

Statement of Accounts

for

2013/2014

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Introduction

This Statement of Accounts gives you an overall impression of our finances.

Accounting rules and practices are complex and difficult to understand, and there are some technical words and terms that we have to use. We have tried to make this statement as clear and understandable as possible in the circumstances. To help you, at the back of this document, we have provided a glossary to explain some of the financial and accounting terms we have had to use.

The Statement of Accounts for 2013/2014 was available for inspection from 23 June to 18 July 2014. The formal audit of our accounts began on 30 June 2014 and we received an unqualified opinion on the accounts on 25 September 2014. 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 2013/2014, 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 2013/2014 financial year mean that we have had to make changes to the accounts.

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 2014 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 2013/2014.

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

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

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

Revenue Budget

The 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 2013 the Joint Venture, Entrust Support Services Limited (“Entrust”), began trading. The County Council owns 49% of the shares within Entrust and these are shown on our balance sheet. There are also additional statements in our accounts which reflect our share of Entrust.

Responsibility for Public Health transferred to the County Council with effect from 1st April 2013. This service is funded from a ring-fenced grant therefore only the amount to be funded from general grant is shown in the table on page 8.

Overall we originally planned to spend £507.8 million on providing services during 2013/2014. This money came from government grants of £150.6 million, council tax of £267.9 million (after adjusting for any surplus or deficit) and £89.3 million of business rates.

We continued to review our services to identify improvements that could be made and we also made savings by doing this review. In 2013/2014 we delivered £27.7 million of savings, when we had planned to make £37.0 million of savings.

There was a decrease in Council Tax in 2013/2014 of 0.15% which meant that our Band D charge is the lowest of any English County Council.

Revenue Figures

We spent £531.9 million on our day to day activities which was £8.0 million (or 1.5%) 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 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 £9.5 million more than budget on Care. A number of factors have led to this overspend, these include the impact of a review of fees paid to residential care providers which has contributed £2.2 million to the overspend; and an assumption on the level of savings which would be generated by the health economy, these savings were not realised which has contributed £2.4 million to the overspend. An action plan was developed and is in place to reduce the pressure on the budget and its positive impact is reflected in the easing of pressures across a number of budget headings.

The Learning and Skills service area underspent by £1.3 million relating to savings made across various budget heads, mainly savings on staffing and redundancy costs.

The Wellbeing service also underspent by £0.8 million which related to the carers programme and the assistive technology budget. There was an in year risk relating to the medical equipment contract spend which has subsequently been mitigated through working with our NHS partners and the contractor.

In the Place service area, Built County underspent by £0.8 million, due to a number of factors including additional income received and reduced expenditure on Speed Indication Devices and on Community Infrastructure.

Sustainable County overspent by £0.7 million which is largely due to an increase in waste tonnages. Rather than continuing to decline as budgeted, the eventual overall tonnage exceeded 2012/2013 levels by over 5,000 tonnes (1.3%).

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 £454.6 million in DSG during 2013/2014. We regularly report how we use this money to the Schools Forum. In 2013/2014 we spent £8.6 million less than expected (see note 31 on page 68). After allowing for all spending from reserves including capital investment, overall school reserves have increased by £0.1 million to £43.3 million at the end of the year.

Capital Figures

In 2013/2014, we spent grants from the Government totalling £51.1 million, compared to £45.6 million in 2012/2013. We also accounted for £27.6 million of borrowing 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 2013/2014 was £115.3 million, compared to £107.5 million in 2012/2013.

Our achievements during the year include the following.

- Continued investment into initiatives to reduce the Council's carbon footprint;
- Continued development of the i54 South Staffordshire strategic employment site, home of Jaguar Land Rover. The site is being developed in partnership with

Foreword by the Director of Finance and Resources

Wolverhampton City Council and South Staffordshire District Council at a total cost of £56 million;

- Continued development of the Redhill Employment Park in Stafford at a cost of £10.7m;
- Good progress is being made with the Superfast Broadband project and the first milestone was reached on 1st April 2014;
- Completion of new Scientia / Reach 2 Academy;
- Creation of a state of the art St Modwen's Primary School;
- An extension to Christ Church Primary School is virtually complete;
- Loxley Hall Youth Centre has been remodelled.

You can get more information on our overall 2013/2014 figures for revenue and capital in the report to Cabinet on 18 June 2014, 'Final Outturn Report for 2013/14'.

Interpretation and Comment on the Main Financial Information

The Balance Sheet on page 22 shows that the total of assets less liabilities is £450.5 million. This is a decrease compared with the total of assets less liabilities of £566.8 million in 2012/2013.

The reasons for this decrease are that the Council's share of any liabilities associated with the pension fund has increased from £809.7 million to £927.0 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. 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.

The value of cash and cash equivalents that we held at 31 March has decreased by £31.8 million and our short term investments have also decreased by £50.7 million to a nil balance. Our long term investments have increased by £26.0 million. This decrease in cash is expected as it is in line with our treasury management strategy of using cash instead of borrowing money. In addition we have invested over a longer term in order to gain a better return.

In line with standard accounting practice, we have included the assets and liabilities for the Waste to Energy PFI scheme on our balance sheet. The plant became fully operational in March 2014 and therefore has been included on our balance sheet for the first time. This addition explains both the increase in Property, Plant and Equipment of £211.2 million and the increase in PFI scheme related liabilities of £165.0 million.

Reserves and Balances

In total our useable reserves (those we set aside for a specific purpose and our general reserves and balances), have decreased by £41.2 million. After taking account of the outturn, the General Fund Balance total was £15.9 million as at 31 March 2014 (see the Movement in Reserves Statement on page 21).

The Capital Reserve (that is, money set aside for capital expenditure) has decreased by £11.1 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.

Foreword by the Director of Finance and Resources

Earmarked reserves (including school reserves) have decreased by £13.3 million to £88.8 million as a result of services spending money that had been set aside in previous years. This includes investment in our IT equipment which has been planned over a number of years.

Our reserves are reviewed annually to ensure they are still required and are at the correct level, this occurs as part of our budget setting process in February. The reserves were last reviewed in February 2014 and were deemed to be sufficient, the review formed part of a report to the County Council which can be viewed here: <http://moderngov.staffordshire.gov.uk/documents/s46493/MTFS%20Budget%20report.pdf>

Pension Fund

2013/2014 was another successful year for the Pension Fund as global economies continued the long recovery from the financial crises and equity values continued to rise, albeit at a slower pace and less evenly than the previous year. The fund is now valued at £3,293.4 million and more detail on the fund's assets and liabilities can be seen in the Pension Fund account and separate Net Assets Statement on pages 109 and 110.

The Council's share of the Pension Fund's assets is estimated to be £1,383.3 million and these have increased by £53.8 million since 2012/2013. 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 2013/2014. 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 2014/2015 as our funding will continue to reduce over the medium term. We have already identified and plan to achieve a further £42.3 million of savings during 2014/2015.

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. This will take place after the General Election in May 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. We are also working with public sector partners across Staffordshire in order to ensure the funding available is used most effectively.

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.

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



Andrew Burns CPFA
Director of Finance and Resources
Date: 27 June 2014

Foreword by the Director of Finance and Resources

The table compares the budget with the final outturn (spending) for 2013/2014

	Budget £m	Outturn £m	Variation £m
People			
Care	271.4	280.9	9.5
Learning and Skills	58.8	57.5	(1.3)
Safety	6.0	5.5	(0.5)
Business Improvement	5.0	5.0	0.0
Wellbeing	19.0	18.2	(0.8)
Corporate Costs – Learning & Skills	0.0	0.8	0.8
People Total	360.2	367.9	7.7
Place			
Built County	31.2	30.4	(0.8)
Rural County	2.4	2.5	0.1
Sustainable County	23.6	24.3	0.7
Transport and Connected County	13.9	13.9	0.0
Business and Enterprise County	3.9	3.7	(0.2)
Tourism and Cultural County	9.6	9.8	0.2
Economic Planning and Future Prosperity	0.6	0.6	0.0
Place Business Management	2.5	2.4	(0.1)
Place Total	87.7	87.6	(0.1)
Corporate / Support Services			
Finance and Resources	1.7	3.3	1.6
Law, Democracy and Transformation	9.7	9.3	(0.4)
Strategy and Customer Service	6.7	6.5	(0.2)
Public Health	0.8	0.7	(0.1)
Trading Services Contribution	(0.7)	(0.7)	0.0
Corporate / Support Services Total	18.2	19.1	0.9
Service Total	466.1	474.6	8.5
Centrally Controlled Items			
Interest on Balances and Debt Charges	43.4	43.4	0.0
Other*	14.4	13.9	(0.5)
Centrally Controlled Total	57.8	57.3	(0.5)
Planned Net Revenue Budget / Expenditure	523.9	531.9	8.0

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

Audit Opinion

Independent Auditors' Report to the members of Staffordshire County Council (the "Authority")

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Staffordshire County Council, comprise:

- the Balance Sheet as at 31 March 2014;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

In applying the financial reporting framework, the Responsible Financial Officer has made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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:

Audit Opinion

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

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 financial statements are prepared is consistent with the financial statements.

Other 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Director of Finance and Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance and Resources is responsible for the preparation of the financial statements 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 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

Audit Opinion

Our responsibility is to audit and express an opinion on the financial 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 ISAs (UK & 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 the Authority'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.

Report on the pension fund accounts

Our opinion

In our opinion the pension fund accounts, defined below:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014, and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of

Practice on Local Authority Accounting in the United Kingdom 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The pension fund accounts contained within the Statement of Accounts of Staffordshire County Council for the year ended 31 March 2014, comprise:

- the Net Assets Statement as at 31 March 2014;
- the Fund Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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 2013/14.

In applying the financial reporting framework, the Director of Finance and Resources has made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, he has made assumptions and considered future events.

Audit Opinion

What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts 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 Director of Finance and Resources; and
- the overall presentation of the Pension Fund Accounts.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Responsibilities for the pension fund accounts and the audit

Our responsibilities and those of the Director of Finance and Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance and Resources is responsible for the preparation of the pension fund accounts 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 2013/14.

Our responsibility is to audit and express an opinion on the pension fund 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 ISAs (UK & 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 the Authority'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.

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 pension fund accounts are prepared is consistent with the pension fund accounts.

Audit Opinion

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, 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 2014.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

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 on 15 October 2013, as to whether the Authority 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 Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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 Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our responsibilities and those of the Authority

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Audit Opinion

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 Commission because the Council has not yet prepared its Pension Fund Annual Report and Accounts on which we are required to give an audit opinion.



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

Date: 25 September 2014

- (a) The maintenance and integrity of the Staffordshire County Council website is the responsibility of the directors; 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 they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts 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. In this authority, that officer is the Director of Finance and Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- Approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities

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

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

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

The Director of Finance and Resources has also:

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

DIRECTOR OF FINANCE AND RESOURCES CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.



Andrew Burns CPFA
Director of Finance and Resources
Date: 27 June 2014

Chairman's Certificate

I confirm that the 2013/2014 Statement of Accounts for Staffordshire County Council and Staffordshire Pension Fund were approved by the Audit and Standards Committee on 15 September 2014.

A handwritten signature in blue ink, appearing to be 'M. Smith', is written over a faint, light blue rectangular stamp. The signature is fluid and cursive.

Chairman of Audit and Standards Committee
Date: 15 September 2014

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). These principles have been applied consistently throughout the year. We have obtained guidance from the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14' 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 has been prepared with reference to:

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

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

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

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

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

2 Property, plant and equipment

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

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

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

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

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- 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 2014. 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.

3 Basis of charge for using property, plant and equipment

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

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

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- 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.

4 Assets held for sale

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

5 Heritage assets

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

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.

6 Leases

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

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

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

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

Items of Property, Plant and Equipment financed by finance leases are shown in the balance sheet. Rental payments on operating leases are charged to the revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable and associated future liabilities are disclosed in the notes. For finance leases where the County Council is a lessee the Authority recognises finance leases as assets and liabilities at the present value of the minimum lease payments. The Authority's incremental borrowing rate on PWLB loans has been used to determine the interest rate implicit in the lease. Any initial indirect costs of the lease are added to the value of the asset.

7 Stock and work in progress

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

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

8 Debtors and creditors

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

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

9 Pensions

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

- Teachers
This is an unfunded scheme (that is, there is no fund set aside to pay future pensions) run by the Department for Education. The pension cost we charge to the accounts is the contribution rate set by the Department for Education.
- Other employees
Other employees, depending on certain conditions, can join the Local Government Pension Scheme (LGPS), which we run. The pension costs we charge to our accounts for these employees are equal to the contributions we pay to the pension scheme for these employees, including the effect of any actuarial changes. See Note 40 for further detail.

Statement of Accounting Policies

Discretionary benefits

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

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

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

10 Debt

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

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

Lender option borrower option

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

11 Investments

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

12 Reserves

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

13 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

Statement of Accounting Policies

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.

14 Interest on balances

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

15 VAT

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

16 Support service costs

We share the costs of our central departments between the Comprehensive Income and Expenditure Statement and capital accounts in line with 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.

17 Government grants and contributions

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

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

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

18 Private finance initiative (PFI)

We have three existing PFI schemes and one new scheme. 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.

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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.

19 Endowment and trust funds

We run 48 of these funds. They mostly include small amounts received from private individuals, which we have invested to provide an income each year. They do not form part of our accounts.

20 Financial Instruments

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

Financial liabilities

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

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

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

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.

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

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

21 Cash and cash equivalents

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

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

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

Statement of Accounting Policies

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

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

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

22 Interests in companies

In our accounts, we record interests in companies and other organisations as investments. Currently we have one interest in a company, Entrust and this is shown on the balance sheet as a long term investment.

23 Employee Benefits

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

24 Group Accounts

As mentioned above, we have an interest in Entrust and in accordance with the Code, we must reflect this interest in our accounts. We own 49% of Entrust and therefore we have shown 49% of the transactions relating to Entrust in the Group Accounts section of the Statement of Accounts.

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.

2012/2013 Gross expenditure Restated £m	2012/2013 Gross income £m	2012/2013 Net expenditure (See note 1) £m		2013/2014 Gross expenditure £m	2013/2014 Gross income £m	2013/2014 Net expenditure £m
578.8	(557.7)	21.1	Education:			
			Delegated schools	576.7	(549.5)	27.2
158.6	(45.1)	113.5	Other education and children's services	170.8	(19.8)	151.0
737.4	(602.8)	134.6	Total education and children's services	747.5	(569.3)	178.2
10.7	(3.6)	7.1	Planning services	9.0	(4.7)	4.3
80.5	(17.7)	62.8	Highways and transport services	74.3	(16.2)	58.1
24.9	(4.4)	20.5	Cultural and related services	27.5	(4.4)	23.1
308.8	(103.5)	205.3	Adult social care	307.4	(75.9)	231.5
0.0	0.0	0.0	Public Health	29.6	(31.4)	(1.8)
53.4	(20.5)	32.9	Environmental and regulatory services	56.8	(24.7)	32.1
20.0	(70.2)	(50.2)	Corporate and democratic core	12.7	(3.6)	9.1
6.7	(2.1)	4.6	Central services to the public	8.3	(2.3)	6.0
(0.2)	0.0	(0.2)	Non distributed costs	(0.7)	0.0	(0.7)
1,242.2	(824.8)	417.4	Cost of services	1,272.4	(732.5)	539.9
		116.3	Other operating expenditure (Note 7)			49.7
		52.4	Financing and investment income and expenditure (Note 8)			59.6
		(537.8)	Taxation and non-specific grant income (Note 9)			(580.1)
		48.3	Deficit on provision of services (Note 24)			69.1
		(22.5)	Surplus on revaluation of non current assets			(38.4)
		109.1	Actuarial losses on pension assets/liabilities			81.2
		86.6	Items that will not be reclassified to the deficit on the provision of services			42.8
		0.0	Deficit on revaluation of Available For Sale Financial Assets			4.4
		0.0	Items that may be reclassified to the deficit on the provision of services			4.4
		86.6	Other comprehensive income and expenditure			47.2
		134.9	Total comprehensive income and expenditure			116.3

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 2012	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	(48.3)	0.0	0.0	0.0	0.0	0.0	(48.3)	0.0	(48.3)
Other comprehensive income and expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(86.6)	(86.6)
Total comprehensive income and expenditure	(48.3)	0.0	0.0	0.0	0.0	0.0	(48.3)	(86.6)	(134.9)
Adjustments between accounting basis and funding basis under regulations (Note 5)	60.4	0.0	0.0	2.3	0.0	0.0	62.7	(62.7)	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)	0.0	(0.5)	7.6	0.0	0.0	0.0
Increase/decrease in 2012/2013	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
<u>Movement in reserves during 2013/2014</u>									
Deficit on the provision of services	(69.1)	0.0	0.0	0.0	0.0	0.0	(69.1)	0.0	(69.1)
Other comprehensive income and expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(47.2)	(47.2)
Total comprehensive income and expenditure	(69.1)	0.0	0.0	0.0	0.0	0.0	(69.1)	(47.2)	(116.3)
Adjustments between accounting basis and funding basis under regulations (Note 5)	27.7	0.0	0.0	0.2	0.0	0.0	27.9	(27.9)	0.0
Net increase/decrease before transfers to earmarked reserves	(41.4)	0.0	0.0	0.2	0.0	0.0	(41.2)	(75.1)	(116.3)
Transfers to/from earmarked reserves	24.6	0.1	(11.1)	0.0	(0.2)	(13.4)	0.0	0.0	0.0
Increase/decrease in year	(16.8)	0.1	(11.1)	0.2	(0.2)	(13.4)	(41.2)	(75.1)	(116.3)
Balance at 31 March 2014 carried forward	15.9	43.3	(39.2)	9.1	(0.4)	45.5	74.2	376.3	450.5

Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 2012	31 March 2013		Notes	31 March 2014
£m	£m			£m
1,850.0	1,774.6	Property, plant and equipment	10	1,985.8
8.8	9.4	Heritage assets	11	8.4
30.8	32.9	Long term debtors		28.4
0.0	30.2	Long term investment	12	56.2
1,889.6	1,847.1	Long term assets		2,078.8
8.1	50.7	Short term investments	13	0.0
12.6	22.8	Assets held for sale	17	22.9
3.3	2.7	Inventories	14	1.4
54.8	85.3	Short term debtors	15	91.9
93.7	60.6	Cash and cash equivalents	16	28.8
172.5	222.1	Current assets		145.0
(0.6)	(0.6)	Short term borrowing		(0.7)
(91.6)	(100.2)	Short term creditors	18	(108.4)
(46.8)	(36.3)	Long term borrowing repayable within one year	13	(54.9)
(3.1)	(3.1)	PFI and finance leases deferred liability	13	(3.3)
(0.8)	(0.1)	Short term provisions	19	(0.1)
(14.2)	(11.3)	Accumulated absences creditor	20	(10.0)
(157.1)	(151.6)	Current liabilities		(177.4)
(6.5)	(4.0)	Long term creditors		(3.3)
(10.2)	(9.1)	Long term provisions	19	(11.1)
(449.0)	(451.5)	Long term borrowing	13	(432.4)
(679.6)	(809.7)	Pension scheme liability	40	(927.0)
(16.4)	(15.4)	PFI and finance lease liability	13	(180.0)
(41.6)	(61.1)	Capital grants receipts in advance	32	(42.1)
(1,203.3)	(1,350.8)	Long term liabilities		(1,595.9)
701.7	566.8	Net assets		450.5
(101.0)	(115.4)	Usable reserves (Movement in Reserves Statement)		(74.2)
(600.7)	(451.4)	Unusable reserves	20	(376.3)
(701.7)	(566.8)	Total reserves		(450.5)

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.

2012/2013		2013/2014
£m		£m
48.3	Net deficit on the provision of services	69.1
(204.4)	Adjustments to net deficit on the provision of services for non cash movements	(128.2)
92.0	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	50.4
(64.1)	Net cash flows from Operating activities (Note 21)	(8.7)
86.2	Investing Activities (Note 22)	36.9
11.0	Financing Activities (Note 23)	3.6
33.1	Net decrease in cash and cash equivalents	31.8
93.7	Cash and cash equivalents at the beginning of the reporting period (Note 16)	60.6
60.6	Cash and cash equivalents at the end of the reporting period (Note 16)	28.8

Notes to the Accounts

1. Prior Period Adjustments

A prior period adjustment occurs when the accounts from last year need to be amended due to a change of accounting policy or an error.

The International Accounting Standards Board (IASB) have issued a new version of IAS19 effective for financial years starting on or after January 2013. A number of new requirements have been added which include combining the interest cost and expected return on asset components of profit into a net figure. Actuarial gains and losses and the actual return on plan assets ('remeasurements') are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income and Expenditure in the periods in which they occur. Administration costs directly related to the management of plan assets are now recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure

Therefore we have restated the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Cash Flow Statement from 2012/2013 as follows;

Comprehensive Income and Expenditure Statement 2012/2013

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

	Original net expenditure 2012/2013 £m	Restatement £m	Restated net expenditure 2012/2013 £m
Cost of services	417.4	0.0	417.4
Financing and investment income and expenditure	42.0	10.4	52.4
Deficit on provision of services	37.9	10.4	48.3
Actuarial losses on pension assets/liabilities	119.5	(10.4)	109.1
Other comprehensive income and expenditure	97.0	(10.4)	86.6
Total comprehensive income and expenditure	134.9	0.0	134.9

Notes to the Accounts

1. Prior Period Adjustments (Cont.)

Movement in Reserves Statement 2012/2013

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

	Original Total usable reserves 2012/2013 £m	Restatement £m	Restated Total usable reserves 2012/2013 £m	Original unusuable reserves 2012/2013	Restatement	Restated unusuable reserves 2012/2013
Balance at 1 April 2012	101.0	0.0	101.0	600.7	0.0	600.7
<u>Movement in reserves during 2012/2013</u>						
Deficit on the provision of services	(37.9)	(10.4)	(48.3)	0.0	0.0	0.0
Other comprehensive income and expenditure	0.0	0.0	0.0	(97.0)	10.4	(86.6)
Total comprehensive income and expenditure	(37.9)	(10.4)	(48.3)	(97.0)	10.4	(86.6)
Adjustments between accounting basis and funding basis under regulations	52.3	10.4	62.7	(52.3)	(10.4)	(62.7)
Balance at 31 March 2013 carried forward	115.4	0.0	115.4	451.4	0.0	451.4

Notes to the Accounts

1. Prior Period Adjustments (Cont.)

Cash Flow Statement 2012/2013

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

	Original balances 2012/2013 £m	Restatement £m	Restated balances 2012/2013 £m
Net deficit on the provision of services	37.9	10.4	48.3
Adjustments to net deficit on the provision of services for non cash movements	(194.0)	(10.4)	(204.4)
Net cash flows from Operating activities	(64.1)	0.0	(64.1)

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 four PFI contracts to provide schools, children's homes, waste disposal 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.

Notes to the Accounts

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

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

The items in the Council's Balance Sheet at 31 March 2014 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.
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% decrease in the discount rate assumption would result in an increase in the pension liability of £0.2m. 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 27 June 2014 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 27 June 2014. No events have occurred which require disclosure in the accounts.

Notes to the Accounts

5. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the 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			
	General Fund Balance	Capital grants unapplied	Earmarked capital receipts	Movement in unusable reserves
	£m	£m	£m	£m
2013/2014				
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(58.3)	0.0	0.0	58.3
Capital grants and contributions applied	67.3	0.0	0.0	(67.3)
Amounts of non current assets written off on disposal or sale/part of the gain/loss on disposal to the Income and Expenditure Statement	(53.1)	0.0	0.0	53.1
<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	15.4	0.0	0.0	(15.4)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0.5	(0.5)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.3	0.0	(0.3)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Income and Expenditure Statement	4.7	0.0	(4.7)	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	4.7	(4.7)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 20)	1.4	0.0	0.0	(1.4)
Employers pension contributions and direct payments to pensioners payable in the year	(36.1)	0.0	0.0	36.1
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1.5	0.0	0.0	(1.5)
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	1.3	0.0	0.0	(1.3)
Total adjustments	(27.7)	(0.2)	0.0	27.9

Notes to the Accounts

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

	Usable Reserves			
	General Fund Balance	Capital grants unapplied	Earmarked capital receipts	Movement in unusable reserves
	£m	£m	£m	£m
2012/2013				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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 as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(124.8)	0.0	0.0	124.8
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
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 Comprehensive 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 Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 20)	3.3	0.0	0.0	(3.3)
Employers pension contributions and direct payments to pensioners payable in the year	(20.9)	0.0	0.0	20.9
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 Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.9	0.0	0.0	(2.9)
Total adjustments	(60.4)	(2.3)	0.0	62.7

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 2013/2014.

	Balance at 1 April 2012	Transfers out 2012/2013	Transfers in 2012/2013	Balance at 31 March 2013	Transfers out 2013/2014	Transfers in 2013/2014	Balance at 31 March 2014
	£m	£m	£m	£m	£m	£m	£m
General Fund:							
Information technology	17.4	(7.4)	3.5	13.5	(9.0)	4.3	8.8
PFI equalisation	3.4	0.0	0.6	4.0	(0.1)	0.4	4.3
Other Service Reserves	0.4	(0.1)	0.1	0.4	(0.4)	0.0	0.0
Insurance	1.9	0.0	0.0	1.9	0.1	0.0	2.0
Insurance trading account*	0.9	(0.2)	0.6	1.3	(15.4)	9.9	(4.2)
Trading services appropriation reserve	8.9	(2.0)	2.3	9.2	(5.1)	2.3	6.4
Renewing vehicles and plant reserve	0.2	0.0	0.0	0.2	(0.1)	0.0	0.1
Redundancy reserve	(8.2)	(4.4)	15.2	2.6	(5.3)	3.7	1.0
Insurance self funding schools absence	1.0	(2.6)	2.3	0.7	(1.7)	1.8	0.8
Other insurance reserves	2.3	(1.9)	1.6	2.0	(0.9)	1.5	2.6
Job evaluation*	(0.9)	0.0	0.2	(0.7)	0.0	0.8	0.1
Business Rates Pool	0.0	0.0	0.0	0.0	0.0	0.8	0.8
Revenue carried forward	24.0	(6.6)	6.4	23.8	(9.5)	8.5	22.8
Total revenue earmarked reserves	51.3	(25.2)	32.8	58.9	(47.4)	34.0	45.5
Capital guideline carry forward	1.6	(0.5)	0.4	1.5	(0.9)	1.1	1.7
Earmarked capital receipts carried forward *	(1.3)	(0.7)	0.3	(1.7)	(2.2)	1.8	(2.1)
Total capital earmarked reserves	0.3	(1.2)	0.7	(0.2)	(3.1)	2.9	(0.4)
Total earmarked reserves	51.6	(26.4)	33.5	58.7	(50.5)	36.9	45.1

* 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.

Notes to the Accounts

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

School Reserves

Under the Education Reform Act 1988, if we have given a budget to a school and they have not spent it, they can still use that money, even though, technically it is held in our reserves. In other words, these unspent balances represent a special form of reserve which is not available for us to use. The schools revenue balances we hold in this way currently total £43.3 million. Schools hold balances of £6.0 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 2012 £m	Increase / (reduction) £m	Balance 31 March 2013 £m	Increase / (reduction) £m	Balance 31 March 2014 £m
<u>Delegated revenue budgets</u>					
Primary schools	19.1	0.1	19.2	0.9	20.1
Secondary schools	14.8	0.3	15.1	(0.8)	14.3
Special	2.7	0.3	3.0	0.4	3.4
	36.6	0.7	37.3	0.5	37.8
Outstanding loans	(0.5)	0.1	(0.4)	(0.1)	(0.5)
Net school reserves as 31st March	36.1	0.8	36.9	0.4	37.3
Earmarked reserves	6.8	(0.5)	6.3	(0.3)	6.0
Total	42.9	0.3	43.2	0.1	43.3

Notes to the Accounts

7. Other Operating Expenditure

2012/2013 £m	2013/2014 £m
0.3 Levies	0.3
2.1 Impairment on assets held for sale	1.0
113.9 Losses on the disposal of non current assets*	48.4
116.3 Total	49.7

*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

2012/2013 £m Restated	2013/2014 £m
24.0 Interest payable and similar charges	26.5
32.4 Pensions interest cost and expected returns on pension assets	36.4
(2.8) Interest receivable and similar income	(2.2)
(1.2) Trading Services Surplus	(1.1)
52.4 Total	59.6

9. Taxation and Non-Specific Grant Income

2012/2013 £m	2013/2014 £m
(295.5) Council tax income	(270.1)
(164.4) NNDR	(89.3)
(13.4) Non-ringfenced government grants	(152.9)
(64.5) Capital grants and contributions	(67.8)
(537.8) Total	(580.1)

Notes to the Accounts

10. Property, Plant and Equipment

Movements on Balances in 2013/2014

	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 2013	1,146.4	165.8	670.2	1.0	7.6	(0.0)	1,991.0	86.3
Additions	78.9	130.2	63.8	0.0	0.5	7.9	281.3	166.8
Revaluation increases recognised in the Revaluation Reserve	46.5	3.3	0.0	0.0	0.4	0.3	50.5	4.0
Revaluation decreases recognised in the Deficit on the Provision of Services	(19.4)	0.0	0.0	0.0	(0.6)	(0.8)	(20.8)	0.0
Derecognition - Disposals	(50.8)	(5.7)	0.0	0.0	0.0	0.0	(56.5)	0.0
Assets Reclassified (to) / from Held for Sale	(3.6)	0.0	0.0	(1.1)	0.2	(0.4)	(4.9)	0.0
Reversal of non- enhancing expenditure initially capitalised as capital spend	(17.2)	(1.7)	0.0	0.0	0.0	(0.2)	(19.1)	0.0
At 31 March 2014	1,180.8	291.9	734.0	(0.1)	8.1	6.8	2,221.5	257.1

Notes to the Accounts

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

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 2013	(16.8)	(103.0)	(96.6)	0.0	0.0	0.0	(216.4)	(25.4)
Depreciation Charge	(17.2)	(7.5)	(13.0)	0.0	0.0	0.0	(37.7)	(2.2)
Depreciation written out to the Revaluation Reserve	8.2	0.7	0.0	0.0	0.0	0.0	8.9	1.1
Depreciation written out to the Deficit on the Provision of Services	1.1	0.0	0.0	0.0	0.0	0.0	1.1	0.0
Derecognition - Disposals	1.9	6.5	0.0	0.0	0.0	0.0	8.4	1.1
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 2014	(22.8)	(103.3)	(109.6)	0.0	0.0	0.0	(235.7)	(25.4)
Net Book Value								
At 31 March 2014	1,158.0	188.6	624.4	(0.1)	8.1	6.8	1,985.8	231.7
At 31 March 2013	1,129.6	62.8	573.6	1.0	7.6	(0.0)	1,774.6	60.9

Notes to the Accounts

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

Comparative Movements 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
	23.4	1.9	0.0	13.8	0.3	0.0	39.4	2.0
Revaluation increases recognised in the Revaluation Reserve								
	(31.7)	0.0	0.0	0.0	(0.1)	0.0	(31.8)	0.0
Revaluation decreases recognised in the Deficit on the Provision of Services								
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

Notes to the Accounts

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

Accumulated Depreciation and Impairment

	Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in Property, Plant and Equipment £m
At 1 April 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 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

Notes to the Accounts

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 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
Cost or Valuation				
1 April 2013	5.6	3.5	0.3	9.4
Disposals	0.0	(1.1)	0.0	(1.1)
Revaluations	0.0	0.1	0.0	0.1
At 31 March 2014	5.6	2.5	0.3	8.4

Notes to the Accounts

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 shareholder's funds as at 31 December 2013 is £52.7 million and the County Council's share of this is £25.8 million.

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

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 2012 £m	31 March 2013 £m	31 March 2014 £m	31 March 2012 £m	31 March 2013 £m	31 March 2014 £m
Investments	0.0	0.0	30.4	8.1	50.7	0.0
Items contained within cash and cash equivalents (Within Note 16)						
Call accounts and short term deposits				20.2	4.5	13.8
Bank Overdraft				(7.9)	(14.7)	(11.4)
Money Market Funds				81.4	70.8	26.4
Loans and receivables	0.0	0.0	0.0	101.8	111.3	28.8
Available for sale investments	0.0	30.2	25.8	0.0	0.0	0.0
Total investments	0.0	30.2	56.2	101.8	111.3	28.8
Borrowings						
Financial liabilities at amortised cost	449.0	451.5	432.4	46.8	36.3	54.9
Total borrowings	449.0	451.5	432.4	46.8	36.3	54.9
Other long term liabilities						
PFI and finance lease liabilities	16.4	15.4	180.0	3.1	3.1	3.3
Total other long term liabilities	16.4	15.4	180.0	3.1	3.1	3.3

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.

Notes to the Accounts

13. Financial Instruments (Cont'd)

Income, Expense, Gains and Losses

	2012/2013			2013/2014		
	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Total £m	Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Total £m
Interest expense / Reduction in fair value	(24.0)	0.0	(24.0)	(26.5)	0.0	(26.5)
Total expense in Surplus or Deficit on the Provision of Services	(24.0)	0.0	(24.0)	(26.5)	0.0	(26.5)
Interest income / Increase in fair value	0.0	2.8	2.8	0.0	2.2	2.2
Total income in Surplus or Deficit on the Provision of Services	0.0	2.8	2.8	0.0	2.2	2.2
Net (loss) /gain for the year	(24.0)	2.8	(21.2)	(26.5)	2.2	(24.3)

Notes to the Accounts

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 2012	31 March 2012	31 March 2013	31 March 2013	31 March 2014	31 March 2014
	Carrying amount	Fair value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
PWLB - maturity	411.6	448.6	404.1	468.9	404.2	443.8
PWLB - equal instalments of principal	0.4	0.5	0.4	0.5	0.3	0.4
Lender option borrower option	82.8	81.8	82.8	84.6	82.8	81.3
European investment bank	1.0	1.1	0.5	0.5	0.0	0.0
Financial liabilities	495.8	532.0	487.8	554.5	487.3	525.5

The fair value of the liabilities is higher than the carrying amount as at 31 March 2014, 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.

Notes to the Accounts

13. Financial Instruments (Cont'd)

Fair Value of Assets and Liabilities (Cont'd)

	31 March 2012	31 March 2012	31 March 2013	31 March 2013	31 March 2014	31 March 2014
	Carrying amount	Fair value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m
Money market funds	81.0	81.0	70.8	70.8	26.4	26.4
Deposits with banks and building societies	28.7	28.3	55.2	55.2	13.8	13.8
Local authority deposits	0.0	0.0	0.0	0.0	30.4	30.9
Loans and receivables	109.7	109.3	126.0	126.0	70.6	71.1
Available for Sale investments	0.0	0.0	30.2	30.2	25.8	25.8
Financial Assets	109.7	109.3	156.2	156.2	96.4	96.9

The fair value and carrying amount are broadly the same, as interest rates on deposits are similar to market rates as at 31 March 2014.

The fair value and carrying amount of the available for sale investment in Entrust represent the county council's share of the company.

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

Notes to the Accounts

14. Inventories

	Consumable stores		Client services Work in progress		Total	
	2012/2013 £m	2013/2014 £m	2012/2013 £m	2013/2014 £m	2012/2013 £m	2013/2014 £m
Balance outstanding at start of year	3.0	2.4	0.3	0.3	3.3	2.7
Purchases	13.7	1.8	0.1	0.3	13.8	2.1
Recognised as an expense in the year	(14.0)	(1.3)	(0.1)	(0.1)	(14.1)	(1.4)
Written off balances	(0.3)	(2.0)	0.0	0.0	(0.3)	(2.0)
Balance outstanding at year-end	2.4	0.9	0.3	0.5	2.7	1.4

Notes to the Accounts

15. Short Term Debtors

31 March 2012	31 March 2013		31 March 2014
£m	£m		£m
53.2	88.3	Trade debtors and prepayments	87.5
4.8	0.0	VAT (due to us)	7.6
(3.2)	(3.0)	Allowance for doubtful debts (debts we think may not be paid)	(3.2)
<hr/>			<hr/>
54.8	85.3	Total	91.9

16. Cash and Cash Equivalents

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

31 March 2012	31 March 2013		31 March 2014
£m	£m		£m
(7.9)	(14.7)	Bank overdraft	(11.4)
20.2	4.5	Call accounts and short-term deposits *	13.8
81.4	70.8	Money Market Funds *	26.4
<hr/>			<hr/>
93.7	60.6	Total cash and cash equivalents	28.8

* 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.

Notes to the Accounts

17. Assets Held for Sale

	Current	
	2012/2013	2013/2014
	£m	£m
Balance outstanding at start of year	12.6	22.8
Assets newly classified as held for sale:		
Property, Plant and Equipment	22.1	4.9
Impairments	(2.1)	(1.0)
Assets sold	<u>(9.8)</u>	<u>(3.8)</u>
Balance outstanding at year-end	22.8	22.9

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

18. Short-Term Creditors

31 March 2012	31 March 2013		31 March 2014
£m	£m		£m
(75.2)	(82.1)	Trade and other creditors	(95.8)
(12.5)	(11.4)	Tax and money owed to HM Revenues and Customs	(10.0)
(3.9)	(6.7)	Money received in advance	(2.6)
<hr/>	<hr/>		<hr/>
(91.6)	(100.2)	Total	(108.4)

Notes to the Accounts

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		Long Term Provisions Total
				Before LGR	After LGR	
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2013	(1.0)	(0.3)	(1.2)	(0.1)	(6.5)	(9.1)
Amounts used in 2013/2014	1.1	0.3	0.1	0.0	0.1	1.6
Amounts contributed to provision	0.0	0.0	(0.1)	(0.5)	(3.0)	(3.6)
Balance at 31 March 2014	0.1	0.0	(1.2)	(0.6)	(9.4)	(11.1)

Short term provisions

	CRC £m	Short Term Provision Total £m
Balance at 1 April 2013	(0.1)	(0.1)
Amounts used in 2013/2014	0.1	0.1
Amounts contributed to provision in 2013/2014	(0.1)	(0.1)
Balance at 31 March 2014	(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 had set aside money to meet any costs arising from any further claims for equal pay. As at 31st March 2014 there are no equal pay claims outstanding.

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.

Notes to the Accounts

20. Unusable Reserves

31 March 2012	31 March 2013		31 March 2014
£m	£m		£m
(164.6)	(191.6)	Revaluation reserve	(234.8)
(1,146.2)	(1,097.6)	Capital adjustment account	(1,097.0)
4.5	4.5	Financial instruments adjustment account	4.5
689.8	816.5	Pensions reserve	932.6
0.0	0.0	Available for Sale reserve	4.4
1.6	5.5	Collection fund adjustment account	4.0
14.2	11.3	Accumulated absences account	10.0
(600.7)	(451.4)	Total Unusable Reserves	(376.3)

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.

2012/2013			2013/2014	
£m	£m		£m	£m
	(164.6)	Balance at 1 April		(191.6)
(56.0)		Upward revaluation of assets	(63.6)	
		Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services	<u>6.0</u>	
<u>9.6</u>				
	(46.4)	Surplus on revaluation of non-current assets not posted to the deficit on the provision of services		(57.6)
2.1		Difference between fair value depreciation and historical cost depreciation	2.3	
<u>17.3</u>		Accumulated gains on assets sold or scrapped	<u>12.1</u>	
	19.4	Amounts written off to the Capital adjustment account		14.4
	(191.6)	Balance at 31 March		(234.8)

Notes to the Accounts

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.

2012/2013 £m		2013/2014 £m
<u>(1,146.2)</u>	Balance at 1 April	<u>(1,097.6)</u>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	Charges for depreciation and impairment of non current assets	
72.1		58.3
	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		53.1
	Adjusting amounts written out of the Revaluation Reserve	
(19.4)		(14.4)
<u>177.5</u>	Net written out amount of the cost of non current assets consumed in the year	<u>97.0</u>
	Capital financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	
(10.9)		(4.7)
	Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	
(61.9)		(67.3)
	Application of grants to capital financing from the Capital Grants Unapplied Account	
(0.2)		(0.3)
	Statutory provision for the financing of capital investment charged against the General Fund balance	
(27.7)		(27.7)
	Capital expenditure charged against the revenue fund (including Balance Sheet transactions)	
(28.2)		3.6
<u>(128.9)</u>		<u>(96.4)</u>
(1,097.6)	Balance at 31 March	(1,097.0)

Notes to the Accounts

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 2013 will be charged to the General Fund over future years.

2012/2013 £m	2013/2014 £m
4.5 Balance at 1 April	4.5
<u>4.5 Balance at 31 March</u>	<u>4.5</u>

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.

2012/2013 £m	2013/2014 £m
689.8 Balance at 1 April	816.5
109.1 Actuarial gains or losses on pension assets and liabilities	81.4
Reversal of items relating to retirement benefits debited or credited to the deficit on (3.3) the provision of services in the Comprehensive Income and Expenditure Statement	(1.4)
Employer's pension contributions and direct payments to pensioners payable in the 20.9 year	36.1
<u>816.5 Balance at 31 March</u>	<u>932.6</u>

Available for Sale Reserve

The Available for Sale Reserve manages the differences in valuation of the long term investment. This investment is shares in the Joint Venture, Entrust, and its value can go up and down. These fluctuations are reflected in this reserve.

2012/2013 £m	2013/2014 £m
0.0 Balance at 1 April	0.0
0 Amount of decrease in value of investment	4.4
<u>0.0 Balance at 31 March</u>	<u>4.4</u>

Notes to the Accounts

20. Unusable Reserves (Cont'd)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates 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.

2012/2013 £m		2013/2014 £m
	1.6 Balance at 1 April	5.5
	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with	
	3.9 statutory requirements	(1.5)
	5.5 Balance at 31 March	4.0

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.

2012/2013 £m		2013/2014 £m
	14.2 Balance at 1 April	11.3
	Settlement or cancellation of accrual made at the end of the preceding year	
(14.2)		(11.4)
11.3	Amounts accrued at the end of the current year	10.1
	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	
	(2.9) requirements	(1.3)
	11.3 Balance at 31 March	10.0

Notes to the Accounts

21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/2013		2013/2014
£m		£m
(3.0)	Interest received	(1.9)
24.1	Interest paid	23.7

22. Cash Flow Statement - Investing Activities

2012/2013		2013/2014
£m		£m
180.2	Purchase of property, plant and equipment, investments and intangible assets	111.4
(9.9)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5.4)
0.0	Proceeds from short-term and long-term investments	(20.3)
(84.1)	Other receipts from investing activities	(48.8)
86.2	Net cash flows from investing activities	36.9

23. Cash Flow Statement - Financing Activities

2012/2013		2013/2014
£m		£m
3.0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3.1
8.0	Repayments of short and long-term borrowing	0.5
11.0	Net cash flows from financing activities	3.6

Notes to the Accounts

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 2013/2014

	People £m	Place £m	Corporate and Central Services £m	Total £m
Fees, Charges and Other Service Income	(139.2)	(38.3)	(23.5)	(201.0)
Government Grants	(565.0)	(6.0)	(0.5)	(571.5)
Total Income	(704.2)	(44.3)	(24.0)	(772.5)
Employee Expenses	497.1	29.3	12.7	539.1
Other Service Expenses	579.5	104.8	61.5	745.8
Support Service Recharges	8.5	6.8	4.2	19.5
Total Expenditure	1,085.1	140.9	78.4	1,304.4
Net Expenditure	380.9	96.6	54.4	531.9

Notes to the Accounts

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

Directorate Income and Expenditure 2012/2013 Comparative Figures

	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

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.

2012/2013 £m	2013/2014 £m
487.3 Net Expenditure in the Directorate Analysis	531.9
(89.7) Net Expenditure of services and support services not included in the analysis	(41.6)
19.8 Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	49.6
Cost of Services in Comprehensive Income and Expenditure Statement	539.9

Notes to the Accounts

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

Reconciliation to Subjective Analysis 2013/2014

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	Allocation of Recharges £m	Cost of Services £m	Corporate Amounts £m	Total £m
Fees, charges and other service income	(201.0)	40.0	0.0	0.0	(161.0)	(1.1)	(162.1)
Interest and investment income	0.0	0.0	0.0	0.0	0.0	(2.2)	(2.2)
Income from council tax	0.0	0.0	0.0	0.0	0.0	(270.1)	(270.1)
Income from Business Rates	0.0	0.0	0.0	0.0	0.0	(89.3)	(89.3)
Government grants and contributions	(571.5)	0.0	0.0	0.0	(571.5)	(220.7)	(792.2)
Total income	(772.5)	40.0	0.0	0.0	(732.5)	(583.4)	(1,315.9)
Employee expenses	539.1	0.0	(2.9)	0.0	536.2	0.0	536.2
Other service expenses	745.8	(81.6)	(4.8)	19.5	678.9	0.0	678.9
Support service recharges	19.5	0.0	0.0	(19.5)	0.0	0.0	0.0
Depreciation, amortisation and impairment	0.0	0.0	57.3	0.0	57.3	1.0	58.3
Interest payments	0.0	0.0	0.0	0.0	0.0	62.9	62.9
Precepts and levies	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	48.4	48.4
Total expenditure	1,304.4	(81.6)	49.6	0.0	1,272.4	112.6	1,385.0
Surplus or deficit on provision of services	531.9	(41.6)	49.6	0.0	539.9	(470.8)	69.1

Notes to the Accounts

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

2012/2013 Comparative

	Directorate Analysis £m	Services and Support not in Analysis £m	Amounts not reported to management for decision making £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	(242.2)	(1.2)	(243.4)
Interest and investment income	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	(295.5)	(295.5)
Government grants and contributions	(582.6)	0.0	0.0	0.0	(582.6)	(242.3)	(824.9)
Total income	(786.2)	(38.6)	0.0	0.0	(824.8)	(541.8)	(1,366.6)
Employee expenses	551.4	0.0	(16.4)	34.4	569.4	0.0	569.4
Other service expenses	700.7	(51.1)	(33.9)	(13.1)	602.6	0.0	602.6
Support service recharges	21.4	0.0	0.0	(21.3)	0.1	0.0	0.1
Depreciation, amortisation and impairment	0.0	0.0	70.1	0.0	70.1	2.1	72.2
Interest payments	0.0	0.0	0.0	0.0	0.0	56.4	56.4
Precepts and levies	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	113.9	113.9
Total expenditure	1,273.5	(51.1)	19.8	(0.0)	1,242.2	172.7	1,414.9
Surplus or deficit on provision of services	487.3	(89.7)	19.8	(0.0)	417.4	(369.1)	48.3

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.

2012/2013							2013/2014
Net (surplus)/ deficit		Turnover	Expenditure	Trading (surplus)/ deficit	Other items Capital charge	Other	Net surplus
£m		£m	£m	£m	£m	£m	£m
0.0	Central Print	(1.4)	1.4	0.0	0.0	0.0	0.0
(0.1)	Occupational Health	(0.5)	0.5	0.0	0.0	0.0	0.0
(0.1)	Scientific Services	(1.1)	1.1	0.0	0.0	0.0	0.0
0.2	Outdoor Education*	0.0	0.0	0.0	0.0	0.0	0.0
(0.1)	Staffordshire Performing Arts*	0.0	0.0	0.0	0.0	0.0	0.0
(1.0)	Education Transformation*	0.0	0.0	0.0	0.0	0.0	0.0
(0.1)	Cleaning Division*	0.0	0.0	0.0	0.0	0.0	0.0
0.9	County Catering*	0.0	0.0	0.0	0.0	0.0	0.0
0.1	County Grounds*	0.0	0.0	0.0	0.0	0.0	0.0
(1.0)	County Fleet Care	(8.6)	6.8	(1.8)	1.8	(1.1)	(1.1)
(1.2)	Total	(11.6)	9.8	(1.8)	1.8	(1.1)	(1.1)

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

Notes to the Accounts

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.

Notes to the Accounts

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 the Clinical Commissioning Groups across Staffordshire.

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. This pooled budget came to an end in 2012/2013.

Substance Misuse Commissioning Team	2012/2013		2013/2014	
	£m	£m	£m	£m
Funding provided to the pooled budget				
County Council	(0.2)		(0.2)	
CCGs	(11.9)		(7.7)	
Other	(2.1)		(6.2)	
		(14.2)		(14.1)
Expenditure met from the pooled budget				
County Council	0.2		0.2	
CCGs	10.5		6.2	
Other	1.3		5.6	
		12.0		12.0
Net surplus arising on the pooled budget during the year		(2.2)		(2.1)
County Council's share of net surplus/deficit arising on the pooled budget		0.0		0.0

Section 75	2012/2013		2013/2014	
	£000	£000	£000	£000
Funding provided to the pooled budget				
County Council	(0.05)		0.00	
North Staffordshire PCT	(0.05)		0.00	
		(0.1)		0.0
Expenditure met from the pooled budget				
County Council	0.1		0.0	
North Staffordshire PCT	0.0		0.0	
		0.1		0.0
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

Notes to the Accounts

27. Members' Allowances

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

	2012/2013 £m	2013/2014 £m
Basic Allowance	0.5	0.6
Special Responsibility Allowance	0.3	0.3
Expenses	0.1	0.1
Total	0.9	1.0

Notes to the Accounts

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	2012/2013	194,550	8,208	0	35,295	238,053
Chief Executive - Nick Bell	2013/2014	194,550	8,325	0	36,268	239,143
Director of Strategy & Transformation Note 1	2012/2013	106,071	5,118	0	19,199	130,388
Director of Strategy & Transformation	2013/2014	0	0	0	0	0
Director for People	2012/2013	144,550	6,668	0	26,245	177,463
Director for People	2013/2014	144,550	7,012	0	26,970	178,532
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
Director for Place	2013/2014	133,550	6,683	0	24,924	165,157

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	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 Strategy & Customer Service	2013/2014	119,550	8,061	0	22,320	149,931
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
Director of Law & Governance	2013/2014	119,550	5,689	0	22,320	147,559
Section 151 Officer, Director of Finance & Resources	2012/2013	133,550	7,277	0	24,254	165,081
Section 151 Officer, Director of Finance & Resources	2013/2014	133,550	7,556	0	24,924	166,030
Director of Public Health Note 5	2013/2014	133,457	754	0	17,672	151,883

Notes to the Accounts

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 £106,000.

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.

Note 5 Public Health Grant and Responsibilities became part of the County Council from April 2013, therefore this is the first year for this senior role.

Notes to the Accounts

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 2012/2013			Remuneration band	Number of employees 2013/2014		
Teachers	Non-teachers	Leavers		Teachers	Non-teachers	Leavers
159	67	3	£ 50,000 to £ 54,999	173	61	7
137	54	3	£ 55,000 to £ 59,999	123	57	7
60	5	1	£ 60,000 to £ 64,999	72	14	9
38	11	3	£ 65,000 to £ 69,999	36	14	8
17	27	6	£ 70,000 to £ 74,999	18	25	5
14	14	8	£ 75,000 to £ 79,999	9	9	7
15	13	7	£ 80,000 to £ 84,999	15	8	6
8	11	2	£ 85,000 to £ 89,999	4	15	4
3	11	9	£ 90,000 to £ 94,999	10	10	14
1	3	3	£ 95,000 to £ 99,999	2	4	3
2	5	3	£100,000 to £104,999	1	6	2
1	11	8	£105,000 to £109,999	1	1	0
0	3	3	£110,000 to £114,999	0	0	0
1	1	2	£115,000 to £119,999	1	0	1
1	0	0	£120,000 to £124,999	1	1	2
2	4	3	£125,000 to £129,999	2	2	0
0	0	0	£130,000 to £134,999	0	1	0
0	0	0	£135,000 to £139,999	0	2	2
1	1	1	£140,000 to £144,999	0	2	0
0	0	0	£145,000 to £149,999	0	0	0
0	1	0	£150,000 to £154,999	1	1	1
0	0	0	£155,000 to £159,999	0	0	0
0	0	0	£160,000 to £164,999	0	0	0
0	0	0	£165,000 to £169,999	0	1	1
0	0	0	£170,000 to £174,999	0	0	0
0	0	0	£175,000 to £179,999	0	0	0
0	0	0	£180,000 to £184,999	0	0	0
0	0	0	£185,000 to £189,999	0	0	0
0	0	0	£190,000 to £194,999	0	0	0
0	0	0	£195,000 to £199,999	0	0	0
0	1	0	£200,000 to £204,999	0	1	0
0	0	0	£205,000 to £209,999	0	0	0
0	1	1	£210,000 to £214,999	0	0	0
460	244	66	Total	469	235	79

Notes to the Accounts

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	2012/2013		Remuneration band	2013/2014		Total Cost
	Number of employees			Number of employees		
£	Teachers	Other SCC		Teachers	Other SCC	£
2,514,941	51	246	£0 to £ 20,000	36	327	3,110,953
3,652,828	39	93	£ 20,001 to £ 40,000	33	106	3,847,820
1,956,282	6	34	£ 40,001 to £ 60,000	11	50	2,955,070
1,296,027	4	15	£ 60,001 to £ 80,000	2	16	1,292,916
533,399	0	6	£ 80,001 to £ 100,000	1	10	979,724
539,892	0	4	£ 100,001 to £ 150,000	0	3	328,011
151,624	0	1	£ 150,001 to £ 200,000	0	1	186,123
0	0	0	£ 200,001 to £ 250,000	0	1	232,529
10,644,993	100	399	Total	83	514	12,933,146

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.

	2012/2013	2013/2014
	£m	£m
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	0.156	0.157
Fees payable to external auditors for the certification of grant claims and returns for the year	0.004	0.007
Fees payable to external auditors for the Internal Audit Framework	0.000	0.005
Total	0.160	0.169

Notes to the Accounts

31. Dedicated Schools Grant

In 2013/2014 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 2013/2014 are as follows:

	Schools budget funded by DSG		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2013/2014, before academy recoupment	77.9	467.2	545.1
Academy figure recouped for 2013/2014	(1.8)	(88.7)	(90.5)
Total DSG after academy recoupment for 2013/2014	76.1	378.5	454.6
Plus: brought forward from 2012/2013	5.2	0.0	5.2
Less: carry-forward to 2014/2015 agreed in advance	3.0	0.0	3.0
Agreed budgeted distribution in 2013/2014	78.3	378.5	456.8
Actual central expenditure	(73.3)	0.0	(73.3)
Actual ISB (Individual Schools Budget) deployed to schools	0.0	(377.9)	(377.9)
Plus: carry forward to 2014/2015	3.0	0.0	3.0
Carry forward to 2014/2015	8.0	0.6	8.6

Notes to the Accounts

32. Grant Income

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2013/2014.

	2012/2013 £m	2013/2014 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant*	3.2	132.9
New Homes Bonus	1.0	2.2
Council Tax Freeze Grant	7.4	3.0
Local Services Support Grant	1.8	0.9
Education Services Grant	0.0	13.9
Total	13.4	152.9
Credited to Services		
Department for Education	106.8	92.0
Department for Transport	21.4	28.3
Department of Health	22.4	30.1
Department for Communities and Local Government	1.6	6.0
DEFRA	0.8	0.4
Higher Education Funding Council for England	0.6	0.6
Home Office	1.3	0.8
YPLA (Formerly Learning Skills Council)	0.6	0.0
Youth Justice Board	2.0	1.8
Homes and Communities Agency	0.0	0.2
Other	4.9	2.7
Total	162.4	162.9

*This amount varies from the amount received in 2012/2013 due to the introduction of the Business Rates Retention Scheme in 2013/2014.

Notes to the Accounts

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 2013	31 March 2014
	£m	£m
Capital Grants Receipts in Advance		
Department for Education	47.0	30.5
Department for Transport	0.0	1.5
Department of Health	1.4	0.5
Other Contributions	12.7	9.6
Total	61.1	42.1

Notes to the Accounts

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 2014 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 2013/2014 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 2014, we held cash totalling £39,015 (£203,892 on 31 March 2013) 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.

Notes to the Accounts

33. Related Parties (Cont'd)

Payments to the Environment Agency

2012/2013		2013/2014
£m		£m
0.3	Environment Agency - Severn Trent Region	0.3
0.3	Total	0.3

Entrust

In 2012/2013 Entrust was established to provide education support services to schools throughout Staffordshire and other counties. The Council owns 49% of the shares in Entrust and Capita Business Services Limited (a subsidiary of Capita plc) own 51% of the shares in Entrust. The company began trading on 1st April 2013.

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

- Cllr Ian Parry, Deputy Leader and Cabinet Member for Finance, Resources and Transformation
- Cllr Mike Lawrence, Cabinet Member for Children, Communities and Localism
- Darryl Evers, Head of Economic Planning
- Robert Flinter, Head of Transformation

During 2013/2014, the Council purchased services in the normal course of business from Entrust for £70.6 million. Entrust bought services in the normal course of business from the Council for £9.8 million.

At the end of the year, the Council owed Entrust £7.9 million.

Notes to the Accounts

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

2012/2013		2013/2014			Total
		Infra-Structure (inc Fees) £m	Land & Buildings (inc Fees) £m	Vehicles, Plant & Machinery £m	
Total	£m				
	Capital Expenditure				
	Children, Young People and Families				
26.6	Education	0.0	22.4	3.9	26.3
1.4	Children's services	0.0	0.7	0.3	1.0
	Development Services				
62.7	Highways & Economic Development	63.8	5.2	0.0	69.0
1.5	Waste Disposal	0.0	0.1	0.0	0.1
0.5	Countryside / Shugborough	0.0	0.4	0.0	0.4
0.6	County Fleet Care	0.0	0.0	0.8	0.8
0.3	Farms	0.0	0.3	0.0	0.3
1.4	Sustainability	0.0	0.4	0.0	0.4
2.6	Business Support	0.0	3.0	0.0	3.0
3.7	Social Care and Health	0.0	5.8	0.5	6.3
5.6	Corporate and Other Services	0.0	2.0	5.5	7.5
0.6	Communities	0.0	0.2	0.0	0.2
107.5	Total	63.8	40.5	11.0	115.3
	Financed From				
12.4	Borrowing				27.6
45.6	Capital Grants				51.1
10.9	Capital Receipts				4.7
4.3	Revenue				5.7
12.2	General Capital Reserve			5.4	
0.9	Earmarked Capital Reserves			1.7	
4.5	Trading Services Reserves			2.6	9.7
8.1	Other Contributions				11.0
8.6	Section 106 Contributions				5.5
107.5	Total				115.3

Notes to the Accounts

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

	2012/2013 £m	2013/2014 £m
Opening Capital Financing Requirement	564.6	551.4
Increase in underlying need to borrow (unsupported by government financial assistance)	(12.3)	3.1
Assets acquired under finance leases	(0.1)	(0.2)
Assets acquired under PFI/PPP contracts	(0.8)	165.0
Closing Capital Financing Requirement	551.4	719.3

Notes to the Accounts

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 2013 £m		31 March 2014 £m
0.3	Vehicles, Plant, Furniture and Equipment	0.2
<hr/> 0.3 <hr/>		<hr/> 0.2 <hr/>

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 2013 £m		31 March 2014 £m
	Finance lease liabilities (net present value of minimum lease payments):	
0.2	Current	0.2
0.5	Non current	0.3
0.0	Finance costs payable in future years	0.0
<hr/> 0.7 <hr/>		<hr/> 0.5 <hr/>

Notes to the Accounts

35. Leases (Cont'd)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£m	£m	£m	£m
Not later than one year	0.2	0.2	0.2	0.2
Later than one year and not later than five years	0.5	0.3	0.5	0.3
	0.7	0.5	0.7	0.5

Notes to the Accounts

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 2013 £m		31 March 2014 £m
0.4	Not later than one year	0.3
0.4	Later than one year and not later than five years	0.2
1.1	Later than five years	1.1
<hr/>		<hr/>
1.9		1.6

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

31 March 2013 £m		31 March 2014 £m
0.0	Minimum lease payments	0.0
0.1	Contingent rents	0.2
<hr/>		<hr/>
0.1		0.2

Notes to the Accounts

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:

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 a number of farms 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 2013		31 March 2014
£m		£m
2.4	Later than five years	2.5
<hr/>		<hr/>
2.4		2.5
<hr/>		<hr/>

Notes to the Accounts

36. Private Finance Initiatives (PFI) and Similar Contracts

We have four PFI schemes as follows:

1. Two Schools PFI Scheme

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

The contract is for 25 years and is worth about £45.0 million. It involves providing repairs and maintenance, energy, cleaning, caretaking and other services. The amount we paid in 2013/2014 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.

2. Streetlighting PFI Scheme

We have entered into a PFI contract under which street lighting and associated maintenance services are provided. The contract is for 25 years. The amount we paid in 2013/2014 was £9.6 million, paid for by extra government grants and contributions from revenue.

3. Children's Homes PFI Scheme

We entered into a further PFI contract in 2005/2006 to design, pay for and maintain three children's homes. The amount we paid in 2013/2014 was £0.9 million.

4. Waste to Energy PFI Scheme

We entered into a PFI contract for the construction of the Waste to Energy plant at Four Ashes. The contract is for 25 years. The amount we paid in 2013/2014 was £1.2m.

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 2013	31 March 2014
	£m	£m
Two Schools Scheme	12.9	13.2
Streetlighting Scheme	43.4	44.7
Children's Homes Scheme	4.6	5.0
Waste to Energy	0.0	168.8
Total value of assets	60.9	231.7

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 2013	31 March 2014
	£m	£m
Two Schools Scheme	(6.8)	(6.3)
Streetlighting Scheme	(7.3)	(6.9)
Children's Homes Scheme	(3.7)	(3.7)
Waste to Energy	0.0	(165.9)
Total value of liabilities	(17.8)	(182.8)

Notes to the Accounts

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	2.4	3.5
Due within 6 to 10 years	2.1	2.0	4.8
Due within 11 to 15 years	2.1	0.6	4.3
Total due	6.3	5.7	13.4

Streetlighting Scheme

	Payments to reduce liability	Interest	Service Charges	Payments for assets
	£m	£m	£m	£m
Due within one year	2.4	0.6	3.7	0.1
Due within 2 to 5 years	10.1	2.2	16.2	0.4
Due within 6 to 10 years	13.6	1.7	23.4	0.7
Due within 11 to 15 years	12.1	0.5	22.2	0.6
Total due	38.2	5.0	65.5	1.8

Notes to the Accounts

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

Children's Homes Scheme

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.1	0.5	0.4
Due within 2 to 5 years	0.6	1.7	1.5
Due within 6 to 10 years	1.3	1.6	2.1
Due within 11 to 15 years	1.7	0.5	1.7
Total due	<u>3.7</u>	<u>4.3</u>	<u>5.7</u>

Waste to Energy

	Payments to reduce liability	Interest	Service Charges
	£m	£m	£m
Due within one year	0.1	23.2	7.6
Due within 2 to 5 years	1.9	91.6	32.7
Due within 6 to 10 years	8.5	109.6	46.1
Due within 11 to 15 years	21.0	98.8	52.4
Due within 16 to 20 years	44.4	77.3	59.6
Due within 21 to 25 years	90.0	33.8	67.8
Total due	<u>165.9</u>	<u>434.3</u>	<u>266.2</u>

Notes to the Accounts

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		Waste to Energy	
	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014
	£m	£m	£m	£m	£m	£m	£m	£m
Balance outstanding at start of year	(7.2)	(6.8)	(7.6)	(7.3)	(3.9)	(3.7)	0.0	0.0
Payments during the year	0.4	0.5	2.3	2.4	0.1	0.1	0.0	0.0
Capital expenditure incurred in the year	0.0	0.0	(2.1)	(2.0)	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.1	0.0	0.1	(0.1)	0.0	(165.9)*
Balance outstanding at year end	(6.8)	(6.3)	(7.3)	(6.9)	(3.7)	(3.7)	0.0	(165.9)

* Recognition of the opening liability for the Waste to Energy project entering the accounts in 2013/2014.

37. Impairment Losses

During 2013/2014 the Council recognised impairment losses to a number of properties totalling £35.0 million (£51.4 million in 2012/2013). 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 2013/2014.

Notes to the Accounts

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/2014, incurring liabilities of £8.8 million (£8.9 million in 2012/2013).

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 scheme.

In 2013/2014, the Council paid £45.4 million to the Teachers Pension Scheme in respect of teachers retirement benefits, representing 23% of pensionable pay. The figures for 2012/2013 were £46.6 million and 21.8%.

The Council is also responsible for all pension payments relating to added years benefits awarded, together with related increases. In 2013/2014 these amounted to £2.9 million (£2.8 million in 2012/2013) representing 1.4% of pensionable pay.

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

Notes to the Accounts

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. The scheme will change to a funded defined benefit Career Average Revalued Earnings (CARE) scheme on the 1st April 2014. Pre 1st April 2014 service remains protected under the existing scheme regulations and continues to be linked to final salary.

In 2013/2014, the Council paid an employer's contribution of £38.0 million (£41.7 million in 2012/2013) into the Staffordshire Pension Fund. The fund's actuary decides how much we should contribute, based on the actuarial valuation carried out every three years.

The Council is responsible for all pension payments relating to added years benefits we have awarded, together with related increases. In 2013/2014 these amounted to £3.4 million (£3.4 million in 2012/2013), which was 1.6% 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.

	31 March 2013 £m Restated	31 March 2014 £m
<u>Comprehensive Income and Expenditure</u>		
Cost of Services:		
<i>Service cost compromising:</i>		
Current service costs	46.8	58.7
Past service costs	6.5	5.4
(Gains) from settlements	(6.7)	(6.1)
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	32.4	36.4
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	79.0	94.4

Notes to the Accounts

40. Defined Benefit Pension Schemes (Cont'd)

	31 March 2013 £m	31 March 2014 £m
Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets (excluding the amount included in the net interest expense).	(117.2)	4.3
Actuarial gains and losses arising on changes in demographic assumptions	0.0	51.2
Actuarial gains and losses arising on changes in financial assumptions	225.6	45.0
Other	0.7	(19.3)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	109.1	81.2
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	109.1	81.2
Actual amount charged against the General Fund Balance for pensions in year:		
Employers' contributions payable to scheme	41.7	38.0
Contributions in respect of unfunded benefits	10.0	10.0
	51.7	48.0

Pensions Assets and Liabilities Recognised in the Balance Sheet

	31 March 2013 £m	31 March 2014 £m
Present value of the defined benefit obligation	(2,139.2)	(2,310.3)
Fair value of plan assets	1,329.5	1,383.3
Net liability arising from defined benefit obligation	(809.7)	(927.0)

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

	Restated 31 March 2013 £m	31 March 2014 £m
1 April	1,152.4	1,329.5
Interest income	65.8	59.8
Actuarial gains and (losses)	106.9	(4.3)
Assets distributed on settlements	(3.3)	(3.4)
Employer's contributions	48.1	48.3
Contributions from scheme members	15.5	15.5
Benefits paid	(55.9)	(62.1)
31 March	1,329.5	1,383.3

Notes to the Accounts

40. Defined Benefit Pension Schemes (Cont'd)

	31 March 2013 £m	31 March 2014 £m
<u>Reconciliation of Present Value of the Scheme Liabilities:</u>		
	Restated	
1 April	1,832.0	2,139.1
Current service cost	46.8	58.7
Interest cost	87.8	96.2
Contribution by scheme members	15.5	15.5
Actuarial losses	226.4	77.0
Benefits paid	(65.9)	(72.1)
Past service costs	0.2	5.4
Losses on curtailments	6.3	0.0
Liabilities extinguished on settlements	(10.0)	(9.5)
31 March	2,139.1	2,310.3
<u>Local Government Pension Scheme assets</u>		
	31 March 2013 £m	31 March 2014 £m
Cash and Cash Equivalents	31.1	58.7
Equity Instruments		
<i>By industry type;</i>		
Consumer	122.3	105.2
Manufacturing	74.6	98.2
Energy and utilities	55.7	57.9
Financial institutions	101.9	103.9
Health and care	69.2	72.4
Information technology	55.4	63.2
Other	28.9	29.1
Sub-total equity	508.0	529.9
Bonds:		
Corporate Bonds (investment grade)	100.7	103.5
Property:		
UK Property	103.4	101.6
Private Equity:		
All	42.5	43.3
Other Investment Funds:		
Equities	407.1	409.3
Bonds	67.7	67.2
Hedge Funds	24.4	26.2
Other	44.6	43.6
Sub-total Other Investment Funds	543.8	546.3
Total Assets	1,329.5	1,383.3

Notes to the Accounts

40. Defined Benefit Pension Schemes (Cont'd)

Basis for Estimating Assets and Liabilities

Discretionary benefits have been estimated by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2014. The main assumptions they have for working out these costs are shown below:

	31 March 2013	31 March 2014
Long term expected rate of return on assets in the scheme	7.2%	7.9%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2 years	22.1 years
Women	23.4 years	24.3 years
Longevity at 65 for future pensioners		
Men	23.3 years	24.3 years
Women	25.6 years	26.6 years
Rate of increase in salaries	5.1%	4.6%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%

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

The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2014	Approximate % increase to Employer Liability	Approximate monetary amount (£m)
0.5% decrease in Real Discount Rate	10.0%	221.2
1 year increase in longevity	3.0%	69.3
0.5% increase in salaries	3.0%	70.7
0.5% increase in pensions	6.0%	147.2

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

Notes to the Accounts

40. Defined Benefit Pension Schemes (Cont'd)

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

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

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

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

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

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

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

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

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

Projected defined benefit cost for the period to 31 March 2015

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2013). The contributions payable over the period to 31 March 2017 are set out in the Rate and Adjustments certificate. Hymans Robertson estimate the Employer's contribution for the period to 31 March 2015 will be approximately £48m.

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.

At 31 March 2014 the Council does not have any material contingent liabilities.

42. Contingent Assets

At 31 March 2014 the Council does not have any material contingent assets.

Notes to the Accounts

43. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks and treasury risk management is therefore very important. As a result we have adopted and follow CIPFA's Treasury Management Code of Practice.

Part of the adoption of the Code requires the publication of an annual Treasury Management Strategy before the commencement of each financial year. This sets out how these risks will be managed. In addition we have written policies (known as Treasury Management Practices) covering specific risk areas.

The main risks covered are listed below:

1. **Security (credit) risk** - the possibility that other parties fail to pay amounts due to the Council and a loss is made.
2. **Liquidity risk** - the possibility that the Council might not have funds available to make payments on time.
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 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.

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, which emphasise that priority is given to security and then liquidity, rather than yield, we managed credit risk by ensuring that investments were only placed with organisations of high credit quality.

This was implemented via the adoption of the Arlingclose Treasury Services creditworthiness service, which determined the banks and building societies with whom we invested.

When selecting high quality commercial entities for investment a number of different measures are examined, such as credit ratings, credit default swap and equity prices.

We also invested with the bodies set out in Government regulations (i.e. local authorities and the Government itself) and AAA rated money market funds.

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

Notes to the Accounts

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

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

Credit Rating	Long-Term			Short-Term		
	31 March 2012	31 March 2013	31 March 2014	31 March 2012	31 March 2013	31 March 2014
	£m	£m	£m	£m	£m	£m
AAA	0.0	0.0	0.0	56.0	70.8	26.4
A	0.0	0.0	0.0	26.1	50.7	13.8
Co-op Bank	0.0	0.0	0.0	2.2	4.5	0.0
Unrated local authorities	0.0	0.0	30.4	0.0	0.0	0.0
External cash manager	0.0	0.0	0.0	25.4	0.0	0.0
Total investments	0.0	0.0	30.4	109.7	126.0	40.2

Since April 2010, our strategy of using cash in lieu of borrowing has reduced this risk as we hold less investments (around £73 million as at 31 March 2014).

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 2014 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 2013	Amounts at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014
	£m	A £m	B %	C %	(A x C) £m
Customers	3.0	43.4	7.4	7.4	3.2
Total	3.0				3.2

Notes to the Accounts

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

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 £16.9 million of the £43.4 million balance is past its due date for payment. The remaining balance of £26.5 million is less than 28 days' old. The amount past its due date for payment can be analysed by age as follows:

	31 March 2013	31 March 2014
	£m	£m
Less than three months	3.3	5.3
Three to six months	3.2	1.3
Six months to one year	1.7	1.6
More than one year	8.0	8.7
Total	16.2	16.9

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.

Notes to the Accounts

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

At 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

	£m
Increase in interest payable on variable rate borrowings	1.2
Increase in interest receivable on variable rate investments	<u>(1.5)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(0.3)</u>
Decrease in fair value of fixed-rate investment assets	<u>(3.6)</u>
Impact on Other Comprehensive Income and Expenditure	<u>(3.6)</u>
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)	(78.5)

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 £25.8 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 £1.5 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.

This 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.

It is further offset by the long-term local authority investments made in 2013/2014. These investments aim to hedge (or cancel out) a small part of the risk exposure that long-term fixed rate loans cause.

5. Refinancing Risk

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

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

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

Notes to the Accounts

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

The repayment structure of financial liabilities is as follows:

On 31 March 2013	Financial Liabilities	On 31 March 2014
£m		£m
404.5	PWLB	404.5
0.5	European Investment Bank	0.0
30.9	* LOBO - Eurohypo Bank	30.9
41.8	* LOBO - Depfa Bank	41.8
10.1	* LOBO - Dexia Bank	10.1
487.8	Total	487.3
36.3	within one year	55.0
33.7	over 1 under 2	20.0
20.5	over 2 under 5	30.0
24.0	over 5 under 10	18.8
19.8	over 10 under 15	10.0
5.0	over 15 under 20	14.0
24.0	over 20 under 30	15.0
113.4	over 30 under 40	154.8
211.1	over 40	169.7
487.8	Total	487.3

* LOBO - Lender Option Borrower Option loan

6. Using Cash in Lieu of Borrowing

As at the 31 March 2014, around £73.0 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.

Notes to the Accounts

44. Education Endowments

We are responsible for managing 11 (11 in 2012/2013) 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.

	2012/2013			2013/2014		
	Total income	Gross spending	Market value of fund	Total income	Gross spending	Market value of fund
	£000	£000	£000	£000	£000	£000
Rugeley Educational	80	61	1,861	77	31	1,874
Brewood Educational	68	66	1,631	67	79	1,644
Stafford Educational	15	18	388	16	12	396
Stafford Education Centre Charity	109	106	2,530	105	127	2,546
Alleyes – Stone	2	1	41	2	1	41
Alleyes – Uttoxeter	5	4	23	1	0	23
Tamworth High	8	6	192	8	8	196
Tamworth Youth Centre	1	3	45	2	0	46
Others	16	23	407	17	23	411
Total	304	288	7,118	295	281	7,177

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 four other funds. The funds do not represent our assets and we do not include them in the Balance Sheet.

	Balance 31 March 2013 £	Income £	Spending £	Balance 31 March 2014 £
Trust funds				
Social services comforts funds	79,400	34,510	(51,977)	61,933
Homestead and Lea House	7,200	0	0	7,200
Glebelands	1,000	0	0	1,000
Other	92,051	375	(4,317)	88,109
Chairman's charity	8,091	7,882	0	15,973
Total	187,742	42,767	(56,294)	174,215

Group Accounts Foreword

The 2013/2014 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

The aim of the Group Accounts is to give an overall picture of the activities of the authority and the resources used to carry out those activities. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of assets, liabilities, expenditure and income in a unified set of accounts.

A review has been undertaken of the Council's relationships with other bodies and it is clear that we should account for an interest in Entrust Support Services Ltd (Entrust) as a joint venture and prepare group accounts.

Inclusion within the Group Accounts

Where the authority has control or influence over an entity, the Code for local authority accounts requires these to be classified into the categories of subsidiaries, associates and joint ventures.

A joint venture is defined as: "An entity in which the reporting authority has an interest on a long term basis and which is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement."

In April 2013 the authority entered into a partnership to form Entrust Support Services Ltd. The Council owns 49% of the ordinary shareholding of Entrust, and Capita Business Services Limited (a subsidiary of Capita plc) holds the remaining 51% of the shares in the joint venture.

The principal activity of Entrust is providing education support services to local government maintained schools, academy schools, and other educational or similar establishments. These services comprise the provision of specialist education services, outdoor education, learning technologies, facilities management and catering services both in Staffordshire and other counties.

Two Members of the Council and two officers of the Council sit on Entrust's Board of Directors. More information about transactions between the Council and Entrust can be found in Note 33 to the Council's accounts, the Related Parties note.

Consolidation

Entrust has been consolidated into the Council's group accounts using the equity method.

Group Accounts Foreword

Entrust has a financial year ending 31st December and the accounts for the year to 31st December 2013 have been included in the Council's group accounts. The net impact of the transactions occurring between January and March 2014 were not sufficiently material to require inclusion in the 2013/2014 group accounts.

Entrust's accounts can be obtained from Capita plc, 71 Victoria Street, London SW1H 0HA or from Companies House.

Accounting Policies

There is a requirement when preparing Group Accounts to have consistent accounting policies across the Group. This does not mean that individual group entities have to use the same accounting policies as the Council and therefore an assessment of the alignment of accounting policies is required.

Entrust has adopted the accounting policies of Capita plc, and a review of these accounting policies has determined that there is minor difference in the treatment of non-current assets, finance leases and cash and cash equivalents. However, these minor differences have no material impact on the group statements and therefore there is no requirement to make adjustments to align accounting policies.

Intra-group Transactions

The code requires that where assets are sold within the group for a profit or a loss, this profit or loss should be stripped out of the group accounts on consolidation.

During the 2013/2014 financial year, the Council sold inventory assets to Entrust. However, since these assets were sold to Entrust at cost, there is no profit element to be stripped out of the group accounts during consolidation. There were no other qualifying intra-group transactions in 2013/2014.

Commitments

There are no outstanding commitments or contingencies between the Council and Entrust as at 31st March 2014.

Group 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.

2012/2013 Gross expenditure £m	2012/2013 Gross income £m	2012/2013 Net expenditure £m		2013/2014 Gross expenditure £m	2013/2014 Gross income £m	2013/2014 Net expenditure £m
578.8	(557.7)	21.1	Education:			
			Delegated schools	576.7	(549.5)	27.2
158.6	(45.1)	113.5	Other education and children's services	170.8	(19.8)	151.0
737.4	(602.8)	134.6	Total education and children's services	747.5	(569.3)	178.2
10.7	(3.6)	7.1	Planning services	9.0	(4.7)	4.3
80.5	(17.7)	62.8	Highways and transport services	74.3	(16.2)	58.1
24.9	(4.4)	20.5	Cultural and related services	27.5	(4.4)	23.1
308.8	(103.5)	205.3	Adult social care	307.4	(75.9)	231.5
0.0	0.0	0.0	Public Health	29.6	(31.4)	(1.8)
53.4	(20.5)	32.9	Environmental and regulatory services	56.8	(24.7)	32.1
20.0	(70.2)	(50.2)	Corporate and democratic core	12.7	(3.6)	9.1
6.7	(2.1)	4.6	Central services to the public	8.3	(2.3)	6.0
(0.2)	0.0	(0.2)	Non distributed costs	(0.7)	0.0	(0.7)
1,242.2	(824.8)	417.4	Cost of services	1,272.4	(732.5)	539.9
		116.3	Other operating expenditure			49.7
		52.4	Financing and investment income and expenditure			59.6
		(537.8)	Taxation and non-specific grant income			(580.1)
		48.3	Deficit on provision of services			69.1
		0.0	Share of the Deficit on the provision of services by joint venture			4.3
		0.0	Share of tax expenses for joint venture			0.1
		48.3	Group Deficit on provision of services			73.5
		(22.5)	Surplus on revaluation of PPE			(38.4)
		109.1	Actuarial losses on pension assets/liabilities			81.2
		86.6	Other comprehensive income and expenditure			42.8
		134.9	Total comprehensive income and expenditure			116.3

Group 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 £m	Capital reserves £m	Capital grants unapplied £m	Other reserves Capital £m	Other reserves Revenue £m	Total usable reserves £m	Unusable reserves £m	Total council reserves £m	Council's Share of Joint Venture £m	Total Group Reserves £m
Balance at 1 April 2012	19.9	42.9	(20.0)	6.6	0.3	51.3	101.0	600.7	701.7		701.7
Movement in reserves during 2012/2013											
Deficit on the provision of services	(48.3)	0.0	0.0	0.0	0.0	0.0	(48.3)	0.0	(48.3)	0.0	(48.3)
Other comprehensive income and expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(86.6)	(86.6)	0.0	(86.6)
Total comprehensive income and expenditure	(48.3)	0.0	0.0	0.0	0.0	0.0	(48.3)	(86.6)	(134.9)	0.0	(134.9)
Adjustments between accounting basis and funding basis under regulations (Note 5)	60.4	0.0	0.0	2.3	0.0	0.0	62.7	(62.7)	0.0	0.0	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)	0.0	(134.9)
Transfers to/from earmarked reserves	0.7	0.3	(8.1)	0.0	(0.5)	7.6	0.0	0.0	0.0	0.0	0.0
Increase/decrease in 2012/2013	12.8	0.3	(8.1)	2.3	(0.5)	7.6	14.4	(149.3)	(134.9)	0.0	(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	0.0	566.8
Movement in reserves during 2013/2014											
Deficit on the provision of services	(69.1)	0.0	0.0	0.0	0.0	0.0	(69.1)	0.0	(69.1)	(4.4)	(73.5)
Other comprehensive income and expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(42.8)	(42.8)	0.0	(42.8)
Total comprehensive income and expenditure	(69.1)	0.0	0.0	0.0	0.0	0.0	(69.1)	(42.8)	(111.9)	(4.4)	(116.3)
Adjustments between accounting basis and funding basis under regulations (Note 5)	27.7	0.0	0.0	0.2	0.0	0.0	27.9	(27.9)	0.0	0.0	0.0
Net increase/decrease before transfers to earmarked reserves	(41.4)	0.0	0.0	0.2	0.0	0.0	(41.2)	(70.7)	(111.9)	(4.4)	(116.3)
Transfers to/from earmarked reserves	24.6	0.1	(11.1)	0.0	(0.2)	(13.4)	0.0	(30.2)	(30.2)	30.2	0.0
Increase/decrease in year	(16.8)	0.1	(11.1)	0.2	(0.2)	(13.4)	(41.2)	(100.9)	(142.1)	25.8	(116.3)
Balance at 31 March 2014 carried forward	15.9	43.3	(39.2)	9.1	(0.4)	45.5	74.2	350.5	424.7	25.8	450.5

Group 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 2012	31 March 2013		31 March 2014
£m	£m		£m
1,850.0	1,774.6	Property, plant and equipment	1,985.8
8.8	9.4	Heritage assets	8.4
30.8	32.9	Long term debtors	28.4
0.0	0.0	Long term investment	30.4
0.0	30.2	Investment in joint venture	25.8
1,889.6	1,847.1	Long term assets	2,078.8
8.1	50.7	Short term investments	0.0
12.6	22.8	Assets held for sale	22.9
3.3	2.7	Inventories	1.4
54.8	85.3	Short term debtors	91.9
93.7	60.6	Cash and cash equivalents	28.8
172.5	222.1	Current assets	145.0
(0.6)	(0.6)	Short term borrowing	(0.7)
(91.6)	(100.2)	Short term creditors	(108.4)
(46.8)	(36.3)	Long term borrowing repayable within one year	(54.9)
(3.1)	(3.1)	PFI and finance leases deferred liability	(3.3)
(0.8)	(0.1)	Short term provisions	(0.1)
(14.2)	(11.3)	Accumulated absences creditor	(10.0)
(157.1)	(151.6)	Current liabilities	(177.4)
(6.5)	(4.0)	Long term creditors	(3.3)
(10.2)	(9.1)	Long term provisions	(11.1)
(449.0)	(451.5)	Long term borrowing	(432.4)
(679.6)	(809.7)	Pension scheme liability	(927.0)
(16.4)	(15.4)	PFI and finance lease liability	(180.0)
(41.6)	(61.1)	Capital grants receipts in advance	(42.1)
(1,203.3)	(1,350.8)	Long term liabilities	(1,595.9)
701.7	566.8	Net assets	450.5
(101.0)	(115.4)	Usable reserves (Movement in Reserves Statement)	(74.2)
0.0	0.0	Usable reserves relating to joint venture	(25.8)
(600.7)	(451.4)	Unusable reserves	(350.5)
(701.7)	(566.8)	Total reserves	(450.5)

Group 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.

2012/2013		2013/2014
£m		£m
48.3	Net deficit on the provision of services	73.5
(204.4)	Adjustments to net deficit on the provision of services for non cash movements	(132.6)
92.0	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	50.4
(64.1)	Net cash flows from Operating activities	(8.7)
86.2	Investing Activities	36.9
11.0	Financing Activities	3.6
33.1	Net decrease in cash and cash equivalents	31.8
93.7	Cash and cash equivalents at the beginning of the reporting period	60.6
60.6	Cash and cash equivalents at the end of the reporting period	28.8

STAFFORDSHIRE PENSION FUND

Financial statements

**1 April 2013
to
31 March 2014**

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 2014

Pensionable employees	36,194
Pensioners	27,808
Deferred pensioners (people who no longer pay into the scheme)	<u>36,316</u>
Total	<u>100,318</u>

Organisations which were active members of the fund at 31 March 2014

Staffordshire County Council (as employing authority)	Housing Plus Group Ltd
Academy Enterprise Trust - Anglesey	Inspace Partnerships
Academy Enterprise Trust – Belgrave High	JDM Accord Limited
Academy Enterprise Trust – Rawlett	John Taylor Academy
Alleyne’s High School	Keele University
All Saints Catholic Collegiate – Our Lady’s	KGB Cleaning Ltd
All Saints Catholic Collegiate – St Augustin’s	Kidsgrove Town Council
All Saints Catholic Collegiate – St Gregory’s	Kier Group
All Saints Catholic Collegiate – St Maria Goretti	Kinver Parish Council
All Saints Catholic Collegiate – St Thomas Moore	Landau Forte Greenacres
Alrewas Parish Council	Landau Forte QUEMS
Anglesey Parish Council	Landau Forte Woodhouse Academy
Aspire Housing Limited (Newcastle)	Landscape Group Ltd
Audley Rural Parish Council	Lapley, Stretton & Wheaton Aston Parish Council
Belgrave Academy	Leek Town Council
Biddulph Town Council	Lichfield City Council
Brereton and Ravenhill Parish Council	Lichfield Diocese Woodard Academy
Brewood and Coven Parish Council	Lichfield District Council
Bridgtown Parish Council	Lichfield Garrick Academy
Burntwood Town Council	Liverpool Personal Services Society
Bursley Academy	Lovell Partnerships Ltd
Burton and South Derbyshire College	Madeley High School
Cannock Chase Academy	Make Some Noise West Midlands Limited
Cannock Chase District Council	Maple Court Primary
Carmountside Academy	Mears Ltd
Chadsmead Primary Academy	Mencap
Cheadle Town Council	Moorlands Housing
Cheddleton Parish Council	Mosley Academy
Christchurch Academy	Newcastle-under-Lyme Borough Council
Codsall Parish Council	Newcastle-under-Lyme College
Creative Education Academies – Alfgar	Newman – Our Lady and St Benedict Catholic School
Creative Education Academies – Fair Oak	Newman – Our Lady of Grace
Creative Education Academies – Hagley Park	Newman – St George and St Martins Catholic School
Creative Education Academies – Harpfield	Newman – St John Evangelist Catholic Primary School
Creative Education Academies – Thistley Hough Academy	Newman – St Joseph Catholic Primary School
De Ferrers Academy	Newman – St Margaret Ward
Discovery Academy	Newman – St Mary’s Catholic Primary School
Draycott in the Clay Parish Council	Newman – St Peter’s Primary School
East Staffordshire Borough Council	Newman – St Wilfred’s Catholic Primary School
Eccleshall Parish Council	Newstead Primary Academy
Entrust	North Staffordshire Combined Healthcare
Erasmus Darwin Academy	Northgate I.S UK Ltd
Essington Parish Council	Norton Canes Parish Council
Evolve Young People	Norton Canes Primary Academy
Fradley and Streethay Parish Council	Office of the Police and Crime Commissioner Staffordshire
Glebe Primary School	Ormiston Sir Stanley Matthews Academy
Gnosall Parish Council	Painsley Catholic College
Great Wyrley Parish Council	Painsley Catholic College – Faber
Haywood Engineering College	Painsley Catholic College – St Filumena’s
Heath Hayes and Wimblebury Parish Council	Painsley Catholic College – St Giles
Heath Hayes Primary Academy	Painsley Catholic College – St Joseph’s
Hednesford Town Council	Painsley Catholic College – St Mary’s
Homezone Housing Limited (Lichfield)	Painsley Catholic College – St Thomas
Horninglow and Eton Parish Council	Penkridge Parish Council

Perton Parish Council	Stoke-on-Trent City Council
R M Education	Stoke-on-Trent College
Rugeley Town Council	Stone Town Council
Sandy Tots Ltd	Swinfen and Packington Parish Council
Service Master Ltd	Tamworth Borough Council
Shenstone Parish Council	Taylor Shaw Ltd (Alleyes)
Sixth Form College, Stoke on Trent	The Academy Transformation Trust – Star Academy
South Staffordshire and Shropshire NHS Foundation Trust	The Biddulph Academy
South Staffordshire College	The Cheadle Academy
South Staffordshire District Council	The College Academies Trust Studio School
South Staffordshire Housing Association	The Co-operative Community Academy
Springhill Primary Academy	The Crescent Academy
St Edward's Church of England Academy	The Eaton Park Academy
St Joseph's College Edmund Rice Academy Trust	The JCB Academy
St Margaret Ward School	The Ormiston Horizon Academy
St Matthew's Primary	The Rural Enterprise Academy
St Thomas More Catholic College	The Sutherland Academy
Stafford and Rural Homes Limited	Tiny Toez Ltd
Stafford Borough Council	Trent and Dove Housing Association
Stafford College	University of Chester Academy - Kidsgrove
Staffordshire and Shropshire Valuation Tribunal	University of Chester Academy – Maryhill Primary
Staffordshire and Stoke on Trent NHS Partnership Trust	Uttoxeter Town Council
Staffordshire Moorlands District Council	Violet Way Academy
Staffordshire Scientia Academy	Wates Group Ltd
Staffordshire University	Weston Road Academy
Staffordshire University Academy	Wigan Leisure and Culture Trust
Stoke-on-Trent and Staffordshire Fire Authority	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 2013/14.

Description of funding policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated 18 March 2014. In summary, the key funding principles are as follows.

- To ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To ensure that employer contribution rates are reasonably stable where appropriate.
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by council tax payers).
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- 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 60% 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 2013. An estimate was also carried out as at 31 March 2014.

Date	31 March 2013	31 March 2014
Liabilities – ongoing basis	£m	£m
Assets	3,070	3,251
Liabilities	4,279	4,227
(Deficit)	(1,209)	(976)
Funding level	71.8%	76.9%

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Experience has been slightly better than expected since the last valuation (excluding the effect of any membership movements.) Real bond yields have risen and asset returns have exceeded expectations meaning that funding levels have improved since the 2013 valuation.

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 2014.

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 2013 valuation were as follows:

Financial assumptions	31 March 2013		31 March 2014	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Discount rate	4.6%	2.1%	5.1%	2.4%
Pay increases	4.3%	1.8%	4.5%	1.8%
Price inflation/Pension increases	2.5%	-	2.7%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	24.3 years	26.6 years

*Currently aged 45

Copies of the 2013 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 2016. 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
28 May 2014

Hymans Robertson LLP
20 Waterloo Street
Glasgow

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2013/14 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;
- 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 2013 £m	31 March 2014 £m
Present Value of Promised Retirement Benefits	4,869	5,054

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2014 comprises £2,316m in respect of employee members, £853m in respect of deferred pensioners and £1,885m 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 2014 is to increase the actuarial present value by £222m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year Ended	31 March 2013 % p.a.	31 March 2014 % p.a.
Inflation / Pension Increase Rate	2.8%	2.8%
Salary Increase Rate	5.1%*	4.6%
Discount Rate	4.5%	4.3%

*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown 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 CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	24.3 years	26.6 years

*Future pensioners are assumed to be currently aged 45

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

Commutation assumption

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

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2014 for IAS19 purposes' dated 16 April 2014. 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 2014

For and on behalf of Hymans Robertson LLP

Pension fund account

Staffordshire Pension Fund account for the year ended 31 March 2014

	Notes	2012/2013 £m	2013/2014 £m
Contributions and benefits			
Contributions receivable	4	145.2	149.2
Transfers in	5	6.7	9.2
		151.9	158.4
Benefits payable	6	(137.3)	(143.0)
Leavers	7	(10.6)	(6.5)
Administrative expenses	8	(2.3)	(2.6)
		(150.2)	(152.1)
<hr/>			
Net additions from dealings with fund members		1.7	6.3
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Returns on investments			
Investment income	9	51.7	59.2
Change in the market value of investments	10	328.3	187.9
Investment management expenses	12	(9.6)	(11.5)
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Net returns on investments		370.4	235.6
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Net increase in the fund during the year		372.1	241.9
Opening net assets of the fund		2,679.4	3,051.5
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Closing net assets of the fund		3,051.5	3,293.4
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Net assets statement

Net assets statement at 31 March 2014

	Notes	2012/2013 £m	2013/2014 £m
Investment assets			
Fixed interest securities	10/10a	226.8	239.4
Equities	10/10a	1,143.6	1,241.5
Pooled investment vehicles	10/10a	1,078.1	1,125.0
Property	10/10a	234.1	243.5
Cash deposits	10/10a	126.1	146.8
Other investment balances	10/10a	226.3	275.7
Derivatives	11	45.3	32.8
		3,080.3	3,304.7
Investment liabilities			
Derivatives	11	(43.9)	(22.4)
		3,036.4	3,282.3
Current assets	15	22.8	18.1
Current liabilities	16	(7.7)	(7.0)
Net assets of the fund at 31 March		3,051.5	3,293.4

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 116 to 137 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 2013/2014 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, as at 31 March 2014. The valuation has been made in accordance with the RICS Valuation - Professional Standards, January 2014, 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 2014. 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 Sterling (£) at the rates of exchange that apply at the end of the financial year.

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

Investment management expenses

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 £2.1m in 2013/2014 (£1.2m in 2012/2013).

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 2013/2014

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 2013 £m		31 March 2014 £m	
Insight Investment (corporate bonds)	231.3	8%	259.0	8%
Standard Life Investments (UK equity)	305.8	10%	345.9	10%
Aberdeen Fund Management (global equity)	253.0	8%	256.8	8%
JP Morgan Asset Management (global equity)	233.8	8%	260.3	8%
Longview Partners (global equity)	134.0	4%	157.3	5%
Sarasin & Partners (global equity)	236.4	8%	248.3	8%
State Street Global Advisors (global index tracking)	851.6	28%	894.3	27%
Legal & General Investment Management (passive UK index-linked)	152.6	5%	162.1	5%
Russell Investments (emerging markets equity)	68.7	2%	61.8	2%
Record Currency Management (currency hedging)	0.7	0%	13.6	0%
Colliers International UK plc (property)	234.3	8%	243.8	7%
Morgan Stanley Investment Management (alternatives funds)	50.5	2%	52.4	2%
Schroder Investment Management (alternatives funds)	50.6	2%	51.1	2%
Goldman Sachs Asset Management (hedge funds)	30.0	1%	61.3	2%
FRM Investment Management (hedge funds)	25.2	1%	0.0	0%
HarbourVest Partners (private equity)	76.8	3%	80.9	3%
Knightsbridge Advisors (private equity)	10.8	0%	11.7	0%
Partners Group (private equity)	11.4	0%	9.6	0%
Lazard Technology Partners (private equity)	1.9	0%	1.7	0%
Capital Dynamics (private equity)	1.0	0%	0.8	0%
Director of Finance and Resources (centrally held)	67.8	2%	103.4	3%
	3,028.2	100%	3,276.1	100%

No major changes were made to the fund's investment management structure during 2013/2014. The FRM Investment Management contract was terminated in 2012/2013 with the cash held by FRM pending payment back to the fund at 31 March 2013.

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 2013 £m	31 March 2014 £m
Equities - UK	23.7	25.6
Equities - Global	40.7	42.3
Fixed interest - UK	13.0	5.5
Fixed interest - Global	14.6	7.6
	92.0	81.0

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 2014 the fund held £86.4 million (£100.3 million at 31 March 2013) of collateral in the form of government obligations (such as Gilts) and equities.

Income received from stock-lending activities was £0.24 million for the year ending 31 March 2014 (£0.23 million for year ending 31 March 2013). This is included within the investment income figure shown on the pension fund account.

Notes to the accounts (continued)

4. Contributions receivable

	2012/2013 £m	2013/2014 £m
Employers		
Normal	100.8	104.3
Actuarial strain	7.7	7.8
Additional	1.3	1.5
Scheme members		
Normal	35.4	35.6

**The additional contributions in 2012/2013 and 2013/2014 were made to the fund by Staffordshire County Council on behalf of Staffordshire and Stoke on Trent NHS Partnership Trust.*

Total	145.2	149.2
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Employer's normal contributions include payments for past deficits as agreed by the actuary. The 31 March 2010 valuation's common contribution rate, which covers the period up to 31 March 2014, 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	61.3	54.4
Scheduled bodies	69.2	73.2
Admitted bodies	14.7	21.6

Total	145.2	149.2
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5. Transfers in

	2012/2013 £m	2013/2014 £m
Individual transfers in from other schemes	6.7	9.2

6. Benefits payable

	2012/2013 £m	2013/2014 £m
Pensions	107.6	113.1
Commutations and lump-sum retirement benefits	25.9	26.2
Lump-sum death benefits	3.8	3.7

Total	137.3	143.0
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These benefits can be analysed by type of member body as follows.

Staffordshire County Council	62.3	62.9
Scheduled bodies	68.2	71.4
Admitted bodies	6.8	8.7

Total	137.3	143.0
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Notes to the accounts (continued)

7. Payments to and on account of leavers

	2012/2013 £m	2013/2014 £m
Individual transfers to other schemes	6.9	6.5
Group transfers to other schemes*	3.7	0.0
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	10.6	6.5
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8. Administrative expenses

	2012/2013 £m	2013/2014 £m
Administration and processing	1.9	2.0
Actuarial services	0.2	0.4
External Audit fee	0.0	0.0
Other expenses	0.2	0.2
Printing and publications	0.0	0.0

Total	2.3	2.6
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9. Investment income

	2012/2013 £m	2013/2014 £m
Fixed interest securities	7.1	9.9
Dividends from equities	28.8	34.8
Income from index-linked securities	0.5	0.0
Income from pooled investment vehicles	1.4	0.8
Rents from property	13.5	13.5
Interest on cash deposits	0.2	0.5
Stock lending	0.2	0.2
Other	0.6	0.2
	52.3	59.9

Withholding tax we cannot recover	(0.6)	(0.7)
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Total	51.7	59.2
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Notes to the accounts (continued)

10. Investment reconciliation

	Value at 1 April 2013	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2014
	£m	£m	£m	£m	£m
Fixed interest securities	226.8	34.3	(11.7)	(10.0)	239.4
Equities	1,143.6	567.7	(538.3)	68.5	1,241.5
Pooled investment vehicles	1,078.1	15.8	(31.6)	62.7	1,125.0
Derivatives	1.4	5,898.0	(5,914.0)	25.0	10.4
Property	234.1	19.6	(38.4)	28.2	243.5
Other	218.1	60.9	(21.6)	12.1	269.5
	2,902.1	6,596.3	(6,555.6)	186.5	3,129.3
External cash deposits (centrally held)	67.7				103.3
Investment manager and central cash	58.4			1.4	43.5
	3,028.2			187.9	3,276.1
Outstanding dividend entitlements and recoverable withholding tax	8.6				8.4
Amount receivable for sales of investments	2.3				6.8
Amounts payable for purchases of investments	(2.7)				(9.0)
Total	3,036.4				3,282.3

Transaction costs are included in the cost of purchases and sales proceeds and include fees, commissions, stamp duty and other fees. The fund was charged transaction costs of £2.6 million in 2013/2014 (£1.7 million in 2012/2013). As well as the transaction costs shown, the fund was 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 2014 (also at 31 March 2013):

- State Street Global Advisors, Passive UK Equity - £311.7m (9.5%) (£286.3m (9.4%) at 31 March 2013);
- State Street Global Advisors, Passive All World Equity - £582.6m (17.7%) (£565.3m (18.5%) at 31 March 2013).

As at 31 March 2014 the fund was committed to entering into the following investments:

- £55.0m of private equity investments (£46.7m at 31 March 2013);
- £12.2m of UK directly held property investments (£1.6m at 31 March 2013).

The fund had no commitments to UK pooled property funds at 31 March 2014 (£3.4m at 31 March 2013)

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

Notes to the accounts (continued)

10a. Analysis of investments

	31 March 2013 £m		31 March 2014 £m	
Fixed interest securities				
UK corporate quoted	94.7	3%	106.2	3%
Global corporate quoted	132.1	4%	133.2	4%
	226.8	7%	239.4	7%
Equities				
UK quoted	405.5	13%	453.6	14%
Global quoted	738.1	25%	787.9	25%
	1,143.6	38%	1,241.5	39%
Pooled investment vehicles				
UK	341.8	11%	367.9	11%
UK index-linked	152.6	5%	162.1	5%
Global	583.7	20%	595.0	19%
	1,078.1	36%	1,125.0	35%
All companies operating unit trusts or managed funds are registered in the United Kingdom.				
Derivatives (see note 11)				
Forward foreign currency	1.1	0%	10.2	0%
Futures	0.3	0%	0.2	0%
	1.4	0%	10.4	0%
Property				
UK directly held property	206.9	7%	207.6	6%
UK pooled property funds	27.2	1%	35.9	1%
	234.1	8%	243.5	7%
Other				
Alternatives funds	86.2	3%	103.5	3%
Hedge funds	30.0	1%	61.3	2%
Private equity	101.9	3%	104.7	3%
	218.1	7%	269.5	8%
Cash				
External deposits	67.7	2%	103.3	3%
Investment manager and central (Sterling £)	52.2	2%	37.1	1%
Investment manager and central (non Sterling £)	6.2	0%	6.4	0%
	126.1	4%	146.8	4%
Total	3,028.2	100%	3,276.1	100%

Notes to the accounts (continued)

11. Derivative contracts

Forward foreign currency contracts

To reduce the volatility associated with fluctuating currency rates the fund holds forward foreign currency contracts. The open contracts at 31 March are analysed in Sterling (£) against other major currencies below.

	31 March 2013	31 March 2013	31 March 2014	31 March 2014
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Canadian Dollar	0.1	(0.3)	4.8	(2.4)
Swiss Franc	1.6	(2.0)	0.0	(0.4)
Euro	9.5	(10.3)	1.4	(1.7)
Japanese Yen	16.5	(12.7)	11.3	(7.5)
United States Dollar	17.2	(18.5)	15.1	(10.4)
Other	0.0	0.0	0.0	0.0
	44.9	(43.8)	32.6	(22.4)

Futures contracts

Futures contracts were used for efficient portfolio management within the Insight Investment corporate bond portfolio. All were traded on a stock exchange and are listed below at 31 March.

	nominal value	31 March 2013	31 March 2013	31 March 2014	31 March 2014
	£m	Assets	Liabilities	Assets	Liabilities
		£m	£m	£m	£m
Euro Bund Future (Euro €) - June 2013	5,960	0.0	(0.1)	0.0	0.0
Long Gilt Future (Sterling £) - June 2013	14,373	0.4	0.0	0.0	0.0
US 10 year Note (US \$) - June 2013	9,573	0.0	0.0	0.0	0.0
US 5 year Note (US \$) - June 2013	2,787	0.0	0.0	0.0	0.0
Euro Bund Future (Euro €) - June 2014	5,196	0.0	0.0	0.0	0.0
Long Gilt Future (Sterling £) - June 2014	13,933	0.0	0.0	0.1	0.0
US 10 year Note (US \$) - June 2014	7,620	0.0	0.0	0.1	0.0
US 5 year Note (US \$) - June 2014	4,743	0.0	0.0	0.0	0.0
		0.4	(0.1)	0.2	0.0

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.

	2012/2013 £m	2013/2014 £m
Management and administration	7.9	9.8
Custody	0.1	0.2
Performance measurement	0.1	0.1
Other	1.5	1.4
Total	9.6	11.5

13. Directly held property net asset account

The fund had investments in property of £243.5m at 31 March 2014 (£234.1m at 31 March 2013), of which £207.6m was in directly held property (£206.9m at 31 March 2013). The account below reconciles the movement in the fund's investments in directly held property.

	2012/2013 £m	2013/2014 £m
Balance at start of year	206.6	206.9
Purchases at cost	8.0	16.0
Sale proceeds	0.0	(37.7)
Change in market value	(7.7)	22.4
Balance at 31 March	206.9	207.6

14. Directly held property fund account

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

	2012/2013 £m	2013/2014 £m
Rental income	13.5	13.5
Direct operating expenses	(1.4)	(1.4)
Net gain	12.1	12.1

Notes to the accounts (continued)

15. Current assets

	2012/2013 £m	2013/2014 £m
Contributions due		
Employers	17.1	13.0
Members	2.6	2.0
Cash balances	1.2	1.2
HM Revenue & Customs	0.0	0.0
Payments made in advance	0.0	0.0
Other	1.9	1.9
<hr/>		
Total	22.8	18.1

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

	2012/2013 £m	2013/2014 £m
Central government bodies	8.5	7.4
Other local authorities	12.5	8.1
NHS bodies	0.0	0.4
Public corporations and trading funds	0.4	0.4
Other entities and individuals	1.4	1.8
<hr/>		
Total	22.8	18.1

16. Current liabilities

	2012/2013 £m	2013/2014 £m
Investment management expenses	(2.4)	(2.5)
Income received in advance	(2.0)	(1.1)
Benefits payable	(2.5)	(2.8)
Other	(0.8)	(0.6)
<hr/>		
Total	(7.7)	(7.0)

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

	2012/2013 £m	2013/2014 £m
Central government bodies	(1.0)	0.0
Other local authorities	0.0	0.0
NHS bodies	0.0	0.0
Public corporations and trading funds	0.0	0.0
Other entities and individuals	(6.7)	(7.0)
<hr/>		
Total	(7.7)	(7.0)

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 providers. Contributions are paid directly from scheme members to the providers.

The contributions are not included within the fund accounts, in line with regulation 4(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
	£ 000	£ 000	£ 000
Opening value	1.0	0.8	2.6
Income	0.1	0.0	0.2
Expenditure	(0.1)	(0.1)	(1.0)
Change in market value	0.1	0.1	0.1
Closing value	1.1	0.8	1.9

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 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 up to 31 March 2014. As at this date three 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 £7.028 million due at 31 March 2014.

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 2013/2014 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 £0.150m to be released at 31 March 2014.

21. Events after the balance sheet date

There have been no significant events since 31 March 2014 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 2014 was £104.7m (£101.9m at 31 March 2013).

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

The items in the net assets statement at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are shown below.

<u>Item</u>	<u>Uncertainty</u>	<u>Effect if actual results differ from assumptions</u>
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 £104.7m. 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 £61.3m. 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 £103.5m. 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 2013/2014.

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 2014

	Designated as fair value through profit and loss £ 000	Loans and receivables £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Financial assets				
Fixed interest securities	239.4	0.0	0.0	239.4
Equities	1,241.5	0.0	0.0	1,241.5
Pooled investment vehicles	1,125.0	0.0	0.0	1,125.0
UK pooled property funds	35.9	0.0	0.0	35.9
Hedge funds	61.3	0.0	0.0	61.3
Private equity	104.7	0.0	0.0	104.7
Alternatives funds	103.5	0.0	0.0	103.5
Derivatives	10.4	0.0	0.0	10.4
Cash	0.0	148.0	0.0	148.0
Other investment balances	15.2	0.0	0.0	15.2
Current assets	0.0	16.9	0.0	16.9
	2,936.9	164.9	0.0	3,101.8
Financial liabilities				
Current liabilities	0.0	0.0	(7.0)	(7.0)
Other investment balances	(9.0)	0.0	0.0	(9.0)
	(9.0)	0.0	(7.0)	(16.0)
	2,927.9	164.9	(7.0)	3,085.8

Notes to the accounts (continued)

The previous years data is given below.

31 March 2013

	Designated as fair value through profit and loss £ 000	Loans and receivables £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Financial assets				
Fixed interest securities	226.8	0.0	0.0	226.8
Equities	1,143.6	0.0	0.0	1,143.6
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)

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.

	2012/2013 £m	2013/2014 £m
Financial assets		
Designated as fair value through profit and loss	334.6	164.1
Loans and receivables	1.4	1.4
	336.0	165.5

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 2013		31 March 2014	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Fair value through profit and loss	2,706.1	2,706.1	2,936.9	2,936.9
Loans and receivables	148.9	148.9	164.9	164.9
Financial Liabilities				
Fair value through profit and loss	(2.7)	(2.7)	(9.0)	(9.0)
Financial liabilities measured at amortised cost	(7.7)	(7.7)	(7.0)	(7.0)
	2,844.6	2,844.6	3,085.8	3,085.8

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, 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 2014

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Financial assets				
Designated as fair value through profit and loss	2,621.2	46.2	269.5	2,936.9
Loans and receivables	164.9	0.0	0.0	164.9
Financial liabilities				
Designated as fair value through profit and loss	(9.0)	0.0	0.0	(9.0)
Financial liabilities at amortised cost	(7.0)	0.0	0.0	(7.0)
	2,770.1	46.2	269.5	3,085.8

Notes to the accounts (continued)

The previous years data is given below.

31 March 2013

	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
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)

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 2014/2015 financial year. The potential market movements figures also allow for interest rate and currency rate fluctuations.

Asset type	Potential market movements
UK equity	+/- 17%
Global equity	+/- 21%
Private equity	+/- 29%
UK fixed interest bonds	+/- 12%
UK Index-linked bonds	+/- 6%
Corporate bonds	+/- 11%
Cash	+/- 1%
UK pooled property funds	+/- 15%
Alternatives	+/- 6%

This movement in the market prices would increase or decrease the net assets at 31 March 2014 to the amounts shown overleaf.

Notes to the accounts (continued)

Asset type	31 March 2014	Percentage change	Value on increase	Value on decrease
	£ 000	%	£ 000	£ 000
UK corporate bonds	106.2	12%	118.9	93.5
Global corporate bonds	133.2	12%	149.2	117.2
UK equities	453.6	17%	530.7	376.5
Global equities	787.9	21%	953.4	622.4
UK pooled investments	367.9	17%	430.4	305.4
UK index-linked pooled investments	162.1	6%	171.8	152.4
Overseas pooled investments	595.0	21%	720.0	470.1
Forward foreign currency	10.2	0%	10.2	10.2
Futures	0.2	0%	0.2	0.2
UK pooled property funds	35.9	15%	41.3	30.5
Hedge funds	61.3	6%	65.0	57.6
Private equity	104.7	29%	135.1	74.3
Alternatives funds	103.5	6%	109.7	97.3
Cash	146.8	1%	148.3	145.3
Outstanding dividend entitlements and recoverable withholding tax	8.4	0%	8.4	8.4
Amount receivable for sales of investments	6.8	0%	6.8	6.8
Amounts payable for purchases of investments	(9.0)	0%	(9.0)	(9.0)
Current assets	18.1	0%	18.1	18.1
Current liabilities	(7.0)	0%	(7.0)	(7.0)
	3,085.8		3,601.5	2,570.2

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 Sterling (£) will fluctuate because of changes in foreign exchange rates.

A high proportion of the fund's equity portfolio is held in global stock markets. To reduce volatility associated with fluctuating currencies, the fund employs Record Currency Management to manage a 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 is through its investment in corporate bonds.

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

Through 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.

Notes to the accounts (continued)

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 2013/2014 investments were made with:

Staffordshire County Council's banker, The Co-operative Bank (up to £5m - maximum 1 week). Following a downgrade of the bank during the year, deposits were ceased to be made with this counterparty.

"AAA" rated 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 2014, £103.3m was held in this way (£67.7m at 31 March 2013).

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 smaller 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.

Curtailement Costs

Curtailement 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.