(1.2)	(1.2)
Contribution from capital reserve	2.0	2.0	0.0
Contribution from revenue reserves	(0.5)	(0.5)	0.0
Budget requirement	**451.5**	**452.6**	**1.1**

Audit opinion

Independent auditor's report to the Members of Staffordshire County Council

We have audited the financial statements of Staffordshire County Council for the year ended 31 March 2011 which comprise the Council's Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

Respective responsibilities of the Director of Finance and Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance and Resources is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Staffordshire County Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Council's affairs as at 31 March 2011 and of the Council's income and expenditure and cash flows for the year then ended; and

- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

Audit opinion

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Richard Bacon

Richard Bacon (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
19 Cornwall Street
Birmingham
B3 2DT

Date:
14 September 2011

Audit Opinion

Opinion on the pension fund accounts

We have audited the pension fund accounting statements for the year ended 31 March 2011 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASSAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Respective responsibilities of the Director of Finance and Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance and Resources is responsible for preparation of the pension fund accounting statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for Staffordshire County Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the pension fund accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the pension fund; and
- the overall presentation of the financial statements.

Opinion on the pension fund accounting statements

In our opinion the pension fund's accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Audit Opinion

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Richard Bacon

Richard Bacon (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
19 Cornwall Street
Birmingham
B3 2DT

Date:
14 September 2011

Audit Opinion

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for securing financial resilience; and challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Staffordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Audit Opinion

Delay in certification of completion of the audit

We are required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Staffordshire Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2011. As the Authority has not yet prepared the Annual Report we have not yet been able to read the other information to be published with those financial statements. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Richard Bacon

Richard Bacon (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
19 Cornwall Street
Birmingham
B3 2DT

Date:
14 September 2011

Notes:

(a) The maintenance and integrity of the Staffordshire County Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. For Staffordshire County Council this officer is the Director of Finance and Resources.

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

- Approve the Statement of Accounts.

The Responsibilities of the Director of Finance and Resources are:-

The Director of Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this statement of accounts, the Director of Finance and Resources has:

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

The Director of Finance and Resources has also:

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

DIRECTOR OF FINANCE AND RESOURCES CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

A. N. Burns

Andrew Burns CPFA
Director of Finance and Resources
Date: 30 June 2011

Chairman's Certificate

I confirm that the 2010/2011 Statement of Accounts for Staffordshire County Council and Staffordshire County Pension Fund were approved by the Audit Committee on 12 September 2011. The Committee noted that the implementation of International Financial Reporting Standards means that the accounts are complex; must be read in-depth; and readers should ensure that they contact the Director of Finance and Resources to obtain the necessary background and context to interpret the accounts correctly.

Chairman of Audit Committee
Date: 12 September 2011

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.

2009/10 Gross Expenditure £ million	2009/10 Gross Income £ million	2009/10 Net Expenditure £m		2010/11 Gross Expenditure £m	2010/11 Gross Income £m	2010/11 Net Expenditure £m
			Education:			
609.0	(603.4)	5.6	Delegated Schools	637.6	(613.5)	24.1
189.0	(70.0)	119.0	Other Education and Children's services	219.6	(96.1)	123.5
798.0	**(673.4)**	**124.6**	**Total Education**	**857.2**	**(709.6)**	**147.6**
8.7	(2.6)	6.1	Planning Services	6.6	(4.1)	2.5
70.6	(24.5)	46.1	Highways and Transport	70.2	(24.0)	46.2
22.3	(3.1)	19.2	Cultural and Related Services	23.6	(4.2)	19.4
287.9	(86.5)	201.4	Adult Social Care	302.3	(85.9)	216.4
33.9	(8.5)	25.4	Environmental and Regulatory Services	35.6	(9.9)	25.7
16.5	(3.4)	13.1	Corporate and Democratic Core	10.8	(2.1)	8.7
5.0	(1.0)	4.0	Central Services	4.0	(1.1)	2.9
13.7		13.7	Non Distributed Costs *	(178.2)	0.0	(178.2)
1,256.6	**(803.0)**	**453.6**	**Cost of Services**	**1,132.1**	**(840.9)**	**291.2**
		4.5	Other Operating Expenditure (Note 7)			25.7
		53.3	Financing and Investment Income and Expenditure (Note 8)			41.8
		(540.3)	Taxation and Non-Specific Grant Income (Note 9)			(579.8)
		(28.9)	**(Surplus) or Deficit on Provision of Services**			**(221.1)**
		30.0	Surplus or Deficit on Revaluation of PPE			(86.5)
		391.9	Actuarial Gains/Losses on Pension Assets/Liabilities			(159.1)
		421.9	**Other Comprehensive Income and Expenditure**			**(245.6)**
		393.0	**Total Comprehensive Income and Expenditure**			**(466.7)**

* Includes pension liability of £183.7 million due to changes introduced in the Chancellor's budget statement. Future pension increases are now linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). Further detail is shown in note 37.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the County 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 County 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 County Council.

	General Fund Balance £m	Schools (Note 6) £m	Capital Reserves £m	Capital Grants Unapplied £m	Other Reserves Capital (Note 6) £m	Other Reserves Revenue (Note 6) £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
Balance at 1 April 2009	17.8	31.8	(1.5)	4.7	1.0	50.0	103.8	737.9	841.7
Movement in Reserves during 2009/10									
Surplus or (Deficit) on the Provision of Services	28.9						28.9		28.9
Other Comprehensive Income and Expenditure							0.0	(421.9)	(421.9)
Total Comprehensive Income and Expenditure	**28.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**28.9**	**(421.9)**	**(393.0)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	(44.3)			**1.3**			(43.0)	43.0	
Net Increase/Decrease before transfers to earmarked reserves	(15.4)	0.0	0.0	1.3	0.0	0.0	(14.1)	(378.9)	(393.0)
Transfers To/(From) Earmarked Reserves	10.0	6.3	(11.4)	0.0	(1.9)	(3.0)	0.0	0.0	
Increase/Decrease in 2009/10	**(5.4)**	**6.3**	**(11.4)**	**1.3**	**(1.9)**	**(3.0)**	**(14.1)**	**(378.9)**	**(393.0)**
Balance at 31 March 2010 carried forward	12.4	38.1	(12.9)	6.0	(0.9)	47.0	89.7	359.0	448.7
Movement in Reserves during 2010/11									
Surplus or (Deficit) on the Provision of Services	221.1						221.1		221.1
Other Comprehensive Income and Expenditure							0.0	245.6	245.6
Total Comprehensive Income and Expenditure	**221.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**221.1**	**245.6**	**466.7**
Adjustments between accounting basis & funding basis under regulations (Note 5)	(228.9)			4.9			(224.0)	224.0	
Net Increase/Decrease before transfers to earmarked reserves	(7.8)	0.0	0.0	4.9	0.0	0.0	(2.9)	469.6	466.7
Transfers To/(From) Earmarked Reserves	12.2	(3.5)	(5.1)	0.0	0.1	(3.7)	0.0		
Increase/Decrease in year	4.4	(3.5)	(5.1)	4.9	0.1	(3.7)	(2.9)	469.6	466.7
Balance at 31 March 2011 carried forward	16.8	34.6	(18.0)	10.9	(0.8)	43.3	86.8	828.6	915.4

Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the County Council as at the Balance Sheet date. The net assets of the County Council (assets less liabilities) are matched by the reserves held by the County Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes those amounts which the County 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 were 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'.

1 April 2009 £m	**31 March 2010 £m**		**Notes**	**31 March 2011 £m**
1,734.0	1,790.4	Property, Plant & Equipment	10	1,965.6
36.8	34.7	Long Term Debtors		32.7
0.0	5.0	Long Term Investment	11	5.0
1,770.8	**1,830.1**	**Long Term Assets**		**2,003.3**
112.8	64.1	Short Term Investments	11	15.1
0.0	3.0	Landfill Allowance Deferred Income Account		3.0
9.9	13.6	Assets Held for Sale	15	8.4
2.6	2.6	Inventories	12	2.8
49.2	56.4	Short Term Debtors	13	56.2
55.9	98.0	Cash and Cash Equivalents	14	82.1
230.4	**237.7**	**Current Assets**		**167.6**
(0.8)	(0.5)	Short Term Borrowing		(0.5)
(98.9)	(114.0)	Short Term Creditors	16	(102.7)
(42.2)	(44.6)	Long Term Borrowing Repayable within one year	11	(36.4)
(0.1)	(0.1)	Finance Leases Deferred Liability		(0.2)
0.0	(1.3)	Landfill Allowance Deferred Income Account		(1.2)
(12.1)	(12.4)	Accumulated Absences Creditor		(11.2)
(154.1)	**(172.9)**	**Current Liabilities**		**(152.2)**
(9.8)	(12.6)	Long Term Creditors		(13.9)
(10.8)	(8.7)	Provisions	17	(8.7)
(464.7)	(487.2)	Long Term Borrowing	11	(469.8)
(476.8)	(889.8)	Pension Scheme Liability		(568.4)
(22.0)	(21.4)	PFI and Finance Lease Liability	11	(20.5)
(21.3)	(26.5)	Capital Grants Receipts in Advance	29	(22.0)
(1,005.4)	**(1,446.2)**	**Long Term Liabilities**		**(1,103.3)**
841.7	**448.7**	**Net Assets**		**915.4**
(103.8)	(89.7)	Usable Reserves (Movement in Reserves Statement)		(86.8)
(737.9)	(359.0)	Unusable Reserves	18	(828.6)
(841.7)	**(448.7)**	**Total Reserves**		**(915.4)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or 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 County 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 County Council.

2009/10 £m		2010/11 £m
(28.9)	Net (Surplus) or Deficit on the Provision of Services	**(221.1)**
(80.0)	Adjustments to net Surplus or Deficit on the Provision of Services for non cash movements	100.2
74.2	Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing and financing activities	89.3
(34.7)	Net cash flows from Operating Activities (Note 19)	(31.6)
14.5	Investing Activities (Note 20)	19.2
(21.9)	Financing Activities (Note 21)	28.3
(42.1)	Net (increase) or decrease in Cash and Cash Equivalents	15.9
55.9	Cash and Cash Equivalents at the beginning of the reporting period (Note 14)	98.0
98.0	**Cash and Cash Equivalents at the end of the reporting period (Note 14)**	**82.1**

Notes to the Accounts

Note A. Statement of Accounting Policies

1 General

We have prepared our accounts on a going-concern basis, in line with the accounting principles under International Financial Reporting Standards (IFRS). We have obtained guidance from the ‘Code of Practice on Local Authority Accounting in the United Kingdom 2010/11’ by the Chartered Institute of Public Finance and Accountancy (CIPFA). The costs of individual services are defined in accordance with the CIPFA Best Value Accounting Code of Practice.

The accounts are prepared on the historical cost basis of accounting, other than for certain items of property, plant and equipment, which are held at fair value.

The Statement of Accounts have been prepared with reference to:

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

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

- Accruals basis.
- Going concern basis (we assume that we will continue operating in the future).

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

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

2 Property, plant and equipment

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

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

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

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

Note A. Statement of Accounting Policies (Cont'd)

assets, these are held on the balance sheet at that cost (after taking off an amount for loss in value).

We have added any increase in the value of property, plant and equipment to the Revaluation Reserve as from the effective date of revaluation 31 March 2011. We plan to revalue non-current assets again on a rolling five-year programme. However, in the meantime we will make changes to the valuation of assets if there are major changes which would have a significant effect on an asset's fair value, residual value or useful life.

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

We review the value of each category of assets and the value of major individual assets at the end of each financial year, to see if there is any reduction in value. If we identify any reduction as part of this review, or as a result of a valuation exercise, we deal with this in the following way:

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

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

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

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

3 Basis of charge for using property, plant and equipment

We reflect depreciation (loss in value) charges in the Comprehensive Income and Expenditure Account, and we work the loss out based on the opening current valuation of the asset. We do this on all property, plant and equipment in line with the following policy:

- We charge for all non-current assets and components of non-current assets with a set useful life. We work this charge out using the straight-line method (which assumes that the value of the asset will reduce by an equal amount each year of its life).
- We do not do this for land, assets under construction or those assets held for sale.
- We work out the charge for buildings assuming that their expected lives range from 15 to 60 years.
- We expect the life of infrastructure assets (for example, roads, bridges and footpaths) to be 50 years.
- The expected lives of vehicles, plant and equipment range from five to 20 years.
- We work out charges for new assets from the year after we buy them.

Notes to the Accounts

Note A. Statement of Accounting Policies (Cont'd)

- We assume that an asset has no value at the end of its useful life.

We do not have to raise council tax to cover depreciation. However, under the Local Authorities (Capital Finance and Accounting) 2003 Regulations (amended in 2008), we have decided to set aside an amount of revenue to repay any debt equal to 4% of the borrowing supported by government grant at the beginning of the year plus an amount to cover unsupported borrowing over the life of the asset. The resulting figure is adjusted to exclude any charge on debt for schemes not yet completed. If depreciation is different from this amount, we can make a transfer to or from the Capital Adjustment Account to cover the difference. As a result, we replace depreciation with revenue provision in the Statement of Movement on Reserves by transferring the amount to or from the Capital Adjustment Account.

4 Assets held for sale

We include assets held for sale in the current assets part of the balance sheet at their value on the open market. Assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell. No depreciation is charged whilst an asset as classified as Assets held for sale.

5 Intangible asset

In previous years we held an asset of a school which used to be grant-maintained. We treated this as an intangible asset and we reduced its value over its expected life on a straight-line basis. This asset has no value in 2010/11 as it last held value in 2008/09.

6 Leases

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

We use various assets which we have accounted for as operating leases. In the Balance Sheet we do not show the related costs for renting them in the future. We include the annual lease rentals in the accounts each year and the outstanding commitments for future years in the notes to the accounts.

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

We assess all leases to determine whether they are operating leases or finance leases under International Accounting Standard (IAS) 17. Where we have decided that a lease is a finance lease then we show this asset in the Balance Sheet and show the related costs for renting them in the future.

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

Notes to the Accounts

Note A. Statement of Accounting Policies (Cont'd)

incremental borrowing rate on PWLB loans has been used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset.

7 Stock and work in progress

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

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

8 Debtors and creditors

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

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

9 Pensions

We take part in two different pension schemes that meet the needs of employees in particular services. All the schemes give members defined benefits that are related to their 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 37 for further detail.

Note A. Statement of Accounting Policies (Cont'd)

Discretionary benefits

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

We have prepared the accounts in line with IAS19 (Employee Benefits). We discount liabilities to their value at current prices, using a discount rate of 5.5% (based on the rate of return on high-quality corporate bonds, (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years). We have reflected the accounting rules in the accounts and as notes to the accounts, in line with CIPFA recommended practice that movements on the General Fund arising from pension movements are taken to the pension reserve.

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

10 Debt

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

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

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

11 Investments

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

12 Reserves

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

Note A. Statement of Accounting Policies (Cont'd)

13 Provisions

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

14 Interest on balances

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

15 VAT

Income and spending does not include amounts related to VAT, as all VAT we collect is paid to HM Revenue & Customs. All the VAT we pay is reclaimed from HM Revenue & Customs.

16 Support service costs

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

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

17 Government grants and contributions

We receive grants from government and other bodies and we credit grants to the Comprehensive Income and Expenditure Statement, when the grant conditions have been met, in the same period as the spending they relate to. If we do not know the actual amount of grant we will receive, we use an estimate. If the grant conditions have not been met then we show the grant in the Balance Sheet as a creditor as it may have to be returned to the grant providing body.

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

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

18 Private finance initiative (PFI)

We have three PFI schemes. We account for these in line with the Code.

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

Note A. Statement of Accounting Policies (Cont'd)

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 Statement, as a cost to the service, as part of interest payable and to reduce the value of the liability.

However, we have transferred land 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 will reduce the value of this over the life of the contract.

19 Endowment and trust funds

We run 51 of these funds. They mostly include small amounts received from private individuals, which we have invested to provide an income each year. They do not form part of our accounts.

20 Financial Instruments

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

<u>Financial liabilities</u>
We measure financial liabilities at their fair value (the amount that the liability could be settled for) and report this in the notes to the accounts. We do this by assessing the present value of the cash flows that will take place over the remaining term of the instruments.

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

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

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

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

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

21 Cash and cash equivalents

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

Notes to the Accounts

Note A. Statement of Accounting Policies (Cont'd)

Cash and cash equivalents include the following classes of financial assets that can be called upon at short-notice (no more 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.

22   Interests in companies

In our accounts, we would record interests in companies and other organisations as investments. Currently we have no interests in companies and other organisations.

23   Employee Benefits

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

Notes to the Accounts

1. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the County Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the County Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulated compensated absences has resulted in the following changes being made to 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £m	Adjustments Made £m
Accumulated Absences Creditor	0.0	12.1
Accumulated Absences Account	0.0	(12.1)

31 March 2010 Balance Sheet

	2009/10 Statements £m	Adjustments Made £m
Accumulated Absences Creditor	0.0	12.4
Accumulated Absences Account	0.0	(12.4)

Notes to the Accounts

1. Transition to IFRS (Cont'd)

Government Grants

Under the code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.
As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants received with no condition are recognised in full and transferred to to the Capital Grants Unapplied Account. When the grants are applied they are then transferred to the Capital Adjustment Account.
- Grants received with conditions outstanding are shown in the Capital Grants Received in Advance Account, until the conditions are satisfied when they are recognised as income in the Comprehensive Income and Expenditure Statement. They are then transferred to the Capital Grants Unapplied Account or Capital Adjustment Account depending on whether the grant has been applied or not.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:	**2009/10 Statements £m**	**Adjustments Made £m**
Government Grants and Contributions Deferred Account	175.5	(175.5)
Capital Adjustment Account	1,003.6	170.9
Capital Grants Unapplied Account		1.3
Capital Grants Received in Advance		3.5
Short Term Creditors	101.9	(0.2)

31 March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Government Grants and Contributions Deferred Account	230.7	(230.7)
Capital Adjustment Account	981.0	213.5
Capital Grants Unapplied Account		2.5
Capital Grants Received in Advance		11.5
Short Term Creditors	114.5	3.2

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

Notes to the Accounts

1. Transition to IFRS (Cont'd)

Revenue Grants

A similar exercise was undertaken for revenue grants. Those revenue grants that have a condition attached to them will sit as a creditor within the liabilities section of the Balance Sheet. Grants with no conditions attached to them would be recognised immediately in the Comprehensive Income and Expenditure Statement before being transferred to an earmarked reserve or credited against the General Fund depending on whether expenditure had been incurred against the grant or not.

This has resulted in the following changes for the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:	**2009/10 Statements £m**	**Adjustments Made £m**
Earmarked Reserves	79.3	3.8
Creditors	101.9	(3.8)

31 March 2010 Balance Sheet	**2009/10 Statements £m**	**Adjustments Made £m**
Earmarked Reserves	80.4	4.2
Creditors	114.5	(4.2)

Cost of Services (Net):

2009/10 Comprehensive Income and Expenditure Account

The overall results of these material changes along with those immaterial changes not disclosed on the cost of services in the Comprehensive Income and Expenditure Account are detailed below:

	2009/10 Statements £m	**Balances After Adjustments £m**
Education:		
Delegated schools	1.4	5.6
Other education and children's services	118.5	119.0
Planning Services	5.5	6.1
Highways and transport	49.3	46.1
Cultural and Related Services	17.9	19.2
Adult social care	196.8	201.4
Environmental and Regulatory Services	25.0	25.4
Corporate and democratic core	10.9	13.1
Central services to the public	17.7	4.0
Non distributed costs		13.7

Notes to the Accounts

1. Transition to IFRS (Cont'd)

<u>Asset Classification and Revaluation</u>

The IFRS code introduces the new classifications for assets of "Surplus Assets" and "Assets Held for Sale". These classifications are included in the Balance Sheet in the Non-Current Assets and Current Assets sections respectively. Previously these assets were classified as Non Operational Assets.

The valuation basis for the new classifications is different from that used previously. This has resulted in changes being required to the total valuations included in the Balance Sheet for last year.

The changes to the 2009/10 financial statements are shown below:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £m	**Adjustments Made £m**
Surplus Assets		10.8
Assets Held for Sale		9.9
Non-Operational Assets	28.8	(28.8)
Capital Adjustment Account	1,003.6	9.0
Revaluation Reserve	77.4	(0.9)

31 March 2010 Balance Sheet

	2009/10 Statements £m	**Adjustments Made £m**
Surplus Assets		8.7
Assets Held for Sale		13.6
Assets Under Construction		4.4
Non-Operational Assets	34.8	(34.8)
Capital Adjustment Account	981.0	9.0
Revaluation Reserve	90.8	(0.9)

1. Transition to IFRS (Cont'd)

The IFRS code introduces the classification of Cash and cash equivalents. Cash and cash equivalents include financial assets that can be called upon at short-notice (no more than 3 months) and (if necessary) turned into cash, including the bank overdraft. As a consequence, the following adjustment have been made to the prior year accounts:

	2009/10 Statements £m	Adjustments Made £m
Short-term investments		
Opening 1 April 2009 Balance Sheet	183.1	(70.3)
31 March 2010 Balance Sheet	172.9	(108.8)
Cash and cash equivalents		
Opening 1 April 2009 Balance Sheet	0.0	55.9
31 March 2010 Balance Sheet	0.0	97.9

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies the County 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:

There is a high degree of uncertainty regarding future levels of funding for local government. The County Council has undertaken the 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.

The County Council has three PFI contracts to provide schools, children's homes and street lighting facilities. The accounting policies for PFI schemes has 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.

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

Notes to the Accounts

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

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

The items in the County Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the wrong useful life has been applied then the carrying value of the assets could be either too high or too low.
Provisions	The Council has made a provision of £1m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding between £60,000-70,000 to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied in producing the accounting entries necessary for the accounts.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £0.1m. Changes in other assumptions including member life expectancy and salary/pension increase rates would have a minor effect of £0.1m or less.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to.	The expense or the income could be either higher or lower than expected.

4. Events after the Balance Sheet Date

On 30 June 2011 the Director of Finance and Resources authorised the Statement of Accounts to be issued. When preparing the accounts we have considered events between the date we produced the balance sheet and 30 June 2011.

Notes to the Accounts

5. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the County 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 and revenue expenditure.

	Usable Reserves						
2010/11	**General Fund Balance**	**Capital Reserves**	**Capital Grants Unapplied**	**Earmarked Capital Receipts**	**Delegated Schools**	**Other Earmarked Reserves**	**Movement in Unusable Reserves**
Adjustments primarily involving the Capital Adjustment Account:	**£m**	**£m**	**£m**	**£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	(48.9)						48.9
Capital grants and contributions applied	80.9						(80.9)
Amounts of non current assets written off on disposal or sale/part of the gain/loss on disposal to the income and expenditure statement	(32.8)						32.8
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	25.7						(25.7)
Capital expenditure charged against the General Fund balance	24.4						(24.4)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8.4		(8.4)				
Application of grants to capital financing transferred to the Capital Adjustment Account			3.5				(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	7.4			(7.4)			
Use of the Capital Receipts Reserve to finance new capital expenditure				7.4			(7.4)
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.2						(0.2)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 37)	4.7						(4.7)
Employers pension contributions and direct payments to pensioners payable in the year	162.3						(162.3)
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4.6)						4.6
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 due to statutory requirements	1.2						(1.2)
Total adjustments	**228.9**	**0.0**	**(4.9)**	**0.0**	**0.0**	**0.0**	**(224.0)**

Notes to the Accounts

5. Adjustments between accounting basis and funding basis under regulations (Cont'd)

	Usable Reserves						
2009/10 comparative figures	**General Fund Balance**	**Capital reserves**	**Capital grants unapplied**	**Earmarked capital receipts**	**Delegated schools**	**Other earmarked reserves**	**Movement in unusable reserves**
Adjustments primarily involving the Capital adjustment account:	**£m**	**£m**	**£m**	**£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	(48.6)						48.6
Capital grants and contributions applied	63.4						(63.4)
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	(8.6)						8.6
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	24.9						(24.9)
Capital expenditure charged against the General Fund balance	30.1						(30.1)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1.6		(1.6)				
Application of grants to capital financing transferred to the Capital Adjustment Account			0.3				(0.3)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4.4			(4.4)			0.0
Use of the Capital Receipts Reserve to finance new capital expenditure				4.4			(4.4)
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.0						0.0
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive iIncome and Expenditure Statement (see Note 37)	(4.7)						4.7
Employers pension contributions and direct payments to pensioners payable in the year	(21.1)						21.1
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3.2						(3.2)
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	(0.3)						0.3
Total adjustments	**44.3**	**0.0**	**(1.3)**	**0.0**	**0.0**	**0.0**	**(43.0)**

Notes to the Accounts

6. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1 April 2009	Transfers out 2009/10	Transfers in 2009/10	Balance at 31 March 2010	Transfers out 2010/11	Transfers in 2010/11	Balance at 31 March 2011
	£m	£m	£m	£m	£m	£m	£m
General Fund:							
Information technology	13.0		2.6	15.6		2.0	17.6
PFI equalisation	3.4	(0.2)		3.2		0.2	3.4
Other service reserves	0.6	0.0	0.3	0.9	(0.2)	0.1	0.8
Insurance	3.8	(1.6)		2.2	(0.2)		2.0
Insurance trading account	1.1		0.1	1.2		0.2	1.4
Trading services appropriation reserve	4.3		0.4	4.7		1.7	6.4
Renewing vehicles and plant reserve	0.4	(0.3)		0.1		0.0	0.1
Redundancy reserve	(4.5)	(1.3)	0.3	(5.5)	(2.5)	0.2	(7.8)
Insurance self funding schools' absence	1.4	(0.2)		1.2		0.1	1.3
Other insurance reserves	2.5		0.4	2.9	(0.8)	1.4	3.5
Job evaluation	9.3	(2.1)		7.2	(5.2)		2.0
Landfill allowance trading scheme	0.0		1.7	1.7		0.0	1.7
Revenue carried forward *	14.7	(3.4)	0.3	11.6	(3.4)	2.7	10.9
Total revenue earmarked reserves	**50.0**	**(9.1)**	**6.1**	**47.0**	**(12.3)**	**8.6**	**43.3**
Capital guideline carry forward	4.0	(2.1)	2.0	3.9	(2.1)	0.9	2.7
Earmarked capital receipts carried forward *	(3.0)	(4.1)	2.3	(4.8)	(1.8)	3.1	(3.5)
Total capital earmarked reserves	**1.0**	**(6.2)**	**4.3**	**(0.9)**	**(3.9)**	**4.0**	**(0.8)**
Total earmarked reserves	**51.0**	**(15.3)**	**10.4**	**46.1**	**(16.2)**	**12.6**	**42.5**

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

Notes to the Accounts

6. Transfers to/from earmarked reserves (Cont'd)

School Reserves

Under the Education Reform Act 1988, if we have given a budget to a school and they have not spent it, they can still use that money, even though technically, it is held in our reserves. In other words, these unspent balances represent a special form of reserve which is not available for us to use. The schools revenue balances we hold in this way currently total £34.6 million. Schools hold balances of £8.2 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. As a result, the school reserves shown in the statements do not include outstanding loans.

	Balance 31 March 2010	Increase / (reduction)	Balance 31 March 2011
Delegated revenue budgets	£m	£m	£m
Primary schools	12.3	1.1	13.4
Secondary schools	12.0	(0.8)	11.2
Special schools	2.5	(0.2)	2.3
	26.8	**0.1**	**26.9**
Outstanding loans	(0.7)	0.2	(0.5)
Net school reserves (after tax) as 31 March	26.1	0.3	26.4
Earmarked reserves	12.0	(3.8)	8.2
Total	**38.1**	**(3.5)**	**34.6**

Notes to the Accounts

7. Other Operating Expenditure

2009/10 £m		2010/11 £m
0.3	Levies	0.3
4.2	Gains/losses on the disposal of non current assets	25.4
4.5	**Total**	**25.7**

8. Financing and Investment Income and Expenditure

2009/10 £m		2010/11 £m
25.2	Interest payable and similar charges	25.0
35.4	Pensions interest cost and expected returns on pension assets	23.5
(4.6)	Interest receivable and similar income	(3.4)
(2.7)	Trading Services deficits/(surplus)	(3.3)
53.3	**Total**	**41.8**

9. Taxation and Non Specific Grant Income

2009/10 £m		2010/11 £m
(290.8)	Council tax income	(289.7)
(122.1)	NNDR	(137.3)
(62.8)	Non-ringfenced government grants	(63.5)
(64.6)	Capital grants and contributions	(89.3)
(540.3)	**Total**	**(579.8)**

Notes to the Accounts

10. Property, Plant and Equipment

Movements on Balances in 2010/11

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
Cost or Valuation								
At 1 April 2010	1,304.9	150.2	498.1	2.0	8.8	4.4	**1,968.4**	74.2
Additions	59.4	6.9	50.4	0.8	0.2	44.4	**162.1**	1.2
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	68.0	1.2			0.0		**69.2**	1.2
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.1)				(0.1)		**(8.2)**	
Derecognition - Disposals	(27.1)	(3.0)			(1.6)		**(31.7)**	
Assets Reclassified (to)/from Held for Sale	(5.3)				3.9		**(1.4)**	
Reversal of non-enhancing expenditure initially capitalised as capital spend	(30.1)	0.6			(0.1)		**(29.6)**	0.8
At 31 March 2011	**1,361.7**	**155.9**	**548.5**	**2.8**	**11.1**	**48.8**	**2,128.8**	**77.4**

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

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 2010	(36.2)	(76.9)	(64.8)	0.0	(0.1)	0.0	**(178.0)**	(21.1)
Depreciation Charge	(18.4)	(11.9)	(9.6)		(0.1)		**(40.0)**	(1.9)
Depreciation written out to the Revaluation Reserve	0.6						**0.6**	
Depreciation written out to the Surplus/Deficit on the Provision of Services	46.5	0.2					**46.7**	0.2
Derecognition - Disposals	4.9	2.3			0.1		**7.3**	
Derecognition - Other								
Other movements in Depreciation and Impairment	0.2	0.0					**0.2**	0.0
At 31 March 2011	**(2.4)**	**(86.3)**	**(74.4)**	**0.0**	**(0.1)**	**0.0**	**(163.2)**	**(22.8)**
Net Book Value								
At 31 March 2011	**1,359.3**	**69.6**	**474.1**	**2.8**	**11.0**	**48.8**	**1,965.6**	**54.6**
At 31 March 2010	**1,268.7**	**73.3**	**433.3**	**2.0**	**8.7**	**4.4**	**1,790.4**	**53.1**

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

Comparative Movements in 2009/10:

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
Cost or Valuation								
At 1 April 2009	1,279.2	144.9	448.9	1.8	10.7		**1,885.5**	72.8
Additions	75.1	8.1	49.2	0.2	1.2	4.4	**138.2**	2.5
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9.2	0.7			(0.3)		**9.6**	1.5
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7.2)				(2.7)		**(9.9)**	(1.6)
Derecognition - Disposals	(1.9)	(3.6)			(3.7)		**(9.2)**	(1.0)
Derecognition - Other								
Assets Reclassified (to)/from Held for Sale	(11.6)				3.6	0.0	**(8.0)**	
Reversal of non-enhancing expenditure initially capitalised as capital spend	(37.9)	0.1			0.0		**(37.8)**	
At 31 March 2010	**1,304.9**	**150.2**	**498.1**	**2.0**	**8.8**	**4.4**	**1,968.4**	**74.2**

Notes to the Accounts

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

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 2009	(26.5)	(68.8)	(56.2)		0.0		**(151.5)**	(21.3)
Depreciation Charge	(14.1)	(10.7)	(8.6)		(0.1)		**(33.5)**	(1.9)
Depreciation written out to the Revaluation Reserve	0.0				0.0		**0.0**	
Depreciation written out to the Surplus/Deficit on the Provision of Services	3.8				0.0		**3.8**	1.5
Derecognition - Disposals	0.1	2.6			0.0		**2.7**	0.6
Derecognition - Other								
Other movements in Depreciation and Impairment	0.5	0.0					**0.5**	0.0
At 31 March 2010	**(36.2)**	**(76.9)**	**(64.8)**	**0.0**	**(0.1)**	**0.0**	**(178.0)**	**(21.1)**
Net Book Value								
At 31 March 2010	**1,268.7**	**73.3**	**433.3**	**2.0**	**8.7**	**4.4**	**1,790.4**	**53.1**
At 1 April 2009	**1,252.7**	**76.1**	**392.7**	**1.8**	**10.7**	**0.0**	**1,734.0**	**51.5**

Notes to the Accounts

11. Financial Instruments

Categories of Financial Instruments

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

It should be noted that the Cash and Cash Equivalents figure reported in note 14 includes the bank overdraft. The bank overdraft is not reported in the analysis below as it is a 'non-financial instrument'.

	Long - Term			Current		
	31 March 2009	**31 March 2010**	**31 March 2011**	**31 March 2009**	**31 March 2010**	**31 March 2011**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Investments						
Short term investments				112.8	64.1	15.1
Items contained within Cash and cash equivalents (Within Note 14)						
Call accounts and Short-term deposits				8.2	33.9	37.0
Money Market Funds				62.1	74.9	54.3
Loans and Receivables	0.0	5.0	5.0	183.1	172.9	106.4
Total Investments	**0.0**	**5.0**	**5.0**	**183.1**	**172.9**	**106.4**
Borrowings						
Financial liabilities at amortised cost	464.7	487.2	469.8	42.2	44.6	36.4
Total Borrowings	**464.7**	**487.2**	**469.8**	**42.2**	**44.6**	**36.4**
Other Long Term Liabilities						
PFI and finance lease liabilities	22.0	21.4	20.5			
Total other long term liabilities	**22.0**	**21.4**	**20.5**			

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

Notes to the Accounts

11. Financial Instruments (Cont'd)

Income, Expense, Gains and Losses

	2009/10			2010/11		
	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and Receivables £m	Total £m	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Total £m
Interest Expense	(25.2)		**(25.2)**	(25.2)		**(25.2)**
Total Expense in Surplus or Deficit on the Provision of Services	**(25.2)**	**0.0**	**(25.2)**	**(25.2)**	**0.0**	**(25.2)**
Interest Income		4.6	**4.6**		3.4	**3.4**
Gains on Derecognition*			**0.0**	0.2		**0.2**
Total income in Surplus or Deficit on the Provision of Services	**0.0**	**4.6**	**4.6**	**0.2**	**3.4**	**3.6**
Net Gain/(Loss) for the Year	**(25.2)**	**4.6**	**(20.6)**	**(25.0)**	**3.4**	**(21.6)**

* Note - "derecognition" means removing a previously recognised financial asset or financial liability from our Balance Sheet.

11. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities

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

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

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

	31 March 2009	31 March 2009	31 March 2010	31 March 2010	31 March 2011	31 March 2011
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m
PWLB - maturity	421.5	451.2	446.8	460.7	421.6	398.7
PWLB - equal instalments of principal	0.5	0.6	0.5	0.6	0.4	0.5
Lender option borrower option	82.7	83.4	82.7	93.0	82.8	91.0
European investment bank	2.2	2.5	1.8	2.1	1.4	1.6
Financial liabilities	**506.9**	**537.7**	**531.8**	**556.4**	**506.2**	**491.8**

The fair value of the liabilities is lower than the carrying amount as at 31 March 2011, because we have a number of fixed rate loans for which the interest rates are lower, than the rates available from the market for similar loans at this point in time.

Notes to the Accounts

11. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities (Cont'd)

	31 March 2009	31 March 2009	31 March 2010	31 March 2010	31 March 2011	31 March 2011
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m
Money Market Funds	61.0	61.0	74.0	74.0	54.0	54.0
Deposits with Banks and Building Societies	122.1	123.4	103.9	103.0	57.4	57.2
Loans and receivables	**183.1**	**184.4**	**177.9**	**177.0**	**111.4**	**111.2**

The fair value and carrying amount are broadly the same, as interest rates on deposits are similar to market rates as at 31 March 2011.

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

12. Inventories

	Consumable stores		Client services Work in progress		Total	
	2009/10 £m	**2010/11 £m**	**2009/10 £m**	**2010/11 £m**	**2009/10 £m**	**2010/11 £m**
Balance outstanding at start of year	2.5	2.4	0.1	0.2	2.6	2.6
Purchases	15.3	16.5	0.3	0.3	15.6	16.8
Recognised as an expense in the year	(15.2)	(15.9)	(0.2)	(0.3)	(15.4)	(16.2)
Written off balances	(0.4)	(0.5)			(0.4)	(0.5)
Reversals of write-offs in the previous years *	0.2	0.1			0.2	0.1
Balance outstanding at year-end	2.4	2.6	0.2	0.2	2.6	2.8

* The reversal of write offs relates to Staffordshire Perfoming Arts and can be explained by musical instruments being returned by pupils and schools after being written off during the previous year's stock take.

Notes to the Accounts

13. Short-Term Debtors

1 April 2009 £m	31 March 2010 £m		31 March 2011 £m
48.0	53.0	Trade Debtors and Prepayments	50.6
4.5	6.3	VAT (due to us)	8.4
(3.3)	(2.9)	Allowance for Doubtful Debts (debts we think may not be paid)	(2.8)
49.2	**56.4**	**Total**	**56.2**

14. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

1 April 2009 £m	31 March 2010 £m		31 March 2011 £m
(14.4)	(10.8)	Bank overdraft	(9.2)
8.2	33.9	Call Accounts and Short-Term Deposits *	37.0
62.1	74.9	Money Market Funds *	54.3
55.9	**98.0**	**Total Cash and Cash Equivalents**	**82.1**

* In accordance with the appropriate guidelines, these balances are defined as "cash and cash equivalent" because they are all accessible by the County Council within 3 months. The cash is held in various accounts with banks and Money Market Funds earning a market rate of interest.

15. Assets Held for Sale

	Current	
	2009/10	2010/11
	£m	£m
Balance outstanding at start of year	9.9	13.6
Assets newly classified as held for sale:		
Property, Plant and Equipment	8.0	1.4
Revaluations	(0.4)	(1.4)
Assets sold	(3.9)	(5.2)
Balance outstanding at year-end	**13.6**	**8.4**

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

16. Short-Term Creditors

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
(80.2)	(96.7)	Trade and other creditors	(85.2)
(13.5)	(13.8)	Tax and money owed to HM Revenues & Customs	(13.9)
(5.2)	(3.5)	Money received in advance	(3.6)
(98.9)	**(114.0)**	**Total**	**(102.7)**

Notes to the Accounts

17. 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.

	Equal Pay	Social Services S117	Insurance Before LGR	Insurance After LGR	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2010	1.2	0.5	0.2	6.8	**8.7**
Additional Provisions made in 2010/11				0.4	**0.4**
Amounts used in 2010/11	(0.2)	(0.1)	(0.1)		**(0.4)**
Unused amounts reversed in 2010/11	0.0				**0.0**
Unwinding of discount in 2010/11					**0.0**
Balance at 31 March 2011	**1.0**	**0.4**	**0.1**	**7.2**	**8.7**

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

We have carried out a job-evaluation exercise which resulted in us paying back pay for some staff. We have set aside money to meet any costs arising from any further claims for equal pay.

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

18. Unusable reserves

1 April 2009 £m	31 March 2010 £m		31 March 2011 £m
(62.2)	(75.3)	Revaluation Reserve	(141.2)
(1,181.6)	(1,204.3)	Capital Adjustment Account	(1,285.1)
4.8	4.7	Financial Instruments Adjustment Account	4.5
(1.9)	(5.1)	Collection Fund Adjustment Account	(0.5)
490.9	908.6	Pensions Reserve	582.5
12.1	12.4	Accumulated Absences Account	11.2
(737.9)	**(359.0)**	**Total Unusable Reserves**	**(828.6)**

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.

2009/10 £m	2009/10 £m		2010/11 £m	2010/11 £m
	(62.2)	**Balance at 1 April**		(75.3)
(15.7)		Upward revaluation of assets	(70.8)	
1.4		Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	2.0	
	(14.3)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the provision of services		(68.8)
0.6		Difference between fair value depreciation and historical cost depreciation	0.2	
0.6		Accumulated gains on assets sold or scrapped	2.7	
	1.2	Amounts written off to the Capital adjustment account		2.9
	(75.3)	**Balance at 31 March**		**(141.2)**

18. Unusable reserves (Cont'd)

Capital Adjustment Account

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

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

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

2009/10 £m		2010/11 £m
(1,181.6)	**Balance at 1 April**	(1,204.3)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
48.6	> Charges for depreciation and impairment of non current assets	48.9
8.6	> 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	32.8
(1.2)	Adjusting amounts written out of the Revaluation Reserve	(2.9)
56.0	Net written out amount of the cost of non current assets consumed in the year	**78.8**
	Capital financing applied in the year:	
(4.7)	> Use of the Capital Receipts Reserve to finance new capital expenditure	(7.4)
(63.1)	> Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(80.9)
(0.3)	> Application of grants to capital financing from the Capital Grants Unapplied Account	(3.5)
(24.9)	> Statutory provision for the financing of capital investment charged against the General Fund balance	(25.7)
14.3	Capital expenditure charged against the revenue fund (including balance sheet transactions)	(42.1)
(78.7)		**(159.6)**
(1,204.3)	**Balance at 31 March**	**(1,285.1)**

18. Unusable reserves (Cont'd)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. (The Council uses the Account to manage premiums paid on the early redemption of loans). Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over future years.

2009/2010 £m			2010/2011 £m	
	4.8	**Balance at 1 April**		**4.7**
0.0		Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(0.2)	
(0.1)		Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0.0	
	(0.1)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(0.2)
	4.7	**Balance at 31 March**		**4.5**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive 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.

2009/2010 £m		2010/2011 £m
490.9	**Balance at 1 April**	908.6
391.9	Actuarial gains or losses on pension assets and liabilities	(159.1)
4.7	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4.7)
21.1	Employer's pension contributions and direct payments to pensioners payable in the year	(162.3)
908.6	**Balance at 31 March**	**582.5**

18. Unusable Reserves (Cont'd)

Collection Fund Adjustment Account

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

2009/2010 £m		2010/2011 £m
(1.9)	**Balance at 1 April**	(5.1)
(3.2)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4.6
(5.1)	**Balance at 31 March**	**(0.5)**

Accumulated Absences Account

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

	2009/2010 £m		2010/2011 £m	
	12.1	**Balance at 1 April**		12.4
(12.1)		Settlement or cancellation of accrual made at the end of the preceding year	(12.4)	
12.4		Amounts accrued at the end of the current year	11.2	
	0.3	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		(1.2)
	12.4	**Balance at 31 March**		**11.2**

Notes to the Accounts

19. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2009/10 £m		2010/11 £m
(7.6)	Interest received	(4.3)
27.2	Interest paid	27.5

20. Cash Flow Statement-Investing Activities

2009/10 £m		2010/11 £m
135.0	Purchase of property, plant and equipment, investment property and intangible assets	160.3
(8.2)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7.4)
(43.4)	Proceeds from short-term and long-term investments	(49.0)
(68.9)	Other receipts from investing activities	(84.7)
14.5	**Net cash flows from investing activities**	**19.2**

21. Cash Flow Statement-Financing Activities

2009/10 £m		2010/11 £m
(25.0)	Cash receipts of short and long-term borrowing	0.0
2.9	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	2.8
0.2	Repayments of short and long-term borrowing	25.5
(21.9)	**Net cash flows from financing activities**	**28.3**

Notes to the Accounts

22. Amounts Reported for Resource Allocation Decisions

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

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

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

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

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

Directorate Income and Expenditure 2010/11

	Children Young People and Families £m	Social Care and Health £m	Development Services £m	Communities and Culture £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(62.1)	(51.3)	(22.2)	(3.2)	(8.0)	**(146.8)**
Government Grants	(659.6)	(41.0)	(19.2)	(1.2)	(0.7)	**(721.7)**
Total Income	**(721.7)**	**(92.3)**	**(41.4)**	**(4.4)**	**(8.7)**	**(868.5)**
Employee Expenses	535.0	85.5	21.8	12.0	7.2	**661.5**
Other Service Expenses	315.6	216.3	95.9	9.6	8.7	**646.1**
Support Service Recharges	5.6	5.0	3.7	1.7	5.7	**21.7**
Total Expenditure	**856.2**	**306.8**	**121.4**	**23.3**	**21.6**	**1,329.3**
Net Expenditure	**134.5**	**214.5**	**80.0**	**18.9**	**12.9**	**460.8**

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

Directorate Income and Expenditure
2009/10 Comparative Figures

	Children Young People and Families £m	Social Care and Health £m	Development Services £m	Communities and Culture £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(36.0)	(39.2)	(17.3)	(3.1)	(12.0)	**(107.6)**
Government Grants	(644.5)	(49.7)	(19.9)	(1.2)	(0.4)	**(715.7)**
Total Income	**(680.5)**	**(88.9)**	**(37.2)**	**(4.3)**	**(12.4)**	**(823.3)**
Employee Expenses	540.6	94.5	23.9	13.0	8.4	**680.4**
Other Service Expenses	280.5	197.7	93.4	10.6	12.7	**594.9**
Support Service	4.6	4.8	3.6	0.3	5.9	**19.2**
Total Expenditure	**825.7**	**297.0**	**120.9**	**23.9**	**27.0**	**1,294.5**
Net Expenditure	**145.2**	**208.1**	**83.7**	**19.6**	**14.6**	**471.2**

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

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

2009/10 £m		2010/11 £m
471.2	Net Expenditure in the Directorate Analysis	460.8
53.3	Net Expenditure of services and support services not included in the analysis	67.5
(70.9)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(237.1)
453.6	**Cost of Services in Comprehensive Income and Expenditure Statement**	**291.2**

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

Reconciliation to Subjective Analysis 2010/11

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

	Directorate Analysis £m	Services and Support not in Analysis £m	Amounts not reported to Management for Decision Making £m	Amounts not included in CI&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(147.0)	27.8				(119.2)		**(119.2)**
Surplus or deficit on associates and joint ventures						0.0		**0.0**
Interest and investment income						0.0	(3.4)	**(3.4)**
Income from council tax						0.0	(289.7)	**(289.7)**
Government grants and contributions	(721.7)					(721.7)	(290.4)	**(1,012.1)**
Total Income	**(868.7)**	**27.8**	**0.0**	**0.0**	**0.0**	**(840.9)**	**(583.5)**	**(1,424.4)**
Employee Expenses	661.7		(196.0)		24.9	490.6		**490.6**
Other Service Expenses	646.1		(50.1)		(3.2)	592.8	(1.1)	**591.7**
Support Service recharges	21.7				(21.7)	0.0		**0.0**
Depreciation, amortisation and impairment		39.7	9.0			48.7		**48.7**
Interest Payments						0.0	46.6	**46.6**
Precepts and Levies						0.0	0.3	**0.3**
Gain or Loss on Disposal of Non-Current Assets						0.0	25.4	**25.4**
Total Expenditure	**1,329.5**	**39.7**	**(237.1)**	**0.0**	**0.0**	**1,132.1**	**71.2**	**1,203.3**
Surplus or Deficit on Provision of Services	**460.8**	**67.5**	**(237.1)**	**0.0**	**0.0**	**291.2**	**(512.3)**	**(221.1)**

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

2009/10 Comparative

	Directorate Analysis £m	Services and Support not in Analysis £m	Amounts not reported to Management for Decision Making £m	Amounts not included in CI&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(107.4)	14.2			0.0	**(93.2)**		**(93.2)**
Surplus or deficit on associates and joint ventures						**0.0**		**0.0**
Interest and investment income						**0.0**	(4.6)	**(4.6)**
Income from council tax						**0.0**	(290.8)	**(290.8)**
Government grants and contributions	(715.7)	5.9				**(709.8)**	(249.5)	**(959.3)**
Total Income	**(823.1)**	**20.1**	**0.0**	**0.0**	**0.0**	**(803.0)**	**(544.9)**	**(1,347.9)**
Employee Expenses	680.1		(39.5)		22.1	**662.7**		**662.7**
Other Service Expenses	594.9		(46.7)		(2.8)	**545.4**	(2.7)	**542.7**
Support Service recharges	19.3				(19.3)	**0.0**		**0.0**
Depreciation, amortisation and impairment		33.2	15.3			**48.5**		**48.5**
Interest Payments						**0.0**	60.6	**60.6**
Precepts and Levies						**0.0**	0.3	**0.3**
Gain or Loss on Disposal of Non-Current Assets						**0.0**	4.2	**4.2**
Total Expenditure	**1,294.3**	**33.2**	**(70.9)**	**0.0**	**0.0**	**1,256.6**	**62.4**	**1,319.0**
Surplus of Deficit on Provision of Services	**471.2**	**53.3**	**(70.9)**	**0.0**	**0.0**	**453.6**	**(482.5)**	**(28.9)**

Notes to the Accounts

23 Trading Operations

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

2009/2010 Net (surplus)/ deficit		Turnover	Expenditure	Trading (surplus)/ deficit	Other items Capital charge	Other items Other	2010/2011 Net (surplus)/ deficit
£m		£m	£m	£m	£m	£m	£m
(0.1)	Central Print	(1.5)	1.5	**0.0**	0.0	(0.1)	**(0.1)**
0.0	Occupational Health	(0.5)	0.5	**0.0**	0.0	0.0	**0.0**
0.1	Scientific Services	(1.4)	1.3	**(0.1)**	0.0	0.0	**(0.1)**
(0.5)	Outdoor Education	(2.5)	2.5	**0.0**	0.1	(0.1)	**0.0**
(0.1)	Staffordshire Performing Arts	(5.0)	5.0	**0.0**	0.0	(0.1)	**(0.1)**
(0.1)	Schools Improvement Division	(13.1)	13.2	**0.1**	0.0	(0.9)	**(0.8)**
(0.2)	Cleaning Division	(12.3)	12.1	**(0.2)**	0.0	(0.2)	**(0.4)**
(0.3)	County Catering	(21.5)	20.9	**(0.6)**	0.1	(0.3)	**(0.8)**
(0.2)	County Grounds	(2.3)	2.6	**0.3**	0.1	(0.1)	**0.3**
(1.3)	County Fleet Care	(9.8)	9.1	**(0.7)**	2.5	(3.1)	**(1.3)**
(2.7)	**Total**	**(69.9)**	**68.7**	**(1.2)**	**2.8**	**(4.9)**	**(3.3)**

23. Trading operations (Cont'd)

Trading Unit	Details of nature of unit
Central Print	The unit provides a print commissioning and design service to business units across the County Council. The unit aims to achieves economies of scale through its buying power.
Occupational Health	The unit provides a full occupational health service to employees of the County Council to enhance the well being of its employees with a view to reducing sickness absence rates and improving productivity.
Scientific Services	The unit is part of the County Council's trading services unit and carries out a range of scientific testing to include food testing, petroleum testing and dealing with animal health issues.
Outdoor Education	Offers outdoor learning on a residential and day visit basis to all schools, with a wide range of outdoor and adventurous activities and environmental studies. Emphasis is placed on ensuring personal, social and emotional development is gained by children and young people when active together outdoors.
Staffordshire Performing Arts	Provides a music and dance service, mainly to schools, and organise county wide performances of orchestras, ensembles, soloists and choirs. The objective of the service is to engage and inspire all children and young people to maximise their potential in all their learning.
Schools Improvement Division	Provides an improvement service and curriculum support for schools and early years settings, including providing monitoring, challenge and support, as well as quality assurance. It provides capacity to directly intervene to support schools which are causing concern or judged to be inadequate by Ofsted or below the national floor standards of attainment. It also offers a comprehensive range of training courses, specialist networks and conferences to all schools and settings.
Cleaning Division	The division cleans the County Council's premises including office accommodation, schools and other council establishments. The unit also bids for contracts for other public sector bodies.
County Catering	The division provides a catering service to the County Council. Its main customers are the schools across Staffordshire where it provides both hot and cold meals for children.
County Grounds	The unit carries out grounds maintenance across the county. Its main areas are maintenance of playing fields and providing grounds services to schools.
County Fleet Care	The unit supplies and maintains vehicles on behalf of the County Council. Vehicles include highways vehicles, schools transport vehicles and a range of vehicles used to support vulnerable adults in the county.

24. Pooled budgets

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

Substance Misuse Commissioning Team – we play an active role in delivering the four main aims set down in the Government's ten-year national strategy, Tackling Drugs to Build a Better Britain (1998). We are the lead authority in the partnership involving North and South Staffordshire PCTs (primary care trusts).

Section 75 - we provide joint services with North Staffordshire PCT in the North Staffordshire area for older people, people with disabilities and adults with mental health problems.

Substance Misuse Commissioning Team	**2009/10**		**2010/11**	
	£m	**£m**	**£m**	**£m**
Funding provided to the pooled budget				
County Council	(0.4)		(0.4)	
North and South Staffs PCTs	(6.5)		(7.2)	
Other	(1.3)		(1.3)	
		(8.2)		(8.9)
Expenditure met from the pooled budget				
County Council	0.4		0.4	
North and South Staffs PCTs	5.0		6.1	
Other	1.3		1.3	
		6.7		7.8
Net surplus arising on the pooled budget during the year		(1.5)		(1.1)
County Council's share of net surplus/deficit arising on the pooled budget		0.0		(0.0)

Section 75		**2009/10**		**2010/11**
		£000		**£000**
Funding provided to the pooled budget				
County Council	(0.4)		(0.6)	
North Staffs PCT	(0.4)		(0.3)	
		(0.8)		(0.9)
Expenditure met from the pooled budget				
County Council	0.8		0.7	
North Staffs PCT	0.0		0.0	
		0.8		0.7
Net surplus/ (deficit) arising on the pooled budget during the year		0.0		(0.2)
County Council share of net surplus/deficit arising on the pooled budget		0.0		(0.2)

25. Members' Allowances

The County Council paid the following amounts to Members of the Council during the year:

	2009/10 £m	2010/11 £m
Basic Allowance	0.6	0.6
Special Responsibility Allowance	0.3	0.3
Expenses	0.1	0.1
Total	**1.0**	**1.0**

While Members have not received any increase in their allowances, the allowances paid in 2010/11 are greater than those in 2009/10 because in the weeks when the County Council elections were held during June 2009 Members did not receive any allowances.

26. Officers remuneration

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

Officer	Year	Salary, fees and allowances £	Taxable expenses allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Chief Executive - Ron Hilton	**2009/10**	208,386	0	0	34,456	242,842
Chief Executive - Nick Bell	**2010/11**	193,206	0	0	31,678	224,884
Director of Children Young People & Families	**2009/10**	132,263	6,367	0	21,956	160,586
Director of Children Young People & Families *to April 2010* Note A	**2010/11**	11,022	0	0	1,708	12,730
Director of Children's Services *from May 2010* Note A	**2010/11**	121,241	4,909	0	20,732	146,882
Director of Communities & Chief Executive's Office	**2009/10**	103,475	3,766	0	17,176	124,417
Director of Communities & Chief Executive's Office *to August 2010*	**2010/11**	43,114	2,001	0	7,373	52,488
Director of Strategy & Transformation *from September 2010*	**2010/11**	70,000	2,801	0	11,970	84,771
Director of Social Care & Health	**2009/10**	132,263	5,648	0	21,956	159,867
Director of Social Care & Health *to August 2010*	**2010/11**	55,110	2,428	0	9,424	66,961
Director for People *from September 2010*	**2010/11**	84,583	3,399	0	14,464	102,446

Notes to the Accounts

26. Officers remuneration (Cont'd)

Officer	Year	Salary, fees & allowances £	Taxable expenses allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Director of Development Services	**2009/10**	132,263	6,465	0	21,956	160,684
Director of Development Services *to August 2010*	**2010/11**	84,841	0	30,439	8,329	123,609
Interim Director of Development Services *from Sept to Jan 2011*	**2010/11**	55,833	2,179	0	9,548	67,560
Director for Place *from January 2011*	**2010/11**	41,875	0	0	6,683	48,558
Director of Customer Service & Communications *from Dec 2010* Note B	**2010/11**	33,000	1,369	0	5,643	40,012
	No comparison available for 2009/10					
Director of Law & Governance	**2009/10**	98,864	4,178	0	16,412	119,454
Director of Law & Democracy	**2010/11**	98,943	4,424	0	16,919	120,287
Section 151 Officer, Director of Finance	**2009/10**	103,475	3,515	0	17,176	124,166
Section 151 Officer, Director of Finance *to August 2010*	**2010/11**	43,114	2,205	0	7,373	52,692
Section 151 Officer, Director of Finance & Resources *from September 2010*	**2010/11**	78,167	3,087	0	13,367	94,620
Director of ICT	**2009/10**	98,378	2,401	0	16,412	117,191
Director of ICT *to August 2010* Note C	**2010/11**	41,193	1,422	0	7,044	49,660

Notes for clarification

In 2010/11, Cabinet approved the restructuring of the County Council. As a result Senior Leadership roles have changed significantly including job titles and areas of responsibilities. Therefore senior officer details included in the 2009/10 Statement of Accounts will not always be directly comparable to those to be included for the 2010/11 Statement of Accounts.

26. Officers remuneration (Cont'd)

The County Council does not offer Bonuses to its employees.

Note A The Director of Children, Young People and Families resigned in April 2010, who had an annualised salary of £132,264. This role was replaced with the Director of Children's Services from May 2010 with an annualised salary of £132,263.

Note B The role of Director of Customer Service & Communications was a new position from December 2010 and has an annualised salary of £99,000.

Note C The role of Director of ICT was removed in August 2010 as a result of the restructure, with an annualised salary of £98,864.

26. Officers remuneration (Cont'd)

The County Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is 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		Remuneration band	Number of employees	
2009/10	**Leavers**		**2010/11**	**Leavers**
274	3	£ 50,000 to £ 54,999	281	4
203	5	£ 55,000 to £ 59,999	226	4
63	5	£ 60,000 to £ 64,999	68	6
44	5	£ 65,000 to £ 69,999	52	8
44	11	£ 70,000 to £ 74,999	36	5
17	4	£ 75,000 to £ 79,999	25	5
32	2	£ 80,000 to £ 84,999	24	1
7	2	£ 85,000 to £ 89,999	13	4
6		£ 90,000 to £ 94,999	5	2
1		£ 95,000 to £ 99,999	7	
7	1	£100,000 to £104,999	7	
3		£105,000 to £109,999	1	1
0		£110,000 to £114,999	3	1
2		£115,000 to £119,999	4	2
0		£120,000 to £124,999	1	
0		£125,000 to £129,999	2	1
1		£130,000 to £134,999	1	1
3		£135,000 to £139,999	2	1
0		£140,000 to £144,999	0	
0		£145,000 to £149,999	1	
1	1	£150,000 to £154,999	1	1
0		£155,000 to £159,999	0	
0		£160,000 to £164,999	0	
0		£165,000 to £169,999	0	
0		£170,000 to £174,999	0	
0		£175,000 to £179,999	0	
0		£180,000 to £184,999	0	
0		£185,000 to £189,999	0	
0		£190,000 to £194,999	1	
0		£195,000 to £199,999		
0		£200,000 to £204,999		
1		£205,000 to £209,999		
709	**39**	**Total**	**761**	**47**

27. External Audit Costs

The County 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.

	2009/10	2010/11
	£m	£m
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0.27	0.25
Fees payable to external auditors in respect of statutory inspections	0.02	0.02
Fees payable to external auditors for the certification of grant claims and returns for the year	0.03	0.04
Total	**0.32**	**0.31**

28. Dedicated Schools Grant

In 2010/11 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 account.

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 2010/11 are as follows:

	Schools budget funded by DSG		
	Central Expenditure	**Individual School's Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2010/11	50.6	411.9	**462.5**
Brought forward from 2009/10	1.8		**1.8**
Less amount carried forward to 2011/12	(1.2)		**(1.2)**
Agreed budgeted distribution in 2010/11	**51.2**	**411.9**	**463.1**
Actual central expenditure	(50.0)		
Actual ISB (Individual School's Budget) deployed to schools		(411.9)	
County Council contribution for 2010/11	2.5		**2.5**
Carry forward to 2011/12	3.7	0.0	**4.9**

Notes to the Accounts

29. Grant Income

The County Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11.

	2009/10 £m	2010/11 £m
Credited to Taxation and Non Specific Grant Income		
Area Based Grant	34.6	43.5
Revenue Support Grant	28.2	20.0
Total	**62.8**	**63.5**
Credited to Services		
Department for Children, Schools and Families	138.5	160.6
Department for Transport	0.2	14.8
Department of Health	4.1	6.4
Department for Communities and Local Government	17.1	3.1
Government Office of West Midlands	1.1	0.8
DEFRA	1.5	0.6
Higher Education Funding Council for England	0.6	0.7
Home Office	1.7	1.8
Advantage West Midlands	0.7	1.0
Learning and Skills Council	43.1	
YPLA (Formerly Learning Skills Council)		42.7
Skills Funding Council (Formerly LSC)		2.5
Youth Justice Board	2.1	2.3
Big Lottery	1.1	0.8
Training and Development Agency	1.0	0.7
Homes & Communities Agency		2.8
Other	1.8	1.6
Total	**214.6**	**243.2**

29. Grant Income (Cont'd)

The County 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 giver. The balances at year-end are as follows:

	31 March 2011
	£m
Capital Grants Receipts in Advance	
Standards Fund Grant	(3.3)
Schools Grant	(1.3)
Department of Health	(6.1)
Other Contributions	(11.3)
Total	(22.0)

30. Related parties

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

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 22 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 25.

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, 16 Martin Street, Stafford, Staffordshire, ST16 2LG.

Pension Fund

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

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

The Council has pooled budget arrangements with NHS organisations as detailed in Note 24.

On 31 March 2011, we held cash totalling £26,080 (£669,000 on 31 March 2010) on behalf of the Staffordshire Connects Partnership. We have not included this in the Balance Sheet. The Partnership is audited by our internal audit team as well as the Audit Commission.

Payments to other organisations

2009/10		2010/11
£m		£m
0.0	Environment Agency - North West Region	0.1
0.3	Environment Agency - Severn Trent Region	0.2
0.3	**Total**	**0.3**

31. 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. Where capital expenditure is to be financed in future years by charges to revenue assets which are used by the Council, the expenditure is to be financed in future years by charges to revenue as assets are used by the Council. 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 to be analysed in the second part of this note.

Capital Account Summary

2009/10 Total £m			2010/11 Total £m	
		Capital Expenditure		
75.1		Land and Buildings	57.3	*
5.6	*	Vehicles, Plant Furniture and Equipment	5.7	*
49.2		Infrastructure Assets	50.3	*
0.2		Community Assets	0.8	
0.0	*	Surplus Assets	0.2	
4.4		Assets Under Construction	44.4	
0.0		Assets Held for Sale	0.3	*
134.5		**Total**	**159.0**	
£m			**£m**	
		Financed From		
43.7		Loans	50.2	
49.5		Capital Grants	76.4	
4.7		Capital Receipts	7.4	
10.7		Revenue	4.0	
6.9		General Capital Reserve	8.5	
5.7		Earmarked Capital Reserves	3.8	
2.0		Trading Services Reserves	0.7	
2.6		Other Contributions	1.7	
8.7		Section 106 Contributions	6.3	
134.5		**Total**	**159.0**	

*This note does not fully reconcile to Note 10 as Note 10 includes additions to our asset register where there has been no capital expenditure incurred.

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

	2009/10 £m	2010/11 £m
Opening Capital Financing Requirement	**496.9**	**518.2**
Increase in underlying need to borrow (supported by government financial assistance)	15.9	12.0
Increase in underlying need to borrow (unsupported by government financial assistance)	5.9	15.6
Assets acquired under finance leases	(0.1)	(0.1)
Assets acquired under PFI/PPP contracts	(0.4)	(0.8)
Closing Capital Financing Requirement	**518.2**	**544.9**

32. Leases

County Council as Lessee

Finance Leases

The County Council leases 15 school buses and Burton Early Years Centre.

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

31 March 2010 £m		**31 March 2011 £m**
0.1	Other Land and Buildings	0.1
0.9	Vehicles, Plant, Furniture and Equipment	0.7
1.0		**0.8**

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

31 March 2010 £m		**31 March 2011 £m**
	Finance lease liabilities (net present value of minimum lease payments):	
0.2	Current	0.2
0.9	Non current	0.8
0.2	Finance costs payable in future years	0.1
1.3		**1.1**

32. Leases (Cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m
Not later than one year	0.2	0.2	0.2	0.2
Later than one year and not later than five years	0.7	0.7	0.6	0.6
Later than five years	0.4	0.2	0.3	0.2
	1.3	1.1	1.1	1.0

32. Leases (Cont'd)

Operating Leases

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

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

31 March 2010 £m		31 March 2011 £m
0.2	Not later than one year	0.1
1.0	Later than one year and not later than five years	1.0
0.7	Later than five years	0.7
1.9		**1.8**

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

31 March 2010 £m		31 March 2011 £m
0.1	Minimum lease payments	0.2
1.8	Contingent Rents	1.7
1.9		**1.9**

32. Leases (Cont'd)

County Council as Lessor

Finance Leases

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

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

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

County Farms - the Council manages 106 farms covering over 8,599 acres throughout Staffordshire. Opportunities are provided for new starters in agriculture to set up a business on a let farm, with a house, farm buildings and land.

Enterprise centres - the Council has developed a number of office and workshop units to let in Staffordshire as part of its overall strategy of regeneration and economic development.

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

31 March 2010 £m		31 March 2011 £m
0.0	Not later than one year	0.0
0.1	Later than one year and not later	0.1
2.0	Later than five years	2.2
2.1		**2.3**

33. Private Finance Initiatives (PFI) and similar contracts

We have three PFI schemes as follows:

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 approximately £45 million. It involves providing repairs and maintenance, energy, cleaning, caretaking and other services. The amount we paid in 2010/11 was £2 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.

Streetlighting PFI Scheme

We have entered into a PFI contract under which street lighting and associated maintenance services are provided. The contract is for 25 years. The amount we paid in 2010/11 was £9.2 million, paid for by extra government grants and contributions from revenue.

Children's Homes PFI Scheme

We entered into a further PFI contract in 2005/06 to design, pay for and maintain three children’s homes. The amount we paid in 2010/11 was £0.9 million.

Valuation of PFI assets

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

	31 March 2010 £m	31 March 2011 £m
Two Schools Scheme	11.5	11.2
Streetlighting Scheme	37.3	39.2
Children's Homes Scheme	4.3	4.2
Total value of assets	**53.1**	**54.6**

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 2010 £m	31 March 2011 £m
Two Schools Scheme	(8.2)	(7.7)
Streetlighting Scheme	(8.3)	(8.0)
Children's Homes Scheme	(4.0)	(4.0)
Total value of liabilities	**(20.5)**	**(19.7)**

33. 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	Payments for assets
	£m	£m	£m	£m
Due within one year	0.5	0.8	0.8	
Due within 2 to 5 years	1.8	2.7	3.2	
Due within 6 to 10 years	2.0	2.6	4.5	
Due within 11 to 15 years	2.3	1.5	5.0	
Due within 16 to 18 years	1.1	0.2	2.2	
Total due	**7.7**	**7.8**	**15.7**	**0.0**

Streetlighting Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	2.3	0.8	3.4	0.0
Due within 2 to 5 years	9.6	2.6	14.5	0.2
Due within 6 to 10 years	12.9	2.4	20.8	0.5
Due within 11 to 15 years	14.1	1.2	24.1	0.7
Due within 16 to 18 years	6.4	0.2	11.4	0.3
Total due	**45.3**	**7.2**	**74.2**	**1.7**

Children's Homes Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	0.1	0.5	0.3	
Due within 2 to 5 years	0.4	1.9	1.4	
Due within 6 to 10 years	0.9	1.9	2.0	
Due within 11 to 15 years	1.7	1.2	2.2	
Due within 16 to 17 years	0.9	0.2	0.8	
Total due	**4.0**	**5.7**	**6.7**	**0.0**

Notes to the Accounts

33. Private Finance Initiatives (PFI) and similar contracts (Cont'd)

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

	Two Schools Scheme		Streetlighting Scheme		Children's Homes Scheme	
	2009/10	**2010/11**	**2009/10**	**2010/11**	**2009/10**	**2010/11**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance outstanding at start of year	(8.8)	(8.2)	(8.1)	(8.3)	(4.0)	(4.0)
Payments during the year	0.6	0.5	2.2	2.3	0.0	0.0
Capital expenditure incurred in the year			(2.0)	(2.0)		
Other movements			(0.4)	0.0		
Balance outstanding at year end	**(8.2)**	**(7.7)**	**(8.3)**	**(8.0)**	**(4.0)**	**(4.0)**

34. Impairment Losses

During 2010/11 the County Council recognised impairment losses to a number of properties totalling £22.5 million. The main reason for the impairment losses was changes in market value of the properties. 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 Account depending on the occupation of the relevant property during 2010/11.

35. Termination Benefits

The County Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £6.9million (£9.9 million in 2009/10).

36. Pension schemes accounted for as defined contribution schemes

Teachers employed by the County 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 underlying financial position and 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.

In 2010/11, the County Council paid £36.1 million to the Teachers Pension Scheme in respect of teachers retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £36.1 million and 14.1%.

The Council is also responsible for all pension payments relating to added years benefits awarded, together with related increases. In 2010/11 these amounted to £2.2 million (£1.9 million in 2009/10) representing 0.9% of pensionable pay.

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

37. Defined benefit pension schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the County Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that need to be disclosed 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.

In 2010/11, the County Council paid an employer's contribution of £43.9 million (£42.6 million in 2009/10) into the Staffordshire Pension Fund. This fund's actuary decides how much we should contribute, based on the actuarial valuation carried out every three years.

The County Council is responsible for all pension payments relating to added years benefits we have awarded, together with related increases. In 2010/11 these amounted to £3.5 million (£3.5 million in 2009/10), which was 1.3% 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.

We work out our revenue costs for the year to 31 March 2011 under IAS19 as follows.

Analysis of amount we charge to revenue	**31 March 2010**		**31 March 2011**	
	£m	**Percentage of payroll**	**£m**	**Percentage of payroll**
Amount charged to revenue				
Service costs	27.1	10.6%	51.3	20.0%
Past service costs	0.4	0.1%	(183.7)	(71.5%)
Curtailment and settlements	13.3	5.2%	5.5	2.1%
Total operating charge (A)	**40.8**	**15.9%**	**(126.9)**	**(49.4%)**
Amount credited to other finance income				
Expected return on employer assets	46.8	18.3%	74.8	29.1%
Interest on pension scheme payments	(82.2)	(32.2%)	(98.3)	(38.3%)
Net return after deductions (B)	**(35.4)**	**(13.9%)**	**(23.5)**	**(9.2%)**
Net income and expenditure account cost (A) - (B)	**76.2**	**29.8%**	**(103.4)**	**(40.2%)**

37. Defined benefit pension schemes (Cont'd)

Actuarial gains of £159.1 million (£391.9 million loss in 2009/2010) are included in the Comprehensive Income and Expenditure Statement,

Balance Sheet

Our assets and payments in the Local Government Pension Scheme are shown below:

	31 March 2010 £m	**31 March 2011 £m**
Reconciliation of the present value of the scheme liabilities:		
1 April	1,194.4	1,924.0
Current service cost	27.1	51.3
Interest cost	82.2	98.3
Contribution by scheme members	16.5	16.7
Actuarial (gains)/losses	650.5	(195.0)
Benefits paid	(53.0)	(63.1)
Past service costs	0.4	(183.7)
Losses/(gains) on curtailments	11.7	5.5
Liabilities extinguished on settlements	(5.8)	
31 March	**1,924.0**	**1,654.0**
Reconciliation of fair value of scheme assets:		
1 April	717.6	1,034.2
Expected rate of return	46.8	74.8
Actuarial gains and losses	258.5	(35.9)
Assets distributed on settlements	(7.4)	
Employer's contributions	46.5	50.0
Contributions from scheme members	16.5	16.7
Benefits paid	(44.3)	(54.2)
31 March	**1,034.2**	**1,085.6**

The expected return on scheme assets is decided by considering the expected returns available on the assets underlying the current investment policy. Expected returns on fixed-interest investments are based on gross redemption yields (the return if held to maturity) as at the date we produced the balance sheet. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £88.2 million (£305.3 million in 2009/2010).

Notes to the Accounts

37. Defined benefit pension schemes (Cont'd)

Scheme history

	31 March 2007 £m	31 March 2008 £m	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m
Fair value of employer assets	944.7	910.8	717.6	1,034.2	1,085.6
Present value of defined benefit obligation	(1,294.3)	(1,197.3)	(1,194.4)	(1,924.0)	(1,654.0)
Surplus/(deficit)	**(349.6)**	**(286.5)**	**(476.8)**	**(889.8)**	**(568.4)**
Experience gains/(losses) on assets	(6.2)	(109.7)	(276.9)	258.5	(35.9)
Experience gains/(losses) on liabilities	(2.2)	(37.4)	(1.2)	(3.2)	41.7

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £568.4 million has a substantial effect on our net worth as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit by increased contributions over the working life of employees, means that our financial position remains healthy.

The total contributions we expect to make to the Local Government Pension Scheme in the year to 31 March 2012 are £45.3 million.

Basis of estimating assets and liabilities

Hymans Robertson, an independent firm of actuaries, valued the payments at an estimated unit-cost basis. The main assumptions they have for working out these costs are shown below:

	31 March 2010 %	31 March 2011 %
Rate of inflation	3.8%	2.8%
Rate of increase in salaries	5.3%	5.1%
Rate of increase in pensions	3.8%	2.8%
Expected return on assets	7.2%	6.9%
Rate for discounting scheme liabilities	5.5%	5.5%

	31 March 2010	31 March 2011	31 March 2010	31 March 2011
Life expectancy at age 65 (years)	Males		Females	
Current pensioners	20.8	21.2	24.1	23.4
Future pensioners	22.3	23.3	25.7	25.6

The Local Government Pension Scheme (LGPS) 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 LGPS 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.

37. Defined benefit pension schemes (Cont'd)

Our share of the assets in the Pension Fund and the expected rate of return are as follows:

	Fund value		Long- Term return rate each year	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£m	£m	%	%
Shares	817.0	846.8	7.8	7.5
Bonds	113.8	119.4	5.0	4.9
Property	62.1	76.0	5.8	5.5
Cash	41.4	43.4	4.8	4.6
Total	**1034.3**	**1,085.6**		

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 – the expected increase in the present value of payments during the year as they move one year closer to being paid. We take this from the net operating expenditure.

Expected return on assets – the yearly investment return on the fund assets we own, based on an average of the expected long-term return. We add this to net operating expenditure.

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.

37. Defined benefit pension schemes (Cont'd)

Movement in Pension Reserve deficit

	31 March 2010 £m	31 March 2011 £m
Deficit at beginning of the year	(476.8)	(889.8)
Current service costs	(27.1)	(51.3)
Employer contributions	46.5	50.0
Contributions for unfunded benefits	8.7	8.9
Past service costs	(0.4)	183.7
Effect of settlements and curtailments	(13.3)	(5.5)
Net return on assets	(35.4)	(23.5)
Actuarial gain	(392.0)	159.1
Deficit at end of year	**(889.8)**	**(568.4)**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets at 31 March 2011

Using Cash in Lieu of Borrowing	**2006/2007** %	**2007/2008** %	**2008/2009** %	**2009/2010** %	**2010/2011** %
Differences between the expected and actual return on assets	(0.66%)	(12.04%)	(38.59%)	25.00%	(3.31%)
Experience gains and losses on liabilities	(0.17%)	(3.12%)	(0.10%)	(0.17%)	2.52%

38. Contingent Liabilities

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

At 31 March 2011, the County Council does not have any material contingent liabilities.

39. Contingent Assets

At 31 March 2011 the County Council does not have any material contingent assets.

40. Nature and extent of risks arising from financial instruments

The County Council's activities expose it to a variety of financial risks :

▪ **security (credit) risk** - the possibility that other parties might fail to pay amounts due to the Council

▪ **liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments

▪ **interest rate risk** - the possibility of short-term interest rate rises or falls

▪ **market risk** - the possibility that financial loss might arise for the County Council as a result of changes in the value of market instruments

▪ **refinancing risk** - the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms

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

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

Treasury risk management is therefore very important. This is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. We follow CIPFA's Treasury Management Code of Practice and have written policies (known as Treasury Management Practices) covering specific risk areas and the principles of treasury management.

1. Security (credit) risk

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

It is our policy to loan money to a limited number of high-quality counterparties including banks and building societies, and during the past financial year we have restricted our in-house lending to the following organisations, with the amounts and duration also limited as shown (as at 31 March 2011).

- The UK Government directly (unlimited amount - maximum twelve months)
- Sterling Money Market Funds with same-day access (£30 million per fund/instant access)

- Banks that have the support of the UK Government through the “bail out package” announced in October 2008 (£30 million per bank - maximum three months, partly nationalised banks maximum one year)
- The Council’s banker the Co-operative Bank (£15 million in total - maximum one week)

We also employ external managers to invest our money; Tradition UK (TUK) invest a £20 million cash portfolio and Scottish Widows Investment Partnership (SWIP) invest a £25 million cash portfolio. These arrangements are covered by a contract in each case. TUK make investments in line with the Council's lending policy and SWIP invest funds in a Money Market Fund (a short -term investment cash fund).

40. Nature and extent of risks arising from financial instruments (Cont'd)

Since April 2010, our strategy of using cash in lieu of borrowing has reduced this risk as we hold less investments.

The County Council's maximum exposure to security risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Security risk applies to all of the County Council's deposits, but there was no evidence at 31 March 2011 that this was likely to crystallise into actual losses.

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

	Estimated maximum exposure to default and uncollectability at 31 March 2010	Amounts at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability at 31 March 2011
		A	B	C	(A x C)
	£m	£m	%	%	£m
Customers	2.9	23.3	12.15	12.15	2.8
Total	**2.9**				**2.8**

No credit limits were exceeded during the reporting period and the County Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The County Council does not generally allow credit for customers, such that £11.4 million of the £23.3 million balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2010	31 March 2011
	£m	£m
Less than three months	2.4	2.3
Three to six months	2.1	2.1
Six months to one year	1.2	1.9
More than one year	4.7	5.0
Total	**10.4**	**11.3**

40. Nature and extent of risks arising from financial instruments (Cont'd)

2. Liquidity Risk

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

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

All trade and other payables are due to be paid in less than one year.

3. Interest Rate Risk

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

▪ borrowings at variable rates - the interest expense will rise and this could affect the revenue account.

▪ borrowings at fixed rates - the fair value of the liabilities borrowings will fall (this will not affect the balance sheet but will affect the fair value notes)

▪ investments at variable rates - the interest income will rise and this could affect the revenue account

▪ investments at fixed rates - the fair value of the assets will fall (this will not affect the balance sheet but will affect the fair value notes)

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

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

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

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

40. Nature and extent of risks arising from financial instruments (Cont'd)

At 31 March 2011, 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	0.5
Increase in interest receivable on variable rate investments	(1.7)
Impact on Surplus or Deficit on the Provision of Services	(1.2)
Decrease in fair value of fixed-rate investment assets	(0.1)
Impact on Other Comprehensive Income and Expenditure	(0.1)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(66.2)

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. Market Risk

The County Council does not hold material equity investments and this aspect of market risk does not apply. However, it does hold long term fixed rate loans, the risk being that significant and long-lasting falls in interest rates could mean that the Council is forced to pay interest in excess of the market interest rates until the loans mature. Of course, the opposite may also be true in the case of long-term and long-lasting increases in market interest rates.

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

5. Refinancing Risk

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

We have measures in place to make sure that we are not due to repay a large percentage of our borrowing at the same time. This reduces the financial effect of us needing to borrow again if interest rates are high. Our policy is to make sure that no more than 15% of our loans are due for repayment within the same financial year. We do this by carefully planning when we take out new loans and, if it is best to do so, making early repayments.

Using cash in lieu of borrowing increases refinancing risk as interest payments are not fixed.

40. Nature and extent of risks arising from financial instruments (Cont'd)

The repayment structure of financial liabilities is as follows:

On 31 March 2010 £m	Financial Liabilities	On 31 March 2011 £m
447.3	PWLB	422.0
1.8	European Investment Bank	1.4
30.8	* LOBO - Eurohypo Bank	30.9
41.8	* LOBO - Depfa Bank	41.8
10.1	* LOBO - Dexia Bank	10.1
531.8	**Total**	**506.2**
44.6	within one year	36.4
25.0	over 1 under 2	35.5
34.9	over 2 under 5	22.0
45.0	over 5 under 10	30.0
23.3	over 10 under 15	23.8
5.0	over 15 under 20	5.0
29.0	over 20 under 30	29.0
23.1	over 30 under 40	32.1
301.9	over 40	292.4
531.8	**Total**	**506.2**

** LOBO - Lender Option Borrower Option loan*

6. Using Cash in Lieu of Borrowing

As at the 31 March 2011, around £55 million of cash had been used in lieu of borrowing.

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

STAFFORDSHIRE PENSION FUND

Financial statements

1 April 2010
to
31 March 2011

Pension Scheme registration number: 10011745

Membership and administration

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

Membership of the fund at 31 March 2011

Pensionable employees	36,218
Pensioners	24,201
Deferred pensioners (people who no longer pay into the scheme)	29,922
Total	**90,341**

Membership and administration

Organisations which were members of the fund at 31 March 2011

Staffordshire County Council (as employing authority)
Abbots Bromley Parish Council
Alrewas Parish Council
Anglesey Parish Council
Aspire Housing Limited (Newcastle)
Audley Rural Parish Council
Biddulph Town Council
Branston Parish Council
Brereton and Ravenhill Parish Council
Bretby Crematorium Joint Committee
Brewood and Coven Parish Council
Burntwood Town Council
Burton-on-Trent College
C W Audit Services
Cannock Chase District Council
Central Borders Housing Group
Cheadle Town Council
Cheddleton Parish Council
Codsall Parish Council
Colwich Parish Council
Community Council of Staffordshire
Connaught Property Services Limited
Co-operative Community Academy
Connexions Staffordshire
De Ferrers Academy
Draycott in the Clay Parish Council
East Staffordshire Borough Council
Eccleshall Parish Council
Enterprise (AOL) Limited
Essington Parish Council
Evolve Young People
Fradley and Streethay Parish Council
Gnosall Parish Council
Great Wyrley Parish Council
Heath Hayes & Wimblebury Parish Council
Hednesford Town Council
Homezone Housing Limited (Lichfield)
Horninglow and Eton Parish Council
I Care (GB) Limited
Inspace Partnerships
J & S Seddon (Building) Limited
Jack in the Box Day Nursery
John Taylor Academy
Keele University
KGB Cleaning Services Limited (ex Newcastle College)
KGB Cleaning Services Limited (ex SCC)
Kidsgrove Town Council
Kier Group
Kings Bromley Parish Council
Kingsland Kindergarten Limited
Kinver Parish Council
Landau Forte Woodhouse Academy
Lapley, Stretton & Wheaton Aston Parish Council
Leek College of Further Education & School of Art
Leek Town Council
Lichfield City Council
Lichfield District Council
Liverpool Personal Services Society
Madeley Parish Council
Make Some Noise West Midlands Limited
Mencap
Moorlands Housing
Morrisons Facilities Services Limited
Newcastle-under-Lyme Borough Council
Newcastle-under-Lyme College
North Staffordshire Combined Healthcare
Northgate Information Systems UK Limited (Lichfield)
Northgate Information Systems UK Limited (Moorlands)
Ormiston Sir Stanley Matthews Academy
Penkridge Parish Council
Perton Parish Council
Rolleston-on-Dove Parish Council
Rugeley Town Council
Shoal Hill Common Joint Committee
Sixth Form College, Stoke on Trent
South Staffordshire and Shropshire NHS Foundation Trust
South Staffordshire College
South Staffordshire District Council
South Staffordshire Housing Association
St Joseph's College Edmund Rice Academy Trust
Stafford and Rural Homes Limited
Stafford Borough Council
Stafford College
Staffordshire and Shropshire Valuation Tribunal
Staffordshire Moorlands District Council
Staffordshire Police Authority
Staffordshire University
Stoke-on-Trent and Staffordshire Fire Authority
Stoke-on-Trent City Council
Stoke-on-Trent College
Stoke-on-Trent Education Action Zones
Stone Town Council
Swinfen & Packington Parish Council
Tamworth Borough Council
Taylor Shaw (Alleynes)
Taylor Shaw (Chasetown)
The Crescent Pre-School Nursery Limited
The JCB Academy
Trent and Dove Housing Association
Uttoxeter Town Council
Wombourne Parish Council

Actuarial statement

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), effective from 31 March 2011. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are stable;
- to minimise the long-term cost of the fund by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the fund and keeping employer contributions stable. For employers whose covenant was considered by the administering authority to be sufficiently strong, contributions have been stabilised below the theoretical rate currently required to return their portion of the fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the fund will return to full funding over 20 years.

Funding Position

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. An estimate was also carried out as at 31 March 2011.

Date	31 March 2010	31 March 2011
Liabilities- ongoing basis	£m	£m
Assets	2,435	2,689
Liabilities	3,257	3,476
(Deficit)	(822)	(787)
Funding level	74.8%	77.4%

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2011.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the fund's funding policy as set out in its FSS.

Actuarial statement

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 valuations were as follows:

Financial assumptions	31 March 2010		31 March 2011	
	% p.a. Nominal	**% p.a. Real**	**% p.a. Nominal**	**% p.a. Real**
Discount rate	6.1%	2.8%	5.9%	2.7%
Pay increases *	5.3%	2.0%	5.1%	1.9%
Price inflation/Pension increases	3.3%	-	3.1%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a 1% p.a. underpin effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners*	23.3 years	25.6 years

*Currently aged 45

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Staffordshire County Council, administering authority to the fund.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA

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

22 August 2011

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. This is disclosed in the report that follows:

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

In order for the administering authority to comply, I have provided the information required below.

Assumptions

The assumptions used are those adopted for the administering authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found below and overleaf.

Balance sheet

Year Ended	**31 March 2010 £m**	**31 March 2011 £m**
Present Value of Promised Retirement Benefits	4,194	3,627

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2011 comprises £1,814m in respect of employee members, £487m in respect of deferred pensioners and £1,326m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

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

Pension Fund Accounts Reporting Requirement

Financial assumptions

My recommended financial assumptions are summarised below:

Year Ended	31 March 2010 % p.a.	31 March 2011 % p.a.
Inflation / Pension Increase Rate	3.8%	2.8%
Salary Increase Rate*	5.3%	5.1%
Discount Rate	5.5%	5.5%

* Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012 reverting to 5.1% thereafter.

Mortality

As discussed in the accompanying report, life expectancy is based on the fund's VitaCurves with improvements from 2010 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.2 years	23.4 years
Future Pensioners*	23.3 years	25.6 years

*Future pensioners are assumed to be currently aged 45

Historic mortality

Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year Ended	Prospective Pensioners	Pensioners
31 March 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings and loadings are applied to the above tables based on membership profile.

Commutation

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 2008 service.

Pension Fund Accounts Reporting Requirement

Professional Notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2011 for the purposes of International Accounting Standard 19' dated April 2011. The covering report identifies the appropriate reliances and limitations for the use of these figures in this paper, together with further details regarding the assumptions.

Douglas Green FFA

10 June 2011

Pension Fund Account

Staffordshire Pension fund account for the year ended 31 March 2011

	Notes	2009/2010 £m	2010/2011 £m
Contributions and benefits			
Contributions receivable	4	147.5	159.9
Transfers in	5	15.2	11.2
		162.7	**171.1**
Benefits payable	6	123.2	126.3
Leavers	7	21.2	9.1
Administrative expenses	8	2.3	2.5
		146.7	**137.9**
Net additions from dealings with fund members		**16.0**	**33.2**
Returns on investments			
Investment income	9	41.9	46.3
Change in the market value of investments	10	655.7	150.3
Investment management expenses	12	(6.6)	(7.9)
Net returns on investments		**691.0**	**188.7**
Net (decrease) / increase in the fund during the year		707.0	221.8
Opening net assets of the fund		1,688.4	2,395.4
Closing net assets of the fund		**2,395.4**	**2,617.2**

Net Assets Statement

Net assets statement at 31 March 2011

	Notes	2009/2010 £m	2010/2011 £m
Investments assets			
Fixed-interest securities	10	219.6	164.0
Equities		747.0	908.1
Index-linked securities		0.0	99.6
Pooled investment vehicles		1,074.9	1,005.8
Property		173.5	187.4
Cash deposits		73.8	107.7
Other investment balances		115.5	138.9
		2,404.3	**2,611.5**
Investment liabilities			
Derivatives	11	(12.6)	(7.0)
		2,391.7	**2,604.5**
Current assets	13	**14.7**	**22.2**
Current liabilities	14	**(11.0)**	**(9.5)**
Net assets of the fund at 31 March		**2,395.4**	**2,617.2**

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

The notes on pages 84 to 89 also form part of the pension fund financial statements.

Notes to the Accounts

We have prepared the financial statements in line with the requirements of the Local Government Pension Scheme Regulations 1997 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended.

They have been prepared in line with the Statement of Recommended Practice (SORP) The Financial Reports of Pension Schemes (as amended in 2007) and follow the 2010 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

You can get more information on the pension fund, including the Fund Governance Statement, the Statement of Investment Principles (SIP), The Funding Strategy Statement (FSS) and how we manage the risks we face from the website at **www.staffspf.org.uk**

1 Basis of preparation

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

2 Accounting policies

Investments

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

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

The value of **fixed-interest investments** in the fund's investment portfolio does not include interest earned but not paid at the year end, which is included separately within accrued investment income.

Property investments are stated at their value on the open-market based on an annual independent valuation (by Jones Lang Lasalle dated the 27 April 2011), as at the 31 March 2011. The valuation has been carried out in line with the Practice Statements contained in the RICS Valuation Standards (6th edition) published by the Royal Institute of Chartered Surveyors.

The **investment manager,** private-equity and hedge-fund valuations are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds up to 31 March 2011. Investments quoted on the stock market are valued at the **bid market price** quoted on that stock market.

Derivative contracts are valued at **bid market price**.

Acquisition costs are included in the cost of buying investments, and note 10 gives transaction costs for the year.

Contributions

Normal contributions, both from the members and from employers, are accounted for in the payroll month they relate to, at the rates given on the rates and adjustments certificate. Extra contributions from the employer are accounted for in line with the agreement under which they are paid, or when they are received if there is no agreement.

Notes to the Accounts

Transfer values

Transfer values represent the amounts either due to us from new members' previous pension funds, or which we are due to pay to the new pension funds of members who have left the fund.

Foreign currency

Where **forward foreign exchange contracts** are in place for assets and liabilities in foreign currencies, the exchange rate set out in the contract is used. Other assets and liabilities in foreign currencies are given in sterling at the rates of exchange that apply at the end of the financial year.

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

Investment management expenses

Administration and **investment management expenses**, including performance-related expenses, are accounted for on an accruals basis. Expenses are recognised before any VAT we can recover.

Benefits payable

Under the pension fund rules, members 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.

Notes to the accounts

3 Pension fund investments 2010/2011

Funds are invested through several investment managers. The percentage of the market value of investment assets held by each of these managers at the end of the financial year is shown below.

External fund manager	31 March 2010 £m	%	31 March 2011 £m	%
Standard Life Investments (UK equity)	304.7	13%	257.1	10%
State Street Global Advisors (global index tracking)	899.8	38%	808.3	31%
Insight Investment (UK Government and index linked bonds)	224.4	9%	263.7	10%
Aberdeen Fund Management (global equity)	129.0	5%	188.3	7%
JP Morgan Asset management (global equity)	131.7	6%	191.4	7%
Legal & General Investment Management (passive UK index-linked)	58.3	2%	68.4	3%
Longview Partners (global equity)	67.1	3%	93.4	4%
Record Currency Management (currency hedging)	(12.7)	0%	(6.7)	0%
Sarasin & Partners (global equity)	127.7	5%	189.4	7%
Colliers International UK plc (property)	173.5	7%	187.5	7%
Russell Investments (emerging markets equity)	60.0	3%	66.9	3%
Pictet Asset Management (emerging markets equity)	51.6	2%	58.0	2%
Goldman Sachs Asset Management (hedge funds)	26.8	1%	28.3	1%
FRM Investment Mangement (hedge funds)	23.1	1%	24.4	1%
Various private equity managers (private equity)	51.9	2%	79.3	3%
Director of Finance and Resources (centrally held)	61.2	3%	99.9	4%
	2,378.1	**100%**	**2,597.6**	**100%**

The fund lends stock in return for payment. The table below summarises the value of the stock lent out by the fund on 31 March 2011:

	£m
Equities - UK	22.8
Equities - Overseas	21.4
Index Linked - UK	10.7
Fixed interest - UK	9.1
	64.0

Securities released to a third party under the **stock-lending** agreement are included in the Net Assets Statement to reflect the fund's continuing economic interest in those securities.

Collateral holdings, supporting the loans, are not identified as individual loans, but are kept in a pooled structure. As security for the stocks on loan, as at 31 March 2011, the fund held £68.9 million of collateral in the form of government obligations (such as gilts) and equities.

Income received from **stock-lending** activities was £0.1 million for the year ending 31 March 2011 (in 2010 this was £0.2 million). This is included within the investment income figure shown on the pension fund account.

Notes to the Accounts

4 Contributions receivable

	2009/2010 £m	2010/2011 £m
Employers		
Normal	98.7	108.8
Actuarial strain	9.7	12.8
Scheme members		
Normal	39.1	38.3
Total	**147.5**	**159.9**

Employer's normal contributions include payments for past deficits as agreed by the actuary. The 31 March 2007 valuation's common contribution rate was 18.3% in total, of which 4.1% related to recovering past deficits.

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

	2009/2010 £m	2010/2011 £m
Staffordshire County Council	64.9	66.9
Scheduled bodies	72.6	83.0
Admitted bodies	10.0	10.0
Total	**147.5**	**159.9**

5 Transfers in

	2009/2010 £m	2010/2011 £m
Individual transfers in from other schemes	**15.2**	**11.2**

6 Benefits payable

	2009/2010 £m	2010/2011 £m
Pensions	87.6	91.2
Commutations and lump-sum retirement benefits	31.7	31.7
Lump-sum death benefits	3.9	3.4
Total	**123.2**	**126.3**

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

	2009/2010 £m	2010/2011 £m
Staffordshire County Council	53.4	59.3
Scheduled bodies	65.7	60.4
Admitted bodies	4.1	6.6
Total	**123.2**	**126.3**

Notes to the Accounts

7 Payments to and on account of leavers

	2009/2010 £m	2010/2011 £m
Individual transfers to other schemes	21.2	9.1
Payments for members joining state scheme	0.0	0.0
Refunds to members leaving service	0.0	0.0
Total	**21.2**	**9.1**

8 Administrative expenses

	2009/2010 £ m	2010/2011 £m
Administration and processing	2.0	2.1
Actuarial services	0.2	0.2
Audit fee	0.0	0.0
Other expenses	0.1	0.2
Printing and publications	0.0	0.0
Total	**2.3**	**2.5**

9 Investment income

	2009/2010 £m	2010/2011 £m
Fixed-interest securities	11.8	11.8
Dividends from equities	17.7	22.5
Income from index-linked securities	0.2	0.1
Income from pooled investment vehicles	1.3	0.8
Rents from property	10.7	10.6
Interest on cash deposits	0.5	0.7
Stock lending	0.2	0.1
Other	0.1	0.2
	42.5	**46.8**
Withholding tax we cannot recover	(0.6)	(0.5)
Total investment income	**41.9**	**46.3**

10 Investments

	Value at 1 April 2010 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 March 2011 £m
Fixed-interest securities	219.6	282.5	(334.7)	(3.4)	164.0
Equities	747.0	812.8	(707.0)	55.3	908.1
Index-linked securities	0.0	98.9	(0.8)	1.5	99.6
Pooled investment vehicles	1,074.9	122.0	(274.9)	83.8	1,005.8
Derivatives	(12.6)	6,125.2	(6,110.8)	(8.8)	(7.0)
Properties	173.5	21.5	(14.2)	6.6	187.4
Other	101.9	21.4	(5.1)	13.8	132.0
	2,304.3	**7,484.3**	**(7,447.5)**	**148.8**	**2,489.9**
Cash deposits (central)	60.6				99.6
Managers and central cash	13.2			1.5	8.1
	2,378.1			**150.3**	**2,597.6**
Outstanding dividend entitlements and recoverable withholding tax	9.8				5.9
Pending Trades	3.2				1.2
Amounts due (to) / from broker	0.6				(0.2)
Total	**2,391.7**				**2,604.5**

Notes to the Accounts

10 Investments (Cont'd)

A further analysis of the market value of investments is given below.

	31 March 2010 £m	%	31 March 2011 £m	%
Fixed-interest securities				
UK public-sector quoted	0.0	0%	164.0	6%
UK quoted	74.3	3%	0.0	0%
Overseas public-sector quoted	0.0	0%	0.0	0%
Overseas quoted	145.3	6%	0.0	0%
	219.6	**9%**	**164.0**	**6%**
Equities				
UK quoted	346.2	15%	331.2	13%
Overseas quoted	400.8	17%	576.9	22%
	747.0	**32%**	**908.1**	**35%**
Index linked				
UK public sector	0.0	0%	99.6	4%
Other	0.0	0%	0.0	0%
	0.0	**0%**	**99.6**	**4%**
Pooled investment vehicles				
UK	342.0	14%	348.0	13%
UK index-linked	58.2	3%	68.4	3%
Overseas	674.7	28%	589.4	23%
	1,074.9	**45%**	**1,005.8**	**39%**

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

	31 March 2010 £m	%	31 March 2011 £m	%
Derivatives (see note 11)				
Forwards	(12.5)	0%	(7.0)	0%
Futures	(0.1)	0%	0.0	0%
	(12.6)	**0%**	**(7.0)**	**0%**
Property				
UK	**173.5**	**7%**	**187.4**	**7%**
Other				
Loans	0.2	0%	0.0	0%
Other investments - hedge funds	49.9	2%	52.7	2%
Other investments - private equity	51.8	2%	79.3	3%
	101.9	**4%**	**132.0**	**5%**
Cash				
External deposits	60.6	3%	99.6	4%
Sterling	12.4	0%	5.0	0%
Overseas cash	0.8	0%	3.1	0%
	73.8	**3%**	**107.7**	**4%**
Total	**2,378.1**	**100%**	**2,597.6**	**100%**

10 Investments (Cont'd)

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees. Transaction costs we were charged during 2010/2011 were £2.7 million (£3.3 million in 2009/2010). As well as the transaction costs shown, we were also charged indirectly through the bid-offer spread (the difference between bid prices and offer prices) on investments

The fund does not hold any individual investments that exceed 5% of the total value of net assets.

As at 31st March 2011 the fund was committed to entering into the following investments:
£72.9m of private equity investments (£96.6m at 31st March 2010);
£2.7m of pooled property investments (nil at 31st March 2010); and an
£8.7m property investment (nil at 31st March 2010).

11. Derivative contracts	**31 March 2010 Assets £m**	**31 March 2010 Liabilities £m**	**31 March 2011 Assets £m**	**31 March 2011 Liabilities £m**
Futures contracts	0.2	(0.3)	0.0	0.0
Forward foreign currency contracts	59.7	(72.2)	0.1	(7.1)
	59.9	**(72.5)**	**0.1**	**(7.1)**

Type of futures contract	**Date the contract ends**	**Nominal value £m**	**31 March 2010 Assets £m**	**31 March 2010 Liabilities £m**	**31 March 2011 Assets £m**	**31 March 2011 Liabilities £m**
Euro Bund Future (euro)	June 2010	11.4	0.2			
Long Gilt Future (sterling)	June 2010	4.2	0.0			
US 10 year Note (US$)	June 2010	14.2		(0.2)		
US Long Bond (US$)	June 2010	4.4		(0.1)		
			0.2	**(0.3)**	**0.0**	**0.0**

Futures contracts were used for efficient portfolio management within the Insight portfolio. All were traded on a stock exchange.

Notes to the Accounts

12 Investment management expenses

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

	2009/2010 £m	2010/2011 £m
Administration, management and custody	5.9	7.1
Performance measurement services	0.1	0.1
Other	0.6	0.7
Total	**6.6**	**7.9**

13 Current assets

	2009/2010 £m	2010/2011 £m
Contributions due		
Employers	7.9	17.3
Members	3.2	2.9
Cash balances	1.8	0.4
HM Revenue & Customs	0.0	0.0
Payments made in advance	0.1	0.1
Other	1.7	1.5
Total	**14.7**	**22.2**

14 Current liabilities

	2009/2010 £m	2010/2011 £m
Investment management expenses	(1.2)	(2.2)
Income received in advance	(1.2)	(3.0)
Benefits payable	(6.5)	(3.3)
Other	(2.1)	(1.0)
Total	**(11.0)**	**(9.5)**

Notes to the Accounts

15 Additional voluntary contributions

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

The contributions are not included within the fund accounts, in line with regulation 4 (2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each **AVC** provider in the year.

	Clerical Medical £m	Equitable Life Assurance £m	Standard Life £m
Opening value of the fund	**1.0**	**1.1**	**2.6**
Income	0.2	0.0	0.2
Expenditure	(0.2)	(0.1)	(0.4)
Change in market value	0.1	0.0	0.1
Closing value of the fund	**1.1**	**1.0**	**2.5**

16 Related-party disclosure

Staffordshire County Councillors can join the fund. As at 31 March 2011, six members of the **Pensions Committee** and the **Pensions Panel** had taken up this option.

17 Deferred Debtor

A transfer was made from the fund to the Civil Service Pension Scheme on the 1 April 2005 in respect of Magistrates Courts. As at the 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 at the 4 March 2011 was £8.5 million; ten payments will be received by the fund of £1.0 million commencing in 2011/12, these include an allowance for the delay in receipt of 3.8%. The current assets figure at note 13 (Employers) records the £10.0 million due at the 31 March 2011.

Glossary

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

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

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

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

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

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

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

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

Area Based Grant (ABG)
A general grant to support local authority spending.

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

Capitalised
Spending on assets which carry a future benefit.

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

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

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

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

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

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

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

Contingency
The money we set aside for unexpected spend.

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

Contributors
Employees of authorities who contribute to the pension fund.

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

Glossary

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

Portfolio
A list of all the investments an investor owns.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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.