

Local Members' Interest
N/A

## **Audit and Standards Committee – 25 September 2017**

### **2016/2017 Statement of Accounts**

#### **Recommendations**

1. That members approve the 2016/2017 Statement of Accounts as attached to this report.
2. To approve the letters of representation from the Director of Finance and Resources.

#### **Report of the Director of Finance and Resources**

##### **Background**

3. The 2016/2017 Statement of Accounts is attached as Appendix 4 to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).
4. The Code of Practice is updated annually and for 2016/2017 the Code allowed changes to be made to the way services are reported within the Comprehensive Income and Expenditure Statement. This meant authorities could opt to report services in the same structure used for reporting within the County Council, rather than following a specific format.
5. As part of normal year end processes I am required to make written representation to the auditors expressing an opinion as to whether the accounts give a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations. My letters are attached as Appendices 2 and 3 to this report and I would welcome discussion regarding any matters covered by the letters. The committee members are asked to approve the letters.

##### **Revenue Outturn**

6. We spent £477.8 million on our day to day activities after allowing for transfers to reserves. This was £4.7 million (or 1.0%) more than we budgeted for and an analysis of the spend across services is set out in the table overleaf.

The table compares the budget with the final outturn (spending) for 2016/2017			
	<b>Budget</b>	<b>Outturn</b>	<b>Over / (Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Health and Care</b>			
Adults' Public Health	(1.644)	(1.644)	0.000
Adults' Disability Services	83.834	82.003	(1.831)
Long Term Conditions	77.182	90.149	12.967
Mental Health	11.646	11.646	0.000
Governance	6.311	5.860	(0.451)
<b>Health and Care Total</b>	<b>177.329</b>	<b>188.014</b>	<b>10.685</b>
<b>Families and Communities</b>			
Children's Services	68.544	70.575	2.031
Children's Public Health	1.643	1.643	0.000
Children's Disability Services	19.455	20.335	0.880
Education Services	25.727	24.751	(0.976)
Culture and Physical Activity	8.511	8.537	0.026
Rural	2.498	2.254	(0.244)
Community Safety	16.615	15.285	(1.330)
<b>Families and Communities Total</b>	<b>142.993</b>	<b>143.380</b>	<b>0.387</b>
<b>Economy, Infrastructure and Skills</b>			
Economic Development and Strategic Planning	1.118	0.612	(0.506)
Infrastructure and Highways	25.903	25.827	(0.076)
Transport and Connectivity	19.407	16.910	(2.497)
Skills	3.767	3.709	(0.058)
Sustainability	21.328	21.503	0.175
EI&S Business Support	2.310	1.418	(0.892)
<b>Economy, Infrastructure and Skills Total</b>	<b>73.833</b>	<b>69.979</b>	<b>(3.854)</b>
<b>Finance and Resources</b>	<b>11.248</b>	<b>10.358</b>	<b>(0.890)</b>
<b>Strategy, Governance and Change</b>	<b>14.591</b>	<b>13.425</b>	<b>(1.166)</b>
<b>Trading Services</b>	<b>(0.833)</b>	<b>(0.833)</b>	<b>0.000</b>
<b>Total Portfolio Budgets</b>	<b>419.161</b>	<b>424.323</b>	<b>5.162</b>
<b>Centrally Controlled Items</b>			
Interest on Balances and Debt Charges	36.491	36.492	0.001
Other*	16.904	16.966	0.062
Contingency	0.537	0.000	(0.537)
<b>Centrally Controlled Total</b>	<b>53.932</b>	<b>53.458</b>	<b>(0.474)</b>
<b>Planned Net Revenue Budget / Expenditure</b>	<b>473.093</b>	<b>477.781</b>	<b>4.688</b>

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

7. The Health and Care Directorate has seen increasing pressures over recent years due to rising demographic pressures and challenging market conditions. In addition to these pressures, the Better Care Fund income shortfall of £15 million has impacted on this service area. The Long Term Conditions service also overspent due to the risk share agreement with the Staffordshire and Stoke on Trent Partnership Trust which meant that the County Council paid £7.3 million towards the Trust's overspend. After offsetting savings from spending controls and underspends in the Adults' Disability Service and in Governance, the final position was a net spend of £10.7 million more than budget in this service area.
8. The Families and Communities Directorate ended the year with a small overspend of £0.4 million, despite increasing placement costs for Looked after Children and increasing costs for Special Educational Needs Home to School Transport. The overspends in these areas were offset by underspends in Education Services, Rural and Community Safety resulting from spending control savings, vacant posts and additional income.
9. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall underspend of £3.9 million. This has arisen from various initiatives including spending controls and vacant posts but also a review of the Home to School Transport service has consolidated routes and transferred pupils to public transport. The concessionary travel service area delivered an MTFS saving early. These underspends have been partially offset by overspends on waste tonnages and on winter maintenance.
10. Support services underspent by £2.1 million mainly as a result of not recruiting to vacant posts and stopping all non-essential spend in line with the spending controls criteria. The centrally controlled budgets broke even by the end of the year and also a small amount of the contingency budget remained unspent.
11. Against the approved budget these amounts have resulted in the overall overspend of £4.7 million.

## **Capital Outturn**

12. In 2016/2017, we spent grants from the Government totalling £69.4 million, compared to £56.2 million in 2015/2016. We also accounted for £14.7 million of borrowing to finance our capital spend. After including all extra funding such as specific grants and contributions from developers, our final capital spend for 2016/2017 was £127.3 million, compared to £84.8 million in 2015/2016.
13. The capital spend of £127.3 million includes £16.4 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue savings, this includes redundancy costs, reviews and staff supporting transformation in all services and the new HR and Finance systems.

14. The capital outturn position is summarised in the table below;

	<b>£m</b>
Health and Care	1.4
Families and Communities	31.9
Economy, Infrastructure and Skills	64.3
Finance and Resources	12.2
Traded Services	1.1
Transformational Spend	16.4
<b>Grand Total</b>	<b>127.3</b>

15. Our achievements during the year include the following:

- Completion of Sport England funded wet changing room refurbishments at Walton High and Chase Terrace Technology College;
- Continuation of works relating to relocation of Ryecroft middle and Dove primary schools and construction of a new secondary school at Branston Road, Burton;
- Commencement of works to expand St Giles and St George's Academy in Newcastle;
- Completion of Uttoxeter Waste Plant relocation project;
- Works on the A50 in conjunction with Highways England have commenced and are progressing well;
- The partnership between the County Council, Newcastle Borough Council and the Office of the Police and Crime Commissioner has seen the start of construction of a new multi-agency hub in Newcastle city centre;
- Continued work on a number of large regeneration projects including further development at Keele and the Kingswood Lakes site in Cannock as well as the introduction of Tamworth Cultural Quarter;
- Relocation of County Council staff, including significant investment in IT infrastructure to allow for more agile and responsive ways of working.

### **Interpretation and comment on the main financial information**

16. As a result of the change to the Code of Practice mentioned above, the 2015/2016 comparative amounts for services have been restated in the new format. This means that the gross expenditure and income shown in the 2015/2016 Statement of Accounts is not the same in the restated version. The difference is because support services were previously apportioned across front line services on a net basis and in the new format, they are reported on their own service lines.

17. The Balance Sheet shows that the total of assets less liabilities is £124.8 million which is a decrease of £173.8 million when compared with the 2015/2016 Balance Sheet. One of the main reasons for this decrease is that the value of property, plant and equipment has reduced due to the number of schools being disposed of following their conversion to academy status. Additionally, there is an increase of £44.8 million in the Council's share of liabilities associated with the pension fund. 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.
18. The Balance Sheet also includes a Prior Period Adjustment which was required by the external auditors. This adjustment relates to the methodology for valuation of certain, specialised fixed assets. The assets affected are, in the main, maintained schools. The Prior Period Adjustment means that the financial statements for previous years have been restated. The adjustment to the opening balance is £264 million which is 16% of the total fixed assets of £1,669.4 million. This is a technical accounting adjustment and has not had an impact on the County Council's cash balances or useable reserves. It also does not have an impact on the value which could be obtained should the assets be sold.

### **Reserves and balances**

19. There are two types of reserves, those that are cash-backed and hold money set aside for specific purposes and those which are notional and exist for accounting purposes. In total our cash-backed reserves have decreased by £16.0 million, £13.2 million of this relates to schools' reserves. The amalgamated capital reserves (that is, money set aside for capital expenditure) have decreased by £12.7 million. This reflects the decisions we have made on funding our capital programme. These amalgamated reserves include capital receipts and unspent capital grants which we can use in future years.
20. Earmarked revenue reserves (excluding school reserves) have decreased by £2.8 million which represents money we are used to support our revenue expenditure.
21. After taking account of the outturn, the General Fund Balance total was £21.0 million as at 31 March 2017.
22. School reserves have decreased by £13.2 million to £29.1 million, reflecting the impact of academy conversions and schools using their reserves for specific projects or to support their revenue budgets.

### **Group Accounts**

23. The aim of the Group Accounts is to give an overall picture of the activities of the authority. The statements 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. In accordance with the 2016/2017 Code of Practice on Local Authority Accounting, the Council should account for an interest in Entrust Support Services Ltd (Entrust) as an associate company and prepare group accounts.

## **Pension fund**

24. In 2016/2017 the Pension Fund's market value steadily increased over the year despite being impacted by volatility in global equity markets, which was driven by concerns over continuing economic uncertainty. All primary asset classes had significant positive returns and the Pension Fund has achieved an absolute return of 22.4% over the year. The fund is now valued at £4,590.5 million.

## **Format of the Statement of Accounts**

25. 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.
26. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 276065.
27. The full statement and the summary version will also be available on our website ([www.staffordshire.gov.uk](http://www.staffordshire.gov.uk)).

**Andrew Burns**  
**Director of Finance and Resources**

**Equalities Implications**

1. This report has been compiled in accordance with the County Council's Policy on Equal Opportunities.

**Legal Implications**

2. The County Council is required to approve a draft Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations.

**Resource and Value for Money Implications**

3. There are no direct resource implications arising from this report.

**Risk Implications**

4. There are no direct risk implications arising from this report.

**Climate Change Implications**

5. There are no direct climate change implications arising from this report.

**Health Impact Assessment and Community Impact Assessment screening**

6. Not required for this report.

**Report author:**

Author: Rachel Spain  
Tel No (01785) 854455  
Room No 2<sup>nd</sup> Floor, Staffordshire Place 2

**List of Background Papers:**

Accounts and Audit Regulations 2015  
Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

Ernst & Young LLP  
1 Colmore Square  
Birmingham  
B4 6HQ

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Staffordshire County Council (“the Group and Council”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Staffordshire County Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.



3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Group and the Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because we believe they do not alter a true and fair view of the financial statements and their omission would not materially alter the view of a reader of the accounts.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
  3. We have made available to you all minutes of the meetings of the County Council, Audit and Standards Committee and Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:
    - a. County Council 31 August 2017
    - b. Cabinet 20 September 2017
    - c. Audit and Standards Committee 25 September 2017
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

## **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation

and claims, both actual and contingent.

#### **F. Subsequent Events**

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

#### **G. Group audits**

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement by the Director of Finance and Resources and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **Comparative information – prior period adjustment**

We represent, to the best of our knowledge and belief, the following:

1. The financial statements have been adjusted to reflect a change in the assessment of remaining lives in line with the advice received on the valuation of specialized assets. The amounts involved are set out in Note 47 to the financial statements.

The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and council financial statements.

There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and council financial statements for the year ended 31 March 2017 are solely the result of reclassifications for comparative purposes.

## **Comparative information – corresponding financial information**

In accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, we have produced an Expenditure and Funding Analysis and revised the layout of the Comprehensive Income and Expenditure Statement. This has resulted in a reanalysis and restatement to the prior period comparatives.

The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatements have also been included in the current year's financial statements.

## **Ownership of Assets**

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

## **Reserves**

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

## **Use of the Work of a Specialist – Valuation of Property, Plant and Equipment**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
2. We are satisfied that the key assumptions supporting the valuation of Property, Plant and Equipment are consistent with relevant valuation guidance. In particular, we are satisfied that the useful economic lives applied to Property, Plant and Equipment are consistent with relevant valuation guidance .

## **Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the Council. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

The management representations noted in this letter were reviewed by the Audit and Standards Committee at its meeting on 25 September 2017.

Yours faithfully,

---

(Director of Finance and Resources)

---

(Chairman of the Audit Committee)

25 September 2017

Ernst & Young  
The Paragon  
Counterslip  
BS1 6BX  
Bristol

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Staffordshire County Council Pension Fund (“the Fund”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland) which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial

statements referred to above give a true and fair view of the financial position and financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
3. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of

non-compliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the Pensions Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Pension Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. No transactions have been made which are not in the interests of the Fund members or the Fund during the Fund year or subsequently.



## **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm we have no guarantees to third parties.

## **F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

## **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information included in the Pension Fund's financial statements.
2. We confirm that the content contained within the other information is consistent with the financial statements of Staffordshire County Council.

## **H. Derivative Financial Instruments**

1. We confirm the Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. We confirm that all investments in derivative financial instruments have been made after due consideration by the Pensions Committee of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in scheme risk, facilitate efficient portfolio management, and that any such investment has been made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.
3. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the Fund at the year end and the terms and conditions relating thereto.
4. We have duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

## **I. Actuarial valuation**

1. The latest report of the actuary Hymans Robertson as at 31 March 2016 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

## **J. Purchase and Sales Commitments and Sales Terms**

1. At the year end, the Fund had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Fund.

## **K. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the investment property values and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## **L. Estimates**

### Level 3 Investment Valuation Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of International Financial Reporting Standards.
2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimate and disclosures.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with International Financial Reporting Standards.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

**M. Investment Managers' Control Reports ISAE 3402**

1. The latest reports available do not, for all fund managers, cover the whole of the 2016/17 audit year. We can confirm that we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours faithfully,

---

Director of Finance and Resources

I confirm that this letter has been discussed and agreed at the Audit Committee on 25 September 2017

---

Chair of Audit Committee