Statement of Accounts
for
2012/2013

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Staffordshire County Council

Contents

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 2012/2013 was available for inspection from 24 June to 19 July 2013. The formal audit of our accounts began on 1 July 2013 and we received an unqualified opinion on the accounts on 16 September 2013. This means that, in the auditors' opinion, our accounts presented a true and fair view of our financial position.

Our external auditors are PricewaterhouseCoopers LLP. Their address is:

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

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

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

Foreword by the Director of Finance and Resources

This provides a brief background to the budget for 2012/2013, the final financial position and an assessment of our financial prospects in the future.

Statement of Accounting Policies

This specifies the accounting practices we have used to prepare the accounts. We provide other notes to explain the information we have given. Wherever possible we have prepared the accounts and statements in line with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice (SeRCOP). If we have not been able to do this fully, we say so in the accompanying notes. The Code of Practice is updated each year and changes for the 2012/2013 financial year mean that we have had to make changes to the accounts.

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Introduction

Comprehensive Income and Expenditure Statement

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

The Movement in Reserves Statement

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

Balance Sheet

This sets out our financial position on 31 March 2013 and includes all our funds apart from the pension fund.

Cash Flow Statement

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

Staffordshire Pension Fund

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

Glossary

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

Foreword by the Director of Finance and Resources

Introduction

I am pleased to introduce our statement of accounts for 2012/2013.

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 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.

From 1st April 2012 the Staffordshire and Stoke on Trent Partnership Trust provided an integrated social care and community health service. The Trust aims to provide Staffordshire people with joined-up care. The County Council commissions this service from the Trust.

Overall we planned to spend £483.0 million on providing services during 2012/2013. This money came from government grants of £177.8 million, council tax of £299.4 million (after adjusting for any surplus or deficit) and from using £5.8 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 2012/2013 we delivered £45.8 million of savings, including the net savings generated by the creation of the Joint Venture, Entrust, when we had planned to make £36.2 million of savings.

There was no increase in Council Tax in 2012/2013.

Revenue Figures

We spent £487.3 million on our day to day activities which was £4.3 million (or 0.9%) more than we had budgeted for. This is within our Financial Health target of 2% variation on revenue budgets and also an improvement on the position estimated during the year. Due to the ongoing impact of the overspend, no carry forward of underspends will be considered. The final figures are summarised in the table on page 8.

Foreword by the Director of Finance and Resources

The Care and Independence service area (Adult Social Care) has been affected by the national issues of rising demographic pressures, challenging market conditions and financial constraints. This situation means that we spent £7.8 million more than budget on Care and Independence. An action plan was developed earlier in the year to reduce the pressure on the budget and its positive impact is reflected in the easing of pressures across a number of budget headings.

Children's, Young People and Families also had an overspend of £1.9 million due to a large increase in Looked After Children through the year.

The Education and Skills service area had an underspend of £4 million due to a reassessment of funding for academies by the Department of Education and due to savings made from vacancies and senior management posts.

In the Place service area, Business and Enterprise County underspent by £0.4 million, most of which arose due to additional income and staff savings from Public Protection and County Farms. Transformation and Property Consultancy spent £0.3m more than budget due to reduced income levels.

In December 2012, Cabinet approved the creation of a Joint Venture with Capita to provide Education Support Services. This new company is called Entrust and began trading from 1st April 2013. In March 2013 we received a net payment of £24.9 million from Capita for the value of those services transferred to Entrust, with a further £6.5 million being due in the three years from 2013/2014. This has been used to fund those costs associated with the creation of the new company, such as pension liabilities and the write off of stock. The remaining income has been used in 2013/2014 and 2014/2015 as part of the MTFS.

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 £468.5 million in DSG during 2012/2013. We regularly report how we use this money to the Schools Forum. In 2012/2013 we spent £5.2 million less than expected (see note 31 on page 69). After allowing for all spending from reserves including capital investment, overall school reserves have increased by £0.3 million to £43.2 million at the end of the year.

Capital Figures

In 2012/2013, we spent grants from the Government totalling £45.6 million, compared to £57.2 million in 2011/2012. We also borrowed £12.4 million to finance our capital spend. 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 2012/2013 was £107.5 million, compared to £123.9 million in 2011/2012.

Our achievements during the year include the following.

- Continued investment into initiatives to reduce the Council's carbon footprint.

- Continued delivery of the improved Highway Capital Programme utilising the first tranche of monies made available as part of a further £20 million Highway Investment Programme.
- Continued development of the i54 South Staffordshire strategic employment site, home of Jaguar Land Rover. The site is being developed in partnership with Wolverhampton City Council and South Staffordshire District Council at a total cost of £56 million.
- Commencement of the development of the Redhill Employment Park in Stafford at a cost of £10.7m.
- Investment to refurbish science labs to provide inspiring teaching environments.
- Upgrading the power supplies to 13 schools to efficiently meet demand.
- Projects to enhance the learning experience of pupils in Staffordshire that are not maintenance driven.
- Continued investment in solutions to provide enough school places to meet the Basic Need requirements.

You can get more information on our overall 2012/2013 figures for revenue and capital in the report to Cabinet on 19 June 2013, '2012/2013 Final Outturn Performance and Finance Report'.

Interpretation and Comment on the Main Financial Information

The Balance Sheet on page 22 shows that the total of assets less liabilities is £566.8 million. This is a decrease compared with the total of assets less liabilities of £701.7 million in 2011/2012.

The reasons for this decrease are that the Council's share of any liabilities associated with the pension fund has increased from £679.6 million to £809.7 million. This liability relates solely to the Council and is not the liability of the whole Pension Fund. This increase is caused by a reduction in the number of active members of the pension fund and lower interest rates. The total pensionable payroll has reduced by £7.3 million from 2011/2012 to 2012/2013 and this reflects the reduction in active members. It should be noted that this liability is notional, it is not cash-backed and it is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion.

Property, Plant and Equipment has decreased by £75.4 million due to the movement of some school assets to the category of leased assets for newly created academies and trust schools.

There is now a long term investment on the Balance Sheet which represents the value of the shares in the new company, Entrust, which we bought in March 2013.

The value of cash and cash equivalents that we held at 31 March has decreased by £33.1 million but our short term investments have increased by £42.6 million. This is because we have released some of our more liquid assets and used them to purchase some short term investments to achieve better interest rates. Short term debtors have increased by £30.5 million due to two large invoices being raised at the very end of March. These invoices have now been paid.

Foreword by the Director of Finance and Resources

Reserves and Balances

In total our useable reserves (those we set aside for a specific purpose and our general reserves and balances), have increased by £14.4 million. After taking account of the outturn, the General Fund Balance total was £32.7 million as at 31 March 2013 (see the Movement in Reserves Statement on page 21).

The Capital Reserve (that is, money set aside for capital expenditure) has decreased by £8.1 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 increased by £7.4 million to £101.9 million as a result of a services setting aside money for specific projects in future years.

Pension Fund

The value of the pension fund increased notably in 2012/2013 as investors gained confidence in a sustained global recovery and the value of stock markets around the world rose as a result. The fund is now valued at £3,045.8 million, more detail on the fund's assets and liabilities can be seen in the pension fund account and separate Net Assets Statement on pages 102 and 103. The Council's share of the Pension Fund's assets is estimated to be £1,329.5 million and these have increased by £177.1 million since 2011/2012. Offsetting this increase in asset valuations is an increase in the liability relating to the Council, the reasons for this increase are explained above.

Outlook

The financial pressures from meeting increased demand for services mainly in adult and children's social care, have meant we have overspent in 2012/2013. We are continuing to manage this pressure proactively by better understanding residents' needs to improve or redesign services, or working with partners to deliver services differently. It is important we continue to create efficiencies during 2013/2014 as the current economic situation means that we will be faced with greater demand for services together with reduced funding. We plan to achieve a further £42.4 million of savings during 2013/2014.

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 continue 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 and will be clarified in the Spending Review which will determine funding levels from 2015.

Foreword by the Director of Finance and Resources

It is essential that we achieve the savings we have agreed to make, and that we continue our progress in improving our efficiency and making savings by reviewing services. With this in mind the Council is 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.

Format of the Statement of Accounts

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

Rachel Spain
Finance and Resources Directorate
Wedgwood Building
Tipping Street
Stafford
ST16 2DH.

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

We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 278157.

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: 28 June 2013

Foreword by the Director of Finance and Resources

The table compares the budget with the final outturn (spending) for 2012/2013.

	Budget £m	Outturn £m	Variation £m
People			
Care and Independence	188.8	196.6	7.8
Community Safety	3.2	3.0	(0.2)
Business Partner	3.6	3.7	0.1
Health Development	1.0	1.0	0.0
Children, Young People and Families	71.2	73.1	1.9
Education and Skills	40.5	36.5	(4.0)
People Total	**308.3**	**313.9**	**5.6**
Place			
Built County	31.2	31.4	0.2
Rural County	2.7	2.8	0.1
Sustainable County	25.2	25.1	(0.1)
Transport and Connected County	13.9	13.8	(0.1)
Business and Enterprise County	4.4	4.0	(0.4)
Tourism and Cultural County	11.4	11.6	0.2
Economic Planning and Future Prosperity	0.7	0.7	0.0
Transformation and Property Consultancy	(1.0)	(0.7)	0.3
Strategic Management Overhead	2.6	2.1	(0.5)
Place Total	**91.1**	**90.8**	**(0.3)**
Corporate / Support Services			
Finance and Resources	10.3	10.5	0.2
Democracy, Law and Transformation	9.7	9.7	0.0
Strategy and Customer Service	7.5	7.1	(0.4)
Trading Services Contribution	(1.6)	(1.6)	0.0
Corporate / Support Services Total	**25.9**	**25.7**	**(0.2)**
Service Total	**425.3**	**430.4**	**5.1**
Centrally Controlled Items			
Interest on Balances and Debt Charges	46.7	46.7	0.0
Other*	11.0	10.2	(0.8)
Centrally Controlled Total	**57.7**	**56.9**	**(0.8)**
Planned Net Revenue Budget / Expenditure	**483.0**	**487.3**	**4.3**

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

Audit Opinion

Independent Auditors' Report to the members of Staffordshire County Council

We have audited the statement of accounts of Staffordshire County Council for the year ended 31 March 2013 which comprises 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 its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

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 set out on page 10 and 11, the Director of Finance and Resources is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission 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 Part II of 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 – Local Government, 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 statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is 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 Council; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Audit Opinion

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view of the state of the Council's affairs as at 31 March 2013 and of the Council's income and expenditure and cash flows for the year then ended; and
- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if,

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 11 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Audit Opinion

Report on the pension fund accounting statements

We have audited the pension fund accounting statements contained within the Statement of Accounts of Staffordshire County Council for the year ended 31 March 2013 which comprise the Pension Fund Account, the Net Assets Statement 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.

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 set out on page 10 and 11, the Director of Finance and Resources is responsible for the preparation of the pension fund accounting statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13. Our responsibility is to audit and express an opinion on the pension fund accounting statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 - Local Government Bodies issued by the Audit Commission 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 Council; 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 of the financial transactions of the Pension Fund during the year ended 31 March 2013, and the amount and disposition of the fund's assets and liabilities as at 31 March 2013;and

- have been properly prepared in accordance with the requirements with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Audit Opinion

Opinion on other matters

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

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.

Auditors' 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.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

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 November 2012, 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 2013.

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 November 2012, 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 2013.

Certificate

Our audit cannot be formally concluded and a certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Committee because the Council has not yet prepared it Pension Fund Annual Report and Accounts on which we are required to give an audit opinion.

Richard Bacon

Richard Bacon
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
19 Cornwall Street
Birmingham
B3 2DT

25 September 2013

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 statement of accounts since it was 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; and
- 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 in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

The Director of Finance and Resources has also:

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

DIRECTOR OF FINANCE AND RESOURCES CERTIFICATE

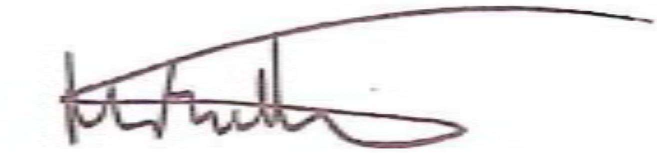
I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

A. N. Burns

Andrew Burns CPFA
Director of Finance and Resources
Date: 28 June 2013

Chairman’s Certificate

I confirm that the 2012/2013 Statement of Accounts for Staffordshire County Council and Staffordshire Pension Fund were approved by the Audit and Standards Committee on 16 September 2013.



Chairman of Audit and Standards Committee
Date: 16 September 2013

Accounting Policies

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 2012/2013' by the Chartered Institute of Public Finance and Accountancy (CIPFA). The costs of individual services are defined in accordance with the CIPFA Service Reporting Code of Practice (SeRCOP).

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

The Statement of Accounts 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.

When there are changes to the accounting policies these may require prior period adjustments. Changes to accounting policies are only made when required by proper accounting practice. When a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

If material errors are found, these would also require a prior period adjustment to be made. This would amend the opening balances and comparative amounts.

2 Accounting Standards that have been issued but not yet adopted

Standards which come into effect on 1st January 2013 have not been adopted in the 2012/13 accounts but will be applied in the 2013/14 accounts. These standards are:

- IAS 1 Presentation of Financial Statements, the changes are presentational only and will not impact on any of the amounts shown in the accounts.
- IAS 19 Employee Benefits, the change to this standard relates to the expected return on assets and how this is calculated. From 2013/14, a discount rate will be used and this will result in an estimated charge of £10.4million being made to the Comprehensive Income and Expenditure Account.

3 Property, plant and equipment

Under IFRS enhancements are capitalised if future economic benefits or service potential will flow to the Council 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).
- We include vehicles, plant, furniture and equipment on the balance sheet at their original cost.
- If we do not know the original cost of community assets, we include them in the balance sheet at a value of £1 each. If we know the original cost of community assets, these are held on the balance sheet at that cost (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 2013. We plan to revalue non-current assets again on a rolling five-year programme. However, in the meantime we will make changes to the valuation of assets if there are major changes which would have a significant effect on an asset's fair value, residual value or useful life.

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

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

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

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

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

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

4 Basis of charge for using property, plant and equipment

We reflect depreciation (loss in value) charges in the Comprehensive Income and Expenditure Account, and we work the loss out based on the opening 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, surplus community assets or those assets held for sale.
- We work out the charge for buildings assuming that their expected lives range from 15 to 60 years.
- We expect the life of infrastructure assets (for example, roads, bridges and footpaths) to be 50 years.
- The expected lives of vehicles, plant, furniture and equipment range from five to 20 years.
- We work out charges for new assets from the year after we buy them.
- We assume that an asset has no value at the end of its useful life.

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

5 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.

6 Heritage assets

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

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

7 Leases

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

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 Council is a lessee the Council recognises finance leases as assets and liabilities at the present value of the minimum lease payments. The Council's incremental borrowing rate on PWLB loans has been used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset.

8 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 IAS 2 (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.

9 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.

10 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 39 for further detail.

Discretionary benefits

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

We have prepared the accounts in line with IAS 19 (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.

11 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 Effective Interest Rate (EIR).

12 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.

We have an investment in the company Entrust and this is shown at cost in the accounts. In future years this investment will be shown at fair value which will be an estimate of what we believe the asset could be sold for. Therefore the fair value of these investments could change in the future depending on the current valuation of the company's worth.

13 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).

14 Provisions

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

15 Interest on balances

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

16 VAT

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

17 Support service costs

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

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

18 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.

19 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 the contracts, the assets of these schemes will be owned by the Council and will remain on the Balance Sheet.

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

However, we have transferred land next to the new Sir Graham Balfour School with planning permission for a housing development. The value of this land (about £2 million) has resulted in lower contract payments. We have treated this as deferred consideration in the Balance Sheet. We reduce the value of this over the life of the contract on a straight line basis and this is reflected in the Comprehensive Income and Expenditure Account.

20 Endowment and trust funds

We run 45 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.

21 Financial Instruments

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

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

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

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

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

Accounting Policies

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

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

22 Cash and cash equivalents

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

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

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

The Council'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

23 Interests in companies

In our accounts, we record interests in companies and other organisations as investments. Currently we have one interest in a company, Entrust and this is shown on the balance sheet as a long term investment. It is shown in this way because Entrust did not begin trading until 1st April 2013 therefore the only activity which took place during 2012/13 was our purchase of shares in Entrust and the payment from Entrust to us for the services transferring to the new company. We own 49% of the shares in Entrust. In future we will prepare Group Accounts which will show our proportion of Entrust's accounts within our Statement of Accounts.

24 Group Accounting

In accordance with the code of practice's requirement for group accounting with associates, Entrust's accounts shall be consolidated within our financial statements from 2013/14. Entrust is classified as an associate as we have significant influence over Entrust but not control (SCC has 2 out of the 6 Board members). Other than Entrust we have no other group account entities.

25 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 effected the amount raised by council tax as they have been posted to the Accumulated Absences Reserve and Pensions Reserve within unusable reserves in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

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

2011/2012 Gross expenditure £m	2011/2012 Gross income £m	2011/2012 Net expenditure £m		2012/2013 Gross expenditure £m	2012/2013 Gross income £m	2012/2013 Net expenditure £m
			Education:			
617.8	(578.9)	38.9	Delegated schools	578.8	(557.7)	21.1
163.5	(45.5)	118.0	Other education and children's services	158.6	(45.1)	113.5
781.3	**(624.4)**	**156.9**	**Total education and children's services**	**737.4**	**(602.8)**	**134.6**
8.7	(15.4)	(6.7)	Planning services	10.7	(3.6)	7.1
84.5	(31.7)	52.8	Highways and transport services	80.5	(17.7)	62.8
25.1	(4.2)	20.9	Cultural and related services	24.9	(4.4)	20.5
293.4	(90.3)	203.1	Adult social care	308.8	(103.5)	205.3
52.7	(18.6)	34.1	Environmental and regulatory services	53.4	(20.5)	32.9
13.1	(1.9)	11.2	Corporate and democratic core	20.0	(70.2)	(50.2)
6.3	(1.9)	4.4	Central services to the public	6.7	(2.1)	4.6
3.2	0.0	3.2	Non distributed costs	(0.2)	0.0	(0.2)
1,268.3	**(788.4)**	**479.9**	**Cost of services**	**1,242.2**	**(824.8)**	**417.4**
		83.5	Other operating expenditure (Note 7)			116.3
		33.8	Financing and investment income and expenditure (Note 8)			42.0
		(542.8)	Taxation and non-specific grant income (Note 9)			(537.8)
		54.4	**Deficit on provision of services (Note 24)**			**37.9**
		(15.2)	Surplus on revaluation of PPE			(22.5)
		104.9	Actuarial losses on pension assets/liabilities			119.5
		89.7	**Other comprehensive income and expenditure**			**97.0**
		144.1	**Total comprehensive income and expenditure**			**134.9**

Movement in Reserves Statement

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

	General Fund Balance £m	**Schools** (Note 6) **£m**	**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 2011	**16.8**	**34.6**	**(18.0)**	**10.9**	**(0.8)**	**43.3**	**86.8**	**759.0**	**845.8**
<u>Movement in reserves during 2011/2012</u>									
Deficit on the provision of services	(54.4)						**(54.4)**		(54.4)
Other comprehensive income and expenditure							**0.0**	(89.7)	(89.7)
Total comprehensive income and expenditure	**(54.4)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(54.4)**	**(89.7)**	**(144.1)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	72.9			(4.3)			**68.6**	(68.6)	
Net increase/decrease before transfers to earmarked reserves	**18.5**	**0.0**	**0.0**	**(4.3)**	**0.0**	**0.0**	**14.2**	**(158.3)**	**(144.1)**
Transfers to/from earmarked reserves	(15.4)	8.3	(2.0)	0.0	1.1	8.0	**0.0**	0.0	
Increase/decrease in 2011/2012	**3.1**	**8.3**	**(2.0)**	**(4.3)**	**1.1**	**8.0**	**14.2**	**(158.3)**	**(144.1)**
Balance at 31 March 2012 carried forward	**19.9**	**42.9**	**(20.0)**	**6.6**	**0.3**	**51.3**	**101.0**	**600.7**	**701.7**
<u>Movement in reserves during 2012/2013</u>									
Deficit on the provision of services	(37.9)						**(37.9)**		(37.9)
Other comprehensive income and expenditure							**0.0**	(97.0)	(97.0)
Total comprehensive income and expenditure	**(37.9)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(37.9)**	**(97.0)**	**(134.9)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	50.0			2.3			**52.3**	(52.3)	0.0
Net increase/decrease before transfers to earmarked reserves	**12.1**	**0.0**	**0.0**	**2.3**	**0.0**	**0.0**	**14.4**	**(149.3)**	**(134.9)**
Transfers to/from earmarked reserves	0.7	0.3	(8.1)		(0.5)	7.6	**0.0**		
Increase/decrease in year	**12.8**	**0.3**	**(8.1)**	**2.3**	**(0.5)**	**7.6**	**14.4**	**(149.3)**	**(134.9)**
Balance at 31 March 2013 carried forward	**32.7**	**43.2**	**(28.1)**	**8.9**	**(0.2)**	**58.9**	**115.4**	**451.4**	**566.8**

Balance Sheet

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

31 March 2011 Restated £m	31 March 2012 Restated £m	(See note 1)	Notes	31 March 2013 £m
1,886.2	1,850.0	Property, plant and equipment	10	1,774.6
8.8	8.8	Heritage assets	11	9.4
32.7	30.8	Long term debtors		32.9
5.0	0.0	Long term investment	12	30.2
1,932.7	**1,889.6**	**Long term assets**		**1,847.1**
15.1	8.1	Short term investments	13	50.7
3.0	0.0	Landfill allowance deferred income account		0.0
8.0	12.6	Assets held for sale	17	22.8
2.8	3.3	Inventories	14	2.7
56.2	54.8	Short term debtors	15	85.3
82.1	93.7	Cash and cash equivalents	16	60.6
167.2	**172.5**	**Current assets**		**222.1**
(0.5)	(0.6)	Short term borrowing		(0.6)
(101.2)	(91.6)	Short term creditors	18	(100.2)
(36.4)	(46.8)	Long term borrowing repayable within one year	13	(36.3)
(3.1)	(3.1)	PFI and finance leases deferred liability	13	(3.1)
0.0	(0.8)	Short term provisions	19	(0.1)
(1.2)	0.0	Landfill allowance deferred income account		0.0
(11.2)	(14.2)	Accumulated absences creditor	20	(11.3)
(153.6)	**(157.1)**	**Current liabilities**		**(151.6)**
(12.5)	(6.5)	Long term creditors		(4.0)
(10.2)	(10.2)	Long term provisions	19	(9.1)
(469.8)	(449.0)	Long term borrowing	13	(451.5)
(568.4)	(679.6)	Pension scheme liability	40	(809.7)
(17.6)	(16.4)	PFI and finance lease liability	13	(15.4)
(22.0)	(41.6)	Capital grants receipts in advance	32	(61.1)
(1,100.5)	**(1,203.3)**	**Long term liabilities**		**(1,350.8)**
845.8	**701.7**	**Net assets**		**566.8**
(86.8)	(101.0)	Usable reserves (Movement in Reserves Statement)		(115.4)
(759.0)	(600.7)	Unusable reserves	20	(451.4)
(845.8)	**(701.7)**	**Total reserves**		**(566.8)**

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

2011/2012 £m		**2012/2013 £m**
54.4	Net deficit on the provision of services	**37.9**
(194.4)	Adjustments to net deficit on the provision of services for non cash movements	(194.0)
87.5	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	92.0
(52.5)	Net cash flows from Operating activities (Note 21)	(64.1)
27.5	Investing Activities (Note 22)	86.2
13.4	Financing Activities (Note 23)	11.0
(11.6)	Net (increase) or decrease in cash and cash equivalents	33.1
82.1	Cash and cash equivalents at the beginning of the reporting period (Note 16)	93.7
93.7	**Cash and cash equivalents at the end of the reporting period (Note 16)**	**60.6**

Notes to the Accounts

1. Prior Period Adjustments

The property asset register and the assets database, which supports the accounts,are maintained separately. In preparing the accounts, each asset on the register was agreed to the database. Several discrepancies were identified in some school and other land and building assets, and the balance sheet and movement in reserves statement have been restated.

The 1 April 2011 and 31 March 2012 Balance Sheets and 2011/2012 comparative figures have thus been restated in the 2012/2013 Statement of accounts as follows.

Property asset reconciliation

The amount that was previously recognised in property, plant and equipment has been written down by £77.6 million.

The reconciliation affected mainly land assets. Therefore the impact of depreciation on the Comprehensive Income and Expenditure Statement is considered minimal and has not been included in this note.

1. Prior Period Adjustments (Cont'd)

The resulting restated Balance Sheet for 31 March 2011 is provided on page 22. The adjustments that have been made to that Balance Sheet over the version published in the 2010/2011 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2011 *

	Original Balances as at 1 April 2011 £m	Restatement as at 1 April 2011 £m	Restated Balances as at 1 April 2011 £m
Property, Plant and Equipment	1,963.8	(77.6)	1,886.2
Assets held for Sale	8.4	(0.4)	8.0
Total Net Assets	**923.8**	**(78.0)**	**845.8**
Revaluation reserve	(141.2)	1.0	(140.2)
Capital adjustment account	(1,292.1)	77.0	(1,215.1)
Unusable Reserves	(837.0)	78.0	(759.0)
Total Reserves	**(923.8)**	**78.0**	**(845.8)**

* only the headings affected are shown in the table above.

1. Prior Period Adjustments (Cont'd)

Movement in Reserves Statement - Unusable Reserves 2011/2012
The restatement of the relevant lines of the Movement in Reserves Statement, as at 31 March 2012, is presented in the table below.

	Original Balances 31 March 2012 £m	Restatement 31 March 2012 £m	Restated Balances 31 March 2012 £m
Balance as at the end of the previous reporting period - 31 March 2011	837.0	(78.0)	759.0
Other Comprehensive Income and Expenditure	(89.7)	0.0	(89.7)
Adjustments between the accounting basis and the funding basis under regulations	(68.6)	0.0	(68.6)
Decrease in year	**(158.3)**	**0.0**	**(158.3)**
Balance at the end of the current reporting period 31 March 2012	**678.7**	**(78.0)**	**600.7**

Notes to the Accounts

1. Prior Period Adjustments (Cont'd)

The resulting restated Balance Sheet for 31 March 2012 is provided on page 22. The adjustments that have been made to that Balance Sheet over the version published in the 2011/2012 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2012 *

	Original Balances 31 March 2012 £m	Restatement 31 March 2012 £m	Restated Balances 31 March 2012 £m
Property, plant and equipment	1,927.6	(77.6)	1,850.0
Assets held for Sale	13.0	(0.4)	12.6
Total net assets	**779.7**	**(78.0)**	**701.7**
Revaluation Reserve	(165.6)	1.0	(164.6)
Capital adjustment account	(1,223.2)	77.0	(1,146.2)
Unusable reserves	(678.7)	78.0	(600.7)
Total reserves	**(779.7)**	**78.0**	**(701.7)**

* only the headings affected have been shown in the table above.

Notes to the Accounts

2. Critical Judgements in Applying Accounting Policies

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

1)

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

2)

The Council has 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.

3)

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

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

From April 2013 the accounting standard IAS 19 has been amended which means that the liability relating to pensions will be calculated on a slightly different basis in next year's accounts. The charges included in the Comprehensive Income and Expenditure Statement and the liability shown on the Balance Sheet for 2012/2013 will be restated next year. It is estimated that the restated charges to revenue will increase by £10.4m

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

The items in the Council's Balance Sheet at 31 March 2013 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 £1.0m 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 £0.06m-£0.07m 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.

Notes to the Accounts

4. Events After the Balance Sheet Date

On 28 June 2013 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 28 June 2013.

On 1st April 2013 the Council entered into a Joint Venture with Capita to create Entrust, a company providing support services to schools. The services that have transferred to the new company are: Catering, Cleaning, Grounds, Education Transformation, Outdoor Education, Staffordshire Performing Arts, Staffordshire Learning Technologies and some staff from other services who support schools.

The total revenue expenditure of these assets is £75m. Some of these services are traded services and are therefore reported within note 25 of the accounts. The rest of the services sit within the Net Cost of Services.

The investments we have made in this new company is shown on the Balance Sheet at the amount we paid, £30.2 million.

The new company also paid us £61.6m for the services that we have transferred to Entrust. This income is recognised within the Net Cost of Services within the Comprehensive Income and Expenditure Statement. £6.5m of this income will be received in the next three years.

These accounts show the value of our investment in Entrust on the balance sheet and the money that we received for the services is shown in the General Fund balance.   In future years we will show our proportion (49%) of Entrust's accounts in our Statement of Accounts

5. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

	Usable Reserves			
2012/2013	**General Fund Balance**	**Capital grants unapplied**	**Earmarked capital receipts**	**Movement in unusable reserves**
Adjustments primarily involving the Capital Adjustment Account:	**£m**	**£m**	**£m**	**£m**
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(72.1)	0.0	0.0	72.1
Capital grants and contributions applied	61.9	0.0	0.0	(61.9)
Amounts of non current assets written off on disposal or sale/part of the gain/loss on disposal to the Income and Expenditure Statement	(124.8)	0.0	0.0	124.8
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	27.7	0.0	0.0	(27.7)
Capital expenditure charged against the General fund balance	52.1	0.0	0.0	(52.1)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2.5	(2.5)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.2	0.0	(0.2)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Income and Expenditure Statement	10.9	0.0	(10.9)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	10.9	(10.9)
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	0.0	0.0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 20)	3.3	0.0	0.0	(3.3)
Employers pension contributions and direct payments to pensioners payable in the year	(10.5)	0.0	0.0	10.5
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	(3.9)	0.0	0.0	3.9
Adjustments involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year due to statutory requirements	2.9	0.0	0.0	(2.9)
Total adjustments	**(50.0)**	**(2.3)**	**0.0**	**52.3**

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

2011/2012 comparative figures	Usable Reserves			
Adjustments primarily involving the Capital Adjustment Account:	**General Fund Balance** £m	**Capital grants unapplied** £m	**Earmarked capital receipts** £m	**Movement in unusable reserves** £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(90.6)	0.0	0.0	90.6
Capital grants and contributions applied	61.8	0.0	0.0	(61.8)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(90.0)	0.0	0.0	90.0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	26.6	0.0	0.0	(26.6)
Capital expenditure charged against the General fund balance	19.3	0.0	0.0	(19.3)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0.7	(0.7)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	5.0	0.0	(5.0)
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	8.2	0.0	(8.2)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	8.2	(8.2)
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	0.0	0.0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	2.6	0.0	0.0	(2.6)
Employers pension contributions and direct payments to pensioners payable in the year	(6.4)	0.0	0.0	6.4
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	(2.1)	0.0	0.0	2.1
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	(3.0)	0.0	0.0	3.0
Total adjustments	**(72.9)**	**4.3**	**0.0**	**68.6**

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 2012/2013.

	Balance at 1 April 2011	Transfers out 2011/2012	Transfers in 2011/2012	Balance at 31 March 2012	Transfers out 2012/2013	Transfers in 2012/2013	Balance at 31 March 2013
	£m	£m	£m	£m	£m	£m	£m
General Fund:							
Information technology	17.6	(4.2)	4.0	17.4	(7.4)	3.5	13.5
PFI equalisation	3.4	(0.2)	0.2	3.4	0.0	0.6	4.0
Other Service Reserves	0.8	(0.6)	0.2	0.4	(0.1)	0.1	0.4
Insurance	1.9	0.0	0.0	1.9	0.0	0.0	1.9
Insurance trading account	1.4	(6.9)	6.4	0.9	(0.2)	0.6	1.3
Trading services appropriation reserve	6.4	(0.7)	3.2	8.9	(2.0)	2.3	9.2
Renewing vehicles and plant reserve	0.1	0.0	0.1	0.2	0.0	0.0	0.2
Redundancy reserve	(7.8)	(4.6)	4.2	(8.2)	(4.4)	15.2	2.6
Insurance self funding schools absence	1.3	(2.2)	1.9	1.0	(2.6)	2.3	0.7
Other insurance reserves	3.5	(3.2)	2.0	2.3	(1.9)	1.6	2.0
Job evaluation*	2.0	(3.2)	0.3	(0.9)	0.0	0.2	(0.7)
Landfill allowance trading scheme	1.7	(1.8)	0.1	0.0	0.0	0.0	0.0
Revenue carried forward	11.0	(5.0)	18.0	24.0	(6.6)	6.4	23.8
Total revenue earmarked reserves	**43.3**	**(32.6)**	**40.6**	**51.3**	**(25.2)**	**32.8**	**58.9**
Capital guideline carry forward	2.7	(1.1)	0.0	1.6	(0.5)	0.4	1.5
Earmarked capital receipts carried forward *	(3.5)	(0.2)	2.4	(1.3)	(0.7)	0.3	(1.7)
Total capital earmarked reserves	**(0.8)**	**(1.3)**	**2.4**	**0.3**	**(1.2)**	**0.7**	**(0.2)**
Total earmarked reserves	**42.5**	**(33.9)**	**43.0**	**51.6**	**(26.4)**	**33.5**	**58.7**

***** 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.

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 £43.2 million. Schools hold balances of £6.8 million for specific purposes, most of which relate to the standards fund formula capital programme.

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

	Balance 31 March 2011	Increase / (reduction)	Balance 31 March 2012	Increase / (reduction)	Balance 31 March 2013
Delegated revenue budgets	£m	£m	£m	£m	£m
Primary schools	13.4	5.7	19.1	0.1	19.2
Secondary schools	11.2	3.6	14.8	0.3	15.1
Special	2.3	0.4	2.7	0.3	3.0
	26.9	**9.7**	**36.6**	**0.7**	**37.3**
Outstanding loans	(0.5)	0.0	(0.5)	0.1	(0.4)
Net school reserves as 31st March	26.4	9.7	36.1	0.8	36.9
Earmarked reserves	8.2	(1.4)	6.8	(0.5)	6.3
Total	**34.6**	**8.3**	**42.9**	**0.3**	**43.2**

Notes to the Accounts

7. Other Operating Expenditure

2011/2012 £m		2012/2013 £m
0.3	Levies	0.3
1.4	Impairment on assets held for sale	2.1
81.8	Losses on the disposal of non current assets*	113.9
83.5	**Total**	**116.3**

*the losses on disposal are due to the reclassification of £111.5 million of school assets for newly created academies. These are accounted for as leased assets.

8. Financing and Investment Income and Expenditure

2011/2012 £m		2012/2013 £m
24.7	Interest payable and similar charges	24.0
15.5	Pensions interest cost and expected returns on pension assets	22.0
(2.6)	Interest receivable and similar income	(2.8)
(3.8)	Trading Services Surplus	(1.2)
33.8	**Total**	**42.0**

9. Taxation and Non-Specific Grant Income

2011/2012 £m		2012/2013 £m
(295.8)	Council tax income	(295.5)
(133.5)	NNDR	(164.4)
(50.9)	Non-ringfenced government grants	(13.4)
(62.6)	Capital grants and contributions	(64.5)
(542.8)	**Total**	**(537.8)**

10. Property, Plant and Equipment

Movements on Balances in 2012/2013

	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 2012	1,230.1	161.1	606.6	1.0	8.2	34.2	**2,041.2**	83.2
Additions	38.0	6.9	63.7	0.0	0.4	0.6	**109.6**	1.1
Revaluation increases recognised in the Revaluation Reserve	23.4	1.9	0.0	13.8	0.3	0.0	**39.4**	2.0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(31.7)	0.0	0.0	0.0	(0.1)	0.0	**(31.8)**	0.0
Derecognition - Disposals	(118.3)	(3.3)	0.0	0.0	0.0	0.0	**(121.6)**	0.0
Assets Reclassified from/ (to) Held for Sale	26.7	0.0	0.0	(13.8)	(0.8)	(34.2)	**(22.1)**	0.0
Reversal of non-enhancing expenditure initially capitalised as capital spend	(21.8)	(0.8)	(0.1)	0.0	(0.4)	(0.6)	**(23.7)**	0.0
At 31 March 2013	**1,146.4**	**165.8**	**670.2**	**1.0**	**7.6**	**(0.0)**	**1,991.0**	**86.3**

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 2012	(9.7)	(96.6)	(84.9)	0.0	0.0	0.0	**(191.2)**	(24.3)
Depreciation Charge	(18.5)	(9.9)	(11.7)	0.0	0.0	0.0	**(40.1)**	(2.0)
Depreciation written out to the Revaluation Reserve	7.2	0.7	0.0	0.0	0.0	0.0	**7.9**	0.9
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.8	0.0	0.0	0.0	0.0	0.0	**1.8**	0.0
Derecognition - Disposals	2.4	2.8	0.0	0.0	0.0	0.0	**5.2**	0.0
Derecognition - Other	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
Other movements in Depreciation and Impairment	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
At 31 March 2013	**(16.8)**	**(103.0)**	**(96.6)**	**0.0**	**0.0**	**0.0**	**(216.4)**	**(25.4)**
Net Book Value								
At 31 March 2013	**1,129.6**	**62.8**	**573.6**	**1.0**	**7.6**	**(0.0)**	**1,774.6**	**60.9**
At 31 March 2012	**1,220.4**	**64.5**	**521.7**	**1.0**	**8.2**	**34.2**	**1,850.0**	**58.9**

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

Comparative Movements in 2011/2012:

	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 2011	1,278.1	155.8	554.2	1.0	11.0	48.7	**2,048.8**	77.4
Additions	45.2	5.9	52.4	0.0	3.0	21.4	**127.9**	2.6
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	29.6	1.4	0.0	0.0	(0.3)	4.0	**34.7**	3.4
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(49.4)	0.0	0.0	0.0	(0.5)	0.0	**(49.9)**	0.1
Derecognition - Disposals	(82.4)	(1.9)	0.0	0.0	(3.0)	0.0	**(87.3)**	0.0
Derecognition - Other								
Assets Reclassified from/ (to) Held for Sale	30.3	(0.1)	0.0	0.0	(1.9)	(39.9)	**(11.6)**	0.0
Reversal of non-enhancing expenditure initially capitalised as capital spend	(21.3)	0.0	0.0	0.0	(0.1)	0.0	**(21.4)**	(0.3)
At 31 March 2012	**1,230.1**	**161.1**	**606.6**	**1.0**	**8.2**	**34.2**	**2,041.2**	**83.2**

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 2011	(2.1)	(86.2)	(74.3)	0.0	0.0	0.0	**(162.6)**	(22.8)
Depreciation Charge	(19.1)	(12.0)	(10.6)	0.0	(0.1)	0.0	**(41.8)**	(2.0)
Depreciation written out to the Revaluation Reserve	7.7	0.1	0.0	0.0	0.1	0.0	**7.9**	0.1
Depreciation written out to the Surplus/Deficit on the Provision of Services	2.4	0.0	0.0	0.0	0.0	0.0	**2.4**	0.4
Derecognition - Disposals	1.4	1.5	0.0	0.0	0.0	0.0	**2.9**	0.0
Derecognition - Other								
Other movements in Depreciation and Impairment	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0
At 31 March 2012	**(9.7)**	**(96.6)**	**(84.9)**	**0.0**	**0.0**	**0.0**	**(191.2)**	**(24.3)**
Net Book Value								
At 31 March 2012	**1,220.4**	**64.5**	**521.7**	**1.0**	**8.2**	**34.2**	**1,850.0**	**58.9**

11. Heritage Assets

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

	Archives £m	Museums £m	County Buildings & Judges House £m	Total Assets £m
Cost or Valuation				
1 April 2011	5.2	3.3	0.3	**8.8**
At 31 March 2012	**5.2**	**3.3**	**0.3**	**8.8**
Cost or Valuation				
1 April 2012	5.2	3.3	0.3	**8.8**
Additions	0.2	0.0	0.0	**0.2**
Revaluations	0.2	0.2	0.0	**0.4**
At 31 March 2013	**5.6**	**3.5**	**0.3**	**9.4**

11. Heritage Assets (Cont'd)

Archives

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

The archived collections include a number of significant documents such as The Sutherland Papers valued at £1.76 million and a printed book collection valued at £1.06 million.

Museums

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

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

County Buildings and Judges House

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

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

12. Interests in Companies

The Council has a 49% share of the company Entrust which provides education support services to schools. This share was purchased in 2012/2013 however the company did not begin trading until April 2013. The share cost £30.2 million and is shown on the Balance Sheet as a long-term investment. The value of the company is £61.6 million and the County Council received a net benefit of £24.9 million with a further £6.5 million of deferred income shown as a debtor as it will be received over the next three years. £2.4m of this debtor relates to the next 12 months and as such is shown as a short term debtor. The remaining £4.1m has been treated as a long term debtor. The balance of the net income of £31.4m sits within reserves and balances.

Notes to the Accounts

13. Financial Instruments

Categories of Financial Instruments

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

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

	Long - Term			Current		
	31 March 2011	31 March 2012	31 March 2013	31 March 2011	31 March 2012	31 March 2013
	£m	£m	£m	£m	£m	£m
Investments						
Short term investments				15.1	8.1	50.7
Items contained within cash and cash equivalents (Within Note 16)						
Call accounts and short term deposits				37.0	20.2	4.5
Bank Overdraft				(9.2)	(7.9)	(14.7)
Money Market Funds				54.3	81.4	70.8
Loans and receivables	5.0	0.0	0.0	97.2	101.8	111.3
Available for sale investments	0.0	0.0	30.2	0.0	0.0	0.0
Total investments	**5.0**	**0.0**	**30.2**	**97.2**	**101.8**	**111.3**
Borrowings						
Financial liabilities at amortised cost	469.8	449.0	451.5	36.4	46.8	36.3
Total borrowings	**469.8**	**449.0**	**451.5**	**36.4**	**46.8**	**36.3**
Other long term liabilities						
PFI and finance lease liabilities	17.6	16.4	15.4	3.1	3.1	3.1
Total other long term liabilities	**17.6**	**16.4**	**15.4**	**3.1**	**3.1**	**3.1**

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

13. Financial Instruments (Cont'd)

Income, Expense, Gains and Losses

	2011/2012				2012/2013			
	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and Receivables £m	Financial Assets: Available for Sale £m	Total £m	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Financial Assets: Available for Sale £m	Total £m
Interest expense / Reduction in fair value	(24.7)	0.0	0.0	**(24.7)**	(24.0)	0.0	0.0	**(24.0)**
Total expense in Surplus or Deficit on the Provision of Services	**(24.7)**	**0.0**	**0.0**	**(24.7)**	**(24.0)**	**0.0**	**0.0**	**(24.0)**
Interest income / Increase in fair value	0.0	2.6	0.0	**2.6**	0.0	2.8	0.0	**2.8**
Total income in Surplus or Deficit on the Provision of Services	**0.0**	**2.6**	**0.0**	**2.6**	**0.0**	**2.8**	**0.0**	**2.8**
Net (loss) /gain for the year	**(24.7)**	**2.6**	**0.0**	**(22.1)**	**(24.0)**	**2.8**	**0.0**	**(21.2)**

13. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities

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

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

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

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

The fair values calculated are as follows:

	31 March 2011	31 March 2011	31 March 2012	31 March 2012	31 March 2013	31 March 2013
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
PWLB - maturity	421.6	398.7	411.6	448.6	404.1	468.9
PWLB - equal instalments of principal	0.4	0.5	0.4	0.5	0.4	0.5
Lender option borrower option	82.8	91.0	82.8	81.8	82.8	84.6
European investment bank	1.4	1.6	1.0	1.1	0.5	0.5
Financial liabilities	**506.2**	**491.8**	**495.8**	**532.0**	**487.8**	**554.5**

The fair value of the liabilities is higher than the carrying amount as at 31 March 2013, because we have a number of fixed rate loans for which the interest rates are higher, than the rates available from the market for similar loans at this point in time.

13. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities (Cont'd)

	31 March 2011	31 March 2011	31 March 2012	31 March 2012	31 March 2013	31 March 2013
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
Money market funds	54.0	54.0	81.0	81.0	70.8	70.8
Deposits with banks and building societies	57.4	57.2	28.7	28.3	55.2	55.2
Loans and receivables	**111.4**	**111.2**	**109.7**	**109.3**	**126.0**	**126.0**
Available for Sale investments	**0.0**	**0.0**	**0.0**	**0.0**	**30.2**	**30.2**
Financial Assets	**111.4**	**111.2**	**109.7**	**109.3**	**156.2**	**156.2**

The fair value and carrying amount are broadly the same, as interest rates on deposits are similar to market rates as at 31 March 2013.

The fair value and carrying amount of the available for sale investment in Entrust are the same, as this investment was made in March 2013, before the company commenced trading.

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

14. Inventories

	Consumable stores		Client services Work in progress		Total	
	2011/2012 £m	2012/2013 £m	2011/2012 £m	2012/2013 £m	2011/2012 £m	2012/2013 £m
Balance outstanding at start of year	2.6	3.0	0.2	0.3	2.8	3.3
Purchases	16.0	13.7	0.4	0.1	16.4	13.8
Recognised as an expense in the year	(15.4)	(14.0)	(0.3)	(0.1)	(15.7)	(14.1)
Written off balances	(0.3)	(0.3)	0.0	0.0	(0.3)	(0.3)
Reversals of write-offs in previous years *	0.1	0.0	0.0	0.0	0.1	0.0
Balance outstanding at year-end	**3.0**	**2.4**	**0.3**	**0.3**	**3.3**	**2.7**

* The reversal of stock previously written off, 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

15. Short Term Debtors

1 April 2011	31 March 2012		31 March 2013
£m	£m		£m
50.6	53.2	Trade debtors and prepayments	88.3
8.4	4.8	VAT (due to us)	0.0
(2.8)	(3.2)	Allowance for doubtful debts (debts we think may not be paid)	(3.0)
56.2	**54.8**	**Total**	**85.3**

16. Cash and Cash Equivalents

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

1 April 2011 £m	31 March 2012 £m		31 March 2013 £m
(9.2)	(7.9)	Bank overdraft	(14.7)
37.0	20.2	Call accounts and short-term deposits *	4.5
54.3	81.4	Money Market Funds *	70.8
82.1	**93.7**	**Total cash and cash equivalents**	**60.6**

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

17. Assets Held for Sale

	Current	
	2011/2012	2012/2013
	£m	£m
Balance outstanding at start of year	8.0	12.6
Assets newly classified as held for sale:		
Property, Plant and Equipment	11.6	22.1
Impairments	(1.4)	(2.1)
Assets sold	(5.6)	(9.8)
Balance outstanding at year-end	**12.6**	**22.8**

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

18. Short-Term Creditors

1 April 2011	31 March 2012		31 March 2013
£m	£m		£m
(83.7)	(75.2)	Trade and other creditors	(82.1)
(13.9)	(12.5)	Tax and money owed to HM Revenues and Customs	(11.4)
(3.6)	(3.9)	Money received in advance	(6.7)
(101.2)	**(91.6)**	**Total**	**(100.2)**

19. Provisions

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

Long term provisions

	Equal Pay	Social Services S117	Waste	Insurance Before LGR	Insurance After LGR	Long Term Provisions Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2012	(1.0)	(0.3)	(1.9)	(0.1)	(6.9)	**(10.2)**
Amounts used in 2012/2013	0.0	0.0	0.7	0.0	0.4	**1.1**
Balance at 31 March 2013	**(1.0)**	**(0.3)**	**(1.2)**	**(0.1)**	**(6.5)**	**(9.1)**

Short term provisions

	CRC £m	Short Term Provision Total £m
Balance at 1 April 2012	(0.8)	**(0.8)**
Amounts used in 2012/2013	0.6	**0.6**
Unused amounts reversed in 2012/2013	0.1	**0.1**
Balance at 31 March 2013	**(0.1)**	**(0.1)**

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.

We have set aside money to meet the costs of the Government's Carbon Reduction Commitment (CRC) scheme.

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

20. Unusable Reserves

1 April 2011	31 March 2012		31 March 2013
£m	£m		£m
(140.2)	(164.6)	Revaluation reserve	(191.6)
(1,215.1)	(1,146.2)	Capital adjustment account	(1,097.6)
4.5	4.5	Financial instruments adjustment account	4.5
581.1	689.8	Pensions reserve	816.5
(0.5)	1.6	Collection fund adjustment account	5.5
11.2	14.2	Accumulated absences account	11.3
(759.0)	**(600.7)**	**Total Unusable Reserves**	**(451.4)**

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.

2011/2012			2012/2013	
£m	£m		£m	£m
	(140.2)	**Balance at 1 April**		(164.6)
(53.2)		Upward revaluation of assets	(56.0)	
10.6		Downward revaluation of assets and impairment losses not charged to the Surplus/deficit on the provision of services	9.6	
	(42.6)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the provision of services		(46.4)
1.7		Difference between fair value depreciation and historical cost depreciation	2.1	
16.5		Accumulated gains on assets sold or scrapped	17.3	
	18.2	Amounts written off to the Capital adjustment account		19.4
	(164.6)	**Balance at 31 March**		**(191.6)**

20. Unusable reserves (Cont'd)

Capital Adjustment Account

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

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

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

2011/2012 £m		2012/2013 £m
(1,215.1)	**Balance at 1 April**	(1,146.2)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
90.6	Charges for depreciation and impairment of non current assets	72.1
89.9	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	124.8
(18.2)	Adjusting amounts written out of the Revaluation Reserve	(19.4)
162.3	Net written out amount of the cost of non current assets consumed in the year	**177.5**
	Capital financing applied in the year:	
(8.2)	Use of the Capital Receipts Reserve to finance new capital expenditure	(10.9)
(61.8)	Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	(61.9)
(5.0)	Application of grants to capital financing from the Capital Grants Unapplied Account	(0.2)
(26.6)	Statutory provision for the financing of capital investment charged against the General Fund balance	(27.7)
8.2	Capital expenditure charged against the revenue fund (including Balance Sheet transactions)	(28.2)
(93.4)		**(128.9)**
(1,146.2)	**Balance at 31 March**	**(1,097.6)**

20. Unusable reserves (Cont'd)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over future years.

2011/2012 £m		2012/2013 £m
4.5	**Balance at 1 April**	**4.5**
4.5	**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 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.

2011/2012 £m		2012/2013 £m
581.1	**Balance at 1 April**	689.8
104.9	Actuarial gains or losses on pension assets and liabilities	119.5
(2.6)	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	(3.3)
6.4	Employer's pension contributions and direct payments to pensioners payable in the year	10.5
689.8	**Balance at 31 March**	**816.5**

20. 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.

2011/2012 £m		2012/2013 £m
(0.5)	**Balance at 1 April**	1.6
2.1	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	3.9
1.6	**Balance at 31 March**	**5.5**

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.

	2011/2012 £m		2012/2013 £m	
	11.2	**Balance at 1 April**		14.2
(11.2)		Settlement or cancellation of accrual made at the end of the preceding year	(14.2)	
14.2		Amounts accrued at the end of the current year	11.3	
	3.0	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		(2.9)
	14.2	**Balance at 31 March**		**11.3**

Notes to the Accounts

21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/2012 £m		2012/2013 £m
(2.8)	Interest received	(3.0)
24.8	Interest paid	24.1

22. Cash Flow Statement - Investing Activities

2011/2012 £m		2012/2013 £m
124.9	Purchase of property, plant and equipment, investments and intangible assets	180.2
(8.2)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9.9)
(7.0)	Proceeds from short-term and long-term investments	0.0
(82.2)	Other receipts from investing activities	(84.1)
27.5	**Net cash flows from investing activities**	**86.2**

23. Cash Flow Statement - Financing Activities

2011/2012 £m		2012/2013 £m
2.9	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3.0
10.5	Repayments of short and long-term borrowing	8.0
13.4	**Net cash flows from financing activities**	**11.0**

24. Amounts Reported for Resource Allocation Decisions

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

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

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

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

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

Directorate Income and Expenditure 2012/2013

	People £m	Place £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(132.9)	(49.6)	(21.1)	**(203.6)**
Government Grants	(581.6)	(1.0)	0.0	**(582.6)**
Total Income	**(714.5)**	**(50.6)**	**(21.1)**	**(786.2)**
Employee Expenses	509.7	30.3	11.4	**551.4**
Other Service Expenses	537.7	97.1	65.9	**700.7**
Support Service Recharges	10.6	6.6	4.2	**21.4**
Total Expenditure	**1,058.0**	**134.0**	**81.5**	**1,273.5**
Net Expenditure	**343.5**	**83.4**	**60.4**	**487.3**

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

Directorate Income and Expenditure
2011/2012 Comparative Figures

	People £m	Place £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(113.8)	(38.3)	(10.5)	**(162.6)**
Government Grants	(614.6)	(35.5)	(2.1)	**(652.2)**
Total Income	**(728.4)**	**(73.8)**	**(12.6)**	**(814.8)**
Employee Expenses	565.3	38.6	10.7	**614.6**
Other Service Expenses	490.7	149.8	22.3	**662.8**
Support Service Recharges	14.3	6.8	3.6	**24.7**
Total Expenditure	**1,070.3**	**195.2**	**36.6**	**1,302.1**
Net Expenditure	**341.9**	**121.4**	**24.0**	**487.3**

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.

2011/2012 £m		2012/2013 £m
487.3	Net Expenditure in the Directorate Analysis	487.3
(81.3)	Net Expenditure of services and support services not included in the analysis	(89.7)
73.9	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	19.8
479.9	**Cost of Services in Comprehensive Income and Expenditure Statement**	**417.4**

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

Reconciliation to Subjective Analysis 2012/2013

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 Comprehensive I&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(203.6)	(38.6)	0.0	0.0	0.0	**(242.2)**	(1.2)	**(243.4)**
Interest and investment income	0.0	0.0	0.0	0.0	0.0	**0.0**	(2.8)	**(2.8)**
Income from council tax	0.0	0.0	0.0	0.0	0.0	**0.0**	(295.5)	**(295.5)**
Government grants and contributions	(582.6)	0.0	0.0	0.0	0.0	**(582.6)**	(242.3)	**(824.9)**
Total income	**(786.2)**	**(38.6)**	**0.0**	**0.0**	**0.0**	**(824.8)**	**(541.8)**	**(1,366.6)**
Employee expenses	551.4	0.0	(16.4)	0.0	34.4	**569.4**	0.0	**569.4**
Other service expenses	700.7	(51.1)	(33.9)	0.0	(13.1)	**602.6**	0.0	**602.6**
Support service recharges	21.4	0.0	0.0	0.0	(21.3)	**0.1**	0.0	**0.1**
Depreciation, amortisation and impairment	0.0	0.0	70.1	0.0	0.0	**70.1**	2.1	**72.2**
Interest payments	0.0	0.0	0.0	0.0	0.0	**0.0**	46.0	**46.0**
Precepts and levies	0.0	0.0	0.0	0.0	0.0	**0.0**	0.3	**0.3**
Gain or loss on disposal of non current assets	0.0	0.0	0.0	0.0	0.0	**0.0**	113.9	**113.9**
Total expenditure	**1,273.5**	**(51.1)**	**19.8**	**0.0**	**(0.0)**	**1,242.2**	**162.3**	**1,404.5**
Surplus or deficit on provision of services	**487.3**	**(89.7)**	**19.8**	**0.0**	**(0.0)**	**417.4**	**(379.5)**	**37.9**

Notes to the Accounts

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

2011/2012 Comparative

	Directorate Analysis £m	Services and Support not in Analysis £m	Amounts not reported to management for decision making £m	Amounts not included in Comprehensive I&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(162.6)	24.6	0.0	0.0	0.0	**(138.0)**	(5.5)	**(143.5)**
Interest and investment income	0.0	0.0	0.0	0.0	0.0	**0.0**	(2.6)	**(2.6)**
Income from council tax	0.0	0.0	0.0	0.0	0.0	**0.0**	(295.8)	**(295.8)**
Government grants and contributions	(652.2)	1.8	0.0	0.0	0.0	**(650.4)**	(247.0)	**(897.4)**
Total income	**(814.8)**	**26.4**	**0.0**	**0.0**	**0.0**	**(788.4)**	**(550.9)**	**(1,339.3)**
Employee expenses	614.6	0.0	(4.6)	0.0	24.9	**634.9**	0.0	**634.9**
Other service expenses	662.8	(107.7)	(9.1)	0.0	(0.2)	**545.8**	0.0	**545.8**
Support service recharges	24.7	0.0	0.0	0.0	(24.7)	**0.0**	0.0	**0.0**
Depreciation, amortisation and impairment	0.0	0.0	87.6	0.0	0.0	**87.6**	3.0	**90.6**
Interest payments	0.0	0.0	0.0	0.0	0.0	**0.0**	40.3	**40.3**
Precepts and levies	0.0	0.0	0.0	0.0	0.0	**0.0**	0.3	**0.3**
Gain or loss on disposal of non current assets	0.0	0.0	0.0	0.0	0.0	**0.0**	81.8	**81.8**
Total expenditure	**1,302.1**	**(107.7)**	**73.9**	**0.0**	**0.0**	**1,268.3**	**125.4**	**1,393.7**
Surplus or deficit on provision of services	**487.3**	**(81.3)**	**73.9**	**0.0**	**0.0**	**479.9**	**(425.5)**	**54.4**

Notes to the Accounts

25. Trading Operations

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

2011/2012					Other items		2012/2013
Net (surplus)/ deficit		**Turnover**	**Expenditure**	**Trading (surplus)/ deficit**	**Capital charge**	**Other**	**Net (surplus)/ deficit**
£m		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
0.1	Central Print	(1.5)	1.5	**0.0**	0.0	0.0	**0.0**
0.0	Occupational Health	(0.4)	0.4	**0.0**	0.0	(0.1)	**(0.1)**
(0.1)	Scientific Services	(1.4)	1.3	**(0.1)**	0.0	0.0	**(0.1)**
0.1	Outdoor Education*	(2.5)	2.5	**0.0**	0.1	0.1	**0.2**
0.0	Staffordshire Performing Arts*	(3.5)	3.5	**0.0**	0.0	(0.1)	**(0.1)**
(3.5)	Education Transformation*	(13.7)	13.0	**(0.7)**	0.1	(0.4)	**(1.0)**
(0.4)	Cleaning Division*	(10.9)	10.8	**(0.1)**	0.0	0.0	**(0.1)**
0.9	County Catering*	(19.8)	20.4	**0.6**	0.0	0.3	**0.9**
0.2	County Grounds*	(1.4)	1.6	**0.2**	0.1	(0.2)	**0.1**
(1.1)	County Fleet Care	(11.6)	9.3	**(2.3)**	2.1	(0.8)	**(1.0)**
(3.8)	**Total**	**(66.7)**	**64.3**	**(2.4)**	**2.4**	**(1.2)**	**(1.2)**

* These trading services have transferred to Entrust from 1st April 2013.

25. Trading Operations (Cont'd)

Trading Unit	Details of nature of unit
Central Print	The unit provides a print commissioning and design service to business units across the Council. The unit aims to achieve economies of scale through its buying power.
Occupational Health	The unit provides a full occupational health service to employees of the Council to enhance the well being of its employees with a view to reducing sickness absence rates and improving productivity.
Scientific Services	The unit is part of the Council's trading services unit and carries out a range of scientific testing to include food testing, petroleum testing and dealing with animal health issues.
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 organises 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.
Education Transformation	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 Council's premises including office accommodation, schools and other council establishments. The unit also bids for contracts from other public sector bodies.
County Catering	The division provides a catering service to the 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 Council. Vehicles include highways vehicles, schools transport vehicles and a range of vehicles used to support vulnerable adults in the county.

26. Pooled Budgets

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

Substance Misuse Commissioning Team – we play an active role in delivering the four main aims set down in the Government's ten-year national strategy, Tackling Drugs to Build a Better Britain (1998). We are the lead Council in the partnership involving 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	**2011/2012**		**2012/2013**	
	£m	**£m**	**£m**	**£m**
Funding provided to the pooled budget				
County Council	(0.3)		(0.2)	
North and South Staffordshire PCTs	(10.7)		(11.9)	
Other	(1.4)		(2.1)	
		(12.4)		(14.2)
Expenditure met from the pooled budget				
County Council	0.3		0.2	
North and South Staffordshire PCTs	9.5		10.5	
Other	0.9		1.3	
		10.7		12.0
Net surplus arising on the pooled budget during the year		(1.7)		(2.2)
County Council's share of net surplus/deficit arising on the pooled budget		**0.0**		**0.0**

Section 75		**2011/2012**		**2012/2013**
		£000		**£000**
Funding provided to the pooled budget				
County Council	(0.4)		(0.05)	
North Staffordshire PCT	(0.2)		(0.05)	
		(0.6)		(0.1)
Expenditure met from the pooled budget				
County Council	0.6		0.1	
North Staffordshire PCT	0.0		0.0	
		0.6		0.1
Net (surplus)/ deficit arising on the pooled budget during the year		0.0		0.0
County Council share of net surplus/deficit arising on the pooled budget		**0.0**		**0.0**

27. Members' Allowances

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

	2011/2012 £m	2012/2013 £m
Basic Allowance	0.6	0.5
Special Responsibility Allowance	0.3	0.3
Expenses	0.1	0.1
Total	**1.0**	**0.9**

28. Officers' Remuneration

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

Officer	Year	Salary, fees and allowances £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Chief Executive - Nick Bell	**2011/2012**	195,466	7,951	0	34,320	237,737
Chief Executive - Nick Bell	**2012/2013**	194,550	8,208	0	35,295	238,053
Director of Strategy & Transformation	**2011/2012**	119,838	5,570	0	21,120	146,528
Director of Strategy & Transformation **Note 1**	**2012/2013**	106,071	5,118	0	19,199	130,388
Director for People	**2011/2012**	144,838	5,555	0	25,520	175,913
Director for People	**2012/2013**	144,550	6,668	0	26,245	177,463
Director for Place	**2011/2012**	142,375	0	0	23,584	165,959
Director for Place	**2012/2013**	128,676	0	0	21,439	150,115
Director for Place **Note 2**	**2012/2013**	15,104	731	0	2,815	18,650

Notes to the Accounts

28. Officers' Remuneration (Cont'd)

Officer	Year	Salary, fees & allowances £	Taxable expenses and allowances £	Compensation for loss of office £	Employer's pension contributions £	Total including pension contributions £
Director of Customer Service & Communications	**2011/2012**	98,838	4,970	0	17,424	121,232
Director of Customer Service & Communications	**2012/2013**	87,059	6,818	0	15,838	109,715
Director of Strategy & Customer Service **Note 3**	**2012/2013**	13,929	974	0	2,521	17,424
Director of Law & Governance	**2011/2012**	98,838	4,527	0	17,424	120,789
Director of Law & Governance	**2012/2013**	87,059	4,656	0	15,839	107,554
Director of Democracy, Law & Transformation **Note 4**	**2012/2013**	13,929	717	0	2,521	17,167
Section 151 Officer, Director of Finance & Resources	**2011/2012**	133,838	6,939	0	23,584	164,361
Section 151 Officer, Director of Finance & Resources	**2012/2013**	133,550	7,277	0	24,254	165,081

28. Officers' Remuneration (Cont'd)

Notes for clarification

The Council does not offer bonuses to its employees.

Note 1 Due to a restructure, the role of Director of Strategy and Transformation was removed in February 2013. This resulted in an ongoing saving of £100,000.

Note 2 The Director of Place resigned during 2012/2013. The role was taken on by a new officer with effect from February 2013. The annualised salary remains the same at £134,000.

Note 3 The role of Director of Strategy and Customer Service was a new position from February 2013 and has an annualised salary of £120,000.

Note 4 The role of Director of Democracy, Law and Transformation was a new position from February 2013 and has an annualised salary of £120,000.

28. Officers' Remuneration (Cont'd)

The 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 2011/2012			Remuneration band	Number of employees 2012/2013		
Teachers	Non-teachers	Leavers		Teachers	Non-teachers	Leavers
181	65	8	£ 50,000 to £ 54,999	159	67	3
135	79	14	£ 55,000 to £ 59,999	137	54	3
68	20	14	£ 60,000 to £ 64,999	60	5	1
32	12	6	£ 65,000 to £ 69,999	38	11	3
20	25	5	£ 70,000 to £ 74,999	17	27	6
13	4	4	£ 75,000 to £ 79,999	14	14	8
14	17	10	£ 80,000 to £ 84,999	15	13	7
15	20	18	£ 85,000 to £ 89,999	8	11	2
6	5	8	£ 90,000 to £ 94,999	3	11	9
5	7	7	£ 95,000 to £ 99,999	1	3	3
3	6	2	£100,000 to £104,999	2	5	3
2	3	2	£105,000 to £109,999	1	11	8
0	3	3	£110,000 to £114,999	0	3	3
3	0	3	£115,000 to £119,999	1	1	2
0	1	1	£120,000 to £124,999	1	0	0
1	1	0	£125,000 to £129,999	2	4	3
0	1	1	£130,000 to £134,999	0	0	0
1	0	1	£135,000 to £139,999	0	0	0
1	3	2	£140,000 to £144,999	1	1	1
			£145,000 to £149,999			
	1		£150,000 to £154,999		1	
			£155,000 to £159,999			
			£160,000 to £164,999			
			£165,000 to £169,999			
			£170,000 to £174,999			
			£175,000 to £179,999			
			£180,000 to £184,999			
			£185,000 to £189,999			
			£190,000 to £194,999			
			£195,000 to £199,999			
	1		£200,000 to £204,999		1	
			£205,000 to £209,999			
			£210,000 to £214,999		1	1
500	**274**	**109**	**Total**	**460**	**244**	**66**

29. Exit Packages

The number of exit packages is disclosed below in bands of £20,000, up to £100,000 thereafter the number is disclosed in bands of £50,000. The note includes all costs to the Council when an employee leaves. Therefore redundancy payments, lump sum payments to the individual and any actuarial strain owed to the Pension Fund have been included.

Total Cost £	2011/2012 Number of employees Teachers	Other SCC	Remuneration band	2012/2013 Number of employees Teachers	Other SCC	Total Cost £
3,748,966	120	347	£0 to £ 20,000	51	246	2,514,941
6,072,465	94	125	£ 20,001 to £ 40,000	39	93	3,652,828
3,631,364	21	51	£ 40,001 to £ 60,000	6	34	1,956,282
1,738,504	5	20	£ 60,001 to £ 80,000	4	15	1,296,027
882,850	1	9	£ 80,001 to £ 100,000	0	6	533,399
1,219,895	0	11	£ 100,001 to £ 150,000	0	4	539,892
			£ 150,001 to £ 200,000	0	1	151,624
233,264	0	1	£ 200,001 to £ 250,000			
			£ 250,001 to £ 300,000			
333,404	0	1	£ 300,001 to £ 350,000			
			£ 350,001 to £ 400,000			
17,860,712	**241**	**565**	**Total**	**100**	**399**	**10,644,993**

Notes to the Accounts

30. External Audit Costs

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

	2011/2012	2012/2013
	£m	£m
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0.260	0.150
Fees payable to external auditors for the certification of grant claims and returns for the year	0.026	0.004
Total	**0.286**	**0.154**

31. Dedicated Schools Grant

In 2012/2013 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 2012/2013 are as follows:

	Schools budget funded by DSG		
	Central Expenditure £m	**Individual Schools Budget £m**	**Total £m**
Final DSG for 2012/2013	53.0	415.5	**468.5**
Brought forward from 2011/2012	5.6	0.0	**5.6**
Less amount carried forward to 2013/2014	(3.0)	0.0	**(2.9)**
Agreed budgeted distribution in 2012/2013	**55.6**	**415.5**	**471.2**
Actual central expenditure	(53.3)	0.0	**(53.3)**
Actual ISB (Individual Schools Budget) deployed to schools	0.0	(415.5)	**(415.5)**
Carry forward to 2013/2014	**2.3**	**0.0**	**5.2**

32. Grant Income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2012/2013.

	2011/2012 £m	2012/2013 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	41.3	3.2
New Homes Bonus	0.4	1.0
Council Tax Freeze Grant	7.4	7.4
Local Services Support Grant	1.8	1.8
Total	**50.9**	**13.4**
Credited to Services		
Department for Education	56.9	106.8
Department for Transport	22.4	21.4
Department of Health	25.6	22.4
Department for Communities and Local Government	1.6	1.6
DEFRA	1.0	0.8
Higher Education Funding Council for England	0.6	0.6
Home Office	1.5	1.3
YPLA (Formerly Learning Skills Council)	32.6	0.6
Skills Funding Council (Formerly LSC)	2.5	1.5
Youth Justice Board	0.5	2.0
Big Lottery	3.2	0.2
Training and Development Agency	0.4	0.3
Arts Council of Britain	0.0	1.2
ERDF	0.0	0.1
Business Innovation & Skills	0.3	1.5
Other	0.0	0.1
Total	**149.1**	**162.4**

32. Grant Income (Cont'd)

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

	31 March 2012	31 March 2013
	£m	£m
Capital Grants Receipts in Advance		
Standards Fund Grant	27.8	27.8
Department of Health	3.2	1.4
Other Contributions	10.6	31.9
Total	**41.6**	**61.1**

33. Related Parties

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

Central government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 24 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/2013 is shown in Note 27.

Members represent our interests within a range of organisations and some are also members of district, borough or parish councils within Staffordshire. Members make declarations under Sections 94 to 98 of the Local Government Act 1972 and under the Local Authorities (Model Code of Conduct) (England) Order 2001. Members also give details of their personal interests in council business to the Monitoring Officer. You can get more details from the Monitoring Officer, 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 26.

On 31 March 2013, we held cash totalling £203,892 (£296,907 on 31 March 2012) 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 the Environment Agency

2011/2012		2012/2013
£m		**£m**
0.3	Environment Agency - Severn Trent Region	0.3
0.3	**Total**	**0.3**

34. Capital Expenditure and Capital Financing

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

Capital Account Summary

2011/2012		2012/2013			
Total £m		Infra-Structure (inc Fees) £m	Land & Buildings (inc Fees) £m	Vehicles, Plant & Machinery £m	Total £m
	Capital Expenditure				
	Children, Young People and Families				
36.1	Education	0.0	20.0	6.6	26.6
0.6	Children's services	0.0	1.1	0.3	1.4
	Development Services				
56.4	Highways & Economic Development	62.7	0.0	0.0	62.7
1.9	Waste Disposal	0.0	1.5	0.0	1.5
6.0	Countryside/ Shugborough	0.0	0.5	0.0	0.5
0.8	County Fleet Care	0.0	0.0	0.6	0.6
0.4	Farms	0.0	0.3	0.0	0.3
0.0	Sustainability	0.0	1.4	0.0	1.4
15.7	Business Support	0.0	2.5	0.1	2.6
1.9	**Social Care and Health**	0.0	3.4	0.3	3.7
3.0	**Corporate and Other Services**	0.0	2.1	3.5	5.6
1.1	**Communities**	0.0	0.5	0.1	0.6
123.9	**Total**	**62.7**	**33.3**	**11.5**	**107.5**
	Financed From				
37.9	Borrowing				12.4
57.2	Capital Grants				45.6
8.2	Capital Receipts				10.9
1.8	Revenue				4.3
4.9	General Capital Reserve			12.2	
1.0	Earmarked Capital Reserves			0.9	
3.2	Trading Services Reserves			4.5	17.6
1.7	Other Contributions				8.1
8.0	Section 106 Contributions				8.6
123.9	**Total**				**107.5**

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

	2011/2012 £m	2012/2013 £m
Opening Capital Financing Requirement	**551.6**	**564.6**
Increase in underlying need to borrow (unsupported by government financial assistance)	14.1	(12.3)
Assets acquired under finance leases	(0.1)	(0.1)
Assets acquired under PFI/PPP contracts	(1.0)	(0.8)
Closing Capital Financing Requirement	**564.6**	**551.4**

35. Leases

Council as Lessee

Finance Leases

The Council leases 15 school buses.

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

31 March 2012 £m		31 March 2013 £m
0.5	Vehicles, Plant, Furniture and Equipment	0.3
0.5		**0.3**

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

31 March 2012 £m		31 March 2013 £m
	Finance lease liabilities (net present value of minimum lease payments):	
0.1	Current	0.2
0.7	Non current	0.5
0.1	Finance costs payable in future years	0.0
0.9		**0.7**

35. Leases (Cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	**31 March 2013**	**31 March 2012**	**31 March 2013**
	£m	**£m**	**£m**	**£m**
Not later than one year	0.2	0.2	0.1	0.2
Later than one year and not later than five years	0.7	0.5	0.7	0.5
	0.9	**0.7**	**0.8**	**0.7**

35. Leases (Cont'd)

Operating Leases

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

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

31 March 2012 £m		31 March 2013 £m
0.1	Not later than one year	0.4
0.5	Later than one year and not later than five years	0.4
0.7	Later than five years	1.1
1.3		**1.9**

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

31 March 2012 £m		31 March 2013 £m
0.1	Minimum lease payments	0.1
1.4	Contingent rents	1.9
1.5		**2.0**

35. Leases (Cont'd)

Council as Lessor

Finance Leases

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

Operating Leases

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

The 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.

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 2012 £m		31 March 2013 £m
0.0	Not later than one year	0.0
0.2	Later than one year and not later than five years	0.0
2.1	Later than five years	2.4
2.3		**2.4**

36. 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 about £45.0 million. It involves providing repairs and maintenance, energy, cleaning, caretaking and other services. The amount we paid in 2012/2013 was £2.0 million, paid for from extra government grants and contributions from schools. Further payments we make under the contract are performance related. In other words, we take off amounts if the accommodation is not available on time or if the performance is below a given standard.

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 2012/2013 was £10.0 million, paid for by extra government grants and contributions from revenue.

Children's Homes PFI Scheme
We entered into a further PFI contract in 2005/2006 to design, pay for and maintain three children's homes. The amount we paid in 2012/2013 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 2012 £m	31 March 2013 £m
Two Schools Scheme	12.8	12.9
Streetlighting Scheme	41.4	43.4
Children's Homes Scheme	4.7	4.6
Total value of assets	**58.9**	**60.9**

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 2012 £m	31 March 2013 £m
Two Schools Scheme	(7.2)	(6.8)
Streetlighting Scheme	(7.6)	(7.3)
Children's Homes Scheme	(3.9)	(3.7)
Total value of liabilities	**(18.7)**	**(17.8)**

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

Details of payments due

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

Two Schools Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.4	0.7	0.8
Due within 2 to 5 years	1.7	2.5	3.4
Due within 6 to 10 years	2.1	2.2	4.7
Due within 11 to 15 years	2.6	1.0	5.3
Total due	**6.8**	**6.4**	**14.2**

Streetlighting Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	2.4	0.7	3.6	0.1
Due within 2 to 5 years	9.9	2.3	15.4	0.3
Due within 6 to 10 years	13.4	1.9	22.0	0.6
Due within 11 to 15 years	14.5	0.8	25.7	0.7
Due within 16 to 18 years	0.4	0.0	0.7	0.0
Total due	**40.6**	**5.7**	**67.4**	**1.7**

Children's Homes Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.1	0.5	0.3
Due within 2 to 5 years	0.5	1.8	1.5
Due within 6 to 10 years	1.2	1.7	2.0
Due within 11 to 15 years	1.9	0.8	2.2
Total due	**3.7**	**4.8**	**6.0**

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

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

	Two Schools Scheme		Streetlighting Scheme		Children's Homes Scheme	
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013
	£m	£m	£m	£m	£m	£m
Balance outstanding at start of year	(7.7)	(7.2)	(8.0)	(7.6)	(4.0)	(3.9)
Payments during the year	0.5	0.4	2.3	2.3	0.1	0.1
Capital expenditure incurred in the year	0.0	0.0	(2.1)	(2.1)	0.0	0.0
Other movements	0.0	0.0	0.2	0.1	0.0	0.1
Balance outstanding at year end	**(7.2)**	**(6.8)**	**(7.6)**	**(7.3)**	**(3.9)**	**(3.7)**

37. Impairment Losses

During 2012/2013 the Council recognised impairment losses to a number of properties totalling £51.4 million. The main reasons for the impairment losses were changes in market value of the properties and the transfer of school assets to newly created academies. The loss has initially been charged to any balances within the revaluation reserve related to the asset that has been impaired. Any impairment value in excess of this has been charged across a range of service areas in the Comprehensive Income and Expenditure Statement depending on the occupation of the relevant property during 2012/2013.

Notes to the Accounts

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/2013, incurring liabilities of £8.9 million (£15.4 million in 2011/2012).

39. Pension Schemes Accounted for as Defined Contribution Schemes

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

The scheme is technically a defined benefit scheme. However the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of 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 2012/2013, the Council paid £46.6 million to the Teachers Pension Scheme in respect of teachers retirement benefits, representing 21.8% of pensionable pay. The figures for 2011/2012 were £47.9 million and 20.5%.

The Council is also responsible for all pension payments relating to added years benefits awarded, together with related increases. In 2012/2013 these amounted to £2.8 million (£2.5 million in 2011/2012) representing 1.3% of pensionable pay.

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

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments 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 2012/2013, the Council paid an employer's contribution of £41.7 million (£43.9 million in 2011/2012) 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 Council is responsible for all pension payments relating to added years benefits we have awarded, together with related increases. In 2012/2013 these amounted to £3.4 million (£3.5 million in 2011/12), which was 1.5% 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 2013 under IAS 19 as follows.

Analysis of amount we charge to revenue	**31 March 2012**		**31 March 2013**	
	£m	**Percentage of payroll**	**£m**	**Percentage of payroll**
Amount charged to revenue				
Service costs	46.7	18.7%	46.8	19.3%
Past service costs	0.3	0.1%	0.2	0.1%
Curtailment and settlements	2.9	1.2%	(0.4)	(0.2%)
Total operating charge	**49.9**	**20.0%**	**46.6**	**19.2%**
Amount credited to other finance income				
Expected return on employer assets	76.1	30.5%	65.8	27.1%
Interest on pension scheme payments	(91.6)	(36.7%)	(87.8)	(36.2%)
Net return after deductions	**(15.5)**	**(6.2%)**	**(22.0)**	**(9.1%)**
Net income and expenditure account cost	**65.4**	**26.2%**	**68.6**	**28.3%**

40. Defined Benefit Pension Schemes (Cont'd)

Actuarial losses of £119.5 million (£104.9 million loss in 2011/2012) are included in the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line is £633.9 million as at 31st March 2013 and £514.4 million as at 31st March 2012.

Balance Sheet

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

	31 March 2012 £m	**31 March 2013 £m**
Reconciliation of the present value of the scheme liabilities:		
1 April	1,654.0	1,832.0
Current service cost	46.7	46.8
Interest cost	91.6	87.8
Contribution by scheme members	16.2	15.5
Actuarial losses	76.4	226.4
Benefits paid	(68.1)	(65.9)
Past service costs	0.3	0.2
Losses on curtailments	13.4	6.3
Liabilities extinguished on settlements	1.5	(10.0)
31 March	**1,832.0**	**2,139.1**
Reconciliation of fair value of scheme assets:		
1 April	1,085.6	1,152.4
Expected rate of return	76.1	65.8
Actuarial gains and (losses)	(28.2)	106.9
Assets distributed on settlements	11.7	(3.3)
Employer's contributions	49.1	48.1
Contributions from scheme members	16.2	15.5
Benefits paid	(58.1)	(55.9)
31 March	**1,152.4**	**1,329.5**

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 £172.9 million (£48.2 million in 2011/2012).

40. Defined Benefit Pension Schemes (Cont'd)

Scheme history

	31 March 2009 £m	31 March 2010 £m	31 March 2011 £m	31 March 2012 £m	31 March 2013 £m
Fair value of employer assets	717.6	1,034.2	1,085.6	1,152.4	1,329.5
Present value of defined benefit obligation	(1,194.4)	(1,924.0)	(1,654.0)	(1,832.0)	(2,139.2)
Deficit	**(476.8)**	**(889.8)**	**(568.4)**	**(679.6)**	**(809.7)**
Experience (losses) /gains on assets	(276.9)	258.5	(35.9)	(28.2)	106.9
Experience (losses) /gains on liabilities	(1.2)	(3.2)	41.7	(31.3)	(0.7)

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £809.7 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 2014 are £44.9 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 2012 %	31 March 2013 %
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Expected return on assets	5.7%	4.5%
Rate for discounting scheme liabilities	4.8%	4.5%

	31 March 2012	31 March 2013	31 March 2012	31 March 2013
Life expectancy at age 65 (years)	**Males**		**Females**	
Current pensioners	21.2	21.2	23.4	23.4
Future pensioners	23.3	23.3	25.6	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.

40. 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 2012	31 March 2013	31 March 2012	31 March 2013
	£m	£m	%	%
Shares	898.9	1,050.3	6.2	4.5
Bonds	138.3	159.5	3.3	4.5
Property	103.7	106.4	4.4	4.5
Cash	11.5	13.3	3.5	4.5
Total	**1,152.4**	**1,329.5**		

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.

40. Defined Benefit Pension Schemes (Cont'd)

Movement in Pension Reserve deficit

	31 March 2012 £m	31 March 2013 £m
Deficit at beginning of the year	(568.4)	(679.6)
Current service costs	(46.7)	(46.8)
Employer contributions	49.1	48.1
Contributions for unfunded benefits	10.0	9.9
Past service costs	(0.3)	(0.2)
Effect of settlements and curtailments	(2.9)	0.4
Net return on assets	(15.5)	(22.0)
Actuarial gain	(104.9)	(119.5)
Deficit at end of year	**(679.6)**	**(809.7)**

The actuarial gains identified as movements on the Pension Reserve in 2012/2013 can be analysed into the following categories, measured as a percentage of assets at 31 March 2013.

	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %	2012/2013 %
Differences between the expected and actual return on assets	(38.59%)	25.00%	(3.31%)	(2.45%)	8.04%
Experience gains and losses on liabilities	(0.10%)	(0.17%)	2.52%	1.71%	0.03%

41. Contingent Liabilities

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

A report went before Cabinet on 19 June 2013 which explained the outcome of the review of residential fees paid to care home providers. The additional rates will apply from April 2013 only with the option of a 'hardship' fund being made available for care home providers who believe they have suffered financially in previous years.

42. Contingent Assets

At 31 March 2013 the Council does not have any material contingent assets.

43. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

3. interest rate risk - the possibility of short-term interest rate rises or falls.

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

5. refinancing risk - the possibility that the council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

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

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 have adopted and 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.

In taking account of Government regulations, in 2012/2013 we used Sector Treasury Services creditworthiness service to determine high quality banks and building societies with whom we will invest.
We will also invest with the bodies set out in Government regulations and AAA rated money market funds.
For 2012/2013 our investment policy can be summarised as follows (as at 31 March 2013).

- The UK Government directly (unlimited amount - maximum twelve months);
- UK Local Authorities and Parish Councils (unlimited amount - maximum twelve months);
- Sterling Money Market Funds with same-day access (up to £30 million per fund with instant access);
- Banks and Building Societies (up to £25 million each - a mix of instant access call account, 95 day notice account, 3 month and 12 month deposits); and
- The Council's banker the Co-operative Bank (up to £10 million - maximum one week).

In April 2012 we terminated a contract with Scottish Widows Investment Partnership (SWIP) who invested a £25 million cash portfolio on our behalf; funds were invested in-house instead.

43. 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 (around £71 million as at 31 March 2013).

The Council's maximum exposure to security risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Security risk applies to all of the Council's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise into actual losses.

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

	Estimated maximum exposure to default and uncollectability at 31 March 2012	Amounts at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability at 31 March 2013
		A	B	C	(A x C)
	£m	£m	%	%	£m
Customers	3.2	61.7	4.9	4.9	3.0
Total	**3.2**				**3.0**

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

The Council does not generally allow credit for customers, such that £16.2 million of the £61.7 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 2012	31 March 2013
	£m	£m
Less than three months	2.6	3.3
Three to six months	2.8	3.2
Six months to one year	2.6	1.7
More than one year	6.7	8.0
Total	**14.7**	**16.2**

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

2. Liquidity Risk

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

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

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

3. Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

At 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	1.1
Increase in interest receivable on variable rate investments	(1.4)
Impact on Surplus or Deficit on the Provision of Services	**(0.3)**
Decrease in fair value of fixed-rate investment assets	0.0
Impact on Other Comprehensive Income and Expenditure	**0.0**
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)	(82.7)

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

4. Price Risk

The Council has an equity investment (shareholding) in Entrust, to the value of £30.2 million. Whilst this holding is generally illiquid (i.e. the shares are not traded on any stock exchange), the Council is exposed to losses arising from movements in the price of the shares. The shares are classified as Available for Sale meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve. A general shift of 5% in the price of shares (positive or negative) would thus have resulted in a £1.51 million gain or loss being recognised in the Available for Sale reserve.

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

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 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.

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

The repayment structure of financial liabilities is as follows:

On 31 March 2012 £m	Financial Liabilities	On 31 March 2013 £m
412.0	PWLB	404.5
1.0	European Investment Bank	0.5
30.9	* LOBO - Eurohypo Bank	30.9
41.8	* LOBO - Depfa Bank	41.8
10.1	* LOBO - Dexia Bank	10.1
495.8	**Total**	**487.8**
46.8	within one year	36.3
15.0	over 1 under 2	33.7
31.6	over 2 under 5	20.5
24.0	over 5 under 10	24.0
19.8	over 10 under 15	19.8
5.0	over 15 under 20	5.0
29.0	over 20 under 30	24.0
72.1	over 30 under 40	113.4
252.5	over 40	211.1
495.8	**Total**	**487.8**

** LOBO - Lender Option Borrower Option loan*

6. Using Cash in Lieu of Borrowing

As at the 31 March 2013, around £71 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.

44. Education Endowments

We are responsible for managing 11 (11 in 2011/2012) individual trust funds which we have set up as a result of donations or money left to us from various sources. The purpose of most of the funds is to provide educational prizes, scholarships and special benefits of a kind we would not normally provide as a local education authority. We invest most funds in stocks and shares and, as they do not represent our assets, we do not include them in the Balance Sheet.

The funds are shown below.

	2011/2012			2012/2013		
	Total income	**Gross spending**	**Market value of fund**	**Total income**	**Gross spending**	**Market value of fund**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Rugeley Educational	79	46	1,691	80	61	1,861
Brewood Educational	71	71	1,400	68	66	1,631
Stafford Educational	18	17	348	15	18	388
Stafford Education Centre Charity	109	152	2,301	109	106	2,530
Alleynes – Stone	2	1	38	2	1	41
Alleynes – Uttoxeter	1	0	21	5	4	23
Tamworth High	8	8	172	8	6	192
Tamworth Youth Centre	1	0	38	1	3	45
Others	20	25	328	16	23	407
Total	**309**	**320**	**6,337**	**304**	**288**	**7,118**

45. Trust Funds

We manage a number of small funds on behalf of other organisations. These are mainly 33 social services comforts funds which are available to people in residential homes and day centres, and three other funds. The funds do not represent our assets and we do not include them in the Balance Sheet.

	Balance 31 March 2012	**Income**	**Spending**	**Balance 31 March 2013**
	£	**£**	**£**	**£**
Trust funds				
Social services comforts funds	107,955	61,886	(90,441)	79,400
Homestead and Lea House	7,200	0	0	7,200
Glebelands	1,000	0	0	1,000
Other	0	94,520	(2,469)	92,051
Chairman's charity	6,092	4,019	(2,020)	8,091
Total	**122,247**	**160,425**	**(94,930)**	**187,742**

STAFFORDSHIRE PENSION FUND

Financial statements

1 April 2012
to
31 March 2013

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 2013

Pensionable employees	35,008
Pensioners	26,637
Deferred pensioners (people who no longer pay into the scheme)	33,857
Total	**95,502**

Organisations which were active members of the fund at 31 March 2013

Staffordshire County Council (as employing authority)
Academy Enterprise Trust
Alrewas Parish Council
Anglesey Parish Council
APCOA Parking UK Limited
Aspire Housing Limited (Newcastle)
Audley Rural Parish Council
Belgrave Academy
Biddulph Town Council
Brereton and Ravenhill Parish Council
Brewood and Coven Parish Council
Bridgtown Parish Council
Burntwood Town Council
Bursley Academy
Burton and South Derbyshire College
C W Audit Services
Cannock Chase Academy
Cannock Chase District Council
Central Borders Housing Group
Chadsmead Primary Academy
Cheadle Town Council
Cheddleton Parish Council
Christchurch Academy
Codsall Parish Council
Colwich Parish Council
De Ferrers Academy
Draycott in the Clay Parish Council
East Staffordshire Borough Council
Eccleshall Parish Council
Essington Parish Council
Erasmus Darwin Academy
Evolve Young People
Fradley and Streethay Parish Council
Gnosall Parish Council
Great Wyrley Parish Council
Haywood Engineering Academy
Heath Hayes & Wimblebury Parish Council
Hednesford Town Council
Homezone Housing Limited (Lichfield)
Horninglow and Eton Parish Council
Inspace Partnerships
J & S Seddon (Building) Limited
John Taylor Academy
JDM Accord Limited
Keele University
KGB Cleaning Services Limited (ex Newcastle College)
Kidsgrove Town Council
Kier Group
Kinver Parish Council
Landau Forte Woodhouse Academy
Lapley, Stretton & Wheaton Aston Parish Council
Leek College
Leek Town Council
Lichfield City Council
Lichfield Diocese Woodard Academy
Lichfield District Council
Lichfield Garrick Academy
Liverpool Personal Services Society
Lovell Partnerships Limited
Make Some Noise West Midlands Limited
Mears Ltd
Mencap
Moorlands Housing
Mosley Academy
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)
Painsley Catholic College
Penkridge Parish Council
Perton Parish Council
R M Education
Rugeley Town Council
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 Edward's Church of England Academy
St Joseph's College Edmund Rice Academy Trust
St Margaret Ward School
St Thomas More Catholic College
Stafford and Rural Homes Limited
Stafford Borough Council
Stafford College
Staffordshire and Shropshire Valuation Tribunal
Staffordshire and Stoke on Trent NHS Partnership Trust
Staffordshire Moorlands District Council
Office of the Police and Crime Commissioner Staffordshire
Staffordshire University
Staffordshire University Academy
Stoke-on-Trent and Staffordshire Fire Authority
Stoke-on-Trent City Council
Stoke-on-Trent College
Stone Town Council
Swinfen and Packington Parish Council
Tamworth Borough Council
Taylor Shaw (Alleynes)
Taylor Shaw (Chasetown)
The Biddulph Academy
The Cheadle Academy
The College Academies Trust
The Co-operative Community Academy
The Creative Education Academy Trust
The Crescent Academy
The Discovery Academy
The Eaton Park Academy

The JCB Academy
The Landau Forte Academy
The Ormiston Horizon Academy
The Ormiston Sir Stanley Matthews Academy
The Rural Enterprise Academy
The Sutherland Academy
Thistley Hough High School
Trent and Dove Housing Association
Uttoxeter Town Council
Violet Way Academy
Wates Group Ltd
Weston Road Academy
Wigan Leisure and Culture Trust
Wilnecote High School
Wombourne Parish Council

Actuarial statement

This statement has been prepared in accordance with Regulation 34(1)(d) 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 2012/13.

Description of Funding Policy
The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated 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 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 as at the last formal funding valuation
The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. An estimate was also carried out as at 31 March 2013.

Date	31 March 2010	31 March 2013
Liabilities – ongoing basis	£m	£m
Assets	2,435	3,352
Liabilities	3,257	4,988
(Deficit)	(822)	(1,636)
Funding level	74.8%	67.2%

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.

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.

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 2010 valuation were as follows:

Financial assumptions	31 March 2010		31 March 2013	
	% p.a. Nominal	**% p.a. Real**	**% p.a. Nominal**	**% p.a. Real**
Discount rate	6.1%	2.8%	4.6%	1.8%
Pay increases	5.3%*	2.0%	4.8%	1.9%
Price inflation/Pension increases	3.3%	-	2.8%	-

* Salary increases are assumed to be 1% p.a. until 31 March 2012 reverting to the long term assumption shown 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
16 May 2013

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012/13 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts;

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

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

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

Balance sheet

Year Ended	**31 March 2012** **£m**	**31 March 2013** **£m**
Present Value of Promised Retirement Benefits	4,027	4,869

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 2013 comprises £2,787m in respect of employee members, £667m in respect of deferred pensioners and £1,415m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £571m.

Financial assumptions
My recommended financial assumptions are summarised below:

Year Ended	31 March 2012 % p.a.	31 March 2013 % p.a.
Inflation / Pension Increase Rate	2.5%	2.8%
Salary Increase Rate*	4.8%	5.1%
Discount Rate	4.8%	4.5%

*Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter

Longevity assumption
As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2007. 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

This assumption is the same as at 31 March 2012.

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

Professional notes
This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated 11 April 2013. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-
Douglas Green FFA
16 May 2013
For and on behalf of Hymans Robertson LLP

Pension fund account

Staffordshire Pension Fund account for the year ended 31 March 2013

	Notes	2011/2012 £m	2012/2013 £m
Contributions and benefits			
Contributions receivable	4	153.5	145.2
Transfers in	5	9.4	6.7
		162.9	**151.9**
Benefits payable	6	137.4	137.3
Leavers	7	52.8	10.6
Administrative expenses	8	2.7	2.3
		192.9	**150.2**
Net additions / (withdrawals) from dealings with fund members		**(30.0)**	**1.7**
Returns on investments			
Investment income	9	46.9	51.7
Change in the market value of investments	10	53.8	328.3
Investment management expenses	12	(8.5)	(9.6)
Net returns on investments		**92.2**	**370.4**
Net increase in the fund during the year		62.2	372.1
Opening net assets of the fund		2,617.2	2,679.4
Closing net assets of the fund		**2,679.4**	**3,051.5**

Net assets statement

Net assets statement at 31 March 2013

	Notes	2011/2012 £m	2012/2013 £m
Investment assets			
Fixed interest securities	10/10a	164.8	226.8
Equities	10/10a	916.8	1,143.6
Index-linked securities	10/10a	100.2	0.0
Pooled investment vehicles	10/10a	993.4	1,078.1
Property	10/10a	234.4	234.1
Cash deposits	10/10a	72.1	126.1
Other investment balances	10/10a	185.1	226.3
Derivatives	11	1.8	1.4
		2,668.6	**3,036.4**
Current assets	15	**21.2**	**22.8**
Current liabilities	16	**(10.4)**	**(7.7)**
Net assets of the fund at 31 March		**2,679.4**	**3,051.5**

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

The notes on pages **104** to **126** also form part of the pension fund financial statements.

Notes to the accounts

1. Basis of preparation

We have prepared the financial statements in accordance with the requirements of the Local Government Pension Scheme Regulations 1997, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended and the Statement of Recommended Practice (SORP) The Financial Reports of Pension Schemes (as amended in 2007).

The financial statements follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector and issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

2. Accounting policies

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

Investments

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

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

The value of fixed interest investments 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.

UK directly held property investments are stated at their value on the open-market based on an annual independent valuation (by Jones Lang Lasalle dated 11 April 2013), as at 31 March 2013. The valuation has been made in accordance with the RICS Valuation - Professional Standards, March 2012, published by the Royal Institute of Chartered Surveyors (RICS).

The private-equity, hedge-fund and alternatives 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 2013. 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.

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees (see note 10).

Investment income is recognised as follows:

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

Contributions

Normal contributions, both from 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. Additional and actuarial strain 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. Amounts not due until future years are classed as a deferred debtor.

Notes to the accounts (continued)

Transfer values

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

Foreign currency transactions

Dividends, interest and the purchase and sale of investments in foreign currencies have been accounted for at the spot rates at the date of transaction. Where forward foreign exchange contracts are in place for assets and liabilities in foreign currencies, the exchange rate set out in the contract is used. Other assets and liabilities in foreign currencies are given in Pound 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 (see note 10).

Investment management expenses

Investment management expenses, including performance-related fees, are accounted for on an accruals basis and are recognised before any VAT the fund can recover. Performance related fees were £1.18m in 2012/2013 (£1.27m in 2011/2012).

Administrative expenses

All staff costs of the pensions administration team are charged to the fund. A proportion of management, accommodation and other support services are charged to the fund based on Staffordshire County Council policy. All administrative expenses are accounted for on an accruals basis.

Taxation

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

Benefits payable

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

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

Cash and cash equivalents

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

Notes to the accounts (continued)

Financial instruments

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

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

- Financial assets and liabilities at fair value through profit or loss, these have two categories: *Designated*, where assets and liabilities are measured at fair value with fair value changes through profit and loss; and *Held for trading*, where financial assets and liabilities are held for the purpose of selling in the short term for which there is a pattern of short term profit making.

- Available for sale financial assets; any financial asset designated on initial recognition as available for sale.

- Loans and receivables; any financial asset with fixed or determinable payments not quoted in the open market such as debtors.

- Held to maturity investments; any financial asset which is intended to be held to maturity at amortised cost.

- Other financial liabilities measured at amortised cost using the effective interest rate.

Notes to the accounts (continued)

3. Pension fund investments 2012/2013

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

External fund manager	**31 March 2012 £m**		**31 March 2013 £m**	
Insight Investment (corporate bonds)	265.0	10%	231.3	8%
Standard Life Investments (UK equity)	262.8	10%	305.8	10%
Aberdeen Fund Management (global equity)	200.3	8%	253.0	8%
JP Morgan Asset Management (global equity)	187.2	7%	233.8	8%
Longview Partners (global equity)	100.9	4%	134.0	4%
Sarasin & Partners (global equity)	182.8	7%	236.4	8%
State Street Global Advisors (global index tracking)	808.2	30%	851.6	28%
Legal & General Investment Management (passive UK index-linked)	68.5	3%	152.6	5%
Russell Investments (emerging markets equity)	62.5	2%	68.7	2%
Pictet Asset Management (emerging markets equity)	50.0	2%	0.0	0%
Record Currency Management (currency hedging)	1.8	0%	0.7	0%
Colliers International UK plc (property)	234.7	9%	234.3	8%
Morgan Stanley Investment Management (alternatives funds)	33.3	1%	50.5	2%
Schroder Investment Management (alternatives funds)	33.3	1%	50.6	2%
Goldman Sachs Asset Management (hedge funds)	28.4	1%	30.0	1%
FRM Investment Management (hedge funds)	24.1	1%	25.2	1%
HarbourVest Partners (private equity)	68.7	3%	76.8	3%
Knightsbridge Advisors (private equity)	10.5	0%	10.8	0%
Partners Group (private equity)	11.5	0%	11.4	0%
Lazard Technology Partners (private equity)	2.0	0%	1.9	0%
Capital Dynamics (private equity)	1.4	0%	1.0	0%
Director of Finance and Resources (centrally held)	25.5	1%	67.8	2%
	2,663.4	**100%**	**3,028.2**	**100%**

During 2012/2013 the following major changes were made to the fund's investment management structure:

- The contract with Pictet Asset Management was terminated and the funds reinvested with the four global equity managers.
- The FRM contract was terminated on 28 March 2013 with the cash held by FRM pending payment back to the fund at 31 March 2013.
- The contract with Insight Investment was changed from UK government bonds to corporate bonds.

Notes to the accounts (continued)

Stock Lending

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

	31 March 2012	31 March 2013
	£m	**£m**
Equities - UK	44.6	23.7
Equities - Overseas	43.6	40.7
Index-linked - UK	7.5	0.0
Fixed interest - UK	92.0	13.0
Fixed interest - Overseas	0	14.6
	187.7	**92.0**

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 2013, the fund held £100.31 million (£200.18 million at 31 March 2012) of collateral in the form of government obligations (such as gilts) and equities.

Income received from stock-lending activities was £0.234 million for the year ending 31 March 2013 (£0.179 million for year ending 31 March 2012). This is included within the investment income figure shown on the pension fund account.

Notes to the accounts (continued)

4. Contributions receivable

	2011/2012 £m	2012/2013 £m
Employers		
Normal	99.5	100.8
Actuarial strain	17.7	7.7
Additional*	0	1.3
Scheme members		
Normal	36.3	35.4

**The additional contribution in 2012/2013 was made to the fund by Staffordshire County Council on behalf of Staffordshire and Stoke on Trent NHS Partnership Trust.*

Total	**153.5**	**145.2**

Employer's normal contributions include payments for past deficits as agreed by the actuary. The 31 March 2010 valuation's common contribution rate was 26.8**%** in total, of which 10.6**%** related to recovering past deficits.

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

Staffordshire County Council	66.7	61.3
Scheduled bodies	77.7	69.2
Admitted bodies	9.1	14.7
Total	**153.5**	**145.2**

5. Transfers in

	2011/2012 £m	2012/2013 £m
Individual transfers in from other schemes	**9.4**	**6.7**

6. Benefits payable

	2011/2012 £m	2012/2013 £m
Pensions	98.9	107.6
Commutations and lump-sum retirement benefits	35.6	25.9
Lump-sum death benefits	2.9	3.8
Total	**137.4**	**137.3**

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

Staffordshire County Council	60.2	62.3
Scheduled bodies	71.0	68.2
Admitted bodies	6.2	6.8
Total	**137.4**	**137.3**

Notes to the accounts (continued)

7. Payments to and on account of leavers

	2011/2012 £m	2012/2013 £m
Individual transfers to other schemes	6.8	6.9
Group transfers to other schemes*	46.0	3.7
Payments for members joining / (leaving) state scheme	0.0	0.0
Refunds to members leaving service	0.0	0.0

**The group transfer figure for 2012/2013 represents the final transfer of assets relating to the movement of Staffordshire Probation Service staff to the West Midlands Pension Fund.*

Total	**52.8**	**10.6**

8. Administrative expenses

	2011/2012 £m	2012/2013 £m
Administration and processing	2.1	1.9
Actuarial services	0.2	0.2
External Audit fee	0.0	0.0
Other expenses	0.4	0.2
Printing and publications	0.0	0.0
Total	**2.7**	**2.3**

9. Investment income

	2011/2012 £m	2012/2013 £m
Fixed interest securities	6.5	7.1
Dividends from equities	24.6	28.8
Income from index-linked securities	1.3	0.5
Income from pooled investment vehicles	1.0	1.4
Rents from property	12.8	13.5
Interest on cash deposits	0.6	0.2
Stock lending	0.2	0.2
Other	0.4	0.6
	47.4	**52.3**
Withholding tax we cannot recover	(0.5)	(0.6)
Total	**46.9**	**51.7**

Notes to the accounts (continued)

10. Investment reconciliation

	Value at 1 April 2012	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2013
	£m	£m	£m	£m	£m
Fixed interest securities	164.8	239.5	(188.4)	10.9	226.8
Equities	916.8	417.1	(345.1)	154.8	1,143.6
Index-linked securities	100.2	10.9	(109.4)	(1.7)	0.0
Pooled investment vehicles	993.4	67.2	(142.8)	160.3	1,078.1
Derivatives	1.8	6,113.9	(6,107.1)	(7.2)	1.4
Property	234.4	8.0	(1.6)	(6.7)	234.1
Other	179.9	59.7	(38.0)	16.5	218.1
	2,591.3	**6,916.3**	**(6,932.4)**	**326.9**	**2,902.1**
External cash deposits (centrally held)	25.5				67.7
Investment manager and central cash	46.6			1.4	58.4
	2,663.4			**328.3**	**3,028.2**
Outstanding dividend entitlements and recoverable withholding tax	5.9				8.6
Amount receivable for sales of investments	2.7				2.3
Amounts payable for purchases of investments	(3.4)				(2.7)
Total	**2,668.6**				**3,036.4**

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 2012/2013 were £1.69 million (£3.28 million in 2011/2012). 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 and within pooled investment vehicles.

The fund holds the following pooled investments that exceed 5% of the total value of net assets at 31 March 2013 (also at 31 March 2012):

- State Street Global Advisors, Passive UK Equity Portfolio - £286.3m (£280.7m at 31 March 2012);
- State Street Global Advisors, Passive All World Equity Portfolio - £565.5m (£527.6m at 31 March 2012).

As at 31 March 2013 the fund was committed to entering into the following investments:

- £46.69m of private equity investments (£57.12m at 31 March 2012);
- £3.44m of UK pooled property fund investments (£1.62m at 31 March 2012);
- £1.56m of UK directly held property investments (£0.57m at 31 March 2012).

A further analysis of the market value of investments at 31 March 2013 is given overleaf.

Notes to the accounts (continued)

10a. Analysis of investments

	31 March 2012 £m		31 March 2013 £m	
Fixed interest securities				
UK public sector quoted	164.8	6%	0.0	0%
UK corporate quoted	0.0	0%	94.7	3%
Overseas public sector quoted	0.0	0%	0.0	0%
Overseas corporate quoted	0.0	0%	132.1	4%
	164.8	**6%**	**226.8**	**7%**
Equities				
UK quoted	337.8	13%	405.5	13%
Overseas quoted	579.0	22%	738.1	25%
	916.8	**35%**	**1,143.6**	**38%**
Index-linked				
UK public sector	100.2	4%	0.0	0%
Other	0.0	0%	0.0	0%
	100.2	**4%**	**0.0**	**0%**
Pooled investment vehicles				
UK	332.7	12%	341.8	11%
UK index-linked	68.5	3%	152.6	5%
Overseas	592.2	22%	583.7	20%
	993.4	**37%**	**1,078.1**	**36%**

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

Derivatives (see note 11)				
Forward foreign currency	1.8	0%	1.1	0%
Futures	0.0	0%	0.3	0%
	1.8	**0%**	**1.4**	**0%**
Property				
UK directly held property	206.6	8%	206.9	7%
UK pooled property funds	27.8	1%	27.2	1%
	234.4	**9%**	**234.1**	**8%**
Other				
Alternatives funds	33.3	1%	86.2	3%
Hedge funds	52.5	2%	30.0	1%
Private equity	94.1	3%	101.9	3%
	179.9	**6%**	**218.1**	**7%**
Cash				
External deposits	25.5	1%	67.7	2%
Investment manager and central (£)	40.0	2%	52.2	2%
Investment manager and central (overseas)	6.6	0%	6.2	0%
	72.1	**3%**	**126.1**	**4%**
Total	**2,663.4**	**100%**	**3,028.2**	**100%**

Notes to the accounts (continued)

11. Derivative contracts

Forward foreign currency contracts

The open forward foreign currency contracts at 31 March are analysed in Pound Sterling (£) against other major currencies below.

	31 March 2012 Assets £m	31 March 2012 Liabilities £m	31 March 2013 Assets £m	1 March 2013 Liabilities £m
Canadian Dollar	0.3	(0.5)	0.1	(0.3)
Swiss Franc	1.6	(1.2)	1.6	(2.0)
Euro	5.2	(4.5)	9.5	(10.3)
Japanese Yen	12.2	(10.0)	16.5	(12.7)
United States Dollar	14.1	(15.4)	17.2	(18.5)
Other	0.0	0.0	0.0	0.0
	33.4	**(31.6)**	**44.9**	**(43.8)**

Futures contracts

	nominal value £ 000	31 March 2012 Assets £m	31 March 2012 Liabilities £m	31 March 2013 Assets £m	1 March 2013 Liabilities £m
Euro Bund Future (euro) - June 2013	5,960	0	0	0.0	(0.1)
Long Gilt Future (sterling) - June 2013	14,373	0	0	0.4	0.0
US 10 year Note (US$) - June 2013	9,573	0	0	0.0	0.0
US 5 year Note (US$) - June 2013	2,787	0	0	0.0	0.0
		0	**0**	**0.4**	**(0.1)**

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

Notes to the accounts (continued)

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.

	2011/2012 £m	2012/2013 £m
Management and administration fees	7.1	7.9
Custody fees	0.2	0.1
Performance measurement services	0.1	0.1
Other	1.1	1.5
Total	**8.5**	**9.6**

13. Directly held property net asset account

The fund had investments in property of £234.14m at 31 March 2013 (£234.36m at 31 March 2012), of which £206.91m was in directly held property (£206.60m at 31 March 2012). The account below reconciles the movement in the fund's investments in directly held property.

	2011/2012 £m	2012/2013 £m
Balance at start of year	163.1	206.6
Purchases at cost	47.3	8.0
Sale proceeds	0.0	0.0
Change in market value	(3.8)	(7.7)
Balance at 31 March	**206.6**	**206.9**

14. Directly held property fund account

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

	2011/2012 £m	2012/2013 £m
Rental income	12.8	13.5
Direct operating expenses	(1.1)	(1.4)
Net gain	**11.7**	**12.1**

Notes to the accounts (continued)

15. Current assets

	2011/2012 £m	2012/2013 £m
Contributions due		
Employers	16.3	17.1
Members	2.7	2.6
Cash balances	1.3	1.2
HM Revenue & Customs	0.0	0.0
Payments made in advance	0.0	0.0
Other	0.9	1.9
Total	**21.2**	**22.8**

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

	2011/2012 £m	2012/2013 £m
Central government bodies	9.3	8.5
Other local authorities	10.8	12.5
NHS bodies	0.0	0.0
Public corporations and trading funds	0.0	0.4
Other entities and individuals	1.1	1.4
Total	**21.2**	**22.8**

16. Current liabilities

	2011/2012 £m	2012/2013 £m
Investment management expenses	(2.8)	(2.4)
Income received in advance	(3.8)	(2.0)
Benefits payable	(3.2)	(2.5)
Other	(0.6)	(0.8)
Total	**(10.4)**	**(7.7)**

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

	2011/2012 £m	2012/2013 £m
Central government bodies	0.0	(1.0)
Other local authorities	(0.1)	0.0
NHS bodies	0.0	0.0
Public corporations and trading funds	0.0	0.0
Other entities and individuals	(10.3)	(6.7)
Total	**(10.4)**	**(7.7)**

Notes to the accounts (continued)

17. 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)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

	Clerical Medical	Equitable Life	Standard Life
	£m	**£m**	**£m**
Opening value	**1.0**	**0.9**	**2.4**
Income	0.1	0.0	0.3
Expenditure	(0.2)	0.0	(0.3)
Change in market value	0.1	(0.1)	0.2
Closing value	**1.0**	**0.8**	**2.6**

18. Related-party disclosure

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

The pension fund holds a small proportion of its assets in cash to meet short term commitments. This cash is managed by the Staffordshire County Council Treasury and Pension Fund team in line with the fund's Annual Investment Strategy which sets out the permitted counterparties and limits.

Staffordshire County Councillors can join the fund. As at 31 March 2013, five members of the Pensions Committee and the Pensions Panel had taken up this option.

Notes to the accounts (continued)

19. Deferred debtor

A transfer was made from the fund to the Civil Service Pension Scheme on 1 April 2005 in respect of magistrates courts. As at 31 March 2011 agreement had been reached that the fund was due a payment that represented the shortfall between the assets held and the liabilities retained within the fund. The shortfall of £8.512 million, including an allowance for the delay in receipt of 3.765%, meant ten payments were due to the fund of £1.004m. These payments commenced in 2011/2012 and the current assets figure at note 15 (Employers) records the £8.032 million due at 31 March 2013.

During 2012/2013 two payments of £1.004m were received. One of these payments related to 2013/2014 and has been included under the current liabilities figure at note 16 (income received in advance) . This income received in advance has not been deducted from the debtor of £8.032m at 31 March 2013.

20. Deferred liability

A cash transfer was made to the fund in 2011/2012 by the Environment Agency of £0.188m. The transfer was in respect of Pre-1974 Water Company Pensions increase recharges and represents income received in advance. £0.013m has been transferred to the revenue account in 2012/2013 and £0.013m will be released per year until 2025/2026. The current liabilities figure at note 16 (Income received in advance) includes the remaining £0.162m to be released at 31 March 2013.

21. Events after the balance sheet date

There have been no significant events since 31 March 2013 that require any adjustment to these accounts.

Notes to the accounts (continued)

22. Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. The value of unquoted private equity investments at 31 March 2013 was £101.94m (£94.18m at 31 March 2012).

Pension fund liability

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

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

The accounts contain estimated figures that are based on assumptions made 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 the assumptions and estimates.

The items in the net assets statement at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below.

Item	Uncertainty	Effect if actual results differ from assumptions
Private equity	Private equity funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £101.94m. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the funds directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of hedge funds in the financial statements is £30.03m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives funds	The fund invests in two diversified alternatives funds which are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of the fund's investments in alternatives funds in the financial statements is £86.17m. There is a risk that this investment may be under or overstated in the accounts.

Notes to the accounts (continued)

24. Classification of financial instruments

The net assets of the fund disclosed in the net assets statement and under note 10 are made up of the following categories of financial instruments. No financial instruments were reclassified during 2012/2013.

The analysis below and in subsequent notes on financial instruments does not include the pension funds directly held property . This is treated under a different accounting standard (IAS 40 Investment Property) and is disclosed under note 13 - Directly held property net asset account and note 14 - Directly held property fund account.

31 March 2013

	Designated as fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m	Total £m
Financial assets				
Fixed interest securities	226.8	0.0	0.0	226.8
Equities	1,143.6	0.0	0.0	1,143.6
Index-linked securities	0.0	0.0	0.0	0.0
Pooled investment vehicles	1,078.1	0.0	0.0	1,078.1
UK pooled property funds	27.2	0.0	0.0	27.2
Hedge funds	30.0	0.0	0.0	30.0
Private equity	101.9	0.0	0.0	101.9
Alternatives funds	86.2	0.0	0.0	86.2
Derivatives	1.4	0.0	0.0	1.4
Cash	0.0	127.3	0.0	127.3
Other investment balances	10.9	0.0	0.0	10.9
Current assets	0.0	21.6	0.0	21.6
	2,706.1	**148.9**	**0.0**	**2,855.0**
Financial liabilities				
Current liabilities	0.0	0.0	(7.7)	(7.7)
Other investment balances	(2.7)	0.0	0.0	(2.7)
	(2.7)	**0.0**	**(7.7)**	**(10.4)**
	2,703.4	**148.9**	**(7.7)**	**2,844.6**

Notes to the accounts (continued)

The previous years data is given below.

31 March 2012

	Designated as fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m	Total £m
Financial assets				
Fixed interest securities	164.8	0.0	0.0	164.8
Equities	916.8	0.0	0.0	916.8
Index-linked securities	100.2	0.0	0.0	100.2
Pooled investment vehicles	993.4	0.0	0.0	993.4
UK pooled property funds	27.8	0.0	0.0	27.8
Hedge funds	52.5	0.0	0.0	52.5
Private equity	94.1	0.0	0.0	94.1
Alternatives funds	33.3	0.0	0.0	33.3
Derivatives	1.8	0.0	0.0	1.8
Cash	0.0	73.4	0.0	73.4
Other investment balances	8.6	0.0	0.0	8.6
Current assets	0.0	19.9	0.0	19.9
	2,393.3	**93.3**	**0.0**	**2,486.6**
Financial liabilities				
Current liabilities	0.0	0.0	(10.4)	(10.4)
Other investment balances	(3.4)	0.0	0.0	(3.4)
	(3.4)	**0.0**	**(10.4)**	**(13.8)**
	2,389.9	**93.3**	**(10.4)**	**2,472.8**

Notes to the accounts (continued)

25. Net gains and losses on financial instruments

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

	2011/2012 £m	2012/2013 £m
Financial assets		
Designated as fair value through profit and loss	56.9	334.6
Loans and receivables	0.7	1.4
	57.6	**336.0**

26. Fair value of financial instruments

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

	31 March 2012		31 March 2013	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Fair value through profit and loss	2,062.3	2,393.3	2,148.5	2,706.1
Loans and receivables	93.3	93.3	148.9	148.9
Financial Liabilities				
Fair value through profit and loss	(3.4)	(3.4)	(2.7)	(2.7)
Financial liabilities measured at amortised cost	(10.4)	(10.4)	(7.7)	(7.7)
	2,141.8	**2,472.8**	**2,287.0**	**2,844.6**

Notes to the accounts (continued)

27. Valuation of financial instruments carried at fair value

The fund is required to classify its financial instruments into three levels of a fair value hierarchy according to the quality and reliability of information used to determine fair values. The three levels are detailed below.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. Examples of financial instruments classified as level 1 are quoted equities and fixed interest securities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). An example of a level 2 financial instrument is a pooled property fund as they are not traded in a market that is considered to be active and valuation techniques used to determine fair value use inputs based significantly on observable market data.

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

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

31 March 2013

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	2,459.7	28.3	218.1	2,706.1
Loans and receivables	148.9	0.0	0.0	148.9
Financial liabilities				
Designated as fair value through profit and loss	(2.7)	0.0	0.0	(2.7)
Financial liabilities at amortised cost	(7.7)	0.0	0.0	(7.7)
	2,598.2	**28.3**	**218.1**	**2,844.6**

Notes to the accounts (continued)

The previous years data is given below.

31 March 2012

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Designated as fair value through profit and loss	2,183.8	29.6	179.9	2,393.3
Loans and receivables	93.3	0.0	0.0	93.3
Financial liabilities				
Designated as fair value through profit and loss	(3.4)	0	0	(3.4)
Financial liabilities at amortised cost	(10.4)	0	0	(10.4)
	2,263.3	**29.6**	**179.9**	**2,472.8**

Notes to the accounts (continued)

28. Nature and extent of risks arising from financial instruments

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

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

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

Market risk

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

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

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

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

Market risk – sensitivity analysis

In consultation with the fund's investment advisor the following movements in market prices have been judged as possible for the 2013/2014 financial year. The potential market movements figures also allow for interest rate and currency rate fluctuations.

Asset type	Potential market movements
UK equity	+/- 16%
Overseas equity	+/- 20%
Private equity	+/- 28%
UK fixed interest bonds	+/- 13%
UK Index-linked bonds	+/- 8%
Corporate bonds	+/- 13%
Cash	+/- 1%
UK pooled property funds	+/- 14%
Alternatives	+/- 9%

This movement in the market prices would increase or decrease the net assets at 31 March 2013 to the amounts shown overleaf.

Notes to the accounts (continued)

Asset type	31 March 2013	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK corporate bonds	94.7	13%	107.0	82.4
Overseas corporate bonds	132.1	13%	149.3	114.9
UK equities	405.5	16%	470.4	340.6
Overseas equities	738.1	20%	885.7	590.5
UK pooled investments	341.8	16%	396.5	287.1
UK index-linked pooled investments	152.6	8%	164.8	140.4
Overseas pooled investments	583.7	20%	700.4	467.0
Forward foreign currency	1.1	0%	1.1	1.1
Futures	0.3	0%	0.3	0.3
UK pooled property funds	27.2	14%	31.0	23.4
Hedge funds	30.0	9%	32.7	27.3
Private equity	101.9	28%	130.4	73.4
Alternatives funds	86.2	9%	94.0	78.4
Cash	126.1	1%	127.4	124.8
Outstanding dividend entitlements and recoverable withholding tax	8.6	0%	8.6	8.6
Amount receivable for sales of investments	2.3	0%	2.3	2.3
Amounts payable for purchases of investments	(2.7)	0%	(2.7)	(2.7)
Current assets	22.8	0%	22.8	22.8
Current liabilities	(7.7)	0%	(7.7)	(7.7)
	2,844.6		**3,314.3**	**2,374.9**

Interest rate risk

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

Changes in market interest rates would affect the value of the fund's fixed interest and index-linked securities. The amount of income the fund generates from its cash holdings would also be affected.

Foreign currency risk

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

A significant proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has appointed Record Currency Management to manage a dynamic currency hedging mandate.

Credit risk

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

During the year the fund switched some of it's bond investments from government to corporate bonds. The additional risk of investing in corporate bonds was deemed appropriate due to the additional return they currently generate over government bonds.

The fund is also exposed to credit risk through the custodian and other investment managers that hold assets. The fund minimises credit risk through the careful selection and monitoring of high quality counterparties. Assets and cash held by the custodian are in the pension fund's name.

Notes to the accounts (continued)

Through its stock lending programme the fund is exposed to the collateral provided by the borrower against the securities lent. To manage this risk the collateral permitted is restricted to government obligations (such as gilts) and equities; collateral is held in excess of the securities lent.

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

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

In 2012/2013 investments were made with:
- Staffordshire County Council's banker, The Co-operative Bank (up to £5m - maximum one week)
- "AAA" rated Pound Sterling (£) Money Market funds with same day access (lower of £20m or 50% of cash held)
- Banks and Building Societies that met the funds credit criteria (lower of £10m or 25% of cash held - maximum 12 months)

At 31 March 2013, £67.72m was held in this way (£25.45m at 31 March 2012).

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. To manage this risk the fund holds an allocation of its assets in cash to meet short term commitments.

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

Capitalised
Spending on assets which carry a future benefit.

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

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

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

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

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

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

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

Contingency
The money we set aside for unexpected spend.

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

Contributors
Employees of authorities who contribute to the pension fund.

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

Glossary

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

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

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

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

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.

Service Reporting Code of Practice (SeRCOP)
The CIPFA Code of Practice which sets out the categories for reporting services externally.

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

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

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

Tactical Asset Allocation
Using futures to:

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

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

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

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

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

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