

Suffolk County Council

Statement of Accounts

2022 - 2023



We will on request produce this document, or particular parts of it, into larger print or other languages and formats, in order that everyone can use and comment upon its content.

Suffolk County Council

Statement of Accounts

for the year ended **31 March 2023**

Contents

| | Page |
|--|-------------|
| Auditors Report..... | i |
| Statement of Responsibilities..... | v |
| Narrative Report..... | 1 |
| Comprehensive Income and Expenditure Statement | 18 |
| Movement in Reserves Statement | 19 |
| Expenditure and Funding Analysis | 20 |
| Balance Sheet..... | 24 |
| Cash Flow Statement..... | 25 |
| Notes to the Core Statements | 27 |
| Group Accounts | 97 |
| Pension Fund Accounts | 110 |
| Fire Pension Fund Statement..... | 143 |
| Glossary of Terms..... | 144 |

Auditors Report

This page is blank until the auditors report is issued

Auditors Report

Auditors Report

This page is blank until the auditors report is issued

Auditors Report

This page is blank until the auditors report is issued

Auditors Report

This page is blank until the auditors report is issued

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient, and effective use of resources and to safeguard its assets; and
- approve the statement of accounts

Certification

These accounts will be approved by the Audit Committee at its meeting on 13 March 2024 on behalf of Suffolk County Council and will then be authorised for issue.

The responsibilities of the Chief Financial Officer (Section 151 Officer)

The Chief Financial Officer is responsible for the preparation of the Council's Statements of Accounts including those of the Pension Fund. In order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present a true and fair view of our financial position and that of the Pension Fund at 31 March 2023, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Chief Financial Officer has:


- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice on Local Authority Accounting.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps to prevent and detect fraud and other irregularities.

Certification

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the Council at 31 March 2023 and its income and expenditure for the year to that date.



Louise Aynsley
Chief Financial Officer (Section 151 Officer)
31 May 2023

Narrative Report

Narrative Report

1.0 An Introduction to Suffolk

1.0.1 This narrative report provides an overview of the Council's corporate strategy, the services delivered, the financial and non-financial performance in-year and the financial outlook for the Council.

1.0.2 Suffolk is a rural county in the East of England with a population of approximately 760,000. The natural environment is a key asset for Suffolk and the countryside and coastline are a major tourist attraction and a significant reason people want to live and work in the County. Rich in cultural heritage and landscape beauty, the County has one of the warmest and driest climates in the country but being a rural county can provide challenges to the Council in the provision of services. Life expectancy is higher than the national average and levels of deprivation are generally low but there are small but significant pockets of deprivation in the major towns and some rural areas. Employment levels overall were good prior to COVID-19 but average earnings are below the national average.

1.1 Corporate Strategy

1.1.1 In September 2021, the Council adopted a new Corporate Strategy for the period 2022 to 2026. This superseded the previous 'Suffolk County Council: Our Priorities 2017 - 2021' document. The document provides a framework for future decision making, financial and business planning for the organisation. The Strategy was developed following the County Council elections in May 2021, with its associated objectives based on political priorities as well as the factors impacting on the current public services landscape at a national and local level, in particular supporting the Government's "Build Back Better" agenda to level up the UK, enable the transition to net zero, and support the vision for a Global Britain.

<https://www.suffolk.gov.uk/asset-library/imported/master-corp-strategy-report-2022-26.pdf>

1.1.2 The four corporate objectives for 2022 – 2026 were:

- a. To promote and support the health and wellbeing of all people in Suffolk;
- b. To strengthen Suffolk's local economy;
- c. To protect and enhance Suffolk's environment;
- d. To provide value for money for the Suffolk taxpayer;

1.1.3 The Council has developed 57 performance measures to assess success in delivering its objectives which were reported against quarterly. These are detailed within the Council's 2022 - 2023 Annual Plan: <https://www.suffolk.gov.uk/asset-library/imported/2023-02-10-ANNUAL-PLAN-2023-24.pdf>

1.1.4 A report detailing these performance measures will be published on the Corporate Performance Report section of the Council's website during July 2023. <https://www.suffolk.gov.uk/council-and-democracy/open-data-suffolk/council-data-and-transparency/corporate-performance-reports>

1.2 COVID-19

1.2.1 During 2022 – 2023, Suffolk, along with the rest of the world, emerged from the acute phase of the COVID-19 pandemic, and far less of its expenditure was focussed on response to it. Most of the COVID-19 funding carried forward into 2022 – 2023 has been fully applied in year. This includes £5.006 million of the £7.055 million Contain Outbreak Management Fund, which was used to continue the delivery of a range of programmes put in place to address the impact of COVID-19 on the health and wellbeing of communities in Suffolk. All the remaining £5.132 million of non-ringfenced COVID-19 Emergency Grant was applied to cover the costs of budget overspends, many of which were in part a result of the legacy of COVID-19 on Suffolk's economy and society.

1.3 2021 – 2022 Statement of Accounts and Audit Timescales

1.3.1 Following delays caused by issues involving accounting for infrastructure assets and pension fund valuations, the 2021 – 2022 Statement of Accounts is due to be signed by Audit Committee on 5 June 2023. These were sector-wide issues and resulted in similar delays nationally. These Accounts will be published on the Council's website after publication, replacing the current draft version. Further to this,

Narrative Report

capacity issues within the external audit sector mean that the audit of the 2022 – 2023 Statement of Accounts is unlikely to be completed until late 2023 at the earliest.

2.0 Service Provision

There have been no changes to Directorate structure over this period. Although there have been various changes to senior personnel, these were all a result of routine changes for which the organisation was able to prepare and manage. These changes are summarised overleaf:

- a. Chris Bally, the Council's Deputy Chief Executive and Executive Director of Corporate Services, left the Council on 31 December 2022 to take up a new role as Chief Executive at East Suffolk Council. This post has remained vacant for the remainder of 2022 – 2023, with a new appointment due to start in this role in July 2023;
- b. Andrew Cook, was appointed to the Executive Director of Growth, Highways and Infrastructure post on 4 April 2022;
- c. Tim Ryder, the Council's Monitoring Officer, retired on 28 February 2023, and was replaced on 1 March 2023 by Nigel Inniss;

The Council is organised into the following Directorates:

2.1 The **Adult and Community Services** Directorate is responsible for delivering the Council's responsibilities under the Care Act 2014. This includes providing high quality information and advice about care and support to adults with social care needs; promoting independence by offering short term re-ablement and support such as assistive technology or equipment; and providing or commissioning ongoing social care and support for those adults who need it, either at home, in the community, or in supported living or residential care accommodation. Key metrics within the Directorate for 2022 - 2023 include:

- a. 10,234 customers were receiving purchased care;
- b. 114,693 residential care bed-weeks, and 32,329 nursing care bed-weeks, were provided;
- c. 3.282 million hours of external homecare were delivered;
- d. 2,650 people were actively supported with digital devices to assist with care provision.

2.2 The **Children and Young People** Directorate deliver a range of statutory duties in relation to the safety and welfare of children and young people. These include Early Help Services, 0-19 years Healthy Child Service, Education & Learning, Special Educational Needs and Disabilities, Social Care Services, Fostering & Adoption, Disabled Children's Services, and Youth Justice. Key metrics within the Directorate at the end of 2022 - 2023 are outlined in the following bullets:

- a. 102 maintained schools and 219 academies and free schools operated within the county;
- b. 985 children were in care of which 114 were unaccompanied asylum seekers;
- c. 513 children were subject to a Child Protection Plan;
- d. 7,113 Education, Health & Care plans were in place.

2.3 The **Public Health and Communities** Directorate consists of the following service areas: Health Improvement and Protection Services, Localities and Partnerships (which includes Libraries) and Knowledge & Intelligence. Public Health provide and commission a wide range of services to improve the health and lives of Suffolk people including healthy lifestyles, health protection and advice. Key metrics within the Directorate as at the end of 2022 - 2023 include:

- a. 2,063,658 physical books, CDs and DVDs, and 1,864,619 electronic books, music, films and publications were issued through the Suffolk Library Service;
- b. 3,119 adults were supported to lose weight;
- c. Support was provided to 1,306 guests from Ukraine across 598 host households in Suffolk;
- d. Over 13,000 applications were approved for Local Welfare Assistance Support.

Narrative Report

- 2.4 The **Fire and Public Safety** Directorate consists of the Suffolk Fire and Rescue Service, Trading Standards and the Joint Emergency Planning Unit.

The Fire and Rescue Service vision is to work together to make Suffolk a place where people lead safe and healthy lives. To do this it provides prevention, protection and emergency response services to local communities across the county and supports neighbouring and other fire services in the event of larger incidents. Key metrics within the Service as at the end of 2022 - 2023 include:

- a. 35 fire stations with 4 full time, 4 shift stations, 2-day crew stations and supported by 1 county day crew. 43 frontline fire engines and 13 specialist vehicles with associated 999 control, training and support functions.
- b. 6,162 incidents were attended in 2022- 2023.
- c. 2,829 home fire safety visits took place in 2022 - 2023.
- d. 887 fire safety audits took place in 2022 - 2023.

Trading Standards vision is for a 'Rogue-Free Suffolk'. The delivery objectives supporting this are: To build resilient communities who say 'no' to scams and rogue traders, to support genuine Suffolk business, to take action against rogue traders, and to carry out market surveillance and use intelligence to target available resources most effectively.

The Emergency Planning and Business Continuity functions enable the Council to work in partnership with other organisations during emergencies to protect the public, to ensure critical services continue and to rebuild communities after any incident. These services are provided through a Joint Emergency Planning partnership with Suffolk District and Borough Councils.

- 2.5 The **Growth, Highways and Infrastructure Directorate** is responsible for the provision of waste disposal, transport, highways and planning services. It is also responsible for the protection, enhancement and maintenance of the county's natural and historical environment, and taking a lead on the Council's response to the Climate Emergency. In addition, it has a lead role in supporting Suffolk's economy and delivering sustainable infrastructure through key projects such as the Gull Wing Bridge in Lowestoft and the promotion of more housing delivery. Key metrics within the Directorate in 2022 - 2023 include:

- a. 4,270 miles of road maintained;
- b. 11,049 children transported to and from school;
- c. 98,376 passenger journeys supported via Connecting Communities;
- d. 135,038 tonnes of waste from households reused, recycled and composted;
- e. 790,422 customer visits to Recycling Centres

- 2.6 The **Corporate Services** Directorate is responsible for providing support functions to the Council including Assets and Investment, Communications, Finance, Health and Safety, Human Resources, IT, Governance, Legal & Assurance, and Policy, to enable and support the delivery of effective and efficient public services to the people of Suffolk. Corporate Services is also responsible for the front-line delivery of the Coroner's, Registration Services and Customer and Online Services.

3.0 Resident Satisfaction

Following a hiatus during COVID-19, the Council re-started its "We Are Listening" events across the county in 2022 - 2023, holding events in 13 locations. In addition, the Council held an extensive consultation on its 2023 - 2024 Budget, receiving 2,617 responses.

Narrative Report

4.0 Financial Performance

4.0.1 The Cabinet has received quarterly budget monitoring reports during the year and is due to receive a detailed report of the financial outturn position for 2022 – 2023 on 13 June 2022. The following paragraphs summarise the outturn position.

4.1 Revenue

4.1.1 In February 2022, the Council set its 2022 - 2023 Revenue Budget. This consisted of a Net Expenditure Budget of £625.399 million (i.e. the expenditure budget after fees, charges, contributions and some specific grants have been deducted) and a corresponding £625.399 million Core Funding Budget comprising Council Tax and Business Rates which fund 82% of the budget, a range of Government grants which fund 17%, and contributions from corporate reserves which fund the remaining 1%.

4.1.2 Following the approval of the 2022 - 2023 Revenue Budget, the Department of Health & Social Care finalised the ringfenced Public Health Grant for 2021 - 2022 at £31.669 million, £0.090 million higher than the figure within the budget. To reflect this change, both the Public Health Grant budget within the Core Funding Budget, and the Public Health Directorate budget within the Net Expenditure Budget were decreased by £0.090 million, causing the 2022 - 2023 Net Expenditure and Core Funding Budgets both to decrease from £625.399 million to £625.309 million.

4.1.4 The Council's final outturn for 2022 - 2023 is a £21.178 million overspend against budget. This comprises and is summarised in **Table 1**:

- a) a £15.585 million overspend against its expenditure resourced by its Core Funding Budget; and
- b) a £12.112 million overspend against its expenditure resourced by its Dedicated Schools Grant funding; offset by
- c) a £6.519 million increase in Business Rates funding against its Business Rates pool budget;

Table 1: 2022 - 2023 Revenue Budget Outturn Summary

| | 2022 - 2023 Budget £million | 2022 - 2023 Outturn £million | 2022 - 2023 Variance £million | Variance Split by Funding Source £million | |
|-----------------|-----------------------------------|------------------------------------|-------------------------------------|---|---------------------|
| Net Expenditure | 625.309 | 653.006 | 27.697 | } | Core Funding 15.585 |
| | | | | | DSG Funding 12.112 |
| Core Funding | 625.309 | 631.827 | 6.519 | | |
| Total | 0.000 | 21.179 | 21.179 | | |

4.2 Core Funding

4.2.1 The income from Business Rates has exceeded its budget by £6.519 million. This is due to a combination of an additional Section 31 grant from Government and an increase in the gain from the pooling of rates with the District and Borough Councils in Suffolk. The increase to Section 31 grant is due to the Business Rates funding budget (based on the 2021 Local Government Finance Settlement figures) being lower than the final rates collectable, along with reliefs from Government to businesses then compensated to Local Government.

4.2.2 As a result, the 2022 - 2023 Core Funding Budget generated £6.519 million more funding than originally expected. This partially offsets the £15.585 million overspend on budgets resourced from core funding, with the consequence that a net £9.067 million was resourced from Council usable reserves in 2022 - 2023, to cover budget variances relating to core funding.

Narrative Report

4.3 Net Expenditure Budget

4.3.1 **Table 2** summarises the Net Expenditure Budget variance by Directorate.

Table 2: Actual Net Expenditure compared to the Final Net Expenditure Budget 2022 – 2023 by Directorate

| | 2022 - 2023 Budget £million | 2022 - 2023 Outturn £million | 2022 - 2023 Variance £million | Outturn Budget Variance | | |
|---------------------------------------|-----------------------------------|------------------------------------|-------------------------------------|---|---------------------------------|-------------------------------------|
| | | | | Resourced by Core Funding £million | Resourced by DSG £million | 2022 - 2023 Variance £million |
| Adult & Community Services | 293.508 | 294.169 | 0.661 | 0.661 | 0.000 | 0.661 |
| Children & Young People | 141.196 | 166.980 | 25.784 | 13.672 | 12.112 | 25.784 |
| Public Health & Communities | 39.519 | 39.531 | 0.012 | 0.012 | 0.000 | 0.012 |
| Fire & Public Safety | 26.381 | 27.454 | 1.073 | 1.073 | 0.000 | 1.073 |
| Growth, Highways & Infrastructure | 49.442 | 46.729 | -2.713 | -2.713 | 0.000 | -2.713 |
| Corporate Services | 38.282 | 39.562 | 1.280 | 1.280 | 0.000 | 1.280 |
| Central Resources & Capital Financing | 36.981 | 38.581 | 1.600 | 1.600 | 0.000 | 1.600 |
| Total | 625.309 | 653.006 | 27.697 | 15.585 | 12.112 | 27.697 |

* Positive variance represents an overspend, and a negative variance represents an underspend

4.3.2 The Council set its 2022 - 2023 Revenue Budget following a period of almost two years of significant upheaval and disruption caused by the COVID-19 pandemic, leaving a legacy of service pressures and rising inflation. Since that point, the Ukraine war, amongst other factors, has led to a worsening of the economic situation, and inflation rising into double-digits, and well beyond the levels projected when the 2022 - 2023 Budget was set.

4.3.3 Although the Government has taken certain measures to alleviate this year's budget situation, in particular reversing its National Insurance rise and capping energy prices, these were insufficient in themselves to offset the totality of the budgetary pressures that the Council faced. As a result, historically high inflation levels, unprecedented pressures relating to children-in-care, and continuing pressures within services for children with Special Educational Needs & Disabilities (SEND), have been the main drivers of 2022 - 2023 Net Expenditure Budget overspend.

4.3.4 Paragraphs 4.3.5 to 4.3.11 provide further detail of financial performance against the 2022 - 2023 Net Expenditure Budget for each of the Council's Directorates, and central and capital financing expenditure.

4.3.5 Adult & Community Services (ACS)

4.3.5.1 ACS overspent by £0.661 million against its 2022 - 2023 Revenue Budget. This was due to a £5.521 million overspend against the Care Purchasing budget offset by smaller underspend elsewhere, in particular in Area Social Work Teams which underspent by £3.597 million.

4.3.5.2 The £5.521 million overspend against the Care Purchasing budget was largely a result of a £6.646 million overspend within Learning Disability & Autism (LD&A) care services due to a combination of a 3.5% rise in care hours and a 5.7% rise in the average cost per customer. In addition there has been a continuing increase in the number of very high-cost care packages, with these having grown from 30 in 2018 to 116 as at 31 March 2023. In addition, there have been a £1.503 million overspend in the cost of Mental Health care services, and an unbudgeted £1.649 million spend in countywide services in relation to a one-off support package to the care sector for those not eligible for Fair Cost of Care funding in acknowledgement of the inflationary pressures this year. These overspends were partially offset by a £4.310 million underspend on locality budgets (which are primarily older people care services) following planned savings having been delivered in full and additional money received in the final quarter of 2022 – 2023 from the Discharge Fund, a new grant provided by Government.

4.3.5.3 The £3.597 million underspend within Area Social Work Teams is consistent with the national picture of social worker supply falling short of demand. As such, recruitment and retention efforts within ACS

Narrative Report

remain a key area of focus. Ongoing measures such as the application of market forces payments for Social Workers, the development of new advertising strategies and learning from robust exit interviewing of staff in key occupational groups are all supporting an ongoing effort to reduce vacancy rates. Progress is being made, as whilst the largest underspend of £1.291 million is being reported for the Mental Health Team, the team has been able to recruit 45 new staff as the year progressed to a point where only 3 vacancies remain as at 31 March 2023.

4.3.6 Children and Young People's Services (CYP)

4.3.6.1 CYP overspent by £25.784 million against its 2022 - 2023 Revenue Budget. This comprises a £13.672 million overspend on services resourced by Core Funding, and a £12.112 million overspend on services resourced by Dedicated Schools Grant (DSG).

4.3.6.2 The principal cause of the £13.672 million overspend on services resourced by core funding is the £7.648 million overspend in Children-in-Care (CiC) budgets. Other significant budget variances included a £1.792 million overspend against Mainstream School Travel budgets and a £3.693 million overspend against Special Educational Needs and Disabilities (SEND).

4.3.6.3 The overspend on CiC budgets was due to the Council in 2022 - 2023 having an unprecedented number of young people in care under the age of 16 for whom registered accommodation and care was impossible to source given their level of needs, particularly in relation to their emotional wellbeing and mental ill-health. This resulted in an average of five such young people, at any point in time in this financial year, each having a weekly cost of care of over £23,000 per week, as these bespoke packages of care require a higher ratio of staff, including specialist therapeutic support, far higher than most children's homes are able to provide. In addition, separate to this specific small cohort, of the total number of children in care, a greater than expected proportion of young people have needs that can only be met in a more costly residential home or supported living accommodation, rather than a foster care placement. This has meant an increase in the average cost of an externally purchased package of care for our CiC cohort (excluding bespoke placements outside of registered accommodation) of 28% over the previous year (2021 - 2022).

4.3.6.4 The overspend on Mainstream School Travel budgets was mainly a result of adding new pupils/new stopping points and adjustments for increases in driver and fuel costs, with this leading to the cost per pupils increasing by 8% over the year. The overspend on the SEND School Travel budgets was due to a combination of increases in driver and fuel costs and a net average increase of 167 pupils (7.6%) with SEND who required such transport arrangements.

4.3.6.5 The principal cause of the £12.112 million overspend on services resourced by DSG is due to the continuing rapid growth in the number of children with SEND receiving a service that attracts High Needs Funding over and above that received through the DSG High Needs Block funding, with numbers increasing by 17% from 2021- 2022.

4.3.7 Public Health & Communities (PHC)

4.3.7.1 PHC reported a near balanced position in 2022 – 2023, with an overspend of £0.011 million. Within this figure, there was a £0.958 million overspend as a result of upfront investment in the new Healthy Behaviours Partnership programme with Suffolk's District and Boroughs. This was offset through a combination of underspends in other budgets and a contribution from Public Health Grant brought forward from 2021 – 2022.

4.3.7.2 PHC was responsible for various key grants provided to the Council in 2022-2023, such as £5.006 million of the remaining £7.055 million of the Contain Outbreak Management Fund provided to address the impact of COVID-19, and £10.309 million of Household Support Fund to support the impact of cost-of-living pressures within the community through schemes such as Free School Meal vouchers over the school holidays. In addition, PHC was responsible for £15.983 million grants received to support the Homes for Ukraine programme, of which £3.701 million has been spent in 2022 – 2023.

Narrative Report

4.3.8 Fire and Public Safety (FPS)

4.3.8.1 FPS reported a £1.073 million overspend in 2022 – 2023. This was due to a combination of spate conditions caused by a hot and dry summer, an increase in vehicle maintenance and energy costs.

4.3.9 Growth, Highways and Infrastructure (GHI)

4.3.9.1 GHI reported an underspend of £2.713 million in 2022 – 2023. This was due to a combination of a £1.805 million overspend in Highways, offset by a £3.419 million underspend in Waste & Environment and £0.773 million underspend in Passenger Transport, with smaller variances reported elsewhere in the Directorate.

4.3.9.2 The overspend within Highways was largely due to two factors; an increase in the cost of works arising from inflation in relation to the cost of materials and the supply chain and an increase to the cost of energy for Street Lighting, Traffic Signals and other illuminated Highways signs or street furniture. These overspends have been mitigated by an increase in income within Network Assurance as a result of activity on the highway network by utility companies and third parties installing fibre into homes.

4.3.9.3 The underspend within Waste & Environment is due to additional income that the Council has received from the Energy from Waste (EfW) facility. The contract that the Council has with the operator of the EfW has a mechanism that enables the sharing of any surplus that arises from the sale of energy back to the grid by the operator. World events have contributed to an unprecedented spike in electricity prices in 2022 - 2023. Additional income of this size is currently considered to be an in-year bonus for 2022-23 and is not expected to be permanent. This underspend, although held in GHI, has been identified to help offset the Council's overspend against its energy budgets in 2022 – 2023.

4.3.9.4 The underspend within Passenger Transport relates to Concessionary Fares and is attributable to a continued reduction in people undertaking journeys on public transport and a reduced appetite to travel following the COVID-19 pandemic.

4.3.10 Corporate Services

4.3.10.1 Corporate Services reported an overspend of £1.279 million in 2022 – 2023. This is due to a combination of a £1.538 million overspend within Information Technology and a £1.156 million overspend resulting from the impact of inflation of property energy costs. This was offset by £0.787 million that has been collected in relation to building rent and lettings from tenants recharged for the use of Council owned assets alongside smaller variances elsewhere within the Directorate.

4.3.10.2 The £1.538 million overspend within Information Technology was due to a result of pressures from Third Party Contracts, Oracle Fusion implementation costs and challenges regarding current income targets, with this partially offset by an underspends from staffing vacancies and printing & unified communications.

4.3.11 Central Resources & Capital Financing

4.3.11.1 Central Resources & Capital Financing reported an overspend of £1.600 million in 2022 – 2023. This is mainly due to a £5.760 million overspend against staff pay due to agreed pay awards being significantly higher than the increases allowed for within the budget, with this being due to inflation rising sharply after the 2022 – 2023 Budget was set. The budget variance was held within Central Resources & Capital Financing rather than within Directorates (where the pay costs were incurred) to provide greater transparency over the total impact of pay awards across the Council.

4.3.11.2 This overspend was partially offset by a £2.962 million inflation contingency, a £0.817 million underspend against the Premature Retirement Pensions & Redundancy budget resulting from pension costs reducing year on year as the number of living pensioners in receipt of these pensions reduces, and a low number of redundancies across the Council. Other smaller variances comprise the remaining difference.

Narrative Report

4.4 Capital

4.4.1 **Table 3** shows the Council's capital programme for 2022 - 2023, the final expenditure against the programme and how this has been funded.

Table 3: Capital Programme 2022 - 2023

| | 2022-2023 Budget (Outturn) (£million) | 2022-2023 Outturn (£million) | Variance (£million) |
|-----------------------------------|--|------------------------------------|------------------------|
| By Directorate: | | | |
| Adult & Community Services | 10.105 | 9.606 | -0.499 |
| Children & Young People | 42.203 | 42.671 | 0.467 |
| Fire & Public Safety | 8.544 | 5.108 | -3.436 |
| Growth, Highways & Infrastructure | 109.116 | 85.196 | -23.919 |
| Corporate Services | 14.007 | 22.082 | 8.075 |
| Total | 183.975 | 164.663 | -19.312 |
| Financed by: | | | |
| Grants | 81.321 | 82.803 | 1.481 |
| Other Contributions | 15.526 | 14.060 | -1.466 |
| Capital Receipts | 10.817 | 6.289 | -4.528 |
| Revenue Funding | 8.773 | 17.005 | 8.232 |
| Borrowing | 67.538 | 44.506 | -23.031 |
| Total | 183.975 | 164.663 | -19.312 |

4.4.2 In February 2022, the Council agreed the Capital Programme of £104.612 million for 2022 - 2023. As a result of £100.573 million of budgets being carried forward due to underspends in 2021 - 2022 and £26.532 million of further approvals, the Capital Programme increased to £231.717 million at Quarter 1. Following a re-profiling exercise carried out at Quarter 2, the 2022-23 Capital Programme budget was re-set to £185.270 million, a net reduction of £46.426 million. Since that point various approvals have led to the 2022 - 2023 Capital Programme budget being adjusted downwards by £1.295 million to £183.975 million. The following paragraphs summarise the main areas of expenditure, along with key variances, within the 2022 - 2023 Capital Programme.

4.4.3 Expenditure on the **Adult & Community Services** Capital Programme in 2022 - 2023 included the following key elements:

- a. £7.002 million was passported to the Districts and Borough Councils from the Disabled Facilities Grant, to provide support to people who require adaptations to their home;
- b. £1.812 million was spent on community equipment. Both this and the Disabled Facility Grant enable individuals to maximise their independence and remain in their home for longer;

4.4. Expenditure on the **Children & Young People** Capital Programme in 2022- 2023 included the following key elements:

- a. £20.220 million on schemes to provide new school places in areas of new housing. Key areas of expenditure in 2022 - 2023 were at Chantry Academy (£4.542 million), Bungay High School (£3.358 million), Breckland School (£3.074 million), Grace Cook Primary (£2.900 million) and Elmswell Primary (£2.071 million);
- b. £10.030 million on the Special Education Needs & Disabilities projects. Key areas of expenditure in 2022 - 2023 included Sir Peter Hall School – Bury St Edmunds (£4.157 million) and Harbour Pupil Referral SEND Unit (£4.819 million).
- c. £6.872 million on school maintenance schemes, of which £5.015 million was spent on planned health, safety and condition works, and £1.858 million on urgent sufficiency, security and safeguarding works;
- d. £0.878 million on decarbonisation projects across a range of Suffolk schools;

Narrative Report

- e. £0.447 million on projects to improve and increase capacity at Suffolk Children's Homes
 - f. £3.781 million on school-led projects to improve their facilities.
- 4.4.5 Expenditure on the **Fire & Public Safety** Capital Programme in 2022 - 2023 included the following key elements:
- a. £2.825 million on the Blue Light Integration Project is the refurbishment of the Fire and Police Station at Princes Street.
 - b. £1.530 million on property improvement at Suffolk's Fire Stations.
- 4.4.6 Expenditure on the **Growth, Highways & Infrastructure** Capital Programme in 2022 - 2023 included the following key elements:
- a. £43.972 million on Highways schemes, of which £34.739 million was incurred on various highways capital maintenance projects across the county, £5.527 million was incurred on key footways and drainage improvements, and £2.810 million was spend on the street lighting LED upgrade. The expenditure on highways capital maintenance projects exceeded its 2022 – 2023 budget by £2.492 million due to in-year inflationary increases relating to labour, plant and materials. This overspend will be recovered by scaling back the 2023-24 programme accordingly.
 - b. £3.871 million on Waste & Environment projects, including £2.935 million on the development of the Foxhall recycling centre;
 - c. £1.436 million on Housing projects, including £0.703 million on the Mildenhall West development, £0.396 million on the North Lowestoft Garden Village, with the remainder on various other sites across the county.
 - d. £4.560 million on Transport Strategy projects including £1.848 million on preliminary expenditure on A12 East of Ipswich road improvement scheme, which was £5.116 million under budget in 2022 – 2023 as a result of the scheme slowing whilst the confirmation of funding from the Department for Transport is awaited;
 - e. £31.217 million on the Gull Wing Bridge in Lowestoft. This was £10.059 million under budget in 2022 – 2023 due to programme delays related to the Pier 4 cofferdam works and subsequent timing of payments to the contractor.
- 4.4.7 Expenditure on the **Corporate Services** Capital Programme in 2022 - 2023 included the following key elements:
- a. £12.009 million on Broadband and IT projects including £9.281 million to continue the rollout of superfast broadband in the county, £2.741 million on IT infrastructure programmes.
 - b. £10.073 million on property schemes, including £4.092 million on a rolling programme of capital maintenance on corporate buildings, and £3.462 million on a programme to de-carbonise the corporate estate with work now finishing at three rural Fire stations, Endeavour House and The Waterloo Centre in Leiston. Both these programmes overspent by £0.892 million and £0.637 million respectively due to delays to the to the availability of materials, plant/equipment, and labour because of COVID-19 and cost inflation. In addition, £1.119 million was incurred as a final account payment for the Mildenhall Hub.

4.5 Balance Sheet

- 4.5.1 **Table 4** summarises the Balance Sheet of the Council at 31 March 2022 and 31 March 2023. The full Balance Sheet can be found on page 24 together with references to the notes that support each of the figures.

Narrative Report

Table 4: Balance Sheet as at 31 March 2023

| 31 March 2022 | 31 March 2023 | Increase / Decrease (-) from 2022-23 |
|----------------------------------|----------------|--|
| £ million | £ million | £ million |
| 1,559.892 Non-Current Assets | 1,636.150 | 76.258 |
| 174.216 Current Assets | 182.620 | 8.404 |
| -301.717 Current Liabilities | -395.285 | -93.569 |
| -1,204.862 Long Term Liabilities | -746.120 | 458.742 |
| 227.529 Net Assets | 677.365 | 449.835 |
| 242.485 Usable Reserves | 194.783 | -47.702 |
| -14.956 Unusable Reserves | 482.582 | 497.538 |
| 227.529 Total Reserves | 677.365 | 449.836 |

- 4.5.2 The net increase of £76.258 million in non-current assets primarily relates to a combination of a new £11.504 million asset related to the Defined Benefit Pension Scheme and a £70.634 million increase in Property, Plant and Equipment (PPE). The new Defined Benefit Pension Scheme asset relates to the Local Government Pension scheme and further details are provided in Section 4.6. The increase in PPE (net after disposals, depreciation and other adjustments) during 2022 - 2023 as a result of the addition of new infrastructure assets, either completed or under construction. This reflects the Council's ongoing capital investment in the county, in particular expenditure on the construction of the Gull Wing Bridge in Lowestoft. The increase in PPE is partly offset by a reduction in long-term debtors, with the most significant reason behind this being due to debt relating to the sale of Chilton Woods becoming short-term over 2022 - 2023.
- 4.5.3 Current Assets have increased by £8.404 million during 2022 - 2023, with this largely being due to an increase in short term debts and income due from the NHS and other local authorities.
- 4.5.4 The £93.569 million increase in current liabilities is principally due to the increase in short-term borrowing of £95.718 million over 2022 - 2023. This is due to the Council seeking to optimise its exposure to interest rate fluctuations by ensuring that the focus was for new borrowing to be short term within the limit specified within its Treasury Management Strategy.
- 4.5.5 Long term liabilities include the liabilities in relation to its long term borrowing to fund capital investment, two Private Finance Initiative (PFI) schemes the Council has in place and the Council's pension liability. The PFI schemes relate to the construction and management of the Energy from Waste facility at Great Blakenham and the upgrade and maintenance of fire stations for Suffolk Fire and Rescue (see note 29 of the core statements). The main reason for the decrease in long term liabilities is a £458.742 million reduction in the liability related to the Defined Benefit Pension Scheme. The reasons for this are covered further in section 4.6.
- 4.5.6 **Usable reserves** are cash reserves that can be used to fund the activities of the Council. Details of the decrease in usable reserves of £47.702 million are shown in **Table 5** below and in the paragraphs beneath.

Narrative Report

Table 5: Usable Reserves

| 31 March 2022 | 31 March 2023 | Increase / Decrease (-) from 2022-23 |
|--|----------------|--|
| £ million | £ million | £ million |
| 79.512 General Reserves (unallocated) | 67.713 | -11.799 |
| 132.007 Earmarked Reserves (allocated) | 113.376 | -18.631 |
| 211.519 Total Revenue reserves | 181.089 | -30.430 |
| 30.967 Capital reserves | 13.696 | -17.271 |
| 242.485 Total Usable Reserves | 194.783 | -47.702 |

4.5.7 General reserves are revenue reserves which are not ring-fenced and provide resources to support the Council's financial position, providing a buffer against risks, catastrophes, and emerging pressures that have yet to be quantified. The £11.798 million reduction during 2022 – 2023 is a result of a transfer to the Budget Management Reserve to support the delivery of balance budgets in 2022 – 2023 and 2023 – 2024.

4.5.8 Earmarked reserves are revenue reserves identified to support the delivery of Council's duties and objectives in 2021 – 2022 and beyond. The £18.631 million fall in earmarked reserves during 2021 – 2022 is mainly a result of the following combination of factors:

- a. a net application of £7.019 million of Directorates reserves to support the provision of services in 2022 - 2023;
- b. a payment from reserves of £5.010 million to the District and Borough Councils as the final instalment of 2020 - 2021 Collection Fund deficit resulting from the impact of COVID-19;
- c. a net application of £7.079 million from reserves held centrally to meet corporate priorities;
- d. an application of £3.935 million from the Service Reserve, and the remaining £5.132 million in the COVID-19 Emergency Grant Reserve to fund the £9.067 million overspend on 2022 – 2023 budget resourced from core funding;
- e. a £1.486 million net reduction in the value of unrestricted short-term grants held by the Council;
- f. a £1.356 million net reduction in balances held by schools;

4.5.9 **Capital reserves** comprise capital receipts, grants and contributions that can only be applied to finance capital expenditure. During 2022 - 2023, these reserves reduced by a net £17.271 million, largely as a result of the application of grant funding that had been held in reserves at the end of 2021 - 2022 to fund the Gull Wing Bridge scheme.

4.5.10 **Unusable reserves** are those which exist to comply with accounting practice and statute. Details of the increase in unusable reserves of £497.538 million, from a negative £14.956 million to a positive £497.538 million, are shown in note 19. The main movement relates to the debit balance on the Pension Reserve, the changes of which is explained in further detail in section 4.6.

4.6 Pension Liabilities

4.6.1 Suffolk County Council participates in four pension schemes, the firefighters', teachers', National Health Service (NHS) and Local Government pension schemes. These schemes are used to pay former employees their pension and other benefits when they retire. Of these schemes, the Teachers' Pension Scheme is administered nationally by the Department for Education and the NHS scheme is administered by the NHS Business Service Authority. Their liabilities are not reported separately in the accounts of individual local authorities.

4.6.2 The liabilities of the Council in relation to the Firefighters' and Local Government schemes are reported on the balance sheet in accordance with International Financial Reporting Standard 19 (IAS19). This showed a deficit on the Firefighters' scheme at 31 March 2023 of £207.600 million (£288.800 million at 31 March 2022) and an asset of £11.504 million (£378.518 million deficit at 31 March 2022) on the Local Government scheme. The Balance Sheet movement from the prior year of £471.222 million, shown in note 33, in the pension fund assets/liabilities is mainly due to:

Narrative Report

- a. A decrease in the pension increase rate of 0.25%, which is derived from market derived CPI inflation, which is as a result of underlying changes in the market implied RPI. It has served to reduce the employer obligations, therefore leading to a gain of £94.040 million.
- b. The salary increase rate has fallen by 0.25% which reduces the employer's obligation and led to a gain of £8.480 million.
- c. The discount rate is derived from the corporate bond yield and has risen over the period, leading to a 2.05% increase. It has reduced the employer's obligation and led to a gain of £736.940 million.
- d. Pension increase order of 10.1%, was significantly higher than the assumption built into the prior accounting period. It results in higher pensions, deferred pensions and CARE pots and leads to a loss of £132.930 million.
- e. A small loss resulting from a higher level than expected of unfunded pensioners deaths over the period.
- f. The overall gain at 31 March 2023 does not result in a return of funds from the local government pension scheme, therefore a further calculation determines an asset ceiling for which the Council can reflect an asset on the balance sheet. The asset ceiling of £11.504 million reduces the overall gain by £216.027 million

4.6.3 The Suffolk Pension Fund is revalued every three years with the last full valuation as at 31 March 2022 reporting a funding level of 107%. The next triennial valuation of the Fund due in 2025.

5.0 Treasury Management & Cashflow

Table 6: Cash and Short-Term Investments

| 2021 - 2022 £ million | 2022 - 2023 £ million |
|---------------------------------|--------------------------|
| 1.783 Cash and Cash Equivalents | 1.639 |
| 57.522 Short Term Investments | 44.631 |
| 59.305 | 46.270 |

The main factors that would affect cash and short-term investments in the future are:

- Acquisition and disposals relating to the capital programme;
- The value of reserve balances;
- Provisions;
- Grants and contributions unapplied.

5.0.1 The Council held £44.631 million of short term investments at 31 March 2023. These investments consisted of £6.743 million in Lloyds' deposit account, £33.333 million in money market funds, £4.543 million in Churches, Charities and Local Authorities (CCLA) Property Fund. £0.012 million of loans made to divested organisations and due for repayment within one year are also included within short term investments.

5.1 Borrowing

5.1.1 The Council's total gross external debt was £672.621 million at 31 March 2023 (£592.465 million at 31 March 2022). This consisted of borrowing of £554.506 million and a Private Finance Initiative (PFI) and donated asset liability of £118.114 million which are described further in note 29. This was substantially below the Council's capital financing requirement (£819.277 million at March 2023), which is the statutory ceiling on external borrowing for capital purposes. This reflects the Council's approach to treasury management, which makes use of internal balances and other reserves where possible to reduce the need for external borrowing.

5.1.2 The Council's £554.506 million short and long term external borrowing at 31 March 2023 consisted of:

- a. Public Works Loan Board (PWLB) loans of £223.900 million;

Narrative Report

- b. an interest free loan provided by Salix Finance Ltd (see [Salix Finance Ltd - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/organisations/salix-finance-ltd) for further details) of £7.676 million;
 - c. 'Lender Option and Borrowing Option (LOBO)' loans of £100.000 million;
 - d. Long term bank loans of £45.000 million;
 - e. Short term borrowing from public bodies of £173.000 million;
 - f. Funds held in trust of £0.699 million; and
 - g. Accrued interest payable on these balances of £4.231 million.
- 5.1.3 The average rate of interest on the Council's external borrowing at March 2023 was 2.94% (2.53% at March 2022).

6.0 Financial Challenges in 2023 - 2024 and Medium-Term Outlook

6.1 Budget Strategy and Challenges

- 6.1.1 The Council approved its 2023 - 2024 Budget on 9 February 2023. As part of this, a Budget Strategy was agreed based on a recognition that in order for the Council to continue to deliver the best possible services within available resources in 2023- 2024, it was essential to take a medium-term view of the Council's budget; focus on meeting the Council's Corporate Priorities and associated Directorate Annual Plans; and rise to the challenge presented by the economic environment.
- 6.1.2 The four core objectives of the Council's Corporate Strategy for 2022-26 provided the strategic foundation for budget and service planning for the 2023-24 Budget and the 2023-26 Medium Term Financial Plan. These are:
- a. Promoting and supporting the health and wellbeing of all people in Suffolk;
 - b. Strengthening our local economy;
 - c. Protecting and enhancing our environment;
 - d. Providing value for money for the Suffolk taxpayer;
- 6.1.3 To ensure the Council lives within available resources, it has produced a Medium-Term Financial Plan (MTFP). The MTFP estimates the resources available to the Council over a three-year period covering the period 2023-26 and compares these with the expenditure estimated to be needed to meet its legal duties and policy requirements over this period. The estimate includes forecast demand pressures, alongside planned savings and assumptions concerning future funding based on expected flexibilities. The difference between forecast resources and expenditure, after planned savings, is termed the Budget Gap. For the MTFP to be acceptable, any Budget Gap should be in the latter years of the plan, with the Council recognising that it needs to take action between now and then to develop plans to bridge that gap when it occurs.
- 6.1.4 A further key element of the Budget Strategy is having adequate reserves available to manage any unexpected changes to its spending and funding plans. This involves the Council assessing and, where possible, quantifying the financial risks it is facing. A core principle is that reserves should not be used to cover ongoing gaps between expenditure and funding and should be replenished as soon as practicable when used.

Narrative Report

6.2 2023- 2024 Budget and Medium Term Financial Plan

6.2.1 The tables below summarise the 2023 - 2024 Budget and associated Medium Term Financial Plan to 2025 - 2026, providing details of the forecast budget gap for future years.

Table 7a - 2023 - 2024 to 2025 - 2026 Net Expenditure Budget

| | 2023- 2024 £ million | 2024- 2025 £ million | 2025- 2026 £ million |
|--|-------------------------|-------------------------|-------------------------|
| Budget brought forward | 625.309 | 687.592 | 716.413 |
| Reversal of prior year on-off items | -1.917 | -3.113 | |
| Incorporation of Independent Living Fund into Core Funding | 2.324 | | |
| 2022-23 Budget variances continuing into 2023-24 | 11.165 | | |
| Inflation | 38.837 | 24.250 | 14.328 |
| Service Enhancements | 0.545 | | |
| Cost Pressures | 43.407 | 24.386 | 15.907 |
| Savings & Mitigations identified as part of 2022-26 MTFP | -15.541 | -8.100 | -3.000 |
| New Savings & Mitigations | -15.538 | -9.602 | |
| Contributions from / to Directorate Reserves | -1.000 | 1.000 | |
| Net Expenditure Budget | 687.592 | 716.413 | 743.649 |

Table 7b - 2023 - 2024 to 2025 - 2026 Core Funding Budget

| | 2023- 2024 £ million | 2024- 2025 £ million | 2025- 2026 £ million |
|---|-------------------------|-------------------------|-------------------------|
| Funding brought forward from previous year | 625.309 | 687.592 | 716.413 |
| Local Taxation | | | |
| Business Rates | 10.847 | 6.489 | -0.232 |
| Council Tax & Social Care Precept | 20.845 | 19.899 | 16.647 |
| Collection Fund Surplus | -0.812 | -3.746 | 0.000 |
| Core Grants | | | |
| Revenue Support Grant | 1.759 | 1.001 | 0.000 |
| Social Care Grant (Adults & Children) | 18.251 | 7.842 | 0.000 |
| ASC Discharge Fund | 4.067 | 2.718 | 0.000 |
| ASC Market Sustainability & Improvement Fund | 5.436 | 3.846 | 0.000 |
| Independent Living Fund | 2.324 | 0.000 | 0.000 |
| New Homes Bonus | -0.615 | 0.000 | 0.000 |
| Public Health | 0.570 | 0.580 | 0.591 |
| Services Grant | -3.090 | 0.000 | 0.000 |
| Contribution from Corporate Reserves | 2.701 | -9.808 | 0.000 |
| Core Funding Budget | 687.592 | 716.413 | 733.419 |

Table 7c – 2023 - 2024 to 2025 - 2026 Budget Gap

| | 2023-24 £ million | 2024-25 £ million | 2025-26 £ million |
|------------------------|----------------------|----------------------|----------------------|
| Net Expenditure Budget | 687.592 | 716.413 | 743.649 |
| Core Funding Budget | 687.592 | 716.413 | 733.419 |
| Budget Gap | 0.000 | 0.000 | -10.230 |

6.2.2 The Council commenced its budget setting process for 2023-24 with a £15.709 million budget gap that required closing in order to set its 2023-24 Budget, with this being based on its 2022-26 Medium Term Financial Plan set as part of the approval of its 2022-23 Budget in February 2022. In addition to this, significant new financial issues arose during 2022 which made the budget gap even greater and the budget setting process for 2023-24 even more challenging. This included inflation increasing to its highest rate in a generation, interest rates rising sharply to levels not seen in over a decade, and escalating pressures within children's social care.

Narrative Report

- 6.2.3 The Chancellor's Autumn Statement on 17 November 2022, and subsequent Local Government Finance Settlement on 19 December 2022, provided welcome additional funding in relation to social care that has assisted the Council in setting a balanced budget for 2023-24. However, this, in itself, was not enough to be able to balance the 2023-24 Budget, with both a proposed Council Tax rise of 3.99 per cent (1.99 per cent General, 2.00 per cent Social Care Precept), and new savings and mitigations of £15.538 million, being required to achieve this.
- 6.2.4 Importantly, the Council's plans to achieve £15.538 million of savings do not involve any reduction to, or removal of, service provision to Suffolk's residents or businesses.
- 6.2.5 A further factor enabling the 2023-24 Budget to be balanced was the decision to continue the statutory override that allow Dedicated Schools Grants deficits and negative reserve balances to be considered separately from the rest of the Council's finances, ensuring that General Fund resources would not be required to cover any gaps.
- 6.2.6 In order to demonstrate its financial sustainability over the medium term, the 2023-24 Budget includes a 2023-26 Medium Term Financial Plan. Although the Local Government Finance Settlement provides detailed figures for one year only, it provides sufficient detail for the Council to be more confident about its funding in 2024-25 than it has been for any subsequent year for quite some time. This information, plus savings plans for 2024-25, combine to mean that the Council is expecting a balanced budget in 2024-25. However, things are a lot less certain by 2025-26, and with the prospect of fiscal tightening by that year as indicated by the Chancellor's Autumn Statement, a £10.230 million budget gap exists. However, whereas the immediate focus will necessarily be to deliver the saving plans identified for 2023-24 and 2024-25, further plans will need to be developed to manage the emerging gap from 2025-26 to ensure that the Council can remain sustainable financially.
- 6.2.7 The Council's 2023-27 Capital Programme includes no new standalone schemes that have not been previously approved during 2022-23 either by Cabinet or the Capital Strategy Group, but only includes updated figures for its rolling programmes of works. This is consistent with the tight financial position, meaning there is no borrowing headroom to finance new projects. However, it is recognised that there is likely to be a need for further capital investment in 2023-24, particularly with schools. To manage this, the 2023-24 Budget has a £2.691 million contingency, the first call from which will be to support the financing of any additional capital investment needs.
- 6.2.8 The Council's reserves position and forecast remains healthy, with the Council holding reserves that have been assessed to adequately meet its financial risk exposure, as well as holding sufficient reserves to meet time-limited contractual and other obligations for which resources are not held in the revenue budget. Whereas reserves have been used to support the funding of the 2023-24 Budget, these are one-off, with the 2024-25 Budget plans not requiring any further application of reserves.

7.0 Corporate Risk Management

- 7.1 The Council is responsible for ensuring that a risk and control environment is established as part of day-to-day operations. Operational managers are responsible for, and thus should be adequately skilled in, making risk assessments (including proactive review, update and modification).
- 7.2 The Corporate Risk Register (CRR) is a live system that responds to the fast-changing environment and the new challenges and opportunities that the Council faces. Each risk is assessed as to its likelihood and impact, based on scoring levels of very high, high, medium and low. The CRR is reviewed annually by the Corporate Leadership Team (CLT) to ensure that all significant areas of risk are covered and that mitigations are recorded adequately. As part of this annual review, an analysis of the corporate risk profiles (heatmaps) is undertaken with the aim of informing decisions taken regarding the Council's risk appetite. Changes to the CRR are also covered in the corporate performance report that Corporate Leadership Team and Cabinet receive on a quarterly basis. The Council's risk governance arrangements are subject to scrutiny from the Internal Audit service and the Audit Committee. The recommendations from risk audit reviews (internal and external) are key contributory factors to the continual improvement of the Council's risk management approach.

Narrative Report

8.0 Annual Governance Statement

- 8.1 The Council is required to conduct a review of the effectiveness of its system of internal control at least once a year and report the findings to the Audit Committee. The Annual Governance Statement (AGS) contains a review of the Council's governance framework and the effectiveness of the Council's internal control and risk management systems, and reports on any significant governance issues during the year.
- 8.2 The draft 2022 – 2023 Annual Governance Statement indicates that the Council's high standards have been maintained and no significant issues identified. This will be brought to the Council's Audit Committee on 6 July 2023 for consideration.
- 8.3 A copy of the Annual Governance Statement for 2022 – 2023 will be available on the Council's website from July 2023:

<https://www.suffolk.gov.uk/Council-and-democracy/budget-Council-tax-and-finance/Council-accounts/>

9.0 Explanation of the Financial Statements

- 9.0.1 The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with disclosure notes. The format of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023, which in turn is underpinned by International Financial Reporting Standards.

9.1 Core Statements

- 9.1.1 The Core Statements are outlined in the paragraphs below.

9.1.2 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.

9.1.3 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable 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.

9.1.4 Balance Sheet

The Balance Sheet shows the value as at the 31 March 2023 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- a. Usable reserves are 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).
- b. Unusable reserves are those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Narrative Report

9.1.6 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 used in predicting demand on future cash flows by providers of capital (i.e. borrowing) to the Council.

9.2 The supplementary statements are outlined in the paragraphs below:

9.2.1 Notes to the Core Statements

The notes to the Core Statements set out supplementary information to assist readers of the accounts. In particular Note 1 outlines the Council's accounting policies which detail the principles, bases, conventions, rules and practices applied by the Council that specify how the effect of transactions are to be reflected in the financial statements.

9.2.3 Expenditure and Funding Analysis Statement

This statement shows how annual expenditure is used and funded from resources (government grants, Council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

9.2.4 Group Accounts

9.2.4.1 Group Accounts are produced in the same format as the statements explained above. The Council is required to reflect Suffolk County Council's 100% shareholding of its subsidiary, Suffolk Group Holdings Limited. In addition, the Council recognises its share of the profits or losses of Edmundham Developments LLP, the joint venture to promote housing development in Suffolk entered into between the Council and Lovell Partnerships Limited.

9.2.4.2 The Council has not included Suffolk Norse Ltd, Suffolk Norse (Transport) Ltd, Sensing Change Ltd, Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd and Realise Futures CIC in the Group accounts as they are not material either qualitatively or quantitatively.

9.2.5 Pension Fund Accounts

9.2.5.1 The objective of the Suffolk Pension Fund's financial statements, from page 110, is to provide information about the financial position, performance and financial sustainability of the Suffolk Pension Fund that is administered on behalf of the Scheduled, Resolution and Admitted bodies. Scheduled bodies are local authorities, district and borough Councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund. Admitted bodies are voluntary and charitable bodies or private contractors undertaking a local authority function.

9.2.5.2 The Suffolk Pension Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS). This excludes teachers, firefighters and former NHS staff as these employees contribute to other government schemes (see note 33).

9.2.6 Fire Pension Scheme

The Fire Pension Scheme is administered by Suffolk County Council following financial guidance issued in April 2006 by the Ministry of Housing, Communities and Local Government. The fund for the pensions of firefighters has no assets and is balanced each year by receipt of a pension top-up grant from the Home Office.

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement

| 2021 - 2022 | | | 2022 - 2023 | | | | |
|-------------------|-------------------|-----------------|--|-------------------|-------------------|-----------------|----------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure | |
| £ million | £ million | £ million | Notes | £ million | £ million | £ million | |
| 398.925 | -119.294 | 279.631 | | 416.070 | -108.319 | 307.751 | |
| 469.836 | -283.458 | 186.378 | Adult & Community Services | 520.724 | -307.749 | 212.975 | |
| 69.887 | -62.033 | 7.854 | Children & Young People | 70.222 | -60.012 | 10.210 | |
| 30.402 | -6.467 | 23.935 | Public Health & Communities | 38.483 | -6.425 | 32.058 | |
| 103.569 | -38.971 | 64.598 | Fire & Public Safety | 118.152 | -39.483 | 78.669 | |
| 71.038 | -17.502 | 53.536 | Growth, Highways & Infrastructure | 74.097 | -13.670 | 60.427 | |
| 6.151 | -0.223 | 5.928 | Corporate Services | 6.717 | -0.312 | 6.405 | |
| 0.579 | 0.000 | 0.579 | Central Resources & Capital Financing | 0.620 | 0.000 | 0.620 | |
| | | | Pension Costs IAS 19 * | | | | |
| 1,150.387 | -527.948 | 622.438 | Net cost of services | 1,245.085 | -535.970 | 709.115 | |
| 12.416 | -0.417 | 11.999 | Other operating expenditure | 9 | 3.797 | -0.307 | 3.490 |
| 54.331 | -2.358 | 51.973 | Financing and investment income and expenditure | 10 | 37.013 | -3.025 | 33.988 |
| 0.000 | -661.111 | -661.111 | Taxation and non-specific grant income | 11 | 0.000 | -656.654 | -656.654 |
| 1,217.134 | -1,191.834 | 25.300 | Deficit / Surplus (-) on Provision of Services | 1,285.895 | -1,195.956 | 89.939 | |
| | | -3.570 | Surplus (-) / deficit on revaluation and restatement of non-current assets | 19 | | 14.168 | |
| | | -299.698 | Remeasurements of the net defined benefit liability** | 33 | | -525.607 | |
| | | -303.268 | Other Comprehensive Income and Expenditure | | | -539.775 | |
| | | -277.969 | Total Comprehensive Income (-) and Expenditure (+) | | | -449.836 | |

* The Pension Costs are in relation to accounting for Employee Benefits (IAS19) which are not allocated to service areas. The expenditure is mainly due to the Current Service Cost on divested organisations.

** The remeasurements of the net defined benefit liability are in relation to increases in the actuarial gains and (-) losses arises from changes in financial assumptions, see note 33.

Additional grant income of £6.055 million (£60.649 million 2021 – 2022) received in 2022 - 2023 from Central Government, in response to the COVID-19 pandemic, is included across the directorates. See note 25 for a breakdown of the grant income received. Expenditure on COVID-19 related service delivery is included across the directorate headings in the Comprehensive Income and Expenditure statement above.

Movement in Reserve Statement

Movement in Reserves Statement

| | General Fund Reserves £ million | Other Earmarked Reserves £ million | Capital Receipts Reserve £ million | Capital Grants Unapplied Account £ million | Capital Contributions Unapplied £ million | Total Usable Reserves £ million | Unusable Reserves £ million | Total Reserves £ million |
|---|------------------------------------|---------------------------------------|---------------------------------------|---|--|------------------------------------|--------------------------------|-----------------------------|
| Balance at 31 March 2021 | 72.466 | 127.821 | 3.215 | 44.874 | 4.773 | 253.149 | -303.589 | -50.440 |
| <u>Movement in reserves during 2021 - 2022</u> | | | | | | | | |
| Surplus or deficit (-) on provision of services | -25.300 | 0.000 | 0.000 | 0.000 | 0.000 | -25.300 | | -25.300 |
| Other Comprehensive Expenditure and Income | | | | | | | 303.268 | 303.268 |
| Total Comprehensive Expenditure and Income | -25.300 | 0.000 | 0.000 | 0.000 | 0.000 | -25.300 | 303.268 | 277.969 |
| Adjustments between accounting basis and funding basis under regulations (note 7) | 36.531 | 0.000 | 0.852 | -21.797 | -0.950 | 14.636 | -14.636 | 0.000 |
| Net Increase/Decrease (-) before Transfers to Earmarked Reserves | 11.232 | 0.000 | 0.852 | -21.797 | -0.950 | -10.664 | 288.632 | 277.969 |
| Transfer to (-)/from Earmarked Reserves (note 8) | -4.186 | 4.186 | 0.000 | 0.000 | 0.000 | 0.000 | | 0.000 |
| Increase/Decrease (-) in Year | 7.046 | 4.186 | 0.852 | -21.797 | -0.950 | -10.664 | 288.632 | 277.969 |
| Balance at 31 March 2022 carried forward | 79.512 | 132.007 | 4.067 | 23.077 | 3.823 | 242.485 | -14.956 | 227.529 |
| <u>Movement in reserves during 2022 - 2023</u> | | | | | | | | |
| Surplus or deficit (-) on provision of services | -89.939 | 0.000 | 0.000 | 0.000 | 0.000 | -89.939 | | -89.939 |
| Other Comprehensive Expenditure and Income | | | | | | | 539.775 | 539.775 |
| Total Comprehensive Expenditure and Income | -89.939 | 0.000 | 0.000 | 0.000 | 0.000 | -89.939 | 539.775 | 449.836 |
| Adjustments between accounting basis and funding basis under regulations (note 7) | 59.509 | | 6.395 | -22.790 | -0.876 | 42.237 | -42.237 | 0.000 |
| Net Increase/Decrease (-) before Transfers to Earmarked Reserves | -30.430 | 0.000 | 6.395 | -22.790 | -0.876 | -47.702 | 497.538 | 449.836 |
| Transfer to (-)/from Earmarked Reserves (note 8) | 18.631 | -18.631 | 0.000 | 0.000 | 0.000 | 0.000 | | 0.000 |
| Increase/Decrease (-) in Year | -11.799 | -18.631 | 6.395 | -22.790 | -0.876 | -47.702 | 497.538 | 449.836 |
| Balance at 31 March 2023 carried forward | 67.713 | 113.376 | 10.462 | 0.287 | 2.947 | 194.783 | 482.582 | 677.365 |

Expenditure and Funding Analysis

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the core statements; however it is positioned here as it provides a link from the figures reported in the Narrative Report (Table 2) to the Comprehensive Income and Expenditure Statement. It shows the movement in net expenditure at Outturn (£653.006 million), as reported to the Council's Cabinet, to the net expenditure in the Comprehensive Income and Expenditure Statement. It also shows the movement in the total revenue reserves from the deficit on the provision of services.

2022 – 2023

| | Outturn as reported to Cabinet | Adjustments (EFA Note 1) | Net Expenditure Chargeable to the General Fund Balance | Adjustments between the Funding and Accounting basis | | | Total Adjustments | Net Expenditure in the Comprehensive Income & Expenditure Account |
|--|--------------------------------------|-----------------------------|---|--|---|--------------------------------------|----------------------|--|
| | | | | Adjustments for Capital Purposes (EFA Note 2) | Net Charge for the Pensions Adjustments (EFA Note 3) | Other Differences (EFA Note 4) | | |
| | £ million | £ million | £ million | £ million | £ million | £ million | £ million | £ million |
| Adult and Community Services | 294.169 | 3.459 | 297.628 | 2.945 | 7.445 | -0.266 | 10.124 | 307.751 |
| Children & Young People | 166.980 | 0.785 | 167.765 | 24.266 | 21.551 | -0.607 | 45.210 | 212.975 |
| Public Health and Communities | 39.531 | 0.649 | 40.180 | 0.945 | 0.851 | -31.766 | -29.970 | 10.210 |
| Fire & Rescue Service and Public Safety | 27.454 | 0.091 | 27.545 | 7.041 | -2.493 | -0.036 | 4.513 | 32.058 |
| Growth, Highways and Infrastructure | 46.729 | -3.902 | 42.827 | 32.417 | 3.586 | -0.161 | 35.842 | 78.669 |
| Corporate Services | 39.562 | 1.082 | 40.644 | 15.714 | 4.286 | -0.217 | 19.783 | 60.427 |
| Central Resources and Capital Financing | 38.581 | -23.530 | 15.051 | -8.659 | 0.000 | 0.013 | -8.646 | 6.405 |
| Pension Costs IAS 19 | 0.000 | 0.000 | 0.000 | 0.000 | 0.620 | 0.000 | 0.620 | 0.620 |
| Net Cost of Services | 653.006 | -21.366 | 631.640 | 74.669 | 35.846 | -33.040 | 77.475 | 709.115 |
| Other Income and Expenditure (Note 9,10,11) | | | -601.210 | -73.298 | 18.539 | 36.792 | -17.967 | -619.176 |
| Surplus (-) or Deficit on provision of services | | | 30.430 | | | | 59.508 | 89.939 |
| Opening Revenue Reserve Balance 31 March 2022 (Note 8) | | | 211.518 | | | | | |
| Less Surplus/Deficit (-) on Revenue Reserve Balances in Year | | | -30.430 | | | | | |
| Closing Revenue Reserve Balance at 31 March 2023 (Note 8) | | | 181.089 | | | | | |

Expenditure and Funding Analysis

EFA Note 1 – Adjustments – the reallocation of transactions to/from service areas, moving to below the Net Cost of Services and then to/from Other Income and Expenditure, for example interest receivable and interest payable moved from Central Resources and Capital Financing.

The removal of transfers to/from reserves included in Outturn, as these are not shown on the face of the Comprehensive Income and Expenditure Statement. Other Income and Expenditure includes those items shown in Notes 9, 10 and 11. The Net Expenditure Chargeable to the General Fund balance includes council tax, non-domestic rates and government grant income which is utilised to fund the net expenditure in the Net Cost of Services.

EFA Note 2 – Adjustments for Capital Purposes – the column adjusts for the minimum revenue provision, depreciation, revaluation gains and losses, capital loss on disposal, along with capital grants recognised in the Comprehensive Income and Expenditure Statement but not reflected in management reporting. Other Income and Expenditure includes adjustments for capital grants which were receivable in the year, where conditions were satisfied in the year, along with the transfer to reserves for capital receipts not used to finance capital expenditure in year. The split of the capital transactions is shown in note 7.

EFA Note 3 – Net change for Pensions Adjustments – the removal of employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs in relation to IAS 19 Employee Benefits. Within Other Income and Expenditure, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

EFA Note 4 – Other Differences – Removal or inclusion of revenue grants to or from services to 'Taxation and non-specific grant income and expenditure' depending on whether the grants are ring fenced for specific services or not. The Public Health line includes the movement of the specific grant of £31.670 million. Inclusion of Accumulated Absences charged to services for absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March. Within the Other Income and Expenditure line, the difference between what is chargeable under statutory regulations for council tax and non-domestic rates compared to what was projected to be received which is a timing difference. Any difference will be brought forward in future surplus or deficits on the collection fund of the billing authorities in Suffolk. This adjustment also includes the movement of Dedicated Schools Grant (DSG) deficit and Lenders Option Borrower Option (LOBO) premium, paid in relation to restructuring of two loans, to unusable reserves, for more detail see Note 24 and 36 respectively.

Expenditure and Funding Analysis

EFA Note 5 – Expenditure & Income Analysed by Nature

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|---|--------------------------|
| | Expenditure | |
| 328.320 | Employee Expenses | 350.206 |
| 740.424 | Other Service Expenses | 788.963 |
| 38.601 | Depreciation, Amortisation, Impairments & Restatements (note 7) | 64.557 |
| 35.874 | Interest Payments & Impairment Losses (note 10) | 17.591 |
| 1.280 | Levies (note 9) | 1.318 |
| 11.136 | Loss on the Disposal of Assets (note 9) | 2.478 |
| 43.042 | Revenue Expenditure Funded from Capital (note 27) | 42.243 |
| 18.457 | Net interest on the net defined benefit liability (note 10) | 18.539 |
| 1,217.133 | Total Expenditure | 1,285.895 |
| | Income | |
| -0.417 | Gain on Traded Services (note 9) | -0.307 |
| -527.948 | Fees, Charges & Others Service Income | -535.969 |
| -1.169 | Interest and Investment Income (note 10) | -1.225 |
| -1.190 | Dividend Income (note 10) | -1.800 |
| -361.330 | Income from Council Tax (note 11) | -376.739 |
| -117.106 | Income from Non-Domestic Rates (note 11) | -125.032 |
| -182.676 | Government Grants, Contributions & Donated Assets (note 11) | -154.884 |
| -1,191.834 | Total Income | -1,195.956 |
| 25.300 | Surplus (-) / Deficit on Provision of Services | 89.939 |

Expenditure and Funding Analysis

2021 – 2022

| | Outturn as reported to Cabinet: non COVID-19 Net Expenditure | Outturn as reported to Cabinet: COVID-19 Net Expenditure | Outturn as reported to Cabinet £ million | Adjustments (EFA Note 1) £ million | Net Expenditure Chargeable to the General Fund Balance £ million | Adjustments between the Funding and Accounting basis | | | | Net Expenditure in the Comprehensive Income & Expenditure Account £ million |
|--|--|--|---|---------------------------------------|---|--|---|---|--------------------------------|--|
| | | | | | | Adjustments for Capital Purposes (EFA Note 2) £ million | Net Charge for the Pensions Adjustments (EFA Note 3) £ million | Other Differences (EFA Note 4) £ million | Total Adjustments £ million | |
| Adult and Community Services | 270.724 | 6.748 | 277.472 | -8.972 | 268.500 | 2.492 | 8.791 | -0.151 | 11.131 | 279.631 |
| Children & Young People | 131.283 | 0.422 | 131.705 | 2.513 | 134.218 | 26.162 | 25.036 | 0.962 | 52.160 | 186.378 |
| Public Health | 38.522 | 0.057 | 38.579 | -0.935 | 37.644 | -0.169 | 1.152 | -30.774 | -29.790 | 7.854 |
| Fire & Rescue Service and Public Safety | 24.855 | 0.000 | 24.855 | -0.153 | 24.702 | 0.558 | -1.304 | -0.021 | -0.767 | 23.935 |
| Growth, Highways and Infrastructure | 46.381 | 1.380 | 47.761 | -5.319 | 42.442 | 18.096 | 3.971 | 0.088 | 22.155 | 64.598 |
| Corporate Services | 33.989 | 0.609 | 34.598 | 1.578 | 36.176 | 12.335 | 5.049 | -0.025 | 17.359 | 53.536 |
| Central Resources and Capital Financing | 50.702 | -14.349 | 36.353 | -22.493 | 13.860 | -7.947 | 0.003 | 0.013 | -7.931 | 5.928 |
| Pension Costs IAS 19 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.579 | 0.000 | 0.579 | 0.579 |
| Net Cost of Services | 596.456 | -5.132 | 591.324 | -33.780 | 557.544 | 51.527 | 43.277 | -29.909 | 64.895 | 622.438 |
| Other Income and Expenditure (Note 9,10,11) | | | | | -568.775 | -84.146 | 18.457 | 37.324 | -28.365 | -597.139 |
| Surplus (-) or Deficit on provision of services | | | | | -11.231 | | | | 36.530 | 25.300 |
| Opening Revenue Reserve Balance 31 March 2021 (Note 8) | | | | | 200.287 | | | | | |
| Less Surplus/Deficit (-) on Revenue Reserve Balances in Year | | | | | 14.694 | | | | | |
| Less decrease in COVID-19 earmarked Revenue Reserve in Year | | | | | -3.463 | | | | | |
| Closing Revenue Reserve Balance at 31 March 2022 (Note 8) | | | | | 211.518 | | | | | |

Balance Sheet

Balance Sheet

| 31 March 2022 | | Notes | 31 March 2023 |
|----------------------|---|--------------|----------------------|
| £ million | | | £ million |
| 1,529.455 | Property, Plant and Equipment | 12 | 1,600.089 |
| 5.003 | Intangible Assets | 13 | 4.436 |
| 0.850 | Heritage Assets | | 0.878 |
| 24.584 | Long Term Debtors | 36 | 19.243 |
| 0.000 | Asset related to Defined Benefit Pension Scheme | 33 | 11.504 |
| 1,559.892 | Total Non Current Assets | | 1,636.150 |
| 57.522 | Short Term Investments | 36 | 44.631 |
| 5.749 | Assets Held for Sale | 14 | 2.710 |
| 0.184 | Inventories | | 0.233 |
| 108.978 | Short Term Debtors | 15 | 133.407 |
| 1.783 | Cash and Cash Equivalents | 16 | 1.639 |
| 174.216 | Current Assets | | 182.620 |
| -105.832 | Short Term Borrowing | 36 | -201.551 |
| -179.260 | Short Term Creditors | 17 | -179.110 |
| -2.701 | PFI Liability | 29 | -2.474 |
| -4.755 | Donated Asset Account | 29 | -4.755 |
| -9.169 | Provisions | 18 | -7.395 |
| -301.717 | Current Liabilities | | -395.285 |
| -4.061 | Provisions | 18 | -4.077 |
| -361.063 | Long Term Borrowing | 36 | -352.955 |
| -34.767 | Other Long Term Liabilities | 36 | -38.103 |
| -37.274 | PFI Liability | 29 | -34.800 |
| -80.840 | Donated Asset Account | 29 | -76.085 |
| -667.318 | Liability related to Defined Benefit Pension Scheme | 33 | -207.600 |
| -19.539 | Capital Grants Receipts in Advance | 25 | -32.500 |
| -1,204.862 | Long Term Liabilities | | -746.120 |
| 227.529 | Net Assets / Liabilities (-) | | 677.365 |
| 242.485 | Usable Reserves | 8 | 194.783 |
| -14.956 | Unusable Reserves | 19 | 482.582 |
| 227.529 | Total Reserves | | 677.365 |

Cash-flow statement

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The inflows and outflows are purely on a cash basis excluding debtors and creditors.

| 2021 - 2022 £ million | | | 2022 - 2023 £ million |
|--------------------------|---|------------|--------------------------|
| 25.300 | Net deficit / surplus (-) on the provision of services | | 89.939 |
| -86.059 | Adjust net surplus (-) / deficit on the provision of services for non cash movements | CF1 | -89.784 |
| 86.634 | Adjust for items included in the net surplus (-) / deficit on the provision of services that are investing and financing activities | CF1 | 63.155 |
| <u>25.875</u> | Net cash flows from Operating Activities | | <u>63.310</u> |
| -5.915 | Investing Activities | CF2 | 15.618 |
| -21.033 | Financing Activities | CF3 | -78.784 |
| <u>-1.073</u> | Net increase (-) or decrease in cash and cash equivalents | | <u>0.144</u> |
| -0.710 | Cash and cash equivalents at the beginning of the reporting period | | -1.783 |
| <u>-1.783</u> | Cash and cash equivalents at the end of the reporting period | | <u>-1.639</u> |

Notes to the Cash Flow Statement

CF1. Operating Activities

The cashflows for operating activities include the following items:

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--|---|--------------------------|
| -0.347 | Interest received | -1.119 |
| 36.186 | Interest paid | 16.336 |
| -51.238 | Depreciation and impairment | -53.412 |
| 12.637 | Downward (-) / Upward revaluations | -10.261 |
| -0.936 | Increase/decrease (-) in impairment for bad debts | -0.540 |
| 24.954 | Increase (-)/decrease in creditors | 12.018 |
| -2.088 | Increase/decrease (-) in debtors | 19.185 |
| 0.093 | Increase/decrease(-) in inventories | 0.049 |
| -61.734 | Movement in pension liabilities | -54.385 |
| -14.387 | Carrying amount of non current assets and non current assets held for sale, sold or de-recognised | -7.385 |
| 6.640 | Other non cash items charged to the net deficit on the provision of services | 4.947 |
| <u>-86.059</u> | Total | <u>-89.784</u> |
| The deficit on provision of services has been adjusted for the following investing and financing activities: | | |
| 3.270 | Proceeds from the sale of property, plant and equipment and intangible assets | 4.870 |
| 83.364 | Any other items for which the cash effects are investing or financing cashflows | 58.285 |
| <u>86.634</u> | Total | <u>63.155</u> |

Cash-flow statement

CF2. Investing Activities

| 2021 - 2022 | | 2022 - 2023 | |
|---------------|---|---------------|--|
| £ million | | £ million | |
| 107.700 | Purchase of property, plant and equipment | 124.294 | |
| 741.809 | Purchase of short-term investments | 757.787 | |
| -3.270 | Proceeds from the sale of property, plant and equipment | -4.870 | |
| -745.686 | Proceeds from short-term activities | -771.709 | |
| -106.468 | Other receipts from investing activities | -89.884 | |
| -5.915 | Net cash flows from investing activities | 15.618 | |

CF3. Financing Activities

| 2021 - 2022 | | 2022 - 2023 | |
|----------------|--|----------------|--|
| £ million | | £ million | |
| -153.243 | Cash receipts of short and long term borrowings | -241.139 | |
| 3.585 | Cash payments for the reduction of the outstanding liabilities relating to PFI contracts | 3.763 | |
| 109.852 | Repayments of short term and long term borrowing | 154.771 | |
| 18.773 | Other payments for financing activities | 3.821 | |
| -21.033 | Net cash flows from financing activities | -78.784 | |

The total of Cash receipts of short and long term borrowings (-£241.139 million), cash payments from PFI (£3.763 million) and repayments of short and long term borrowing (£154.771 million) total -£82.604 million and can be seen in the Financing Cash Flows column in table CF4 below.

CF4. Reconciliation of Liabilities Arising from Financing Activities

| 31 March 2022 | | Financing | Non Cash | Other | 31 March 2023 |
|-----------------|-----------------------------------|----------------|--------------|---------------|-----------------|
| £ million | | Cash Flows | Financing | Changes | £ million |
| | | £ million | Activities | £ million | |
| | | | £ million | | |
| -361.063 | Long Term Borrowing | 6.633 | | 1.475 | -352.955 |
| -105.832 | Short Term Borrowing | -93.000 | 0.012 | -2.730 | -201.551 |
| -39.975 | Long and Short Term PFI Liability | 3.763 | | -1.061 | -37.274 |
| 2.427 | Short Term Debtors/Creditors* | | 3.809 | | 6.236 |
| -504.444 | | -82.604 | 3.821 | -2.317 | -585.544 |

* Only the element of Council Tax and Business Rates included in Short Term Debtors and Creditors is reflected in the note above, rather than the full balance disclosed on the Balance Sheet. The total of £3.809 million is part of 'other payment for financing activities' in CF3.

The Other Changes column reflects movements on long and short term borrowing and PFI which are not shown in the financing activities note CF3. The changes are shown to allow the 31 March 2023 balance to reconcile to the Balance Sheet.

Notes to the Core Statements

Notes to the Core Statements

| Note | Note no. | Page |
|---|-----------------|-------------|
| Accounting Policies | 1 | 28 |
| Accounting Standards Issued, Not Adopted | 2 | 38 |
| Adjustments between Accounting Basis and Funding Basis under Regulations | 7 | 42 |
| Assets Held for Sale | 14 | 51 |
| Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty | 4 | 40 |
| Capital Expenditure and Capital Financing | 27 | 75 |
| Cash and Cash Equivalents | 16 | 51 |
| Contingent Assets | 35 | 87 |
| Contingent Liabilities | 34 | 87 |
| Councillors' Allowances | 21 | 61 |
| Creditors: Short Term | 17 | 52 |
| Critical Judgements in Applying Accounting Policies | 3 | 39 |
| Debtors: Short Term | 15 | 51 |
| Dedicated Schools Grant | 24 | 66 |
| Defined Benefit Pension Schemes | 33 | 81 |
| Events After the Balance Sheet Date | 6 | 41 |
| External Audit Costs | 23 | 65 |
| Financial Instruments | 36 | 87 |
| Financing and Investment Income and Expenditure | 10 | 46 |
| Going Concern | 40 | 94 |
| Grant Income | 25 | 67 |
| Impairment Losses | 30 | 80 |
| Intangible Assets | 13 | 50 |
| Interest in Companies | 38 | 95 |
| Leases | 28 | 76 |
| Material Items of Income and Expenditure | 5 | 41 |
| Nature and Extent of Risks Arising from Financial Instruments | 37 | 91 |
| Officers' Remuneration | 22 | 61 |
| Other Operating Expenditure | 9 | 46 |
| Pension Schemes Accounted for as Defined Contribution Schemes | 32 | 80 |
| PFI and Similar Contracts, including donated assets | 29 | 77 |
| Pooled Budgets | 20 | 59 |
| Property, Plant and Equipment | 12 | 47 |
| Provisions | 18 | 53 |
| Publicity | 39 | 94 |
| Related Parties | 26 | 72 |
| Taxation and Non-Specific Grant Income | 11 | 46 |
| Termination Benefits and Exit Packages | 31 | 80 |
| Transfers to/from Earmarked Reserves | 8 | 44 |
| Unusable Reserves | 19 | 54 |

Note values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Notes to the Core Statements

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023 (The Code) and the accounting policies set out in note 1. The notes that follow (2 to 40) set out supplementary information to assist readers of the accounts.

1. Accounting Policies

i General principles

The Statement of Accounts summarises the Council's transactions for the 2022 - 2023 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022 – 2023 (The Code) supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts have been produced on a Going Concern basis.

ii Accruals of income and expenditure

The Council's financial statements are prepared on an accruals basis. This means that, within material levels, income and expenditure is recognised in the accounts in the accounting period in which the effect of the relevant transactions take place and not in the period in which cash is received or paid.

This means that:

- Fees, charges and other receipts are accounted for as income at the date the Council provides the relevant goods or services.
- Goods and services are accounted for as expenditure in the accounting period when they are received or consumed.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. For instance, where the contract for a particular financial instrument requires low interest rate payments in early years and then higher interest rate payments in later years, these are accounted for as though equal for each year. That is, the total interest payable over the life of the contract is divided by the number of years of the contract to give the amount of interest to account for each year.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The Council applies a £5,000 de-minimis policy on accruals at year-end. This means the Council does not record accruals for transactions under £5,000 except for the following:

- Transactions related to grant funding.
- Transactions going through the automated ordering system.
- Other minor exceptions.

The application of the £5,000 de-minimis policy does not materially affect the accounts of the Council.

iii Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior year adjustment.

Notes to the Core Statements

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iv Events after reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

v Provisions, contingent liabilities and contingent assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

The Council maintains a number of provisions as detailed within note 18 to the core statements. Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. The provisions are reviewed annually to ensure that the amounts held on the Balance Sheet represent the best estimates of the expenditure required to settle the obligations.

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

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

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in notes 34 and 35 to the accounts.

vi Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is to be financed from a reserve, it is charged to the appropriate service revenue account in that year to count against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Council. In 2020 -2021 the Dedicated Schools Reserve was first classed as an unusable reserve, rather than a usable reserve, due to its overdrawn position. Details of unusable reserves held are shown in note 19 to the accounts.

vii Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants, third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that the grant or contributions are required to be consumed or must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. In 2021 - 2022 some COVID-19 specific grants had conditions attached, therefore were held within Creditors on the Balance Sheet and then credited in 2022 - 2023, see note 25 for further information. When conditions are satisfied, the grant or contribution is credited to the relevant service or Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant or contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants or Contributions Unapplied reserves. Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants or Contributions Unapplied reserves are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

viii Employee benefits

Post-employment benefits

Employees of the Council are members of four separate pension schemes. The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

- **Teachers** – The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). It is a defined benefit final salary scheme. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children and Young People Directorate revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. If a teacher has extra years added to their pension calculation, Suffolk County Council pays the extra pension.
- **Firefighters** – The Firefighters' Pension Scheme is administered by Suffolk County Council and accounted for as an unfunded, defined benefit scheme. This means that there are no assets to meet the pension liabilities and cash has to be generated to meet actual pension payments. The cost of pensions and other benefits are provided from employer contributions paid to the scheme by Suffolk County Council and contributions from firefighters. Any deficit on these payments is covered by a Top-Up Grant from Central Government. The liabilities of the Firefighters' Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method.
- **Local Government Pension Scheme** - The Local Government Pension Scheme (LGPS) is administered by Suffolk County Council and accounted for as a defined benefit scheme. This scheme provides pensions and other benefits for staff other than teachers, firefighters and those previously employed by the NHS. The cost of pensions and other benefits are met by the Suffolk Pension Fund, except for the extra costs the Council has to pay when an employee retires early or as a result of a decision by the Council to terminate an officer's employment before the normal retirement date.
- **National Health Service** – The National Health Service (NHS) Scheme is administered by the NHS Business Service Authority and is a defined benefits scheme. However, the arrangement for the NHS scheme means that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. This means that no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and

Notes to the Core Statements

Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The assets and liabilities of the LGPS attributable to the Council are included in the Balance Sheet using the projected unit credit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees.

Assets and liabilities are discounted to their value at current prices. The discount rate employed for the 2022 - 2023 accounts is 4.75%. The discount rate used is determined with reference to market returns of the corporate bond yield at the balance sheet date.

When the calculation results in an asset for the Council, the asset must be recognised at the lower of that asset and the asset ceiling, which is calculated as the net present value of future service costs less net present value of future contributions over the future working lifetime. Where the asset ceiling is the lower, and adjustment will be required which is included as a remeasurement.

The change in the net pension position is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities is as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability – the changes during the period, in the net defined benefit liability, that arise through the passage of time are charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period. It takes into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- asset ceiling adjustment – reduces to the calculated asset ceiling if this is lower than the asset position.

Contributions paid to the Suffolk Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

For more information on Employee Benefits and International Accounting Standard (IAS19) please refer to notes 32 and 33 of the accounts.

Notes to the Core Statements

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g., cars) for current employees. These are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the relevant service lines in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers. Ill health retirements or departures are not considered termination benefits and voluntary early retirement is not a termination benefit.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

ix VAT

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

x Recognition of property, plant and equipment (PPE)

All expenditure on buying, creating, or enhancing PPE assets is classed as capital expenditure if the Council will benefit from the asset for more than one year.

PPE can be:

- Operational assets (land, buildings, vehicles, plant and equipment, roads, and community assets such as parks and open spaces); and
- Non-operational assets (such as land awaiting development and surplus assets held for disposal).

Expenditure on PPE is recognised in the Statement of Accounts when the work has been carried out or when the asset has been delivered, rather than when the Council actually pays for it. In this year's accounts the Council has only included in the asset register new land and buildings over £20,000 and new vehicles, plant, and equipment over £6,000, except for IT assets which have all been included. Enhancements to existing assets have also been included.

In accordance with The Code's adaptation of IAS16, any asset that is owned by the Council, but its use is not controlled by the Council will not be recognised as an asset on the Balance Sheet. Any asset that is not owned but is controlled by the Council will be recognised on the Balance Sheet providing it meets the recognition criteria above. Therefore, Community and Voluntary Controlled schools are recognised on the Balance Sheet, but Voluntary Aided, Foundation and Academy schools are not.

xi Measurement and depreciation of PPE

Property, plant and equipment are initially measured at cost. Assets are then carried in the Balance Sheet at value, and where they have a limited useful life, are reduced in value (depreciated) according to the following policies:

Notes to the Core Statements

| | Value in Balance Sheet | Depreciation period |
|--|---|---|
| Operational land & buildings (excluding community assets) | Existing use value if there is a market for the asset. If not, the asset is valued at depreciated replacement cost. | Variable - based on the valuer's assessment. Land is not depreciated. |
| Vehicles, plant & equipment | Depreciated historical cost. | Variable – based on the estimated useful life for the type of asset. |
| Community assets | Historical cost or valuation. | No depreciation charge |
| Assets under construction | Historical cost | No depreciation charge |
| Surplus assets | Fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS13) | Variable - based on the valuer's assessment. Land is not depreciated. |
| Intangible assets | Depreciated historical cost | Variable – all current intangible assets have a finite useful life which varies depending on type of asset. |
| Operational land & buildings (excluding community assets) | Existing use value if there is a market for the asset. If not, the asset is valued at depreciated replacement cost. | Variable - based on the valuer's assessment. Land is not depreciated. |

The valuation figures included in the accounts are the total of separate valuations of all Council properties, not a valuation or estimation based on a proportion of the properties valued together.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service, adjusted for depreciation that would have been charged had the loss not been recognised. Where decreases in value are identified, they are accounted for in the Revaluation Reserve where there is a balance of revaluation gains for the asset. Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where appropriate, property assets have been valued on a component basis. This methodology accounts for significant items of the property which have a different life span from the main fabric of the building. On this basis the components will be depreciated individually, reflecting their operational life. The Council componentises all assets with a total building value over £1.000 million.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Depreciation is calculated on a straight-line basis over the useful life of assets. Where new capital expenditure is incurred, the enhancement or new asset is recognised from the 1 October in the year of purchase. Therefore, six months of depreciation is calculated in the year of purchase and the asset continues to be depreciated until the date of disposal.

Notes to the Core Statements

xii Measurement and depreciation of infrastructure assets

The property, plant and equipment line of the balance sheet also includes infrastructure assets. Infrastructure includes highways assets such as carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Infrastructure assets are measured at a modified form of historic cost. Opening balances of infrastructure assets were originally recorded on the balance sheet at the outstanding loan balance as at 1 April 1994, which was deemed to be historical cost at the time. Subsequently, infrastructure assets are measured at depreciated historical cost.

Depreciation of infrastructure assets is charged on a straight-line basis with new assets given a 40 year useful life. Whilst different components of the infrastructure assets will have varying useful lives, analysis has been completed to determine this would not differ materially from using 40 years for all assets.

For derecognition of infrastructure, where capital expenditure is replacing assets, the Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022, that the carrying amounts to be derecognised is nil.

xiii Impairment of property, plant and equipment

Assets are reviewed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset.

Where impairment losses are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Where an impairment loss previously charged to the Comprehensive Income and Expenditure Statement is reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, but only up to the amount of the original loss adjusted for depreciation that would have been charged had the loss not been recognised.

xiv Charges to revenue for the use of non-current assets

Service revenue accounts are debited with the following amounts to record the cost of holding assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are not accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses. However, the Council is required by law to make a provision for the repayment of debt, known as a Minimum Revenue Provision (MRP). The Council makes an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. Depreciation, revaluation, and impairment losses charged to the Comprehensive Income and Expenditure Statement are therefore replaced by MRP in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

xv Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and will only be used for new capital investment. Where capital receipts from a disposal are not expected in the same financial year as the derecognition of the asset, for example when they are paid in installments, the full expected receipt is credited to the Comprehensive Income and Expenditure Statement as described above. However, the element of the capital receipt that is yet to be received is then reversed out in the Movement in Reserves Statement to the Deferred Capital Receipts Reserve. This is an unusable reserve that will be transferred to the Capital Receipts Reserve when the cash is received.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvi Revenue Expenditure Funded from Capital Under Statute (REFCUS) and de minimis expenditure

Revenue Expenditure Funded from Capital Under Statute is capital spending that does not result in the creation of an asset for the Council. Examples include capital grants that are made to other organisations and expenditure on schools not owned by the Council. De minimis spending is where capital assets are bought below the recognition value described in paragraph (x) above and are not recognised in the asset register. The Council transfers REFCUS and de minimis expenditure to the Comprehensive Income and Expenditure Statement in the year in which the money is spent. A transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged to avoid any impact on council tax.

xvii Leases

Leases are classified as finance leases where the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council as Lessee

The Council will recognise finance leases as assets in the Balance Sheet at the lower of fair value and the present value of minimum lease payments. Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefiting from the use of the leased Property, Plant or Equipment.

Notes to the Core Statements

The Council as Lessor

Any finance lease granted by the Council will have the relevant asset written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Where the Council grants an operating lease, the asset is retained in the Balance Sheet and depreciated accordingly. Rental income is credited to the Comprehensive Income and Expenditure Statement.

xviii Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by (where applicable) the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was outstanding on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge expected against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

xix Financial assets

Financial assets are classified in one of three ways, dependent on their cashflow characteristics and the Council's strategy for holding them.

- a. Amortised cost,
- b. Fair Value through Profit or Loss (FVPL), or
- c. Fair Value through Other Comprehensive Income (FVOCI)

The Council's strategy is to hold investments to maturity, in order to collect contractual cash flows, rather than to trade in the underlying instruments.

The Council's financial assets are principally formed of trade receivables (debtors), loans, and deposits with banks and pooled funds.

Those loans and receivables, where cash flows are purely payments of principal and interest, are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans the Council has made, it means the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement, is the amount receivable for the year in the loan agreement.

Financial assets where the cash flows are not purely payments of principal and interest (e.g. dividends), are initially measured and then carried at fair value through profit and loss. Where loans have been made for service purposes, rather than for the purposes of collecting principal and interest, then these will also be classified as FVPL.

Where an asset is recognised at FVPL, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Fair value gains and losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council recognises that financial assets bear a risk that future cash flows might not take place because the counterparty could default on their obligation. The Council therefore recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis.

Notes to the Core Statements

Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed across the lifetime of the asset. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. For trade receivables the Council recognises Expected Credit Losses on a lifetime basis.

xx Interests in companies and other entities

The Council has a 100% shareholding in Suffolk Group Holdings Ltd. Suffolk Group Holdings Ltd owns Vertas Group Ltd (Vertas), Concertus Design and Property Consultants Ltd (Concertus) and Opus People Solutions Ltd (Opus). These interests require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies forming part of the group accounts are recorded as financial assets at cost and other equity holdings are held at fair value.

xxi Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the non-current assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Where the scheme operator has been granted the right to use the scheme assets to generate their own income, in return for a reduction in payments due for the asset, then the proportion funded by this income is recognised as a donated asset and is expensed over the life of the scheme.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- **Finance cost** – a percentage interest charge on the outstanding Balance Sheet liability, debited to Interest payable and similar charges in the Comprehensive Income and Expenditure Statement.
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to Interest payable and similar charges in the Comprehensive Income and Expenditure Statement.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator.
- **Lifecycle replacement costs** – proportion of the amount payable is posted to the Balance Sheet as a prepayment where works are not yet complete or recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

For details of 2022 - 2023 transactions please refer to note 29.

xxii Accounting for council tax and non-domestic rates

The council tax and non-domestic (business) rates income included in the Comprehensive Income and Expenditure Statement, for both billing authorities and major preceptors, is the accrued income for the year. The Council's share of the accrued income is collated from the billing authorities' information that is required to be produced by them, to prepare their Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to a Collection Fund Adjustment Account and is included as a reconciling item on the Movement in Reserves Statement.

The cash collected by the billing authorities from council tax debtors belongs proportionately to the Billing Authorities, Police and Crime Commissioner for Suffolk and Suffolk County Council. Therefore, the Council shows in the Balance Sheet its proportion of council tax debtors and corresponding creditors showing the amount then owed to the Billing Authorities.

Notes to the Core Statements

The cash collected by the billing authorities from business rates debtors belongs proportionately to the Billing Authority (40%), Suffolk County Council (10%) and Central Government (50%).

The Council shows in the Income and Expenditure Statement and Balance Sheet the proportion of the business rate gain from the Suffolk Pool, due from the billing authorities based upon the actual rates collected, above the rates baseline, as set by Central Government.

xxiii Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Current account balances and cash held by the Council at the 31 March are therefore clearly cash equivalent sums. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

The Council has an arrangement in place to hold funds on behalf of third parties. These amounts are included within the cash figure and a corresponding amount is held as a creditor as the Council considers that it exerts sufficient control over these funds.

For short term investments, there are no strict criteria to follow relating to the nature and maturity of these items. The Council holds short term investments in a variety of forms such as money markets and deposit accounts for the purpose of obtaining a gain or return, or to increase the security of these assets. The Council's policy is that deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

xxiv Basis of consolidation for the group accounts

The Group Accounts have been prepared using the group accounts requirements of The Code of Practice on Local Authority Accounting. Companies that are within the Council's group boundary have been included in the Council's group accounts to the extent that they are either quantitatively or qualitatively material to users of the financial statements. This will give the reader the ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

The Council's subsidiary, Suffolk Group Holdings Ltd and its subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with The Code. The Council has not included Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd, and Realise Futures CIC in the Group accounts as they are not material either qualitatively or quantitatively.

The only material differences arising from variations in accounting policies is in regard to IFRS 16 Leases which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. IFRS 16 has not been adopted by the Code of Practice but is effective for other companies within the Group boundary. The results of the other companies have been adjusted to bring them in line with the Council's policies on leases during consolidation.

xxv Apprenticeship Levy

In 2017 – 2018 the Council started to make payments to Her Majesty's Revenue and Customs (HMRC) in relation to the Apprenticeship Levy. The cost of the levy is recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider, a training expense, up to the value of the training provided, with a corresponding entry for a government grant, is recognised in the Comprehensive Income and Expenditure Statement against the service benefiting from the training.

2. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard, that has been introduced but not yet adopted.

The following accounting standards have changes next year but are either not relevant to the Council or the changes are expected to be minor and are not expected to materially impact the accounts. The standards introduced by the 2023 - 2024 Code where disclosures are required in the 2022 - 2023 financial statements are:

Notes to the Core Statements

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023 – 2024 year).
- Where an authority adopted IFRS 16 in 2022 – 2023 but chose to defer the implementation of IFRS 16 to PFI/PP arrangements until 2023 – 2024, information on that more specific accounting change will be required in its 2022 – 2023 statement of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The IFRS 16 Leases standard has been deferred until 1 April 2024 following an emergency consultation conducted by CIPFA/LASAAC therefore adoption will be required in 2024 – 2025. However, both the 2022 – 2023 and 2023 – 2024 codes will allow adoption should an authority consider it is able to do so. The Council will not be adopting IFRS 16 in 2023 – 2024.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1 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:

- Despite the financial environment in which the Council has operated becoming more challenging during 2022 – 2023 as a result various economic and geopolitical factors, the Council has nonetheless ended 2022 – 2023 in a robust financial position, and has set a balanced budget for 2023 – 2024 with a budget gap of £10.230 million not emerging until 2025 - 2026. Although the Council continues to face significant risks regarding its cost pressures over the year ahead and beyond, the Council has a strong track record of managing its resources prudently in challenging times and, when this is combined with its current healthy financial standing, there is no case for impairing its assets or making other accounting adjustments due to its financial position.
- Note 37, Nature and Extent of Risks arising from Financial Instruments, details the Council's Investment Strategy and approach to managing risk and the judgements made.
- The Council has two Private Finance Initiative (PFI) contracts. One for the provision/refurbishment of Fire Stations and one for the provision of the Energy from Waste Facility. The accounting policies, Note 1, for PFI schemes have been applied to these arrangements and operational assets recognised in Property Plant and Equipment on the Council's Balance Sheet. Note 29 provides further detail.
- The Council recognises school assets for Community and Voluntary Controlled schools on its Balance Sheet. The Council has not recognised assets relating to Academies, Voluntary Aided, Free or Foundation schools, as it is of the opinion that these assets are not controlled by the Council. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion. The Education Act 2011 and The Free School Presumption advice document (February 2016) state that for all new schools the local authority must seek proposals for the establishment of an Academy. Therefore, in line with the recognition criteria stated above, the Council will not include newly constructed schools in the Balance Sheet on the basis that they will all be academies or free schools, and not controlled by the Council. Going forward, capital expenditure on new school construction will be treated as revenue expenditure funded from capital under statute (REFCUS) as it is for the construction of an asset that is not for the Council.
- The Council has several interests in other entities which fall within the group boundary of the Council, on the grounds of control and significant influence in line with the Code. However, the Council concluded that it is only necessary to include Suffolk Group Holdings Limited and Edmundham Developments LLP in the consolidated statement, as the others in aggregate are not sufficiently material to include. See note 38, Interest in Companies and the Group accounts for further information.

Notes to the Core Statements

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

The preparation of the Statement of Accounts requires management to make judgements, 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 the actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below:

| Item | |
|-----------------------------|--|
| Property, Plant & Equipment | <p>Uncertainty</p> <p>Depreciation: Assets are depreciated over useful lives that are dependant 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. The depreciation policy followed by the Council can be seen in note 1 to the Core Statements.</p> <p>Valuation: Operational assets are valued on the basis of Value in Existing Use or on a Depreciated Replacement Cost (DRC) basis for assets (or part there of) which are considered to be of a specialist nature because there is inadequate market evidence of value in existing use for these types of assets. Surplus Assets are valued on the basis of Fair Value (IFRS13). Asset values are reviewed periodically to ensure the value is not materially mistated, with approximately 20% of assets valued as at 31 March 2023. The remaining assets were reviewed to ensure values were materially accurate.</p> |
| | <p>Effect if actual results differ from assumptions</p> |
| | <p>Depreciation: If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset decreases. It is estimated that the annual depreciation for assets would increase by £5.006 million for every year that useful lives had to be reduced. A reduction in estimated valuations would result in reductions in the Revaluation Reserve and/or a loss recognised in the Comprehensive Income and Expenditure Account.</p> <p>Valuation: If the asset categories subject to valuations (Other Land and Buildings, Surplus Assets and Assets Held For Sale) were to decrease in value by 10%, this would result in an approximate charge of £33.991 million to the Comprehensive Income and Expenditure Account. An increase in estimated valuation would be an increase in the Revaluation Reserve and/or reversals of previous revaluation losses charged to the Comprehensive Income and Expenditure Account. For the asset categories Other Land and Buildings and Surplus Assets, which are subject to depreciation, the depreciation charge will change in direct relation to the value of those assets. The net book value of this asset base is £798.975 million. The Asset Held for Sale category is not subject to depreciation.</p> |
| Fair Value Measurement | <p>Uncertainty</p> <p>When the fair values of Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (Level 1 inputs), or other inputs that are observable for the asset, either directly or indirectly (Level 2 inputs), their fair value is measured using unobservable (Level 3) inputs. Where it is not possible to base the valuation technique on observable data, judgement is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of assets and liabilities.</p> |
| | <p>Effect if actual results differ from assumptions</p> |
| | <p>Lambert Smith Hampton carried out the valuation on the Council's Surplus Assets on behalf of Concertus Design and Property Consultants Ltd and advised that all the valuation inputs used were Level 3 inputs. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these assets.</p> |
| Pension Asset/Liability | <p>Uncertainty</p> <p>Estimation of the net position 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, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged to provide the Council with expert advice about the assumptions to be applied. In 2022 - 2023 the position of the Local Government Pension Fund was a net asset which was adjusted to the calculated asset ceiling figure provided by Hymans Robertson LLP as per the code requirements. This is a new position for local authorities to be in and audit firms are yet to conclusively confirm the preferred approach as at 31 May 2023 and therefore there is a possibility this will need to be adjusted in the final audited accounts.</p> |
| | <p>Effect if actual results differ from assumptions</p> |
| | <p>During 2022 - 2023, the Council's actuary advised that the net pensions liability had decreased by £471.222 million. Further sensitivity analysis on pension liabilities are in Note 33.</p> |

Notes to the Core Statements

5. Material Items of Income and Expenditure

The following material items were included within the Comprehensive Income and Expenditure Statement:

Included within Other Comprehensive Income and Expenditure was a movement of £525.607 million due to remeasurements of the net defined benefit liability. Details of the full movements related to the defined benefit pension scheme can be found in Note 33.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer (S151 Officer) on 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. For 2022 – 2023 there have been no events that meet these criteria.

Notes to the Core Statements

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

| 2022 - 2023 | Usable Reserves | | | Movement in Unusable Reserves £ million |
|---|-----------------------------------|---------------------------------------|--|--|
| | General Fund Balance £ million | Capital Receipts Reserve £ million | Capital Grant/Contributions Unapplied Account £ million | |
| Adjustments to Revenue Resources | | | | |
| <u>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</u> | | | | |
| Pension Costs (transferred to the Pensions Reserve) | -54.385 | | | 54.385 |
| Council Tax and Non Domestic Rates (transfers to Collection Fund Adjustment Account) | 3.809 | | | -3.809 |
| Holiday Pay (transferred from the Accumulated Absences Reserve) | 1.384 | | | -1.384 |
| Impairment Gain (+) / Loss on the Pooled Investment Fund | -0.885 | | | 0.885 |
| Dedicated School Grant (transferred to the Dedicated School Grant Adjustment Account) | -9.389 | | | 9.389 |
| Financial Instruments Adjustment Account | 0.446 | | | -0.446 |
| <u>Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)</u> | | | | |
| Charges for depreciation, impairment of non-current assets and amortisation of intangible assets | -53.412 | | | 53.412 |
| Revaluation loss on Property, Plant and Equipment | -10.196 | | | 10.196 |
| Restatement of non current assets | -0.065 | | | 0.065 |
| Capital grants and contributions that have been applied to capital financing | 72.902 | | | -72.902 |
| Income in relation to Donated Assets | 5.220 | | | -5.220 |
| Revenue expenditure funded from capital under statute | -42.243 | | | 42.243 |
| 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 | -7.385 | | | 7.385 |
| Total Adjustments to Revenue Resources | -94.199 | 0.000 | 0.000 | 94.199 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 10.820 | -10.820 | | 0.000 |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | 11.360 | | | -11.360 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 18.066 | | | -18.066 |
| Total Adjustments between Revenue and Capital Resources | 40.246 | -10.820 | 0.000 | -29.426 |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | 6.289 | | -6.289 |
| Long Term Debtor repayment in year | | -1.864 | | 1.864 |
| <u>Application of capital grants to finance capital expenditure</u> | | | | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | 0.295 | | -0.295 | 0.000 |
| Application of grants and contributions to capital financing transferred to the Capital Adjustment Account | | | 23.961 | -23.961 |
| Cash payments in relation to deferred capital receipts | -5.950 | | | 5.950 |
| Transfer of deferred sale proceeds. Part of the gain loss on disposal, transferred to the CAA | 0.100 | | | -0.100 |
| Total Adjustments to Capital Resources | -5.555 | 4.425 | 23.666 | -22.536 |
| Total Adjustments | -59.509 | -6.395 | 23.666 | 42.237 |

Notes to the Core Statements

2021 – 2022 Adjustments between Accounting Basis and Funding Basis under Regulations:

| 2021 - 2022 | Usable Reserves | | | Movement in Unusable Reserves £ million |
|---|-----------------------------------|---------------------------------------|--|--|
| | General Fund Balance £ million | Capital Receipts Reserve £ million | Capital Grant/Contributions Unapplied Account £ million | |
| Adjustments to Revenue Resources | | | | |
| <u>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</u> | | | | |
| Pension Costs (transferred to the Pensions Reserve) | -61.734 | | | 61.734 |
| Council Tax and Non Domestic Rates (transfers to Collection Fund Adjustment Account) | 18.732 | | | -18.732 |
| Holiday Pay (transferred from the Accumulated Absences Reserve) | -0.884 | | | 0.884 |
| Impairment Gain (+) / Loss on the Pooled Investment Fund | 0.803 | | | -0.803 |
| Dedicated School Grant (transferred to the Dedicated School Grant Adjustment Account) | -5.639 | | | 5.639 |
| Financial Instruments Adjustment Account | -19.626 | | | 19.626 |
| <u>Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)</u> | | | | |
| Charges for depreciation, impairment of non-current assets and amortisation of intangible assets | -51.238 | | | 51.238 |
| Revaluation loss on Property, Plant and Equipment | 12.637 | | | -12.637 |
| Capital grants and contributions that have been applied to capital financing | 96.732 | | | -96.732 |
| Income in relation to Donated Assets | 7.135 | | | -7.135 |
| Revenue expenditure funded from capital under statute | -43.042 | | | 43.042 |
| 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 | -14.387 | | | 14.387 |
| Total Adjustments to Revenue Resources | -60.510 | 0.000 | 0.000 | 60.510 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 7.019 | -7.019 | | 0.000 |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | 10.194 | | | -10.194 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 9.533 | | | -9.533 |
| Total Adjustments between Revenue and Capital Resources | 26.746 | -7.019 | 0.000 | -19.727 |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 2.201 | 6.307 | | -8.508 |
| Long Term Debtor repayment in year | | -0.140 | | 0.140 |
| <u>Application of capital grants to finance capital expenditure</u> | | | | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | 0.982 | | -0.982 | 0.000 |
| Application of grants and contributions to capital financing transferred to the Capital Adjustment Account | | | 23.729 | -23.729 |
| Cash payments in relation to deferred capital receipts | -5.950 | | | 5.950 |
| Total Adjustments to Capital Resources | -2.767 | 6.167 | 22.748 | -26.147 |
| Total Adjustments | -36.531 | -0.852 | 22.748 | 14.636 |

Notes to the Core Statements

8. Transfers to/from Earmarked Reserves

| | Balance at 1 April 2021 £ million | Transfers between Reserves £ million | Transfers Out 2021 - 2022 £ million | Transfers in 2021 - 2022 £ million | Balance at 31 March 2022 £ million | Transfers between Reserves £ million | Transfers Out 2022 - 2023 £ million | Transfers in 2022 - 2023 £ million | Balance at 31 March 2023 £ million |
|---|---|---|---|--|--|---|---|--|--|
| General Fund | 18.697 | 1.833 | 0.000 | 0.000 | 20.530 | -0.087 | 0.000 | 0.000 | 20.443 |
| Risk Reserve | 53.769 | 7.404 | -2.192 | 0.000 | 58.981 | -11.713 | 0.000 | 0.001 | 47.270 |
| Total General Fund Reserves | 72.466 | 9.237 | -2.192 | 0.000 | 79.511 | -11.800 | 0.000 | 0.001 | 67.713 |
| Earmarked Reserves | | | | | | | | | |
| Adult & Community Services | 4.804 | 0.000 | -0.001 | 7.750 | 12.553 | 0.000 | -5.762 | 0.600 | 7.391 |
| Children & Young People | 7.301 | 0.000 | -3.421 | 0.393 | 4.273 | 0.000 | -0.969 | 1.499 | 4.803 |
| Public Health & Communities | 0.468 | 0.048 | -0.155 | 0.004 | 0.365 | 0.000 | -0.012 | 0.071 | 0.424 |
| Fire and Public Safety | 2.904 | 0.000 | -0.564 | 0.340 | 2.680 | 0.000 | -0.570 | 0.299 | 2.408 |
| Growth, Highways and Infrastructure | 18.025 | -4.950 | -1.755 | 3.366 | 14.685 | 0.000 | -3.339 | 1.624 | 12.970 |
| Corporate Services | 1.274 | 0.000 | -0.813 | 0.000 | 0.461 | 0.775 | -0.158 | 0.000 | 1.079 |
| Central Resources | 17.198 | -0.613 | -3.652 | 3.818 | 16.750 | -0.500 | -3.257 | 3.284 | 16.278 |
| Capital Financing and Minimum Revenue Provision | 19.772 | -3.754 | -6.450 | 12.258 | 21.826 | 0.083 | -13.797 | 14.679 | 22.792 |
| Renewals Reserves | 2.315 | 0.000 | -0.551 | 1.097 | 2.862 | 0.000 | -1.490 | 1.062 | 2.434 |
| Short Term Revenue Grants Reserve | 4.717 | 0.203 | -4.788 | 5.673 | 5.805 | 0.000 | -5.673 | 4.187 | 4.319 |
| Public Health (Grant) | 4.468 | 0.000 | 0.000 | 1.860 | 6.328 | 0.000 | -0.301 | 0.001 | 6.028 |
| Schools Balances | 17.083 | 0.000 | 0.000 | 1.644 | 18.727 | 0.000 | -1.356 | 0.000 | 17.372 |
| COVID-19 Reserve | 8.596 | -0.012 | -8.700 | 5.248 | 5.133 | 0.000 | -5.132 | 0.000 | 0.000 |
| Council Tax/Business Rates Risk | 15.070 | -0.191 | -12.766 | 5.426 | 7.540 | 0.000 | -5.010 | 0.867 | 3.396 |
| Budget Management | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 11.687 | -7.107 | 0.000 | 4.580 |
| Service Reserve | 3.827 | 0.082 | -1.216 | 9.327 | 12.020 | -0.245 | -4.671 | 0.000 | 7.103 |
| Total Earmarked Reserves | 127.821 | -9.188 | -44.832 | 58.206 | 132.007 | 11.800 | -58.604 | 28.173 | 113.376 |
| Total Revenue Reserves | 200.287 | 0.050 | -47.024 | 58.206 | 211.518 | 0.000 | -58.604 | 28.174 | 181.089 |
| Capital Reserves | | | | | | | | | |
| Capital Grants Unapplied (Reserve) | 44.874 | 0.000 | -21.804 | 0.007 | 23.077 | 0.000 | -22.790 | 0.000 | 0.287 |
| Capital Contributions Unapplied (Reserve) | 4.773 | -0.050 | -1.934 | 1.034 | 3.823 | 0.000 | -1.255 | 0.379 | 2.947 |
| Capital Receipts Reserve | 3.215 | 0.000 | -6.307 | 7.159 | 4.067 | 0.000 | -6.289 | 12.684 | 10.462 |
| Total Capital Reserves | 52.862 | -0.050 | -30.045 | 8.200 | 30.967 | 0.000 | -30.335 | 13.063 | 13.696 |
| Total Usable Reserves | 253.149 | 0.000 | -77.069 | 66.406 | 242.485 | 0.000 | -88.939 | 41.238 | 194.783 |

Notes to the Core Statements

Purpose of the Reserves

The general fund is a 'back-stop' to the risk reserve, to be deployed by either Cabinet or the Council for any purpose within the legal power of the Council. The risk reserve exists to enable the Council to deal with and manage in-year financial pressures.

The earmarked reserves are used to fund specific commitments or set aside for anticipated projects and programmes within services.

The earmarked reserves also include:

- In 2021 – 2022 the Council was in receipt of grants from the Department of Levelling Up, Housing and Communities to fund costs in relation to the COVID-19 pandemic. The balance of the grant was transferred into an earmarked reserve and then used in 2022 - 2023.
- The capital financing revenue reserve held to finance future capital spend.
- The Council is required to disclose any unspent balances held by schools, which is shown as schools' balances.
- Where grant income has been received for a specific purpose but has not yet been applied, this has been transferred to the short term revenue grants reserve.
- Any unspent Public Health ring fenced grant is held in a reserve to support future Public Health expenditure.
- Renewals reserves are held by each service that has assets, such as vehicles and equipment. These reserves are used to finance the purchase of replacement vehicles and equipment.

The council tax and business rates risk reserve exist to manage uncertainty concerning the funding generated from council tax and business rates. The funding raised from these sources are largely outside the Council's control, and risks exist with regards to the county's Council Tax base, proposed future changes to the methodology for allocating Business Rates and collection rates, where the Council is dependent on the county's Borough and District Councils.

Capital reserves are held to finance spend on non-current assets. They include:

- The Capital Receipts reserve which holds income from the sale of non-current assets.
- Capital grants and contributions that have been received and have not yet been used to finance capital spend, are held in the capital contributions unapplied reserve and the capital grants unapplied reserve.

Notes to the Core Statements

9. Other Operating Expenditure

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|--|--------------------------|
| 0.808 | Payments to the Environment Agency | 0.839 |
| 0.472 | Payments to the Eastern Inshore Fisheries and Conservation Authority | 0.480 |
| -0.417 | Gains(-)/losses on trading operations | -0.307 |
| 11.136 | Losses on the disposal of non-current assets | 2.478 |
| 11.999 | Total | 3.490 |

10. Financing and Investment Income and Expenditure

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|---|--------------------------|
| 35.874 | Interest payable and similar charges | 17.591 |
| 18.457 | Net Interest on the net defined benefit liability (note 33) | 18.539 |
| -0.359 | Interest receivable and similar income | -1.225 |
| -1.190 | Other investment income - dividend receivable | -1.800 |
| -0.810 | Impairment Gains (-)/ Losses on long & short term investments and long term debtors | 0.883 |
| 51.973 | Total | 33.988 |

11. Taxation and Non-Specific Grant Income

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|--|--------------------------|
| -361.330 | Council tax income | -376.739 |
| -112.229 | Non domestic rates | -125.032 |
| -4.877 | Non domestic rates COVID-19 | 0.000 |
| -71.582 | Non-ringfenced government grants (note 25) | -91.315 |
| -20.578 | COVID-19 Grant income (note 25) | 0.000 |
| -7.135 | Donated Assets | -5.220 |
| -83.382 | Capital grant and contributions (note 25) | -58.348 |
| -661.111 | Total | -656.654 |

Notes to the Core Statements

12. Property, Plant and Equipment

| Movements in 2022 - 2023: | | | | | |
|--|---|--|-------------------------------------|--|--|
| | Other Land and Buildings £ million | Vehicles, Plant & Equipment £ million | Surplus Assets £ million | Assets Under Construction £ million | Total Property, Plant and Equipment £ million |
| Cost or Valuation | | | | | |
| At 1 April 2022 | 790.499 | 50.334 | 20.133 | 57.893 | 918.858 |
| Restatements | -0.645 | | | | -0.645 |
| Additions | 32.213 | 4.458 | 0.145 | 36.238 | 73.054 |
| Donations | 0.465 | | | | 0.465 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0.757 | | -1.754 | | -0.997 |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | -12.150 | | 0.196 | | -11.954 |
| Derecognition - Disposals | -3.538 | -4.805 | -1.404 | | -9.747 |
| Assets reclassified (to) / from Held for Sale | 0.000 | | 0.544 | | 0.544 |
| Other movements in Cost or Valuation | 3.250 | 0.000 | 0.546 | -3.796 | 0.000 |
| At 31 March 2023 | 810.851 | 49.987 | 18.406 | 90.335 | 969.578 |
| Accumulated Depreciation and | | | | | |
| At 1 April 2022 | 25.063 | 32.849 | 0.070 | 0.000 | 57.979 |
| Restatements | -0.059 | | | | -0.059 |
| Depreciation charge | 22.728 | 4.642 | 0.068 | | 27.438 |
| Depreciation written out to the Revaluation Reserve | -15.686 | | 0.000 | | -15.686 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | -1.754 | | -0.051 | | -1.805 |
| Derecognition - Disposals | -0.075 | -4.713 | -0.022 | | -4.810 |
| Other movements in Depreciation and Impairment | | | | | 0.000 |
| At 31 March 2023 | 30.217 | 32.778 | 0.065 | 0.000 | 63.057 |
| Net Book Value | | | | | |
| At 31 March 2023 | 780.634 | 17.209 | 18.341 | 90.335 | 906.521 |
| At 31 March 2022 | 765.436 | 17.485 | 20.063 | 57.893 | 860.879 |

Notes to the Core Statements

| Movements in 2021 - 2022: | | | | | |
|--|---|--|-------------------------------------|--|--|
| | Other Land and Buildings £ million | Vehicles, Plant & Equipment £ million | Surplus Assets £ million | Assets Under Construction £ million | Total Property, Plant and Equipment £ million |
| Cost or Valuation | | | | | |
| At 1 April 2021 | 777.904 | 55.163 | 16.384 | 22.811 | 872.260 |
| Additions | 23.830 | 2.697 | 0.200 | 39.883 | 66.610 |
| Donations | | | 2.380 | | 2.380 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | -6.582 | | 0.049 | | -6.533 |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | 4.599 | | -0.438 | | 4.161 |
| Derecognition - Disposals | -13.180 | -7.526 | -0.616 | | -21.322 |
| Assets reclassified (to) / from Held for Sale | -0.825 | | 1.905 | | 1.080 |
| Other movements in Cost or Valuation | 4.754 | | 0.269 | -4.801 | 0.222 |
| At 31 March 2022 | 790.499 | 50.334 | 20.133 | 57.893 | 918.858 |
| Accumulated Depreciation and | | | | | |
| At 1 April 2021 | 23.232 | 35.248 | 0.056 | 0.000 | 58.533 |
| Depreciation charge | 21.334 | 5.118 | 0.026 | | 26.479 |
| Depreciation written out to the Revaluation Reserve | -9.755 | | -0.251 | | -10.006 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | -8.453 | | -0.023 | | -8.476 |
| Derecognition - Disposals | -1.034 | -7.517 | | | -8.550 |
| Other movements in Depreciation and Impairment | -0.262 | | 0.262 | | 0.000 |
| At 31 March 2022 | 25.063 | 32.849 | 0.070 | 0.000 | 57.979 |
| Net Book Value | | | | | |
| At 31 March 2022 | 765.436 | 17.485 | 20.063 | 57.893 | 860.879 |
| At 31 March 2021 | 754.672 | 19.915 | 16.328 | 22.811 | 813.727 |

Capital Commitments

At 31 March 2023, the Council has committed to a programme for the construction or enhancement of Property, Plant and Equipment in 2023 -2024 and future years, budgeted to cost £259.543 million. Similar commitments at 31 March 2022 were £218.261 million. The commitments with a value greater than £5.000 million are:

| | |
|--------------------------------------|-----------------|
| A12 East of Ipswich (MRN) | £51.282 million |
| Increasing School Capacity | £46.711 million |
| Gull Wing bridge, Lowestoft | £38.187 million |
| Climate Emergency Capital Investment | £11.654 million |
| Recycling Centre improvements | £11.295 million |
| Community Reablement | £6.483 million |

Valuations

The Council carries out a rolling programme that revalues all Property and Surplus assets on a five year basis. However in 2015 - 2016, due to a change in valuation requirement of surplus assets, all assets in this category

Notes to the Core Statements

were revalued so that as at 31st March 2016 they were all held at fair value in accordance with IFRS 13. Going forward any assets newly classified in the surplus category must be valued to fair value in year all others have been added to the five year cycle. Where valuations have taken place as part of the main valuation schedule, properties have been valued as at 31st March 2023. The majority of valuations were carried out by Lambert Smith Hampton on behalf of Concertus Design and Property Consultants in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In 2022 - 2023 there was also a full valuation of the Great Blakenham Energy from Waste Facility which was valued by Gerald Eve on behalf of Concertus Design & Property Consultants. Finally, there was a desktop assessment of the county farms estate assets following the full valuation in 2021 – 2022.

All the valued operational properties have been on the Value in Existing Use method. In some cases where part or all of a property is considered to be of a specialist nature, for which there is inadequate market evidence of value in existing use, the value has been calculated on a Depreciated Replacement Cost (DRC) basis. The DRC has been calculated having regard to the prospect and viability of the continuance of the use at the valuation date.

All surplus assets (and Assets Held for Sale as per note 14) have been valued at Fair Value in accordance with IFRS13. The fair value hierarchy categorises three levels of inputs to valuation techniques to measure fair value as detailed below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability.
- Level 3 – fair value is determined using unobservable inputs.

All surplus assets were valued using Level 3 valuation inputs. The valuations were arrived at by using the Comparison method or Residual method. The Comparison method involves the use of existing market data as a guide to the value of a similar asset and adjustments made to reflect the actual characteristics of the property. The Residual method of valuation to support the valuation on development sites which means identifying the potential use of the site, and then deducting the cost of development to identify the best bid that a market participant could make for the site.

Vehicles, Plant and Equipment and Community assets are held at historic cost. The £0.831 million of Other Land and Buildings held at historic cost relates to assets undergoing enhancement works and a valuation will be undertaken once the works are complete in 2022 – 2023.

| | Other land and buildings £ million | Vehicles, Plant, Equipment £ million | Surplus Assets £ million | Total £ million |
|----------------------------|--|--|-----------------------------|--------------------|
| Carried at historical cost | 2.089 | 49.987 | 0.000 | 52.076 |
| Value at fair value in: | | | | |
| 2022-23 | 261.365 | 0.000 | 10.170 | 271.535 |
| 2021-22 | 195.293 | 0.000 | 4.537 | 199.830 |
| 2020-21 | 117.089 | 0.000 | 2.200 | 119.289 |
| 2019-20 | 87.025 | 0.000 | 0.090 | 87.115 |
| 2018-19 | 147.990 | 0.000 | 1.409 | 149.399 |
| Total Cost or Valuation | 810.851 | 49.987 | 18.406 | 879.244 |

Assets under construction are not part of the valuation rolling programme until the asset becomes operational.

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would

Notes to the Core Statements

14. Assets Held for Sale

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|--|----------------------------|
| 8.347 | Balance at start of year | 5.749 |
| | Assets newly classified as held for sale: | |
| 2.620 | Property, Plant and Equipment | 0.346 |
| 0.099 | Revaluation increases/decreases (-) recognised in the Revaluation Reserve | 0.000 |
| 0.000 | Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services | -0.047 |
| | Assets declassified as held for sale: | |
| -3.700 | Property, Plant and Equipment | -0.890 |
| -1.616 | Assets sold | -2.448 |
| <u>5.749</u> | Balance at end of year | <u>2.710</u> |

15. Short Term Debtors

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|---|----------------------------|
| 24.026 | Central government bodies | 19.004 |
| 8.467 | Other local authorities | 12.752 |
| 15.615 | NHS bodies | 26.875 |
| 45.904 | Other entities and individuals | 57.550 |
| 14.452 | Council Tax receivable from taxpayers | 12.920 |
| 0.514 | Business Rates receivable from ratepayers | 4.306 |
| <u>108.978</u> | Total | <u>133.407</u> |

The other entities and individual's category in 2022 – 2023 includes payments in relation to; income in relation to homecare services, where individuals make contributions towards their care provision, plus prepayments made to care providers. Homecare providers are paid on a four weekly bases, therefore the timing of the payment spans over 31 March annually, hence a debtor shown at the balance sheet date.

16. Cash and Cash Equivalents

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|-----------------------|----------------------------|
| 1.783 | Bank current accounts | 1.639 |
| <u>1.783</u> | Total | <u>1.639</u> |

Notes to the Core Statements

The Council has an agency arrangement in place to hold funds on behalf of third parties. Details of the amounts held at 31 March 2023 are detailed in the table overleaf:

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|---|----------------------------|
| 0.000 | Adult Learning & Development Projects | 0.105 |
| 1.106 | Areas of Outstanding Natural Beauty Partnership | 0.759 |
| 0.166 | Collaborative Communities Board | 0.459 |
| 0.555 | Crisis and Home Treatment Service | 0.555 |
| 4.642 | CYP Health Alliance Projects Funding | 3.540 |
| 0.026 | Domestic Abuse Target Hardening | 0.000 |
| 0.150 | East Suffolk Lines Community Rail Partnership | 0.000 |
| 0.221 | Eastern Safeguarding Project | 0.000 |
| 0.622 | Emergency Planning | 0.567 |
| 0.329 | Environment Strategy Partnership | 0.321 |
| 0.022 | EU Withdrawal Funding | 0.022 |
| 0.501 | Historic Environment Partnership | 0.459 |
| 0.000 | Ipswich and East Suffolk Health and Care Alliance Fund | 7.808 |
| 0.105 | Learning Disabilities and Transforming Care Pooled Fund | 0.000 |
| 0.078 | Mental Health Pooled Funds | 0.078 |
| 0.398 | Mental Health Psychiatric Liaison | 0.398 |
| 0.046 | Ministry of Defence - Archaeological | 0.041 |
| 0.368 | Monies held on behalf of looked after children | 0.461 |
| 6.958 | Monies held on behalf of vulnerable adults | 1.763 |
| 0.112 | Natural Environment Partnerships | 0.026 |
| 25.725 | New Anglia Local Enterprise Partnership | 23.188 |
| 0.000 | Norfolk & Waveney Integrated Care Board | 0.224 |
| 0.132 | Nuclear Legacy Advisory Forum | 0.151 |
| 0.202 | Opportunity Development Funding | 0.097 |
| 0.187 | Reclaim the Rain | 0.246 |
| 0.000 | Social Worker Teaching Partnership | 0.152 |
| 0.000 | Suffolk & North East Essex Integrated Care Board | 15.294 |
| 11.127 | Suffolk Public Sector Leaders Business Rates Pool | 14.773 |
| 0.000 | Sector Lead Improvement - Children's Services | 0.360 |
| 0.093 | Suffolk Waste Partnership | 0.154 |
| 0.692 | Transforming Suffolk | 0.654 |
| 0.857 | Transport East | 0.972 |
| 0.000 | West Suffolk Health and Care Alliance Fund | 1.187 |
| 0.014 | Other (Balances less than £0.100 million) | 0.069 |
| 55.434 | | 74.883 |

17. Short Term Creditors

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|---------------------------------------|----------------------------|
| -25.790 | Central government bodies | -31.510 |
| -15.338 | Other local authorities | -23.016 |
| -23.130 | NHS bodies | -28.052 |
| -102.465 | Other entities and individuals | -85.543 |
| -6.988 | Council Tax receivable from taxpayers | -7.940 |
| -5.549 | Business Rates payable to ratepayers | -3.048 |
| -179.260 | Total | -179.110 |

The balance of monies held on behalf of third parties £74.883 million, shown in note 16, is included within other entities and individuals. The other entities and individuals category also includes monies due over £1m from home-to-school passenger transport providers, along with contractors providing the Council with services at household waste recycling centres and the energy from waste plant. The category also includes monies due to contractors working on various capital schemes

Notes to the Core Statements

18. Provisions

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event, that will probably require settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation. The provisions are split into current (due within 12 month) and non-current in the tables below.

Current Provisions

| | Other Provisions £ million |
|---|---------------------------------------|
| Balance at 1 April 2022 | -9.169 |
| Additional provisions made in 2022 - 2023 | -6.518 |
| Amounts used in 2022 - 2023 | 0.522 |
| Unused amounts reversed in 2022 - 2023 | 7.770 |
| Balance at 31 March 2023 | -7.395 |

Other Provisions

There are seven provisions included within the current balance. Benefits Payable during Employment (£6.057 million), redundancy (£0.160 million), water hydrants (£0.041 million), Early Years assets (£0.703 million), recycling bonus shortfalls (£0.079 million), Ransomes Fire (£0.088 million) and Haulage (£0.267 million).

Benefits Payable during Employment refers to benefits that employees receive as part of their contract of employment and entitlements, that are built up as they work for the Council. The most significant benefit covered by this heading is holiday pay.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Therefore, amounts are transferred to the Accumulated Absences Account on the Balance Sheet until the benefits are used. The accrual is charged to the Deficit on the Provision of Services within the Comprehensive Income and Expenditure Account, then reversed out through the Movement in Reserves Statement, in order that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The £6.057 million is made up of £2.115 million which relates to teachers working in schools, which is governed by where the end of term falls in relation to 31 March 2023 and £3.942 million which relates to all other Council employees.

The redundancy provision reflects the potential costs of redundancy settlements where individuals will be made redundant or an offer of redundancy has been accepted prior to the end of the financial year but will not leave the Council until the following financial year.

The employment tribunal provision relates to ongoing cases where there is expected to be a settlement.

The provision for water hydrants, utilised by the Fire Service, relates to the potential cost of maintenance work by water companies.

The provision in relation to Household Waste & Recycling Centres compensation claims, is due to the impact of introducing booking system at centres and the impact upon throughputs.

The provision for Early Years assets, is a potential return of capital grant funding to the Department for Education (DfE). The grant was utilised in line with grant conditions in prior years, but the change in use of assets within a set time period, is under review with the DfE to determine if grant should be returned.

Notes to the Core Statements

Non-current Provisions

| | Injury and Damage Compensation Claims £ million |
|---|--|
| Balance at 1 April 2022 | -4.061 |
| Additional provisions made in 2022 - 2023 | -1.174 |
| Amounts used in 2022 - 2023 | 1.157 |
| Balance at 31 March 2023 | -4.077 |

Injury and Damage Compensation Claims

The provision is an estimate of claims relating to motor, public liability and employers' liability insurance. There has been minimal change from 2021 - 2022 as expected, some older claims are concluded, and new claims received.

Most of the claims on an individual basis are financially insignificant, however significant claims are subject to a deductible (excess) which any costs above this will be reimbursed by the insurer if it is breached.

19. Unusable Reserves

| 31 March 2022 £ million | Unusable Reserves | 31 March 2023 £ million |
|----------------------------|--|----------------------------|
| 203.181 | Revaluation Reserve | 207.642 |
| 467.991 | Capital Adjustment Account | 500.330 |
| -667.318 | Pensions Reserve | -196.096 |
| 2.427 | Collection Fund Adjustment Account | 6.236 |
| -7.441 | Accumulated Absences Account | -6.057 |
| 0.380 | Pooled Investment Fund Adjustment Account | -0.505 |
| -18.349 | Dedicated Schools Grant Adjustment Account | -27.739 |
| 23.800 | Deferred Capital Receipts Reserve | 17.950 |
| -19.626 | Financial Instrument Adjustment Account | -19.180 |
| -14.956 | Total Unusable Reserves | 482.582 |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with 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.

Notes to the Core Statements

| Revaluation Reserve | | |
|----------------------------|---|----------------------------|
| 31 March 2022 £ million | | 31 March 2023 £ million |
| 208.118 | Balance at 1 April | 203.181 |
| 0.000 | Restatements | -0.521 |
| 3.570 | Revaluation of assets | 14.689 |
| <u>211.689</u> | Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services | <u>217.348</u> |
| -5.312 | Difference between fair value depreciation and historical cost depreciation | -5.501 |
| -3.196 | Accumulated gains on assets sold or disposed of | -4.205 |
| <u>-8.508</u> | Amount written off to the Capital Adjustment Account | <u>-9.706</u> |
| <u>203.181</u> | Balance at 31 March | <u>207.642</u> |

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. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Core Statements

| Capital Adjustment Account | | |
|---|--|-----------------------|
| 31 March 2022 | | 31 March 2023 |
| £ million | | £ million |
| 399.821 | Balance at 31 March | 467.991 |
| 0.000 | Restatements | -0.065 |
| <u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account:</u> | | |
| -38.601 | Charges for depreciation, revaluations and impairment of non-current assets | -63.609 |
| -43.042 | Revenue expenditure funded from capital under statute | -42.243 |
| -14.387 | 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 Account | -7.385 |
| <u>-96.030</u> | | <u>-113.302</u> |
| 8.508 | Adjusting amounts written out of the Revaluation Reserve | 9.706 |
| <u>-87.522</u> | Net written out amount of the cost of non-current assets consumed in the year | <u>-103.596</u> |
| <u>Capital financing applied in the year:</u> | | |
| 8.508 | Use of the Capital Receipts to finance new capital expenditure | 6.289 |
| 120.461 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to capital financing | 96.863 |
| 10.194 | Statutory provision for the financing of capital investment charged against the General Fund | 11.360 |
| <u>9.533</u> | Capital expenditure charged against the General Fund | <u>18.066</u> |
| 148.696 | | 132.579 |
| 7.135 | Income related to Donated Assets Account credited to the Comprehensive Income and Expenditure Account | 5.220 |
| -0.140 | Loan Principal Repayment | -1.864 |
| <u><u>467.991</u></u> | Balance at 31 March | <u><u>500.330</u></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 Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. When there is a deficit on the Pensions Reserve it indicates a 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 the benefits are to be paid.

| Pensions Reserve | | |
|-------------------------|--|------------------------|
| 31 March 2022 | | 31 March 2023 |
| £ million | | £ million |
| -905.282 | Balance at 1 April | -667.318 |
| 299.698 | Remeasurement of the net defined benefit liability | 525.607 |
| -110.428 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account | -105.312 |
| 48.694 | Employer's pensions contributions and direct payments to pensioners payable in the year | 50.927 |
| <u><u>-667.318</u></u> | Balance at 31 March | <u><u>-196.096</u></u> |

Notes to the Core Statements

Collection Fund Adjustment Account

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

| Collection Fund Adjustment Account | | 31 March 2023 |
|------------------------------------|--|---------------|
| 31 March 2022 | | £ million |
| -16.305 | Balance at 1 April | 2.427 |
| 18.732 | Amount by which council tax income and business rates are credited to the Comprehensive Income and Expenditure Account is different from council tax income and business rates calculated for the year in accordance with statutory requirements | 3.809 |
| <u>2.427</u> | Balance at 31 March | <u>6.236</u> |

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 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| Accumulated Absences Account | | 31 March 2023 |
|------------------------------|---|---------------|
| 31 March 2022 | | £ million |
| -6.557 | Balance at 1 April | -7.441 |
| 6.557 | Settlement or cancellation of accrual made at the end of the preceding year | 7.441 |
| -7.441 | Amounts accrued at the end of the current year | -6.057 |
| -0.884 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1.384 |
| <u>-7.441</u> | Balance at 31 March | <u>-6.057</u> |

Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account is a revaluation reserve utilised to manage the fair value changes in those financial assets held as interests in Pooled Investment Funds. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account. The balance reflects the gain or loss on those assets at 31 March 2023.

| Pooled Investment Fund Adjustment Account | | 31 March 2023 |
|---|---|---------------|
| 31 March 2022 | | £ million |
| -0.423 | Balance at 1 April | 0.380 |
| 0.803 | Change in Investments not charged to the Surplus/Deficit on Provision of Services | -0.885 |
| <u>0.380</u> | Balance at 31 March | <u>-0.505</u> |

Dedicated Schools Grant Adjustment Account

In November 2020, the secretary of state for the Department for Levelling Up, Housing and Communities (formerly Ministry of Housing, Communities and Local Government) laid before Parliament a statutory instrument to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The instrument followed from the School and Early Years Finance (England) Regulations 2020, applicable to local authority accounting periods beginning on 1 April 2020, that set out that a schools budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the secretary of state for education to fund the deficit from general resources. The instrument established new accounting practices in relation to the treatment of local authorities' schools budget

Notes to the Core Statements

deficits. Where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. As a result, the deficit of £27.739 million at 31 March 2023 is held in an unusable reserve shown in the table below. Note 24 provides further detail on the DSG spend in year.

| Dedicated Schools Grant Adjustment Account | | |
|--|---|----------------------|
| 31 March 2022 | | 31 March 2023 |
| £ million | | £ million |
| -12.711 | Balance at 1 April | -18.349 |
| -5.639 | Transfer of underspend (-) / overspend to Reserve | -9.389 |
| <u>-18.349</u> | Balance at 31 March | <u>-27.739</u> |

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve details those capital receipts which were recognised in the gain or loss on disposal, but where the cash is not to be received until a future year. The capital receipt cannot be used to finance capital spend until the cash is received, which is why this unusable reserve is required. The reserve was new for 2020 – 2021 as the sale of development land at Chilton Woods was the first material sale of this nature with the receipt being paid in instalments over a number of years. In 2022 – 2023 the sale of Mildenhall Library also included £0.100 million of the receipt to be paid in future years and therefore is included in this reserve.

| Deferred Capital Receipts Reserve | | |
|-----------------------------------|--|----------------------|
| 31 March 2022 | | 31 March 2023 |
| £ million | | £ million |
| 29.750 | Balance at 1 April | 23.800 |
| 0.000 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0.100 |
| -5.950 | Transfer to the capital receipts reserve on receipt of cash | -5.950 |
| <u>23.800</u> | Balance at 31 March | <u>17.950</u> |

Financial Instrument Adjustment Account

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. In 2021 – 2022 the Council arranged the repayment of £30.000 million of LOBO loans with Commerzbank, resulting in a premium of £20.072 million. The remaining life of the loans was 45 years giving an annual impact to the General Fund balance of £0.446 million. The table below shows the 2022 – 2023 amortisation of the premium and the balance remaining.

| Financial Instrument Adjustment Account | | |
|---|--------------------------------------|----------------------|
| 31 March 2022 | | 31 March 2023 |
| £ million | | £ million |
| 0.000 | Balance at 1 April | -19.626 |
| -20.072 | Premiums on early repayment of loans | 0.000 |
| 0.446 | Amortised premiums | 0.446 |
| <u>-19.626</u> | Balance at 31 March | <u>-19.180</u> |

Notes to the Core Statements

20. Pooled Budgets

The Pooled Fund for services to people with Mental Health conditions

From 1 April 2002, Suffolk County Council and the Integrated Care Boards (ICBs), (previously Clinical Commissioning Groups), operating in Suffolk (Suffolk & North East Essex and Norfolk & Waveney) have pooled money through the Section 75 agreement of the National Health Services Act 2006. This is spent on helping to put into practice the National Service Framework for Mental Health and the best value review of mental health residential care, supported housing and support work services.

The main aims are to:

- Increase the availability of community support, educational and work opportunities for service users.
- Develop the range, quantity and quality of housing and support services for service users.
- Develop alternatives to hospital and respite care facilities.
- Improve the overall health and wellbeing of people with mental health conditions living in the community.
- Train people, to give them skills to live more independently.

The income and expenditure figures below reflect the overall position of the pooled fund, not just that of the Council. The Mental Health Pooled Fund spent the full allocation of funding in 2022 - 2023.

The table below details income and expenditure for the year.

| 2021 - 2022 | | | 2022 - 2023 | |
|------------------|---------------------|------------------------------------|------------------|---------------------|
| <u>£ million</u> | <u>£ million</u> | | <u>£ million</u> | <u>£ million</u> |
| | | Income | | |
| -1.964 | | Suffolk County Council | -2.054 | |
| 0.000 | | Integrated Care Boards | -1.249 | |
| -1.194 | | Clinical Commissioning Groups | 0.000 | |
| | -3.158 | | | -3.303 |
| | | Expenditure | | |
| 0.036 | | Staffing | 0.036 | |
| 0.175 | | Support Work | 0.175 | |
| 2.609 | | Supported Housing | 2.754 | |
| 0.237 | | Advocacy | 0.100 | |
| 0.100 | | Direct Payments | 0.100 | |
| 0.000 | | Other Projects | 0.137 | |
| | 3.158 | | | 3.303 |
| | <u>0.000</u> | Net under (-) or over spend | | <u>0.000</u> |

The Better Care Fund

The Better Care Fund was introduced by the Government to encourage more collaborative working. It brings together funding and spending from Integrated Care Boards (ICBs), the County Council and District & Borough Councils. It is primarily an instrument for information sharing and planning, with funding and spending maintained by the respective partners except in cases of agreed funding transfers. Each partner can retain any underspends to be used in year or carried forward. Entries in the Council's financial system relate only to the share of the Pool that is controlled by the Council. The table below reflects all funding and spend across the partners. All Better Care Fund schemes are signed off by the Health and Wellbeing Board and the Council has a legal agreement with each of the ICBs under Section 75 agreement of the National Health Services Act 2006. This gives powers to local authorities and ICBs to establish and maintain pooled funds to carry out local authority and NHS functions.

Notes to the Core Statements

| 2021 - 2022 | | Overall Summary | | 2022 - 2023 | |
|-------------------|----------------------|------------------------------------|----------------------------|----------------------|------------------|
| <u>£ million</u> | <u>£ million</u> | | | <u>£ million</u> | <u>£ million</u> |
| | | Income | Contribution to BCF | | |
| 84.789 | | Funding: | Revenue | 95.044 | |
| 7.002 | | | Capital | 7.002 | |
| <u> </u> | 91.791 | | | <u> </u> | 102.046 |
| | | Expenditure | | | |
| 84.175 | | | Revenue | 94.736 | |
| 4.282 | | | Capital | 5.574 | |
| <u> </u> | 88.457 | | | <u> </u> | 100.310 |
| | <u>-3.334</u> | Net under (-) or over spend | | <u>-1.736</u> | |

There was a restructure of Health Organisations from 1 July 2022. The 3 previous CCGs have been replaced by just 2 Integrated Care Boards (ICBs). Ipswich & East Suffolk CCG and West Suffolk CCG has been replaced by the Suffolk & North East Essex ICB. Great Yarmouth & Waveney CCG has been replaced by Norfolk & Waveney ICB.

Summary of income and expenditure by area for revenue and capital expenditure combined:

| 2021 - 2022 | | Detailed Summary - Revenue & Capital | | 2022 - 2023 | |
|-------------------|----------------------|--------------------------------------|--|----------------------|------------------|
| <u>£ million</u> | <u>£ million</u> | | | <u>£ million</u> | <u>£ million</u> |
| | | Income | Contribution to BCF | | |
| 55.918 | | Funding: | Suffolk County Council | 60.746 | |
| | | | Suffolk & North East Essex Integrated Care Board | 34.264 | |
| | | | Norfolk & Waveney Integrated Care Board | 7.035 | |
| 17.828 | | | Ipswich & East CCG | | |
| 11.379 | | | West Suffolk CCG | | |
| 6.665 | | | Great Yarmouth & Waveney CCG | | |
| <u> </u> | 91.791 | | | <u> </u> | 102.046 |
| | | Expenditure | | | |
| 28.609 | | | Ipswich & East Better Care Fund costs | 32.392 | |
| 14.782 | | | Ipswich & East Improved Better Care Fund costs | 15.403 | |
| 0.000 | | | Ipswich & East Discharge Fund costs | 3.664 | |
| 1.815 | | | Ipswich & East Capital costs | 2.518 | |
| 17.706 | | | West Better Care Fund costs | 18.124 | |
| 7.717 | | | West Improved Better Care Fund costs | 7.698 | |
| 0.000 | | | West Discharge Fund costs | 1.195 | |
| 1.528 | | | West Capital costs | 1.748 | |
| 9.927 | | | Waveney Better Care Fund costs | 9.325 | |
| 5.434 | | | Waveney Improved Better Care Fund costs | 5.598 | |
| 0.000 | | | Waveney Discharge Fund costs | 1.338 | |
| 0.938 | | | Waveney Capital costs | 1.308 | |
| <u> </u> | 88.457 | | | <u> </u> | 100.310 |
| | <u>-3.334</u> | Net under (-) or over spend | | <u>-1.736</u> | |

Notes to the Core Statements

21. Councillors' Allowances

Amounts paid to the Council's elected Councillors are shown below:

| 2021 - 2022 £ million | | 2022 - 2023 £ million | |
|--------------------------|----------------------------------|--------------------------|--|
| 0.837 | Basic allowance | 0.874 | |
| 0.296 | Special responsibility allowance | 0.358 | |
| 0.026 | Expenses | 0.052 | |
| 1.159 | Total | 1.284 | |

22. Officers' Remuneration

The Accounts and Audit Regulations 2015 and paragraph 3.4.5.1 of the Code require the disclosure of the remuneration of higher paid officers.

The regulations require a note showing the number of employees whose total remuneration is £50,000 or more, in bands of £5,000. In addition, the regulations require a disclosure on individual remuneration for senior officers. The Council defines senior officers to be statutory posts and directors.

Employees' pay is defined in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023. This definition includes the following:

- Gross pay (before the deduction of employees' pension contributions)
- Payments in relation to the ending of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

The table overleaf details the pay of senior officers.

Notes to the Core Statements

| Dates | Job Title | Notes | Salary, Fees & Allowances | Expense Allowances Chargeable to | End of Employment | Pension Contribution | Total |
|-------------------------|--|-------|---------------------------|----------------------------------|-------------------|----------------------|----------------|
| | | | (Gross Pay) £ | Tax £ | Payment £ | (Employer) £ | £ |
| 2022 - 2023 | | | | | | | |
| 01/04/2022 - 31/03/2023 | Chief Executive - Nicola Beach | | 186,383 | 0 | 0 | 40,450 | 226,833 |
| 01/04/2022 - 31/12/2022 | Deputy Chief Executive / Director of Corporate Services - Chris Bally | 1 | 106,238 | 0 | 0 | 24,455 | 130,693 |
| 01/04/2022 - 31/03/2023 | Executive Director of People - Sue Cook | | 161,491 | 0 | 0 | 37,143 | 198,634 |
| 04/04/2022 - 31/03/2023 | Executive Director of Growth, Highways and Infrastructure - Andrew Cook | 2 | 69,458 | 0 | 0 | 15,975 | 85,433 |
| 01/04/2022 - 31/03/2023 | Corporate Director for Children and Young People - Allan Cadzow | | 129,577 | 0 | 0 | 29,803 | 159,380 |
| 01/04/2022 - 31/03/2023 | Director of Adult & Community Services - Georgia Chimbani | | 128,800 | 0 | 0 | 29,624 | 158,424 |
| 01/04/2022 - 31/03/2023 | Director of Fire & Public Safety / Chief Fire Officer - Jonathan Lacey | | 129,000 | 0 | 0 | 37,152 | 166,152 |
| 01/04/2022 - 31/03/2023 | Director of Public Health & Communities - Stuart Keeble | | 129,543 | 0 | 0 | 29,795 | 159,338 |
| 01/04/2022 - 31/03/2023 | Chief Financial Officer (S151 Officer) - Louise Aynsley | | 104,123 | 0 | 0 | 23,948 | 128,071 |
| 01/04/2022 - 28/02/2023 | Assistant Director Governance, Legal and Assurance (Monitoring Officer) - Tim Ryder | 3 | 95,446 | 0 | 0 | 21,953 | 117,399 |
| 01/03/2023 - 31/03/2023 | Head of Governance and Monitoring Officer - Nigel Inniss | 4 | 84,139 | 0 | 0 | 19,352 | 103,491 |

Notes to the Core Statements

| Dates | Job Title | Notes | Salary, Fees & Allowances | Expense Allowances | End of Employment | Pension Contribution | Total |
|-------------------------|--|-------|---------------------------|------------------------|-------------------|----------------------|----------------|
| | | | (Gross Pay) £ | Chargeable to Tax £ | Payment £ | (Employer) £ | |
| 2021 - 2022 | | | | | | | |
| 01/04/2021 - 31/03/2022 | Chief Executive - Nicola Beach | | 184,971 | 0 | 0 | 41,870 | 226,841 |
| 01/04/2021 - 31/03/2022 | Deputy Chief Executive / Director of Corporate Services - Chris Bally | | 135,000 | 0 | 0 | 32,400 | 167,400 |
| 01/04/2021 - 31/03/2022 | Executive Director of People - Sue Cook | | 159,566 | 0 | 0 | 38,296 | 197,862 |
| 01/04/2021 - 31/03/2022 | Executive Director of Growth, Highways and Infrastructure - Mark Ash | 5 | 135,579 | 0 | 0 | 32,539 | 168,118 |
| 01/04/2021 - 31/03/2022 | Corporate Director for Children and Young People - Allan Cadzow | | 127,652 | 0 | 0 | 30,636 | 158,289 |
| 01/04/2021 - 31/03/2022 | Director of Adult & Community Services - Georgia Chimbani | | 126,875 | 0 | 0 | 30,450 | 157,325 |
| 11/11/2021 - 31/03/2022 | Director of Fire & Public Safety / Chief Fire Officer - Jonathan Lacey | 6 | 50,167 | 0 | 0 | 14,448 | 64,615 |
| 01/04/2021 - 01/06/2021 | Director of Fire & Public Safety / Chief Fire Officer - Mark Hardingham | 7 | 25,184 | 0 | 3,479 | 7,928 | 36,591 |
| 01/04/2021 - 31/03/2022 | Director of Fire & Public Safety / Chief Fire Officer; Deputy Chief Fire Officer - Daniel Fearn | 8 | 125,621 | 0 | 0 | 31,957 | 157,578 |
| 01/04/2021 - 31/03/2022 | Director of Public Health & Communities - Stuart Keeble | | 114,981 | 0 | 0 | 27,595 | 142,577 |
| 01/04/2021 - 31/03/2022 | Chief Financial Officer (S151 Officer) - Louise Aynsley | | 99,139 | 0 | 0 | 23,673 | 122,812 |
| 01/04/2021 - 31/03/2022 | Assistant Director (Governance, Legal & Assurance) (Monitoring Officer) - Tim Ryder | | 100,717 | 0 | 0 | 24,172 | 124,889 |

Notes to the Core Statements

Where posts became part of the reporting requirement during the year 2021 – 2022, the total costs for the whole year have been shown in the table.

- **Note 1:** Chris Bally left the Council's employment on 31 December 2022. The Deputy Chief Executive / Director of Corporate Services position remained vacant for the rest of 2022 - 2023.
- **Note 2:** Andrew Cook was appointed Executive Director of Growth, Highways and Infrastructure on 04 April 2022. He was seconded from Essex County Council to this role until 2 October 2022, whereupon he was employed directly by Suffolk County Council from 3 October 2022. The figures in the above table represent the remuneration payable by Suffolk County Council from 3 October 2022.
- **Note 3:** Tim Ryder left the Council's employment on 28 February 2023.
- **Note 4:** Nigel Inniss was appointed Head of Governance and Monitoring Officer on 01 March 2023. For the preceding part of 2022 - 2023, he was the Council's Head of Legal Services. The remuneration in the table above represents the full amount payable for both roles during 2022 - 2023.
- **Note 5:** Mark Ash left the Council on 31 March 2022. Andrew Cook started in April 2022 as the new Executive Director of Growth, Highways and Infrastructure.
- **Note 6:** Jonathan Lacey was appointed Director of Fire & Public Safety / Chief Fire Officer on 11 November 2021.
- **Note 7:** Mark Hardingham was elected Chair of the National Fire Chief Council (NFCC) from 01 April 2021 and was seconded to NFCC from 01 December 2020. Mark left Council employment on 01 June 2021.
- **Note 8:** Daniel Fearn was appointed Director of Fire & Public Safety / Chief Fire Officer on an interim basis from 01 December 2020 to 10 November 2021, reverting to Deputy Chief Fire Officer from 11 November 2021.

The Local Government Pension Scheme (LGPS) is a statutory scheme and employer's contributions are assessed by the actuary at each triennial valuation. The employer's contribution rate was 23% in 2022 – 2023 (2021 - 2022 24%).

The Firefighters' Pension Scheme is a statutory scheme and employer contributions are assessed by the Government Actuary Department. The 2022 – 2023 contribution rate was 28.8% for the 2015 scheme. In 2021 - 2022 there was also the 1992 scheme at 37.3% and the 2006 scheme at 27.4%, however both of these schemes were no longer open for contributions to be paid into after 31 March 2022. The scheme is unfunded, meaning that there are no investments built up to meet the pension liabilities and cash needs to be generated to meet actual pension payments as they fall due. Income is from employee's and employer's contributions as well as funding from Central Government.

The Council's other employees receiving more than £50,000 remuneration (excluding employer's pension contributions) in 2022 - 2023 are detailed in the table below.

Notes to the Core Statements

| Remuneration Band | 2021 - 2022 No of employees Non-Schools | 2022 - 2023 No of employees Non-Schools | 2021 - 2022 No of employees Schools | 2022 - 2023 No of employees Schools |
|---------------------|---|---|---|---|
| £50,000 - £54,999 | 148 | 242 | 55 | 57 |
| £55,000 - £59,999 | 74 | 108 | 44 | 41 |
| £60,000 - £64,999 | 49 | 46 | 29 | 37 |
| £65,000 - £69,999 | 36 | 57 | 23 | 16 |
| £70,000 - £74,999 | 22 | 29 | 14 | 15 |
| £75,000 - £79,999 | 6 | 9 | 8 | 12 |
| £80,000 - £84,999 | 6 | 9 | 2 | 4 |
| £85,000 - £89,999 | 6 | 9 | 1 | 1 |
| £90,000 - £94,999 | 5 | 7 | 0 | 0 |
| £95,000 - £99,999 | 2 | 3 | 0 | 0 |
| £100,000 - £104,999 | 1 | 2 | 1 | 1 |
| £105,000 - £109,999 | 1 | 2 | 1 | 1 |
| £110,000 - £114,999 | 1 | 0 | 0 | 0 |
| £115,000 - £119,999 | 0 | 0 | 0 | 0 |
| £120,000 - £124,999 | 0 | 0 | 0 | 0 |
| £125,000 - £129,999 | 0 | 0 | 0 | 0 |
| £130,000 - £134,999 | 1 | 0 | 0 | 0 |
| £135,000 - £139,999 | 0 | 1 | 0 | 0 |
| £140,000 - £144,999 | 0 | 0 | 0 | 0 |
| £145,000 - £149,999 | 1 | 1 | 0 | 0 |

The pay bands required to be disclosed in the table above are not index linked, unlike individuals' pay that may be subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003. The above numbers include officers who were made redundant during the 2022 - 2023 financial year and whose remuneration may not have normally been included within the limits of the above table, but who have received a redundancy payment which increased their earnings to over the minimum of £50,000 or resulted in them being included in a higher band than their basic pay. In 2022 – 2023 Council employees were awarded a pay scale increment, therefore increasing the number of staff over the £50,000 band.

23. External Audit Costs

In 2022 - 2023 the Council incurred the following fees relating to external audit.

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|---|--------------------------|
| 0.140 | Fees payable to external audit services carried out by the appointed auditor for the year | 0.134 |
| 0.140 | Total | 0.134 |

The fee payable to external audit services, is required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements as set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The 2022 - 2023 fee of £0.134 million includes the forecast additional fees notified by the auditor for work required to address professional and regulatory requirements and scope associated with risk, which would be reviewed and approved by the PSAA.

Notes to the Core Statements

24. Dedicated Schools Grant

The Council's expenditure on schools' budgets (as defined in the School and Early Years finance (England) Regulations 2020) is funded by grant monies provided by the Department for Education (DfE), through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure included in a schools' budget. The schools' budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. An element of DSG is recouped when schools convert to academy status during the financial year.

Details of the deployment of DSG receivable for 2022 – 2023 are as follows:

| | Central expenditure £ million | Individual schools budget £ million | Total £ million |
|--|-------------------------------------|---|-----------------------|
| Final DSG for 2022 - 2023 before academy and high needs recoupment | | | 623.878 |
| Academy and high needs figure recouped for 2022 - 2023 | | | 387.724 |
| Total DSG after academy and high needs recoupment for 2022/23 | | | <u>236.154</u> |
| Less: Carry-forward to 2023/24 agreed in advance | | | -2.723 |
| Agreed initial budgeted distribution in 2022 - 2023 | 119.957 | 113.474 | 233.432 |
| In-year adjustments | 0.616 | -2.441 | -1.824 |
| Final budget distribution for 2022 - 2023 | <u>120.574</u> | <u>111.034</u> | 231.607 |
| Less: Actual central expenditure | 132.979 | | 132.979 |
| Less: Actual ISB deployed to schools | | 110.741 | 110.741 |
| In-year carry-forward to 2023 - 2024 | -12.405 | 0.293 | -12.112 |
| Plus: Carry-forward to 2023 - 2024 agreed in advance | | | 2.723 |
| DSG unusable reserve at the end of 2021 - 2022 | | | -18.349 |
| Addition to DSG unusable reserve at the end of 2022 -2023 | | | -9.390 |
| Total of DSG unusable reserve at the end of 2022 - 2023 | | | -27.739 |
| Net DSG position at the end of 2022 - 2023 | <u>0.000</u> | <u>0.000</u> | <u>-27.739</u> |

Note 1 DSG is split in to four blocks of funding when distributed to local authorities. These are Schools, High Needs, Early Years and Central Services blocks.

Note 2 The regulations from the DfE mandate that a DSG deficit may only be funded and recovered through DfE financial support and recovery arrangements. Any accumulated DSG deficit should be disclosed as an unusable reserve. Therefore, the Council will work with the DfE to continue to work on the recovery plan for this deficit.

Note 3 In 2022 - 2023 the DfE's safety valve intervention programme continued to target local authorities with the highest DSG deficits. The programme requires the authorities involved to develop substantial plans for reform to their high-needs systems, with support and challenge from the department, to rapidly place them on a sustainable footing. Those local authorities with less severe but substantial deficits (Suffolk) are part of the Delivering Better Value programme which commenced in 2022 - 2023. There are currently no timeframes involved to recover, however it is therefore crucial that authorities' high-needs systems move to a more sustainable position, and DfE encourages authorities to fully engage with the support on offer through the safety valve, Delivering Better Value and Education and Skills Funding Agency programmes.

Note 4 For Local Authorities using the centralised National Non Domestic Rates (NNDR) payment system (which Suffolk does): 'Academy and high needs figure recouped for 2022 - 2023' incorrectly includes deductions for maintained schools where ESFA pay for NNDR. The note adds the deduction back to the Total DSG after academy and high needs recoupment for 2022 - 2023. An adjustment is added in the in-year adjustments column to net the NNDR amount to zero.

Notes to the Core Statements

25. Grant Income

The Council recognised the following revenue grants and contributions (not related to COVID-19) to the Comprehensive Income and Expenditure Statement. The table includes capital grants used to fund revenue expenditure funded from capital under statute, therefore included in the Net Cost of Services.

Grants credited to Taxation and Non Specific Grant Income:

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|--|--------------------------|--------------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Adult Social Care Support Grant | -23.279 | -23.279 |
| Eastern Inshore Fisheries Conservation Authority Support Grant | -0.114 | -0.114 |
| Improved Better Care Fund | -28.155 | -29.008 |
| Market Sustainability & Fair Cost of Care Fund | 0.000 | -2.201 |
| New Homes Bonus | -1.106 | -1.514 |
| Revenue Support Grant | -16.636 | -17.155 |
| Rural Services Delivery Grant | -2.280 | -2.280 |
| Services Grant | 0.000 | -7.080 |
| Social Care Grant 2022 - 2023 | 0.000 | -8.670 |
| Transparency Code | -0.013 | -0.013 |
| Total | -71.582 | -91.315 |

Notes to the Core Statements

Grants credited to services:

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|---|--------------------------|--------------------------|
| Credited to Services | | |
| Adult Learning | -2.815 | -2.908 |
| Afghan Interpreter Resettlement | 0.000 | -0.338 |
| Apprenticeship Levy | -0.763 | -0.909 |
| Basic Need - Capital | -4.863 | -4.463 |
| Bikeability | -0.162 | -0.156 |
| Bus Subsidy | -0.615 | -0.615 |
| Community Discharge | -0.145 | -0.115 |
| Community Renewal Fund | -0.290 | -0.611 |
| Dedicated Schools Grant (DSG) | -225.405 | -234.223 |
| DSG Schools Supplementary Grant | 0.000 | -3.241 |
| Devolved Formula - Capital | -0.106 | 0.000 |
| Disabled Facilities - Capital | -7.002 | -7.002 |
| Domestic Abuse Duty Capacity Building Fund | -0.952 | -0.596 |
| Energy from Waste Contract (Private Finance Initiative) | -7.864 | -7.864 |
| Extended Personal Adviser Duty Implementation | -0.114 | -0.164 |
| Extended Rights for Home to Schools Travel | -1.007 | -1.230 |
| Extension of the Role of Virtual School Heads to Certain Previously Looked after Children | -0.215 | -0.215 |
| Family Focus Initiative | -1.685 | -2.062 |
| Fire - Private Finance Initiative | -2.193 | -2.193 |
| Fire and Rescue Firelink | -0.216 | -0.188 |
| Fire Pensions | -1.342 | -1.342 |
| Fire Protection Uplift | -0.112 | -0.168 |
| Former Independent Living Fund | -2.324 | -2.324 |
| Free School - Limes Academy - Capital | 0.000 | -1.333 |
| High Needs - Capital | 0.000 | -1.771 |
| Holiday Activities and Food Programme | -1.087 | -2.382 |
| Homes for Ukraine | 0.000 | -0.903 |
| Homes for Ukraine (Education) | 0.000 | -2.798 |
| Hospital Discharge Fund | 0.000 | -2.718 |
| Household Support Fund | 0.000 | -10.309 |
| Ipswich Free School - Capital | 0.000 | 0.000 |
| Legal Aid, Sentencing and Punishment of Offenders (LASPO) | -0.313 | -0.333 |
| Live Labs/ADEPT fund - Capital | 0.000 | -0.006 |
| Local Digital Cyber Fund | 0.000 | -0.100 |
| Local Reform and Community Voices | -0.467 | -0.467 |
| Local Transport Authority Bus Capacity | -0.667 | 0.000 |
| Local Transport Fund | 0.000 | -0.815 |
| Multiply Project | 0.000 | -0.975 |
| Music Education Hubs | -0.941 | -0.936 |
| Opportunity Areas | -1.470 | 0.000 |
| Physical Education and Sport Premium | -1.814 | -1.744 |
| Public Health | -30.805 | -31.670 |
| Pupil Premium | -7.099 | -8.455 |
| School Condition Allocation - Capital | 0.000 | -4.248 |
| School Improvement Monitoring and Brokering | -0.396 | -0.170 |
| School Led Tutoring | -0.320 | -0.613 |
| School Nurseries Fund - Capital | 0.000 | 0.000 |
| Schools Sixth Form | -4.144 | -3.992 |
| Social Care in Prisons | -0.223 | -0.244 |
| Social Care Reforms | 0.000 | -0.416 |
| Staying Close Children's Social Care Innovation Programme | -0.478 | -0.395 |
| Staying Put Implementation | -0.332 | -0.347 |
| Supported Bus Services | 0.000 | 0.000 |
| Teacher Pay Grant | -0.037 | -0.290 |
| Teacher Pension Scheme | -0.328 | 0.000 |
| The Beeches Primary Community School - Capital | 0.000 | -0.146 |
| Treescape Fund - Capital | 0.000 | -0.016 |
| Unaccompanied Asylum Seeking Children (including Care Leavers) | -5.883 | -7.180 |
| Universal Drug Treatment Grant | -0.137 | 0.000 |
| Universal Infant Free School Meals | -2.752 | -2.673 |
| War Pensions Disregard | -0.170 | -0.171 |
| Water Environment Grant | -0.106 | -0.062 |
| Wider Area Network Grant - Capital | -2.457 | 0.000 |
| Woodbridge Academy School - Capital | 0.000 | -0.076 |
| Youth Justice | -0.738 | -0.811 |
| Other Revenue | -1.091 | -1.245 |
| Total | -324.443 | -363.736 |

Notes to the Core Statements

The Council recognised the following COVID-19 related revenue grants to the Comprehensive Income and Expenditure Statement:

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|---|--------------------------|--------------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Emergency Funding | -14.718 | 0.000 |
| Local Tax Income Guarantee | -5.744 | 0.000 |
| Sales, Fees and Charges | -0.116 | 0.000 |
| Total | -20.578 | 0.000 |
| Credited to Services | | |
| Additional Dedicated Home to School and College Transport | -0.246 | 0.000 |
| Adult Social Care Rapid Testing Fund | -2.067 | 0.000 |
| Bus Service Support Restart Scheme | -1.384 | 0.000 |
| Catch-up Premium | -0.875 | 0.000 |
| Clinically Extremely Vulnerable Support | -1.515 | 0.000 |
| Community Testing Funding | -2.520 | -0.009 |
| Contain Outbreak Management Fund | -11.629 | -5.006 |
| Drug Treatment - Crime and Harm Reduction | 0.000 | -0.165 |
| Education Recovery 5% Time off Timetable | 0.000 | -0.073 |
| Fire Contingency Fund | -0.076 | -0.044 |
| Free School Meals Additional Costs | -0.042 | 0.000 |
| Household Support Fund | -5.106 | 0.000 |
| Infection Control | -2.775 | 0.000 |
| Local Support Grant | -2.445 | 0.000 |
| Local Transport Authority Bus Recovery Funding | -0.889 | -0.130 |
| Omicron Support Fund | -0.815 | 0.000 |
| Practical Support for Those Self Isolating | -0.279 | 0.000 |
| Recovery Premium | -0.359 | 0.000 |
| Schools Mass Testing | -0.279 | -0.032 |
| Supplementary Substance Misuse & Recovery Grant | 0.000 | -0.572 |
| Travel Demand Management | -0.113 | 0.000 |
| Vaccine Funding | -0.122 | 0.000 |
| Wellbeing for Education Return | -0.097 | 0.000 |
| Winter Grant Scheme | -0.138 | 0.000 |
| Workforce Capacity for Adult Social Care | -0.015 | 0.000 |
| Workforce Fund (Children) | 0.000 | -0.023 |
| Workforce Recruitment & Retention (Adult Social Care) | -6.285 | 0.000 |
| Total | -40.071 | -6.055 |

The Council received a total of £5.959 million of Adult Social Care Rapid Testing Fund from the Department of Health and Social Care (DHSC) in 2021 – 2022 and passed £3.892 million to care providers, to support with testing capacity. A total of £9.251 million of Infection Control Grant was received from the DHSC, of which £6.476 million was passed to care providers. A total of £0.406 million of Vaccine Funding was received from the DHSC, of which £0.284 million was passed to care providers.

The Council acted as an agent for those elements of the grants which were passed straight onto care homes, therefore these were reflected in the balance sheet not the Comprehensive Income and Expenditure Statement. The Council did not receive any further grants of this nature in 2022 – 2023.

The Council received the following grants which have yet to be spent. As the grants state conditions of use, they are reflected in short term creditors on the balance sheet:

Notes to the Core Statements

| | 31 March 2022 £ million | 31 March 2023 £ million |
|----------------------------------|----------------------------|----------------------------|
| Grants With Conditions | | |
| Adult Weight Management | 0.000 | -0.069 |
| Community Testing Funding | -0.439 | 0.000 |
| Contain Outbreak Management Fund | -7.055 | -2.469 |
| Homes for Ukraine | 0.000 | -12.282 |
| Self Isolation | -1.001 | 0.000 |
| Total | -8.494 | -14.820 |

The Council has received revenue grants which relate to the 2023 - 2024 financial year which are yet to be recognised as income. The balances at the year end are:

| | 31 March 2022 £ million | 31 March 2023 £ million |
|--|----------------------------|----------------------------|
| Revenue Grants Receipts in Advance | | |
| Active Travel Fund | 0.000 | -0.359 |
| Active Travel – Social Prescribing | 0.000 | -0.526 |
| Afghan Interpreter Resettlement | -0.002 | 0.000 |
| Assessed and Supported Year in Employment (ASYE) Programme | -0.024 | 0.000 |
| Behaviour Change Fund 2023 | 0.000 | -0.194 |
| Capability Fund - Active Travel | -0.165 | -0.428 |
| Community Renewal Fund | -0.301 | 0.000 |
| Domestic Abuse Duty Capacity Building Fund | -0.460 | -1.294 |
| Drug Treatment - Crime and Harm Reduction | -0.165 | 0.000 |
| Enhanced Bus Partnership Capacity | 0.000 | -0.336 |
| Family Hubs Projects | 0.000 | -0.110 |
| Fire Protection Accreditation | -0.013 | -0.013 |
| Fire Protection Uplift | -0.036 | -0.001 |
| Free School - Limes Academy - Capital | -1.333 | 0.000 |
| Holiday Activities and Food Programme | -0.499 | 0.000 |
| Mini Holland Feasibility | -0.079 | 0.000 |
| Moderation Grant | 0.000 | -0.017 |
| Multiply Project | 0.000 | -0.160 |
| Total | -3.078 | -3.440 |

Notes to the Core Statements

The Council recognised the following capital grants and contributions in the Comprehensive Income and Expenditure Statement:

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|--|--------------------------|--------------------------|
| Capital Grants and Contributions | | |
| Anderson Group Ltd | -0.028 | 0.000 |
| Barratt David Wilson Homes | -0.271 | 0.000 |
| Bloor Homes | 0.000 | -0.240 |
| Bovis Homes Ltd | -0.189 | 0.000 |
| BT PLC | 1.234 | -3.803 |
| Chantry Academy | 0.000 | -0.397 |
| Countryside Properties Ltd | -0.962 | -0.976 |
| Department for Education - Devolved Formula Capital | -0.843 | -0.818 |
| Department for Education - Free School | -1.677 | 0.000 |
| Department for Education - High Needs | -2.112 | -3.538 |
| Department for Education - School Condition Allocation Grant | -5.665 | -4.171 |
| Department for Education - Special Provision | 0.000 | -1.157 |
| Department for Transport - A12 Outline Business Case | -0.574 | 0.000 |
| Department for Transport - Active Travel Fund | -0.327 | -0.423 |
| Department for Transport - Gull Wing | -25.830 | 0.000 |
| Department for Transport - Highway Maintenance Block | -15.132 | -15.132 |
| Department for Transport - Integrated Transport | -3.271 | -3.271 |
| Department for Transport - Pothole and Challenge Fund | -12.106 | -12.106 |
| Department for Transport/ADEPT* - Live Labs | -0.251 | -0.925 |
| Forestry Commission | -0.041 | 0.000 |
| Galloper Offshore Wind Farm | -0.012 | 0.000 |
| Heritage Developments Ltd | -0.157 | 0.000 |
| Hopkins Homes Ltd | -0.850 | -0.442 |
| Ipserv | -0.150 | 0.000 |
| Laurence Homes Ltd | -0.213 | 0.000 |
| Local Authorities Contributions | -2.624 | -5.617 |
| New Anglia Local Enterprise Partnership | -2.561 | 0.000 |
| NHS Commissioning Board | -0.465 | 0.000 |
| Persimmon Homes | -1.289 | -0.646 |
| Salix - decarbonisation grant | -2.301 | -1.858 |
| Taylor Woodrow | -0.139 | -0.104 |
| Taylor Wimpey UK Ltd | -2.743 | -1.383 |
| Vistry Homes Ltd | -0.326 | -0.482 |
| Other | -1.505 | -0.859 |
| Total | -83.382 | -58.348 |

* The Association of Directors of Environment, Economy, Planning and Transport.

The Council has received several capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the grantor or they relate to 2023 - 2024. The balances at the year end are:

Notes to the Core Statements

| | 31 March 2022 £ million | 31 March 2023 £ million |
|---|----------------------------|----------------------------|
| Capital Grants Receipts in Advance | | |
| Cambridgeshire and Peterborough Combined Authority | -2.210 | -0.845 |
| Department for Education - Devolved Formula Capital | -2.500 | -3.727 |
| Department for Education - Special Education Need Provision | -1.157 | 0.000 |
| Department for Education - Abbeygate 6th Form College CCTV funding | 0.000 | -0.042 |
| Department for Education - High needs | 0.000 | -4.073 |
| Department for Education - Early years Nursery funding | -0.146 | 0.000 |
| Department for Education - Sixth form funding | -0.042 | 0.000 |
| Department for Transport - Pot Hole Action Fund | -6.158 | -5.258 |
| Department for Transport - Live Labs/ADEPT* fund | -1.004 | -0.073 |
| Department for Transport - Active Travel Fund | -4.756 | -11.907 |
| Department for Transport - Safer Roads fund | 0.000 | -1.275 |
| Forestry Commission | -0.007 | -0.029 |
| NHS Commissioning Board | -0.311 | -0.311 |
| Salix - Decarbonisation Fund | -0.811 | 0.000 |
| Office for Zero Emission Vehicles | 0.000 | -1.468 |
| Department of Levelling up, Housing & Communities - Suffolk Retrofit Loan Scheme | 0.000 | -3.000 |
| Department for Business, Energy & Industrial Strategy - Heat Networks Delivery Unit Grant Funding | 0.000 | -0.054 |
| Ministry of Housing, Communities & Local Government ** - Land Release | -0.438 | -0.438 |
| Total | -19.539 | -32.500 |

* The Association of Directors of Environment, Economy, Planning and Transport

** Now known as the Department for Levelling Up, Housing and Communities

26. Related Parties

The Council is required to disclose significant 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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. The Council have set a de-minimis limit of £0.100 million for items to disclose.

Individuals who are deemed to be related parties are members and senior officers of the Council. Grants and payments to organisations, or goods and services supplied by businesses with which a county councillor or officer (or a member of his/her immediate family) was involved are detailed below.

Wholly Owned Companies, Joint Ventures, and Divested Organisations:

Suffolk Group Holdings Ltd

Suffolk Group Holdings is a wholly owned subsidiary of Suffolk County Council. The principal activity of the company is to hold the shares in, and provide governance structures for, the other subsidiary organisations of the Council. Currently this includes Vertas Group Ltd, Concertus Design and Property Consultants Ltd, and Opus People Solutions Group Ltd.

Suffolk Group Holdings Ltd, is not a trading company. For 2022 - 2023 Suffolk Group Holdings declared a dividend of £1.500 million, which remained unpaid at 31st March 2023.

Vertas Group Ltd (Vertas)

Vertas is a wholly-owned subsidiary of Suffolk County Council. Its principal activities are the provision of Grounds maintenance, Catering, Caretaking, Facilities Management and Print and Design services. Vertas became a wholly owned subsidiary on 1 November 2011. Companies including; Oakpark Security Systems Ltd, Churchill Catering Ltd, Vertas Environmental Ltd, Verse Facilities Management Ltd, Vertas (Ipswich) Ltd, Diamond View Cleaning Solutions Ltd, Suffolk Skills Academy Ltd, Vertas Suffolk Larder Ltd, Combat2Coffee Commercial and Vertas (Derbyshire) Ltd are subsidiaries of Vertas Group Ltd. The company is involved in Joint Venture companies principally with Derbyshire County Council, and West Suffolk Council.

Notes to the Core Statements

During 2022 - 2023 the Council incurred expenditure from the Vertas Group of companies of £25.403 million (2021 - 2022 £24.671 million). The Council also received income from the Vertas Group of £0.847 million (2021 - 2022 £1.865 million). The Council has a creditor balance of £1.274 million and a debtor balance of £0.739 million at 31 March 2023. Of the debtor balance £0.304 million is outstanding for over 30 days. The Council has made a payment in advance of £2.093 million (2021 - 2022 £1.724 million) for services to be provided within 2023 - 2024.

Concertus Design and Property Consultants Ltd (Concertus)

Concertus is a wholly-owned subsidiary of Suffolk County Council. Its principal activities are the provision of design, estate management, and project management services within the property sector. The companies Concertus Suffolk Ltd, The Energy Practice, Carbon Chain Ltd and Concertus Derbyshire Ltd are subsidiaries of Concertus. Concertus became a wholly owned subsidiary on 1 April 2013. The company is involved in a Joint Venture with Derbyshire County Council.

The Council made a loan of £2.500 million to Concertus in 2016 - 2017. This was for the purchase of, and secured against, property, the outstanding balance of the loan, £1.864 million, was repaid during 2022 - 2023.

During 2022 - 2023 the Council incurred expenditure from Concertus of £12.279 million (2021 - 2022 £11.618 million). The Council also received income from Concertus of £0.233 million (2021 - 2022 £0.627 million). The Council has a creditor balance of £0.783 million and a debtor balance of £0.014 million at 31 March 2023. Of the debtor balance, none is outstanding for more than 30 days.

Opus People Solutions Ltd (Opus)

Opus is a wholly-owned subsidiary of Suffolk County Council. Its principal activity is the provision of temporary staff. Opus became a wholly owned subsidiary on 1 June 2014. The company Opus Teach Ltd is a subsidiary of Opus. The company has a joint venture with Cambridgeshire County Council, Northamptonshire County Council, and Milton Keynes Council; Opus LGSS People Solutions Ltd.

During 2022 - 2023 the Council incurred expenditure from Opus of £6.808 million (2021 - 2022 £6.097 million). The Council also received income from Opus of £0.013 million (2021 - 2022 £0.183 million). The Council has a creditor balance of £0.153 million and a debtor balance of £0.002 million at 31 March 2023. Of the debtor balance, none is outstanding for more than 30 days.

Edmundham Developments LLP

Edmundham Developments LLP is a 50/50 Joint Venture between the Council and Lovell Partnerships Ltd (part of the Morgan Sindall Group). The partnership was incorporated on 17 May 2022 for the development of housing within the Suffolk area by utilising Lovells experience within the homebuilding sector on land the Council no longer uses for operational purposes.

There were no transactions between the parties within the year, although Edmundham Developments has incurred some start up costs which are recognised within the Councils Group accounts based upon the equity held.

Realise Futures CIC (Realise Futures)

Realise Futures is a Community Interest Company providing employment support and adult learning, including therapeutic care and funded placements to people with learning disabilities. Realise Futures and the Council entered into a contract commencing 1 November 2012 for Realise Futures to provide the services previously provided by the Council.

During 2022 - 2023 the Council incurred expenditure from Realise Futures of £5.207 million (2021 - 2022 £4.663 million). The Council also received income from Realise Futures of £0.445 million (2021 - 2022 £0.235 million). The Council has a creditor balance of nil and a debtor balance of £0.021 million at 31 March 2023. Of the debtor balance, none is outstanding for more than 30 days.

Notes to the Core Statements

Leading Lives IPS Ltd (Leading Lives)

Leading Lives is an Industrial and Provident Society providing day and residential services for people with learning disabilities. Leading Lives and the Council entered a contract commencing 1 July 2012 for Leading Lives to provide the services previously provided by the Council.

During 2022 - 2023 the Council incurred expenditure from Leading Lives of £8.836 million (2021 - 2022 £7.929 million). The Council also received income from Leading Lives of £0.141 million (2021 - 2022 £0.111 million). The Council has a creditor balance of £0.119 million and a debtor balance of £0.031 million at 31 March 2023. Of the debtor balance, none is outstanding for more than 30 days.

Suffolk Libraries IPS Ltd (Libraries)

Suffolk Libraries is an Industrial and Provident Society (IPS) and was registered as a charitable organisation on 27 June 2012. The IPS was formed to provide comprehensive and efficient library services principally, but not exclusively for, the people of Suffolk. The provision of library services transferred from the Council to Libraries on 1 August 2012.

During 2022 - 2023 the Council incurred expenditure from Libraries of £6.809 million (2021 - 2022 £6.474 million). The Council also received income from Libraries of £0.264 million (2021 - 2022 £0.178 million). The Council has a creditor balance of £0.561 million and a £0.143 million debtor balance at 31 March 2023. Of the debtor balance, £0.080 million is outstanding for more than 30 days.

Other Organisations

Eastern Inshore Fisheries and Conservation Authority

There are two councillors that represent the Council on the Eastern Inshore Fisheries and Conservation Authority (EIFCA). At 31 March 2023, the total amount invested by the Council on behalf of the EIFCA, including accumulated interest, was £0.599 million (31 March 2022 £0.586 million).

Ipswich Buses Ltd

One of the non-executive directors of Ipswich Buses Ltd is also a County Councillor. In 2022 - 2023 the Council made payments to Ipswich Buses Ltd totalling £2.015 million (2021 - 2022 £2.776 million). The Council also received income from Ipswich Buses of £0.001 million (2021 - 2022 £0.002 million). The council has a creditor balance of £0.002 million and a debtor balance of nil.

Excluding the above, the total grants and payments to other related party organisations that exceeded the de-minimis level are set out in the table below:

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--|---------------------------------------|--|
| 1.211 | Other Related Transactions (Members) | 0.633 |
| 0.413 | Other Related Transactions (Officers) | 0.267 |
| 1.624 | | 0.901 |

With these exceptions, there were no significant transactions with members and their families other than payments falling within the adopted scales of members' allowances or within normal conditions of employment.

Other Public Bodies subject to common control by central government

The Council has entered into a pooled budget arrangement for the provision of mental health services and also a wider Better Care Fund pooling agreement with Integrated Care Boards (ICBs) (which replaced Clinical Commissioning Groups (CCGs) from July 2022) operating in Suffolk. Several Councillors sit on the boards of

Notes to the Core Statements

these ICBs. Transactions related to these are detailed in Note 21. In addition, the ICBs part fund some elements of care related spend when there is a health requirement.

Pension Fund

The table below shows the amount charged to the Pension Fund for expenses incurred in administering the fund:

| 2021 - 2022 Income £ million | | 2022 - 2023 Income £ million |
|------------------------------------|---|------------------------------------|
| 1.219 | Administration Expenses charged to Pension Fund | 1.239 |
| <u>1.219</u> | | <u>1.239</u> |

27. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|--|--------------------------|--------------------------|
| Opening Capital Financing Requirement | 778.207 | 786.131 |
| <u>Capital investment</u> | | |
| Property, Plant and Equipment - Operational Assets | 72.234 | 85.722 |
| Property, Plant and Equipment - Non Operational Assets | 40.083 | 36.383 |
| Intangible Assets | 1.250 | 1.348 |
| Heritage Assets | 0.011 | 0.028 |
| Revenue Expenditure Funded from Capital under Statute | 43.043 | 42.243 |
| <u>Sources of finance</u> | | |
| Capital receipts | -8.508 | -6.289 |
| Government grants and other contributions | -120.461 | -96.863 |
| Sums set aside from revenue: | | |
| Direct revenue contributions | -9.533 | -18.066 |
| Minimum revenue provision | -10.194 | -11.360 |
| Closing Capital Financing Requirement | <u>786.131</u> | <u>819.277</u> |
| <u>Explanation of movements in year</u> | | |
| Increase/decrease (-) in underlying need to borrow | <u>7.924</u> | <u>33.146</u> |
| Increase/ Decrease (-) in Capital Financing Requirement | <u>7.924</u> | <u>33.146</u> |

Operational assets are: Other Land and Buildings; Vehicles, Plant and Equipment and Infrastructure Assets. Non-Operational Assets are Surplus Assets and Assets Under Construction (note 12).

Notes to the Core Statements

28. Leases

Authority as Lessee

Finance Leases

The Council has 10 buildings recognised on the Balance Sheet as a result of being finance leases.

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

| | 31 March 2022 | 31 March 2023 |
|--------------------------|----------------------|----------------------|
| | £ million | £ million |
| Other Land and Buildings | 4.997 | 4.577 |
| | <u>4.997</u> | <u>4.577</u> |

The minimum payments under these leases are immaterial and therefore no liability is recognised in the Balance Sheet. The small payments that are made are charged to the Comprehensive Income and Expenditure Statement.

Operating Leases

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

| | 31 March 2022 | 31 March 2023 | 31 March 2023 | 31 March 2023 |
|---|----------------------|----------------------|------------------------|----------------------|
| | Total | Land and | Vehicles, Plant | Total |
| | £ million | Buildings | and Equipment | £ million |
| | | £ million | £ million | |
| Not later than one year | 1.239 | 0.905 | 0.335 | 1.240 |
| Later than one year and not later than five years | 2.681 | 2.081 | 0.255 | 2.336 |
| Later than five years | 5.209 | 4.754 | 0.149 | 4.903 |
| | <u>9.129</u> | <u>7.740</u> | <u>0.739</u> | <u>8.479</u> |

Authority as Lessor

Finance Leases

The Council has leased out 202 school properties. These are schools that have converted to Academies (or Free Schools) and had the lease agreement finalised. There are also the leases for Fen Alder Car Park and Local Nature Reserve, a resource centre, recreational land, a youth centre, a community centre, a sports centre and a theatre building. The Council therefore does not recognise these assets on the Balance Sheet.

The future minimum lease payments to be received are immaterial, therefore there is no debtor to be recognised on the Balance Sheet.

Operating Leases

The Council leases out a number of properties and land under operating leases. The table below shows the lease payments due over the period shown:

Notes to the Core Statements

| | 31 March 2022 | 31 March 2023 |
|---|----------------------|----------------------|
| | £ million | £ million |
| Not later than one year | 2.137 | 1.830 |
| Later than one year and not later than five years | 3.846 | 3.149 |
| Later than five years | 4.851 | 6.927 |
| | <u>10.834</u> | <u>11.906</u> |

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022 - 2023 £1.540 million was receivable by the Council in relation to County Farms (£1.540 million in 2021 – 2022).

29. PFI and Similar Contracts, including Donated Assets

The private finance initiative (PFI) provides a way of funding major capital investments by working with private consortia that are contracted to design, build, finance and manage new projects.

The Council currently has two PFI schemes, one relating to the Fire & Rescue Service and the other relating to waste disposal, details of which are set out below.

Fire & Rescue Service

The Council has a PFI contract in relation to the upgrade and maintenance of 10 fire stations. The project reached financial close on 11 June 2008 having been awarded PFI credits of £27.100 million (a specific grant paid over the life of the contract towards the capital element of the scheme). The contract originally covered the rebuilding of six new fire stations and the refurbishment of four further fire stations.

During the construction phase which completed during 2011 – 2012, there was one change to the original construction arrangement where a new Ipswich East Fire Station was constructed as opposed to the refurbishment of the existing asset.

All PFI stations are now operational and the facilities management aspects of the contract are now operational.

The following tables show the movement in value of the fire stations included in the PFI contract during 2022 – 2023 with comparators and the movement in the value of the liability.

Movement in the value of Fire Stations

| | 2021 - 2022 | 2022 - 2023 |
|-------------------------------|----------------------|----------------------|
| | £ million | £ million |
| Value at start of year | 14.136 | 14.439 |
| Revaluations | 0.718 | 0.430 |
| Depreciation | -0.415 | -0.425 |
| Value at end of year | <u>14.439</u> | <u>14.444</u> |

Liability outstanding on the Fire PFI Contract

| | 2021 - 2022 | 2022 - 2023 |
|---|----------------------|----------------------|
| | £ million | £ million |
| Balance outstanding at start of year | 11.801 | 11.370 |
| Payments during the year | -0.431 | -0.480 |
| Balance outstanding at end of year | <u>11.370</u> | <u>10.890</u> |

Notes to the Core Statements

The following table shows the payments due under the PFI contract (current and future liabilities). The payments shown are at current cost and do not include inflation which will be included when the payments are made in future years.

| | Repayment of liability £ million | Interest £ million | Service charges £ million | PFI Grant £ million | Net Cost £ million |
|--|-------------------------------------|-----------------------|------------------------------|------------------------|-----------------------|
| Payments due - received; | | | | | |
| During 2023 - 2024 | 0.534 | 1.227 | 1.174 | -1.097 | 1.838 |
| Payable within two to five years | 2.810 | 4.236 | 4.698 | -4.386 | 7.358 |
| Payable within six to ten years | 5.704 | 3.103 | 5.871 | -5.483 | 9.195 |
| Payable within eleven to fifteen years | 1.842 | 0.213 | 1.370 | -1.051 | 2.374 |
| Total | 10.890 | 8.779 | 13.113 | -12.017 | 20.765 |

Waste Service

The Council has a PFI contract, with Suez Recycling and Recovery Suffolk Ltd in relation to the construction and management of an Energy-from-Waste facility on Council land in Great Blakenham. The project reached financial close in October 2010 and was awarded £102 million in Waste Infrastructure Credits (formerly known as PFI credits) which provide an income stream of £199 million over the 25 year operational span of the contract.

Following the construction and testing phase of the project full operation began, on schedule, in December 2014. In broad terms the contract is for the treatment of between 170,000 and 240,000 tonnes of residual waste (i.e. waste remaining after recycling or composting). The treatment of this waste represents an environmentally better solution than the previous disposal method, which was landfill.

Actual payments by the Council will depend on the number of tonnes of waste processed under this contract at the plant which has an annual capacity of around 269,000 tonnes. At the end of the 25 year operational phase of the contract, the plant will either be handed over to the Council, with a minimum of 5 years useful life remaining, or a new operating contract may be agreed either with Suez or another operator. At the lowest level (170,000 tonnes) the estimated savings, when compared to projected landfill costs, were £350 million over the contract period.

The plant receives income directly from third parties, both for the treatment of waste and for electricity exported to the National Grid. As part of the contract Suez retains this income and the price otherwise payable by the Council under the agreement has been reduced to reflect this. As the contract payments to be made by the Council do not meet the full cost of the asset, the Council receives the proportion of the asset not funded by contractual payments as a donated asset. A liability is recognised on the balance sheet for this proportion of the asset and is reduced over the life of the contract.

Within 2016 - 2017 there were two events which adjusted the liabilities due under the contract. Firstly, the Government ended the relief allowable via Levy Exemption Certificates (LECs) against Climate Change Levy liabilities for producers of renewably sourced power. This reduced income from electricity generation and was a relevant change in law under the PFI contract. The Unitary Charge payable by the Council was adjusted to allow for this change, reducing the future value of the donated asset and increasing the liability under the PFI contract.

Secondly, the Council and Suez negotiated a contract variation whereby the Council made a Capital Contribution of £37.785 million, reducing the outstanding liability on the PFI contract, in return for a reduction in the price of waste processing over the future life of the contract.

Within 2018 – 2019 a second Capital Contribution of £10.179 million was negotiated by the Council further reducing both the outstanding liability and the price of waste processing over the future life of the contract.

The following tables show the movement in value of the Energy-from-Waste facility included in the PFI contract during 2022 – 2023 with comparators and the movements in the value of the liability and the donated asset.

Notes to the Core Statements

Movement in the value of the Energy from Waste Facility

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|-------------------------------|--------------------------|--------------------------|
| Value at start of year | 164.319 | 169.146 |
| Additions | 1.338 | 1.062 |
| Revaluation | 10.178 | 2.962 |
| Depreciation | -6.689 | -7.170 |
| Value at end of year | 169.146 | 166.000 |

Liability outstanding on the Waste PFI contract

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|---|--------------------------|--------------------------|
| Balance outstanding at start of year | 30.422 | 28.605 |
| Payments during the year | -3.155 | -3.283 |
| Capital expenditure incurred in the year | 1.338 | 1.062 |
| Balance outstanding at end of year | 28.605 | 26.384 |

Donated Asset Account within the Waste PFI Contract

| | 2021 - 2022 £ million | 2022 - 2023 £ million |
|---|--------------------------|--------------------------|
| Balance outstanding at start of year | 90.351 | 85.596 |
| Payments during the year | -4.755 | -4.756 |
| Balance outstanding at end of year | 85.596 | 80.840 |
| Short Term Donated Asset Account | 4.755 | 4.755 |
| Long Term Donated Asset Account | 80.841 | 76.085 |
| | 85.596 | 80.840 |

The following table shows the payments due under the PFI contract (current and future liabilities). The payments shown are at current cost and do not include inflation which will be included when the payments are made in future years.

| | Repayment of liability £ million | Interest £ million | Service charges £ million | Lifecycle Works £ million | Waste Infrastructure Grant £ million | Net Cost £ million |
|--|--|-----------------------|---------------------------------|---------------------------------|---|-----------------------|
| Payments due - received; | | | | | | |
| During 2023 - 2024 | 1.940 | 1.689 | 4.175 | 1.324 | -7.864 | 1.263 |
| Payable within two to five years | 4.609 | 5.789 | 16.741 | 9.160 | -31.455 | 4.843 |
| Payable within six to ten years | 6.547 | 5.614 | 21.061 | 11.887 | -39.319 | 5.791 |
| Payable within eleven to fifteen years | 9.338 | 3.015 | 21.276 | 11.481 | -39.319 | 5.791 |
| Payable within sixteen to twenty years | 3.950 | 0.288 | 7.046 | 3.777 | -12.779 | 2.283 |
| Total | 26.384 | 16.394 | 70.299 | 37.629 | -130.736 | 19.970 |

Notes to the Core Statements

The repayment of the liability of both the Fire and Waste schemes amounts to £37.274 million, which is reflected as the short and long term PFI liability figures on the Balance Sheet.

30. Impairment Losses

During 2022 - 2023 the Council did not recognise any loss due to impairment on non-current assets.

During 2021 – 2022 there was valuation losses charged to the Comprehensive Income and Expenditure Statement of £10.196 million.

The total revaluation charged to the Comprehensive Income and Expenditure Statement is not a complete reflection of the change in asset values in the year, there was also upwards valuations charged to the Revaluation Reserve of £14.689 million. In 2022 – 2023 the total change due to valuation is an increase in value of £4.493 million (note 12 and note 14).

31. Termination Benefits and Exit Packages

The 2022 - 2023 code of practice on local authority accounting requires local authorities to disclose in bands, separated between compulsory and other departures, the number of exit packages agreed during the year and the cost of those packages to the authority in the financial year. Exit costs relating to ill health retirements or departures are excluded in accordance with the Code.

Exit costs should include all relevant redundancy costs including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs e.g. accrued holiday. It should be noted that the number of exit packages includes individuals for whom there was no exit cost.

The number of exit packages with total cost per band and total cost of the compulsory and other departures payments are set out in the table below.

| Exit Package Cost Band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band (£ million) | |
|------------------------------------|-----------------------------------|-------------|-----------------------------------|-------------|--|-------------|--|--------------|
| | 2021 - 2022 | 2022 - 2023 | 2021 - 2022 | 2022 - 2023 | 2021 - 2022 | 2022 - 2023 | 2021 - 2022 | 2022 - 2023 |
| £0 - £20,000 | 18 | 7 | 7 | 5 | 25 | 12 | 0.152 | 0.072 |
| £20,001 - £40,000 | 1 | 0 | 3 | 1 | 4 | 1 | 0.111 | 0.026 |
| £40,001 - £60,000 | 0 | 0 | 2 | 0 | 2 | 0 | 0.096 | 0.000 |
| £60,001 - £80,000 | 0 | 0 | 1 | 0 | 1 | 0 | 0.071 | 0.000 |
| £80,001 - £100,000 | 0 | 0 | 1 | 0 | 1 | 0 | 0.095 | 0.000 |
| £100,000 - £150,000 | 0 | 0 | 0 | 3 | 0 | 3 | 0.000 | 0.382 |
| Total - excluding provision | 19 | 7 | 14 | 9 | 33 | 16 | 0.525 | 0.480 |

The total cost of £0.480 million in the table above includes exit packages that have been paid in 2022 - 2023 using £0.127 million of the provision which was set up as at 31 March 2022. In addition the Comprehensive Income and Expenditure Statement includes a provision for £0.160 million as at 31 March 2023 which is set aside to pay officers in 2023 - 2024. These costs are not included in the bands but will be in 2023 - 2024 when the exit packages can be allocated into bands.

32. Pension Schemes accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for 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.

Notes to the Core Statements

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 employers' contribution rate paid by local authorities. The Council is not able to identify its share of the 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 2022 - 2023, the Council paid £14.059 million of employer contributions to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2021 - 2022 £14.151 million), representing 23.68% of pensionable pay from 1 April 2022 to 31 March 2023 (2021 - 2022 23.68%). The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.

NHS Staff Pension Scheme

A number of NHS Staff transferred to the Council in April 2013. These staff maintained their membership in the NHS Pension Scheme, administered by the NHS Business Service Authority. The Scheme provides these staff 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 an unfunded defined benefit scheme. However, the Council is not able to identify its share of the 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 2022 - 2023, the Council paid £0.397 million of employer contributions (2021 - 2022 £0.353 million) in respect of retirement benefits to NHS Pensions in respect of staff who transferred into the Council from the NHS. The scheme has different employer contribution rates, depending on which element of the scheme staff are within, representing 14.38% or 16.88% of pensionable pay (2021 - 2022 14.38% and 16.88%).

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments into the fund needed to cover both current and future pension liabilities.

The Council participates in two defined benefit pension schemes (excluding Teachers and National Health Service):

- the Local Government Pension Scheme for civilian employees, administered by Suffolk County Council - this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Fire Pension Scheme for Firefighters - this is an unfunded scheme, meaning that there are no investments built up to meet the pension liabilities, and cash needs to be generated to meet actual pensions payments as they fall due. Under the Fire Pension Scheme Regulations 2007, if the amounts receivable by the pension scheme for the year are less than the amounts payable, the fire authority must annually transfer an amount required to meet the deficit to the pension scheme. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by a central government pension top-up grant. If, however, the pension scheme is in surplus for the year, the surplus is required to be transferred to the fire authority which then must repay the amount to central government. The Fire Pension Fund statement can be seen on page 143 of the accounts.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of 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:

Notes to the Core Statements

| | Local Government Pension Scheme | | Unfunded Liabilities Uniformed Fire Fighters | |
|---|---------------------------------|--------------------------|--|--------------------------|
| | 2021 - 2022 £ million | 2022 - 2023 £ million | 2021 - 2022 £ million | 2022 - 2023 £ million |
| Comprehensive Income and Expenditure Account | | | | |
| <i>Cost of Services:</i> | | | | |
| Current service cost | 87.880 | 82.623 | 6.100 | 5.000 |
| Past Service cost/(-)gain | 0.129 | 0.136 | 0.000 | 0.000 |
| Settlements and Curtailments cost/(-)gain | -2.138 | -0.986 | 0.000 | 0.000 |
| <i>Financing and Investment Income and Expenditure</i> | | | | |
| Net interest | 12.357 | 10.739 | 6.100 | 7.800 |
| <i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i> | 98.228 | 92.512 | 12.200 | 12.800 |
| <i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i> | | | | |
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | |
| Return on plan assets (excluding net interest) | -146.288 | 65.311 | 0.000 | 0.000 |
| Actuarial gains (-) and losses arising on changes in demographic assumptions | -17.669 | -13.930 | -3.000 | -3.400 |
| Actuarial gains (-) and losses arising on changes in financial assumptions | -134.263 | -839.463 | -17.700 | -94.200 |
| Expected 2023 pension increase order | 0.000 | 0.000 | 0.000 | 9.300 |
| Other experience | 18.510 | 131.915 | 0.711 | 2.833 |
| Asset Ceiling | 0.000 | 216.027 | 0.000 | 0.000 |
| <i>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Account</i> | -279.710 | -440.140 | -19.989 | -85.467 |
| <i>Movement in Reserves Statement</i> | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | -98.228 | -92.512 | -12.200 | -12.800 |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | | | |
| Employers' contributions payable to the scheme | 40.083 | 42.394 | 8.611 | 8.533 |

The Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Account of -£440.140 million and -£85.467 million are shown on the face of the CIES as -£525.607 million.

The Comprehensive Income and Expenditure Account includes the approximate employer share of the cost of benefits accruing, i.e., the current service cost and interest costs over the period.

The change in financial assumptions for the Local Government Scheme, as shown in the table above, resulted in a gain of £839.463 million, which was impacted by:

- A decrease in the pension increase rate of 0.25%, which is derived from market derived CPI inflation, which is as a result of underlying changes in the market implied RPI. It has served to reduce the employer obligations, therefore leading to a gain of £94.040 million.
- The salary increase rate has fallen by 0.25% which reduces the employer's obligation and led to a gain of £8.480 million.
- The discount rate is derived from the corporate bond yield and has risen over the period, leading to a 2.05% increase. It has reduced the employer's obligation and led to a gain of £736.940 million.

The change in demographic assumptions resulted in a gain of £13.930 million, due to the latest available longevity information being updated from the prior year, which reduced the employer's obligation and led to further gains.

Other experience has two elements:

- i. Pension increase order of 10.1%, was significantly higher than the assumption built into the prior accounting period. It results in higher pensions, deferred pensions and CARE pots and leads to a loss of £132.930 million.
- ii. A gain of £1.105 million resulting from a lower than expected level of unfunded pensioners deaths over the period.

The overall gain at 31 March 2023 does not result in a return of funds from the local government pension scheme, therefore a further calculation determines an asset ceiling for which the Council can reflect an asset on the balance sheet. The asset ceiling of £11.504 million reduces the overall gain by £216.027 million as shown in the table above. The Council has agreed as part of the triennial valuation of the Suffolk pension Fund a reduction in employer contributions over the next three year period from April 2023.

Notes to the Core Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined plans is as follows:

| Reconciliation of present value of the scheme liabilities (-) / assets (defined benefit obligation): | Local Government Pension Scheme | | Unfunded Liabilities Uniformed Fire Fighters | |
|--|---------------------------------|----------------------|--|------------------------|
| | 2021 - 2022 | 2022 - 2023 | 2021 - 2022 | 2022 - 2023 |
| | £ million | £ million | £ million | £ million |
| Present value of the defined benefit obligation | -2,208.022 | -1,589.167 | 0.000 | 0.000 |
| Fair value of plan assets | 1,840.850 | 1,825.857 | 0.000 | 0.000 |
| | <u>-367.172</u> | <u>236.690</u> | <u>0.000</u> | <u>0.000</u> |
| Present value of unfunded liabilities | -11.346 | -9.159 | -266.300 | -191.300 |
| Present value of injury liabilities | 0.000 | 0.000 | -22.500 | -16.300 |
| Asset ceiling | 0.000 | -216.027 | 0.000 | 0.000 |
| Net liability (-) / asset arising from defined benefit obligation | <u>-378.518</u> | <u>11.504</u> | <u>-288.800</u> | <u>-207.600</u> |

Reconciliation of the movements in the fair value of Scheme Assets

| | Local Government Pension Scheme | | Uniformed Fire Fighters | |
|--|---------------------------------|-------------------------|-------------------------|---------------------|
| | 2021 - 2022 | 2022 - 2023 | 2021 - 2022 | 2022 - 2023 |
| | £ million | £ million | £ million | £ million |
| Opening fair value of scheme assets | 1,688.589 | 1,840.850 | 0.000 | 0.000 |
| Interest income | 33.750 | 49.675 | 0.000 | 0.000 |
| Remeasurement gain/(loss) | | | | |
| Effect of settlements | -3.544 | -1.089 | 0.000 | 0.000 |
| Remeasurement gain/loss | | | | |
| Return on plan assets (excluding net interest expense) | 146.288 | -65.311 | 0.000 | 0.000 |
| Other | -22.851 | 0.002 | -0.111 | 0.067 |
| Asset ceiling | 0.000 | -216.027 | 0.000 | 0.000 |
| Contributions from employer | 39.261 | 41.595 | 8.111 | 7.933 |
| Contributions in respect of unfunded benefits | 0.822 | 0.799 | 0.500 | 0.600 |
| Transfers out to other authorities | 0.000 | 0.000 | -0.100 | 0.000 |
| Transfers in from other authorities | 0.000 | 0.000 | 0.100 | 0.000 |
| Contributions from employees | 10.650 | 11.898 | 1.300 | 1.300 |
| Benefits paid | -51.293 | -51.763 | -9.300 | -9.300 |
| Unfunded benefits paid | -0.822 | -0.799 | -0.500 | -0.600 |
| Closing fair value of scheme assets | <u>1,840.850</u> | <u>1,609.830</u> | <u>0.000</u> | <u>0.000</u> |

The return on plan assets (excluding net interest expense) loss of £65.311 million has occurred due to the investment return achieved by the Pension Fund of -0.9% compared to an expected return of 2.7%.

Notes to the Core Statements

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| | Local Government Pension Scheme | | Uniformed Fire Fighters | |
|--|---------------------------------|--------------------------|--------------------------|--------------------------|
| | 2021 - 2022 £ million | 2022 - 2023 £ million | 2021 - 2022 £ million | 2022 - 2023 £ million |
| Opening balance 1 April | -2,288.671 | -2,219.368 | -305.200 | -288.800 |
| Current service cost | -87.880 | -82.623 | -6.100 | -5.000 |
| Interest cost | -46.107 | -60.414 | -6.100 | -7.800 |
| Contributions by scheme participants | -10.650 | -11.898 | -1.300 | -1.300 |
| Transfers in from other authorities | 0.000 | 0.000 | -0.100 | 0.000 |
| Transfers out to other authorities | 0.000 | 0.000 | 0.100 | 0.000 |
| Remeasurement gains and losses: | | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 17.669 | 13.930 | 3.000 | 3.400 |
| Actuarial gains and losses arising from changes in financial assumptions | 134.263 | 839.463 | 17.700 | 94.200 |
| Expected 2023 pension increase order | 0.000 | 0.000 | 0.000 | -9.300 |
| Other experience | 4.340 | -131.917 | -0.600 | -2.900 |
| Past service costs | -0.129 | -0.136 | 0.000 | 0.000 |
| Benefits paid | 51.293 | 51.763 | 9.300 | 9.300 |
| Unfunded benefits paid | 0.822 | 0.799 | 0.500 | 0.600 |
| Liabilities extinguished on settlements | 5.682 | 2.075 | 0.000 | 0.000 |
| Closing balance at 31 March | -2,219.368 | -1,598.326 | -288.800 | -207.600 |

The change in employer liabilities reflected in the accounting position on the balance sheet do not affect the cash contribution the employer pays to the Pension Fund. The cash contribution is set by the Fund with reference to the employers funding position as part of the Triennial valuation.

Notes to the Core Statements

Local Government Pension Scheme assets comprised:

| | Fair value of scheme assets | | | |
|--|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| | Quoted prices in active markets | Quoted prices not in active markets | Quoted prices in active markets | Quoted prices not in active markets |
| | 2021 - 2022 £ million | 2021 - 2022 £ million | 2022 - 2023 £ million | 2022 - 2023 £ million |
| Cash and Cash Equivalents | | | | |
| Cash | 19.031 | 0.000 | 24.384 | 0.000 |
| Total Cash and Cash Equivalents | 19.031 | 0.000 | 24.384 | 0.000 |
| Bonds (by sector) | | | | |
| Corporate | 391.014 | 0.000 | 379.348 | 0.000 |
| Government | 71.636 | 0.000 | 54.056 | 0.000 |
| Total Bonds | 462.650 | 0.000 | 433.404 | 0.000 |
| Private Equity | | | | |
| All | 21.060 | 64.291 | 15.800 | 64.339 |
| Total Private Equity | 21.060 | 64.291 | 15.800 | 64.339 |
| Property | | | | |
| UK Property | 156.311 | 0.000 | 144.979 | 0.000 |
| Total Property | 156.311 | 0.000 | 144.979 | 0.000 |
| Other Investment Funds | | | | |
| Equities | 836.920 | 0.000 | 842.004 | 0.000 |
| Hedge Funds | 89.411 | 0.000 | 68.868 | 0.000 |
| Infrastructure | 0.000 | 138.195 | 0.000 | 179.996 |
| Other | 0.000 | 52.981 | 0.000 | 52.083 |
| Total Other Investment Funds | 926.331 | 191.177 | 910.872 | 232.079 |
| Total Assets | 1,585.383 | 255.468 | 1,529.439 | 296.418 |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and other relevant factors.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Suffolk County Council Pension Fund are based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

Notes to the Core Statements

| The principal assumptions used by the actuary have been: | Local Government Pension Scheme | | Uniformed Fire Fighters | |
|--|---------------------------------|-------------|-------------------------|-------------|
| | 2021 - 2022 | 2022 - 2023 | 2021 - 2022 | 2022 - 2023 |
| Mortality assumptions: | | | | |
| Longevity at retirement for current pensioners: | | | | |
| Men | 22.0 | 22.1 | 26.3 | 25.9 |
| Women | 24.6 | 24.1 | 28.7 | 28.5 |
| Longevity at retirement for future pensioners: | | | | |
| Men | 22.7 | 23.1 | 27.7 | 27.3 |
| Women | 26.2 | 25.4 | 30.1 | 29.8 |
| Rate of inflation | 3.2% | 3.0% | 3.7% | 3.2% |
| Rate of increase in pensions | 3.2% | 3.0% | 3.2% | 3.0% |
| Rate of increase in salaries | 4.2% | 4.0% | 3.7% | 3.2% |
| Rate for discounting scheme liabilities | 2.7% | 4.8% | 2.7% | 4.8% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on possible changes of the assumptions occurring at the end of the reporting period and for each change, the assumption analysed could then change, while all the other assumptions remain constant. The assumptions in longevity, for example, assume the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme

| Change in assumptions at year ended 31 March 2023: | Approximate % increase to Employer Liability | Increase in Assumption £ million | Decrease in Assumption £ million |
|--|--|-------------------------------------|-------------------------------------|
| 0.1% decrease in Real Discount Rate | 2% | 27,839 | -27,839 |
| 1 year increase in member life expectancy | 4% | 63,933 | -63,933 |
| 0.1% increase in the Salary Increase Rate | 0% | 2,337 | -2,337 |
| 0.1% increase in the Pension Increase Rate (CPI) | 2% | 25,917 | -25,917 |

This estimates that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by approximately 3% to 5%.

Uniformed Fire Fighters Scheme

| Change in assumptions at year ended 31 March 2023: | Approximate % increase to Employer Liability | Increase in Assumption £ million | Decrease in Assumption £ million |
|--|--|-------------------------------------|-------------------------------------|
| 0.5% decrease in Real Discount Rate | 9% | 18.256 | -18.256 |
| 1 year increase in member life expectancy | 3% | 6.237 | -6.237 |
| 0.5% increase in Salary Increase Rate | <1% | 0.557 | -0.557 |
| 0.5% increase in Pension Increase Rate (CPI) | 8% | 15.810 | -15.810 |

Impact on the Council's Cash Flows

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A triennial valuation exercise is carried out every three years, the last one was based on the figures as at 31 March 2022. Suffolk County Council anticipates paying £34.846 million expected contributions to the scheme for 2023 - 2024.

34. Contingent Liabilities

At 31 March 2023, the Council had one contingent liability:

Municipal Mutual Insurance (MMI)

In 1992 Municipal Mutual Insurance (MMI), one of the Council's insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, organised a scheme of arrangement which provided for the company to be wound up in an orderly manner in the event that there was a shortfall in the amount of assets held by MMI. Under the scheme of arrangement MMI could claim back from its major policy holders part of any claims which it had paid them from 1 October 1993 onwards by way of a levy.

Following a meeting of the Board of Directors of MMI on 13 November 2012, MMI wrote to its policy holders to advise that the Board had decided to trigger the scheme of arrangement and control of the company then passed to the administrators, Ernst and Young LLP. Ernst and Young LLP have advised that an initial levy of 15% of claims paid since October 1993. In addition any future claims that it settles on behalf of MMI will also be subject to a 15% reduction, with the shortfall being met by the respective policyholders. The Council settled the initial Ernst and Young LLP levy in 2013 - 2014 in respect of the past MMI claims which have been paid and for the shortfall in the future settlement of the claims which had been received up to March 2014, based on the initial levy percentage of 15%. Each month MMI issue a statement and invoice for 15% of any claims paid.

In November 2015 Ernst and Young indicated that a second levy will be implemented in the 2016 - 2017 financial year and the amount of the levy will be subject to further upward revision. On 1 April 2016 Ernst and Young confirmed the levy will be increased by 10% to a total 25%. An invoice for the backdated 10% was paid in May 2016 and the monthly invoices will be increased from 15% to 25%.

Whereas the latest published set of accounts from MMI (dated 30 June 2022) confirmed that no further changes to the payment percentage are currently anticipated, there is the potential for percentage levied against past schemes could increase above 25% at some point in the future. There is sufficient cover in the Council's reserves to fund reasonable increases in the amount of any further levy that may be imposed by Ernst and Young LLP.

35. Contingent Assets

At 31 March 2023, the Council had no contingent assets.

36. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprised:

- Long term loans from the Public Works Loan Board (PWLB) and commercial lenders
- Short term loans from other local authorities
- Private Finance Initiative contracts detailed in note 29
- Trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's strategy is to collect those cash flows) comprising:
 - Cash in hand

Notes to the Core Statements

- Bank current and deposit accounts with Lloyds Bank PLC
 - Loans to divested organisations and local education providers
 - Loans to service users made for service purposes
 - Trade receivables for goods and services provided
- Fair value through profit and loss comprising:
 - Money market funds
 - The Churches, Charities, and Local Authorities Property Fund (CCLA)

Financial assets held at amortised cost are shown net of a loss allowance, reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

| | Long Term Assets & Liabilities | | Current Assets & Liabilities | |
|--|--------------------------------|----------------|------------------------------|----------------|
| | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 |
| | £ million | £ million | £ million | £ million |
| Investments | | | | |
| Assets at amortised cost | | | | |
| Loans and Receivables | | | 8.817 | 6.749 |
| Assets at Fair Value through profit and loss | | | | |
| Loans and Receivables | | | 0.006 | 0.006 |
| Equity Investment | | | | |
| Investments in Pooled Funds | | | 48.698 | 37.876 |
| Total Investments | 0.000 | 0.000 | 57.521 | 44.631 |
| Debtors | | | | |
| Assets at amortised cost | | | | |
| Loans and Receivables | 1.851 | 0.129 | | |
| Trade Receivables and similar instruments | 22.579 | 18.968 | 62.406 | 81.311 |
| Assets at Fair Value through profit and loss | | | | |
| Loans and Receivables | 0.154 | 0.146 | | |
| Total included in Debtors * | 24.584 | 19.243 | 62.406 | 81.311 |
| Assets at amortised cost | | | | |
| Cash and Cash Equivalents | | | 1.783 | 1.639 |
| Total Cash and Cash Equivalents | 0.000 | 0.000 | 1.783 | 1.639 |
| Total Financial Assets | 24.584 | 19.243 | 121.710 | 127.581 |
| Borrowings | | | | |
| Loans at amortised cost | 361.063 | 352.955 | 105.832 | 201.551 |
| Total Borrowings** | 361.063 | 352.955 | 105.832 | 201.551 |
| Other Liabilities | | | | |
| Liabilities at Amortised Cost: | | | | |
| PFI Liabilities | 37.273 | 34.800 | 2.701 | 2.474 |
| Other Long Term Liabilities | 34.767 | 38.103 | | |
| Total Liabilities | 72.040 | 72.903 | 2.701 | 2.474 |
| Creditors | | | | |
| Liabilities at Amortised Cost | | | | |
| Trade Payables and similar instruments | | | 111.301 | 118.765 |
| Total included in Creditors * | 0.000 | 0.000 | 111.301 | 118.765 |
| Total Financial Liabilities | 433.103 | 425.858 | 219.834 | 322.790 |

*The Council has adjusted for grants, council tax, business rates, HM Revenue and Customs balances and the bad debt provision. The debtor figure on the Balance Sheet has been reduced by £52.096 million (£46.572

Notes to the Core Statements

million 2021 - 2022) and the creditors figure on the Balance Sheet has been reduced by £60.345 million (£67.959 million 2021 - 2022) in 2022 – 2023.

** The total short-term borrowing includes £26.584 million (2021 - 2022: £25.119 million) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are off set against each other where the Council has a legally enforceable right to offset and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Council operates its bank accounts with Lloyds Bank PLC on a pooled basis and offsets overdrawn and in hand bank accounts. The table below shows the effect of this offsetting arrangement on the balance sheet.

| 31 March 2022 | | | 31 March 2023 | | |
|--------------------------------------|--|---|--------------------------------------|--|---|
| Gross assets (liabilities) £ million | (Liabilities) assets off set £ million | Net position on balance sheet £ million | Gross assets (liabilities) £ million | (Liabilities) assets off set £ million | Net position on balance sheet £ million |
| 31.520 | -29.737 | 1.783 | 29.382 | -27.743 | 1.639 |
| -29.737 | 29.737 | 0.000 | -27.743 | 27.743 | 0.000 |
| | | Bank accounts in credit | | | |
| | | Bank overdrafts | | | |
| 1.783 | 0.000 | 1.783 | 1.639 | 0.000 | 1.639 |
| Total shown in assets | | | | | |

Financial Instrument Gains and Losses

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

| | 2021 - 2022 | | | 2022 - 2023 | | |
|---|--|---------------------------------|----------------|--|---------------------------------|----------------|
| | Financial Liabilities | Financial Assets | Total | Financial Liabilities | Financial Assets | Total |
| | Liabilities measured at amortised cost £ million | Loans and receivables £ million | £ million | Liabilities measured at amortised cost £ million | Loans and receivables £ million | £ million |
| Interest expense | -35.874 | | -35.874 | -17.591 | | -17.591 |
| Losses on derecognition | -0.002 | -0.491 | -0.493 | -0.004 | -0.565 | -0.569 |
| Impairment losses (-) /gain | | -0.170 | -0.170 | | -0.538 | -0.538 |
| Total expense in Surplus or (Deficit) on the Provision of Services | -35.876 | -0.661 | -36.537 | -17.595 | -1.103 | -18.698 |
| Interest and dividend income | | 1.549 | 1.549 | | 3.025 | 3.025 |
| Gains on derecognition | 0.031 | 0.009 | 0.040 | 0.006 | 0.000 | 0.006 |
| Fair Value gains / losses (-) | | 0.803 | 0.803 | | -0.885 | -0.885 |
| Total income in Surplus or (Deficit) on the Provision of Services | 0.031 | 2.361 | 2.392 | 0.006 | 2.140 | 2.146 |
| Net gain/loss for the year | -35.845 | 1.700 | -34.145 | -17.589 | 1.036 | -16.553 |

Included within the interest expense for 2021 – 2022 was a £20.072 million premium paid in relation to the restructuring of two “Lenders Option Borrower Option” LOBO loans held with Commerzbank. In August 2021 it was agreed that the Council would repay the principal of £30 million outstanding on these loans along with the above premium. The loans were replaced with a single £50.072 million loan from the Public Works Loan Board’ at a lower interest rate. This reduced both future interest rate risk and refinancing risk, and provided a cash saving and a Net Present Value saving to the Council over the life of the original loans.

Although the cashflows for these loans occurred in 2021 - 2022 regulations allow that the premium should be amortised over the life of the original loans (45 years). This will be undertaken as a Movement in Reserves with £0.466 million chargeable as an expense each year. In 2021 - 2022 £19.626 million was allocated to the Financial Instrument Adjustment Account in relation to the remaining amortisation. With the movement of £0.466 million for the current year the balance on this account is currently £19.160 million.

Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Notes to the Core Statements

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair value of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

| Balance Sheet 31 March 2022 £ million | Fair Value 31 March 2022 £ million | | Fair Value Level | Balance Sheet 31 March 2023 £ million | Fair Value 31 March 2023 £ million |
|---|--|--|------------------|---|--|
| | | <i>Financial liabilities held at amortised cost:</i> | | | |
| 209.412 | 226.908 | Long-term loans from PWLB | 2 | 202.141 | 186.835 |
| 151.651 | 264.453 | Long Term Bank and LOBO Loans | 2 | 150.814 | 163.174 |
| 37.274 | 55.823 | Long-term PFI liabilities | 3 | 34.800 | 44.534 |
| | | <i>Financial liabilities for which fair value is not disclosed*:</i> | | | |
| 254.601 | | Trade Payables and Other Long Term Liabilities | | 360.893 | |
| 652.938 | | TOTAL FINANCIAL LIABILITIES | | 748.648 | |
| | | <i>Held as:</i> | | | |
| 433.102 | | Long Term Financial Liabilities | | 425.858 | |
| 219.834 | | Current Financial Liabilities | | 322.790 | |
| 652.937 | | TOTAL FINANCIAL LIABILITIES | | 748.648 | |
| | | <i>Financial assets held at fair value:</i> | | | |
| 48.698 | 48.698 | Investments in Pooled Funds | 1 | 37.876 | 37.876 |
| | | <i>Financial assets for which fair value is not disclosed*:</i> | | | |
| 8.823 | | Investments - Loans and Receivables | | 6.755 | |
| 86.990 | | Debtors | | 100.554 | |
| 1.783 | | Bank Balances | | 1.639 | |
| 146.294 | | TOTAL FINANCIAL ASSETS | | 146.824 | |
| | | <i>Held as:</i> | | | |
| 24.584 | | Long-term Financial Assets | | 19.243 | |
| 121.710 | | Current Financial Assets | | 127.581 | |
| 146.294 | | TOTAL FINANCIAL ASSETS | | 146.824 | |

* The fair value of short term financial liabilities and assets, including trade payables and receivables, is assumed to be approximate to the carrying amount.

The fair value of the liabilities is higher than the carrying amount where the Council's portfolio of loans includes loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date. Conversely it is lower for those loans where the rate is lower than current available rates

The Council has equity holdings with Suffolk Group Holdings Ltd and Edmundham Developments LLP which are detailed within Interest in Companies and consolidated into the Group Accounts. These are held at cost (£100) and there were no other acquisitions or disposals within the year.

Notes to the Core Statements

37. Nature and Extent of Risks arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk on its Financial Assets.

| | Amount at 31 March 2023 £ million | Total by Debt Category £ million | Estimated Maximum exposure to default and uncollectability at 31 March 2023 £ million | Net Debtor £ million | Estimated maximum exposure at 31 March 2022 £ million |
|--|---|--|--|-------------------------|--|
| Deposits with Banks and Financial institutions | 46.258 | 46.258 | 0.000 | 46.258 | 0.000 |
| Loans and receivables at amortised cost | 0.289 | 0.289 | 0.002 | 0.287 | 0.004 |
| <u>Customer Debt</u> | | | | | |
| Secured Debt: Care Supplies | 6.968 | | | | |
| Secured Debt: Other Long Term Debt | 17.950 | | | | |
| Non aged debt | 49.629 | | | | |
| Debts less than 90 days old | 8.321 | | | | |
| Debts >90days but <365 days old | 8.804 | | | | |
| Debts outstanding for 365 days and over | 11.837 | | | | |
| Total for Customer Debt | | 103.509 | 3.230 | 100.279 | 2.689 |
| Total | | 150.056 | 3.232 | 146.824 | 2.693 |

The Council manages credit risk in its treasury investments by ensuring that such investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. A limit of £25 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £10m applies. No more than £90 million in total can be invested for a period longer than one year.

Notes to the Core Statements

In addition to the Financial Assets within the Council's treasury investments the Council also has Financial Assets in the form of trade receivables and service loans. The Council generally has terms that give customers 30 days to pay their debts which are classed as 'current'. Of the £78.591 million classified as receivable trade / general debtors there is £24.533 million (£19.895 million, 2021 - 2022) outstanding greater than 30 days.

There are two types of Secured Debt; £6.968 million of Care Supplies which have been secured against the assets of customers, and £17.950 million relating to the sale of land at Chilton Woods where an interest in the land is held to secure future payment.

Loss allowances on trade receivables have been calculated with reference to the Council's historic experience of default and where appropriate the specific circumstances of the debt. For care debt the loss allowance is initially applied according to the type of debtor; care customer, provider organisations or NHS and other authorities. Debts over 90 days old are also allocated a Red, Amber, or Green status based on individual circumstance, with each status allocated a different likelihood of payment.

For debts relating to other services those over 90 days old and over £0.005 million are allocated a Red, Amber, or Green status, with smaller and shorter terms debts having a loss allowance calculated on historic default rates according to the age of the debt.

In furtherance of the Council's service objectives, it has also lent money to its subsidiary companies and local companies where this will help to fulfil those service objectives. These loans are held on the balance sheet at amortised cost and the Council makes a provision for credit risk against them by calculating an expected credit loss.

| | 12-month Expected Credit Losses | Lifetime Credit Losses Credit Risk has increased significantly | Simplified approach for receivables | Total loss allowances |
|----------------------------|--|---|--|----------------------------------|
| Allowance at 31 March 2022 | 0.004 | | 2.689 | 2.693 |
| Change in Risk | 0.000 | | 0.540 | 0.540 |
| Loans Repaid | -0.002 | | | -0.002 |
| Allowance at 31 March 2023 | 0.002 | 0.000 | 3.229 | 3.231 |

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

| | 31 March 2022 £ million | 31 March 2023 £ million |
|----------------------------|------------------------------------|------------------------------------|
| Less than one year | 105.832 | 201.551 |
| Between one and two years | 92.369 | 93.030 |
| Between two and five years | 95.364 | 87.515 |
| More than five years | 173.330 | 172.410 |
| | 466.895 | 554.506 |

Notes to the Core Statements

The Council has £100 million (2021 - 2022: £100m) of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Given the level of current interest rates, and the profile of these ‘call dates’, it is unlikely that any will be called within 2023 – 2024, in the unlikely event that the lender exercises its option the Council is likely to repay these loans. The maturity date is therefore uncertain and for they are included in the table based on the next option dates falling after 31 March 2024.

Market Risk: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is used to update the budget on a quarterly basis. This allows for any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be on fixed or variable rates.

Market Risk: Price Risk

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council’s maximum exposure to property investments of £10 million. A 5% fall in commercial property prices at 31 March 2023 would result in a £0.224 million (2021 - 2022: £0.269 million) charge to Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Market Risk: Foreign Exchange Risk

The Council does not currently invest in any fund which is subject to Foreign Exchange risk.

38. Interest in Companies

The Council holds a majority interest in the following company:

| Company | Company Number | Registration | Date Incorporated |
|---|----------------|--------------|-------------------|
| Suffolk Group Holdings | 09570600 | | 01 May 2015 |
| A 50% interest in: Edmundham Developments LLP | OC442315 | | 17 May 2022 |
| And held a minority interest in: Suffolk Norse Limited | 07911392 | | 16 January 2012 |

Notes to the Core Statements

Suffolk Group Holdings Ltd

Suffolk Group Holdings Ltd was incorporated to become the parent company of Vertas Group Ltd, Opus People Solutions Ltd and Concertus Design and Property Consultants Ltd, companies in which the Council held controlling interests. The Holding company issued 100 £1 ordinary shares to the Council. The Council's shareholdings in Vertas Group, Concertus and Opus were transferred to the Holding company on 1 April 2016.

Edmundham Developments LLP

Edmundham Developments LLP is a joint venture entered into between the Council and Lovell Partnerships Limited. The venture is controlled 50/50 between the partners and is formed with the intention of developing land owned by the Council for residential use using the expertise of Lovell Partnerships, a part of the Morgan Sindall Group of companies, there has been no external trading in the current year,

Suffolk Norse Limited

Suffolk Norse Limited is a joint venture between Suffolk County Council and Norse Commercial Services Limited, a company ultimately controlled by Norfolk County Council. The Council holds 2 £1 ordinary shares representing 20% of the share capital of the Company.

Suffolk Norse Limited was formed to provide transport services to Suffolk County Council. The contract for this ended during 2021-22. At the last balance sheet date, 31 March 2022, the Council held the investment at nil value. Following the cessation of the contract the Council has no ongoing liability in relation to Suffolk Norse and the company is to be dissolved.

For further details of the Councils transactions with these companies and the structures of the companies held by Suffolk Group Holdings please see note 26: Related Parties.

Please refer to the prepared Group Accounts that begin on page 96. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of Suffolk Group Holdings net assets, expenditure and income in a unified set of accounts.

39. Publicity

There is no longer the requirement for authorities to publish this information in their statement of accounts. However, Suffolk County Council is continuing with the note in the interest of transparency.

The table below details the Council's spending on publicity.

| 2021 - 2022 | | 2022 - 2023 | |
|--------------|-------------------|--------------|--|
| £ million | | £ million | |
| 0.605 | Staff recruitment | 0.676 | |
| 0.099 | Other advertising | 0.403 | |
| <u>0.704</u> | | <u>1.079</u> | |

40. Going Concern

The concept of a going concern assumes that a local authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are therefore that alternative arrangements might be made by central

Notes to the Core Statements

government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future. Nonetheless, the Council has carried out an exercise to demonstrate that it is a going concern based on its current and forecast future financial position.

Despite the financial environment in which the Council has operated becoming more challenging as a result various economic and geopolitical factors during 2022 – 2023, the Council has nonetheless ended 2022 – 2023 in a robust financial position with reserves. Although it reported a net overspend against its 2022 – 2023 Budget of £21.179 million, many of the pressures that led to this position have been incorporated into the 2023-2024 Budget, with £12.112 million relating to an overspend on the Dedicated Schools Grant with the resulting deficit being held separately within an unusable reserve as mandated by statute.

The Council's continued sustainable financial footing was demonstrated in the 2023 - 2024 Budget approved by Council on 9 February 2023 which set a balanced budget for 2023 - 2024, and the associated 2023 -2026 Medium Term Financial Plan, which forecast a balanced budget for 2024 - 2025, with a £10.230 million budget gap emerging from 2025 - 2026 as shown in Table 1 below. This contrasts with the £36.165 million budget gap that was forecast for 2025 - 2026 in the 2022 – 2026 Medium Term Financial Plan.

Table 1 – 2023 – 2026 Budget Gap

| | 2023-2024 (£million) | 2024-2025 (£million) | 2025-2026 (£million) |
|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Net Expenditure Budget | 687.592 | 716.413 | 743.649 |
| Core Funding Budget | -687.592 | -716.413 | -733.419 |
| Budget Gap | 0.000 | 0.000 | 10.230 |

The improvement in short and medium term financial prospects from the position outlined in the 2022 - 2023 Budget has occurred despite inflation increasing to its highest rate in a generation, interest rates rising sharply to levels not seen in over a decade, and escalating pressures within children's social care. This has been made possible due to a combination of the unexpected additional funding for social care, along with an increase to the referendum threshold for Council Tax to 5%, announced as part of the Chancellor of the Exchequer's Autumn Statement on 17 November 2022, and £25.140 million of additional itemised savings (£15.548 million for delivery in 2023 - 2024, with a further £9.602 million for delivery in 2024 - 2025) developed through the budget setting process.

Whereas there is more confidence about the Council's funding in 2024 - 2025 than it has been for any subsequent year for quite some time due to the detail provided in the Local Government Finance Settlement, things are a lot less certain by 2025 – 2026 with the prospect of fiscal tightening by that year as indicated by the Chancellor's Autumn Statement. However, whereas the immediate focus will necessarily be to deliver the saving plans identified for 2023 - 2024 and 2024 - 2025, further plans will need to be developed to manage the emerging gap from 2025-26 to ensure that the Council can remain sustainable financially. Nonetheless, this gap is well within the unallocated reserves forecast to be held by the Council over the course of the Medium-Term Financial Plan.

The Council's reserves position and forecast remains healthy, with the Council holding reserves that have been assessed to adequately meet its financial risk exposure, as well as holding sufficient reserves to meet time-limited contractual and other obligations for which resources are not held in the revenue budget. Indeed, the total balance on usable reserves (including the Dedicated Schools Grant reserve) was higher at the end of 2022 – 2023 (£166.920 million) than was forecast when the 2023 – 2024 Budget was set (£162.138 million).

Whereas reserves have been used to support the funding of the 2023 - 2024 Budget, these are one-off, with the 2024 - 2025 Budget plans not requiring any further application of reserves. Although usable reserves (including the Dedicated Schools Grant reserve) are forecast to fall over the period of the 2023 – 2026 Medium Term Financial Plan (MTFP) from a balance of £166.920 million at the end of 2022 - 2023 to £125.225 million

Notes to the Core Statements

by the end of 2025 – 2026, the change principally relates to the application of reserves allocated for defined future uses and reserves relating to capital investment. Unallocated Reserves remain at healthy levels, and are only forecast to reduce from £67.712 million at the end of 2022 – 2023 to £63.350 million at the end of 2025 – 2026, with the balance held continuing to be consistent with an assessment of the quantum of financial risk held by the Council. However, it is recognised that much uncertainty exists over the period of the 2023 – 2026 MTFP, and that the Council will need to respond swiftly to any deterioration in its financial position, either as a result of further increases to cost pressures, or failure to deliver its savings targets. Further information on the assumptions that underpin the Council’s financial plans, and which provide the basis for this Going Concern assessment, can be found in the 2023 - 2024 Budget report and associated appendices approved by Suffolk County Council on 9 February 2023.

In particular, the reserves forecast that formed part of the 2023 – 2026 MTFP assumes that the savings and mitigation targets identified as part of that 2023 – 2026 MTFP are delivered, with the Council’s cash flow forecasting and assessment of the adequacy of its liquidity position demonstrating positive cash balances throughout the going concern period, with no expectation of external borrowing [other than to support the capital programme which is consistent to the Council’s plans and normal practice]. In contrast to this, Table 2 below illustrates a downside scenario where none of these planned savings and mitigations are delivered. In this scenario, the Council would continue to have positive usable reserves at the end of the reporting period. As a result, and given the Council’s track record of managing challenging financial situations over the past decade or so, it is satisfied that there is no material uncertainty relating to the Council’s going concern. Moreover, there is no material uncertainty with regard to the Council’s wholly owned company, Suffolk Group Holdings Limited, whose 2021- 2022 financial statements were given an unqualified audit opinion in September 2022 on the basis that it is a going concern.

Table 2 – 2023- 2026 Medium Term Financial Plan - Usable Reserves and Savings Analysis

| | 2022-23 (£million) | 2023-24 (£million) | 2024-25 (£million) | 2025-26 (£million) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Useable Reserves - Opening Balance as per 2023-26 Medium Term Financial Plan | 242.484 | 194.783 | 164.030 | 160.936 |
| Forecast / Planned Reserves Change as per 2023-24 Budget | -47.700 | -30.753 | -3.094 | -7.848 |
| Useable Reserves - Closing Balance as per 2023-26 Medium Term Financial Plan (MTFP) | 194.783 | 164.030 | 160.936 | 153.088 |
| 2023-24 Cumulative Savings/Mitigations | | -31.079 | -62.158 | -93.237 |
| 2024-25 Cumulative Savings/Mitigations | | | -17.702 | -35.404 |
| 2025-26 Cumulative Savings/Mitigations | | | | -3.000 |
| Useable Reserves - Closing Balance assuming none of the 2023-26 MFTP savings or mitigations are delivered | 194.783 | 132.951 | 81.076 | 21.447 |

Group Accounts – Introduction

Group Accounts

Introduction to the Group Accounts

The 2022 - 2023 Code of Practice on Local Authority Accounting in the United Kingdom sets out the requirements for group accounts, requiring Local Authorities to consider all their interests in subsidiaries, associates, or joint ventures.

The Council has a relationship with other companies and organisations whose assets and liabilities are not included in the Council's single entity accounts. Where the Council's interest does not extend to a relationship that could be classed as a subsidiary, associate or joint venture, those entities have not been included in the Group Accounts.

The Council does have interests in, or control over, several companies that are classified as a subsidiary, associate, or joint venture. Details of the organisations falling within the Council's group boundary are as follows:

The Council's subsidiaries:

Suffolk Group Holdings Ltd; the parent of the companies noted below.

- 1) Vertas Group Ltd, who own:
 - Oakpark Security Systems Ltd
 - Churchill Catering Ltd
 - Vertas Environmental Ltd
 - Verse Facilities Management Ltd
 - Vertas (Ipswich) Ltd
 - Diamond View Cleaning Solutions Ltd
 - Suffolk Skills Academy Ltd
 - Vertas Suffolk Larder Ltd
 - Combat2Coffee Commercial Ltd
 - Vertas (Derbyshire) Ltd
 - Vertas (Derbyshire) Traded Ltd
- 2) Opus People Solutions Group Ltd, who own:
 - Opus People Solutions East Ltd
 - Opus People Solution Ltd
 - Opus Teach Ltd
- 3) Concertus Design and Property Consultants Ltd, who own:
 - The Energy Practice Ltd
 - Carbon Chain Ltd
 - Concertus Suffolk Ltd
 - Concertus Derbyshire Ltd
 - Concertus Derbyshire Traded Ltd

The Council is a participant in the following Joint Ventures:

- Edmundham Developments LLP

The Council also has the following associates:

- Suffolk Libraries Industrial and Provident Society Ltd
- Leading Lives Industrial and Provident Society Ltd
- Realise Futures Community Interest Company

Suffolk Group Holdings Ltd

Suffolk Group Holdings Ltd was created in 2015 to allow Suffolk County Council to consolidate its shareholdings in subsidiary organisations within a single entity. The Council maintains both officer and Councillor representation within the board of Suffolk Group Holdings Ltd. The Board receive regular reports of the activities and results of the groups subsidiary organisations to provide a single point of oversight and management for these divested organisations.

Group Accounts – Introduction

The Council's shareholdings in Vertas Group Ltd, Opus People Solutions Ltd, and Concertus Design and Property Consultants Ltd were transferred to Suffolk Group Holdings in April 2016.

The Council owns 100% of the shareholding of Suffolk Group Holdings Ltd.

Vertas Group Ltd

Vertas Group Ltd was created in 2011 as a wholly owned subsidiary of the Council and began trading on 1 November 2011. The company has a Joint Venture, Verse Facilities Management Ltd, with West Suffolk Council, and another Vertas (Derbyshire) Limited, with Derbyshire County Council. Vertas (Derbyshire) Limited owns a subsidiary names Vertas (Derbyshire) Traded Ltd. Vertas Group Ltd also has several wholly owned subsidiary companies as listed above.

Suffolk Group Holdings owns 100% of the shareholding of Vertas Group Ltd. The Council also made a loan to Vertas Group Ltd of £2.430 million at the point of inception and a loan of £1.000 million to Schools Choice, a now dissolved subsidiary of Vertas, upon inception which was subsequently amalgamated with the loan to Vertas Group Ltd. The balance of the loan was settled within 2021 - 2022.

The principal activities of Vertas Group Ltd are to provide Catering, Grounds, Caretaking, Cleaning, Facilities Management and Design and Print services to the Council and its subsidiaries, schools and other public sector organisations.

Opus People Solutions Group Ltd

Opus People Solutions Group (Opus) was created in 2014 as a wholly owned subsidiary of the Council. The company has a joint venture, Opus People Solutions East Ltd with Cambridgeshire County Council, Northamptonshire County Council, and Milton Keynes Council.

Suffolk Group Holdings owns 100% of the shareholding of Opus People Solutions Ltd.

The principal activity of Opus People Solutions Ltd is the provision of temporary staff to the Council and its subsidiaries, and other public sector organisations.

Concertus Design and Property Consultants Ltd

Concertus Design and Property Consultants Ltd (Concertus) was created in 2013 as a wholly owned subsidiary of the Council. The company has three wholly owned subsidiary companies listed above, as well as a Joint Venture with Derbyshire County Council; Concertus Derbyshire Ltd.

Suffolk Group Holdings owns 100% of the shareholding of Concertus Design and Property Consultants Ltd. The Council made a loan to Concertus of £1.000 million at inception, with a further £2.500 million secured loan in 2016 - 2017. The first loan has been cleared with the balance of the second loan currently standing at £1.864 million.

The principal activity of Concertus is the provision of design and property consultancy services to the Council, schools, and other public sector organisations.

Of its subsidiaries and associates falling within the Council's group boundary, Suffolk Group Holdings Ltd and its subsidiaries are considered material to the financial statements and this organisation has been consolidated in the Group Accounts.

Edmundham Developments LLP

Edmundham Developments LLP is a joint venture entered into between the Council and Lovell Partnerships Limited. The venture is controlled 50/50 between the partners and is formed with the intention of developing land owned by the Council for residential use using the expertise of Lovell Partnerships, a part of the Morgan Sindall Group of companies.

As the company is a Joint Venture which the Council does not wholly control the Council only consolidates its share of the operational profits or losses of the organisation within its Group Accounts. In the current year there has been no external trading through the company, the company has generated a small operational loss of £0.058 million during its initial setup, 50% of which is attributable to the Council.

For further details on transactions with these entities please see note 26 related parties.

Group Accounts – Introduction

Basis of Consolidation

The Group Accounts have been prepared using the requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line-by-line basis, subject to the elimination of intra-group transactions from the statements in accordance with the Code.

Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Suffolk County Council as set out in Note 1.

Group Accounts – Comprehensive Income and Expenditure Account

| 2021 - 2022 | | | 2022 - 2023 | | | |
|-------------------|-------------------|-----------------|---|-------------------|-------------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £ million | £ million | £ million | | £ million | £ million | £ million |
| 397.218 | -119.294 | 277.924 | Adult and Community Services | 413.381 | -108.319 | 305.062 |
| 454.006 | -283.313 | 170.693 | Children & Young People | 506.114 | -307.735 | 198.379 |
| 69.065 | -62.033 | 7.032 | Public Health & Communities | 38.319 | -6.425 | 31.894 |
| 30.225 | -6.467 | 23.758 | Fire & Public Safety | 70.060 | -60.012 | 10.048 |
| 100.191 | -38.970 | 61.221 | Growth, Highways & Infrastructure | 114.295 | -39.466 | 74.829 |
| 60.060 | -16.729 | 43.331 | Corporate Services | 64.058 | -13.481 | 50.577 |
| 5.957 | -0.223 | 5.734 | Central Resources and Capital Financing | 6.611 | -0.256 | 6.355 |
| 0.579 | 0.058 | 0.637 | Pension IAS 19 Costs | 0.620 | 0.000 | 0.620 |
| 150.264 | -120.628 | 29.636 | Other Services | 169.066 | -137.280 | 31.786 |
| 0.000 | 0.000 | 0.000 | Share of operating results of Joint Venture | 0.029 | 0.000 | 0.029 |
| 1,267.565 | -647.599 | 619.966 | Net cost of services/Total Continuing Operations | 1,382.553 | -672.974 | 709.579 |
| 12.251 | -0.826 | 11.425 | Other Operating Expenditure | G1 3.732 | -0.311 | 3.421 |
| 54.367 | -1.150 | 53.217 | Financing and Investment Income and Expenditure | G2 36.953 | -1.428 | 35.525 |
| 0.000 | -661.112 | -661.112 | Taxation and Non-Specific Grant Income | G3 0.000 | -656.654 | -656.654 |
| 1,334.183 | -1,310.687 | 23.496 | Deficit on Provision of Services | 1,423.238 | -1,331.367 | 91.871 |
| | | -0.273 | Tax expenses of Subsidiaries | | | 0.000 |
| | | 23.223 | Group Surplus (-) / Deficit | | | 91.871 |
| | | -3.583 | Surplus on revaluation & restatements of Property Plant and Equipment assets | | | -14.168 |
| | | -299.698 | Remeasurement of the net defined benefit liability | | | -525.607 |
| | | -303.281 | Other Comprehensive Income and Expenditure | | | -539.775 |
| | | -280.058 | Total Comprehensive Income and Expenditure | | | -447.904 |
| | | | Comprehensive Income and Expenditure attributable to Non-Controlling Interests* | | | -1.079 |

*Included within the Group statements are companies formed as Joint Ventures or where the Council or its subsidiaries do not hold 100% of the shareholding within the company. These minority interests (Non-Controlling Interests) are entitled to a share of the results of those companies.

Group Accounts – Movement in Reserves Statement

| | Council's Usable Reserves | Suffolk Group Usable Reserves | Total Group Usable Reserves | Council's Unusable Reserves | Suffolk Group Unusable Reserves | Total Group Unusable Reserves | Total Group Reserves |
|--|---------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------------|-------------------------------|----------------------|
| | £ million | £ million | £ million | £ million | £ million | £ million | £ million |
| Balance at 31 March 2021 | 253.149 | 5.981 | 259.130 | -303.589 | 0.598 | -302.991 | -43.861 |
| <u>Movement in Reserves during 2021 - 2022</u> | | | | | | | |
| Group Surplus or Deficit (-) | 5.214 | -28.437 | -23.223 | 0.000 | 0.000 | 0.000 | -23.223 |
| Other comprehensive income and expenditure | 0.000 | 0.000 | 0.000 | 303.268 | 0.013 | 303.281 | 303.281 |
| Total comprehensive income and expenditure | 5.214 | -28.437 | -23.223 | 303.268 | 0.013 | 303.281 | 280.058 |
| Adjustments between Group Accounts and Council Accounts* | -30.514 | 30.514 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Adjustments between accounting basis and funding basis under regulations | 14.636 | 0.000 | 14.636 | -14.636 | 0.000 | -14.636 | 0.000 |
| Increase / Decrease (-) in year | -10.664 | 2.077 | -8.587 | 288.632 | 0.013 | 288.645 | 280.058 |
| Transfers to/from (-) Earmarked Reserves | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Balance at 31 March 2022 | 242.485 | 8.058 | 250.543 | -14.956 | 0.611 | -14.346 | 236.197 |
| Adjustment for Suffolk Group Final Accounts | 0.000 | 0.545 | 0.545 | 0.000 | 0.000 | 0.000 | 0.545 |
| <u>Movement in Reserves during 2022 - 2023</u> | | | | | | | |
| Group Surplus or Deficit (-) | -60.843 | -31.028 | -91.871 | 0.000 | 0.000 | 0.000 | -91.871 |
| Other comprehensive income and expenditure | 0.000 | 0.000 | 0.000 | 539.775 | 0.000 | 539.775 | 539.775 |
| Total comprehensive income and expenditure | -60.843 | -31.028 | -91.871 | 539.775 | 0.000 | 539.775 | 447.904 |
| Adjustments between Group Accounts and Council Accounts* | -29.125 | 29.125 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Net increase / decrease (-) before transfers | -89.968 | -1.903 | -91.871 | 539.775 | 0.000 | 539.775 | 447.904 |
| Adjustments between accounting basis and funding basis under regulations | 42.237 | 0.000 | 42.237 | -42.237 | 0.000 | -42.237 | 0.000 |
| Increase / Decrease (-) in year | -47.731 | -1.903 | -49.634 | 497.538 | 0.000 | 497.538 | 447.904 |
| Transfers to/from (-) Earmarked Reserves | | | 0.000 | | | 0.000 | 0.000 |
| Total Reserves in the Movements in Reserves statement | 194.754 | 6.700 | 201.454 | 482.583 | 0.611 | 483.192 | 684.646 |
| Minority Interest's share of reserves of subsidiaries | | 0.000 | 0.000 | | | 0.000 | 0.000 |
| Balance at 31 March 2023 | 194.754 | 6.700 | 201.454 | 482.583 | 0.611 | 483.192 | 684.646 |

* These adjustments primarily relate to the purchase of goods and services between the Council and its subsidiary companies. There is also an adjustment to the opening balance to account for adjustments made following the audit of Suffolk Group Holdings Accounts.

Group Accounts – Balance Sheet

31 March 2022

31 March 2023

| <u>£ million</u> | | <u>Notes</u> | <u>£ million</u> |
|-------------------|---|--------------|------------------|
| 1,534.880 | Property, Plant and Equipment | G4 | 1,608.103 |
| 9.094 | Intangible Assets | | 6.747 |
| 0.850 | Heritage Assets | | 0.878 |
| 0.588 | Long-term Investments | G5 | 0.000 |
| 23.294 | Long-term Debtors | G6 | 19.406 |
| 0.000 | Asset related to Defined Benefit Pension Scheme | | 11.504 |
| 1,568.706 | Total Long Term Assets | | 1,646.638 |
| 57.375 | Short Term Investments | | 44.631 |
| 5.749 | Assets held for sale | | 2.710 |
| 0.845 | Inventories | | 0.927 |
| 124.045 | Short Term Debtors | G7 | 153.490 |
| 15.030 | Cash and Cash Equivalents | G8 | 12.132 |
| 203.044 | Current Assets | | 213.890 |
| -105.832 | Short Term Borrowing | | -201.551 |
| -208.345 | Short Term Creditors | G9 | -208.543 |
| -2.701 | PFI Liability | | -2.474 |
| -4.755 | Donated Asset Account | | -4.755 |
| -9.169 | Provisions | | -8.368 |
| -330.802 | Current Liabilities | | -425.691 |
| -4.061 | Provisions | | -4.106 |
| -361.088 | Long Term Borrowing | | -354.849 |
| -34.955 | Other Long Term Liabilities | G10 | -40.251 |
| -37.274 | PFI Liability | | -34.800 |
| -80.840 | Donated Asset Account | | -76.085 |
| -667.318 | Liability related to defined benefit pension scheme | | -207.600 |
| -19.539 | Capital Grants Receipts in Advance | | -32.500 |
| -1,205.075 | Long Term Liabilities | | -750.191 |
| 235.873 | Net Assets / Liabilities (-) | | 684.646 |
| 250.219 | Usable Reserves | | 201.454 |
| -14.346 | Unusable Reserves | | 483.192 |
| 235.873 | Total Reserves | | 684.646 |

Group Accounts – Cash-flow statement

| 2021 - 2022 | | | 2022 - 2023 |
|------------------|--|--------------|------------------|
| <u>£ million</u> | | <u>Notes</u> | <u>£ million</u> |
| 23.223 | Net surplus (-) or deficit on the provision of services | | 91.871 |
| -89.757 | Adjust net surplus or deficit on the provision of services for non cash movements | G11 | -91.824 |
| 86.546 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | G11 | 63.117 |
| <u>20.012</u> | Net cash flows from Operating Activities | | <u>63.164</u> |
| -2.382 | Investing Activities | G12 | 18.754 |
| -18.410 | Financing Activities | G13 | -79.020 |
| <u>-0.780</u> | Net increase (-) or decrease in cash and cash equivalents | | <u>2.898</u> |
| -13.278 | Cash and cash equivalents at the beginning of the reporting period | | -15.030 |
| -0.972 | Adjustment for Group Assets reclassified as Cash and Cash equivalents from 2020-2021 Accounts | | 0.000 |
| <u>-15.030</u> | Cash and cash equivalents at the end of the reporting period | | <u>-12.132</u> |

Group Accounts

Notes to the Group Accounts

Where added value is provided, additional disclosures are presented below in respect of the Group Accounts. These are referenced with a **G** and can be referred to against the main statements of the Group Accounts on pages 100 to 103.

Where there are no changes to values from the accounts of Suffolk County Council then no additional notes have been prepared as these are referred to in the notes in the single entity accounts.

G1. Other Operating Expenditure

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--|--|--|
| 0.808 | Payments to the Environment Agency | 0.839 |
| 0.472 | Payments to the Eastern Inshore Fisheries and Conservation Authority | 0.480 |
| -7.992 | Gains/losses on trading operations | -0.401 |
| 18.136 | Gains/losses on the disposal of non current assets | 2.503 |
| <u>11.424</u> | Total | <u>3.421</u> |

G2. Financing and Investment Income and Expenditure

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--|---|--|
| 35.910 | Interest payable and similar charges | 17.532 |
| 18.457 | Net Interest on the net defined benefit liability | 18.539 |
| -0.271 | Interest receivable and similar income | -1.128 |
| -0.070 | Other investment income - dividends receivable | -0.300 |
| -0.810 | Impairment Gains (-)/ Losses | 0.882 |
| <u>53.216</u> | Total | <u>35.525</u> |

G3. Taxation and Non-Specific Grant Income

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--|----------------------------------|--|
| -361.330 | Council Tax Income | -376.739 |
| -117.106 | Non domestic rates | -125.032 |
| -92.159 | Non-ringfenced government grants | -91.315 |
| -7.135 | Donated Assets | -5.220 |
| -83.382 | Capital grant and contributions | -58.348 |
| <u>-661.112</u> | Total | <u>-656.654</u> |

Group Accounts

G4. Property, Plant and Equipment

| | Other Land and Buildings £ million | Vehicles Plant and Equipment £ million | Surplus Assets £ million | Assets Under Construct ion £ million | Other Property, Plant & Equipment £ million | Infrastructure Assets (NBV) £ million | Total Property, Plant & Equipment (NBV) £ million |
|---|---|---|--------------------------------|--|---|---|--|
| 2021 - 2022 | | | | | | | |
| Suffolk County Council | | | | | | | |
| Cost or Valuation at 31 March 2022 | 790.499 | 50.334 | 20.133 | 57.893 | 918.860 | | |
| Accumulated Depreciation at 31 March 2022 | 25.063 | 32.849 | 0.070 | 0.000 | 57.982 | | |
| Net Book Value at 31 March 2022 | 765.436 | 17.485 | 20.063 | 57.893 | 860.878 | 668.576 | 1,529.454 |
| Suffolk Group Holdings | | | | | | | |
| Cost or Valuation at 31 March 2022 | 3.570 | 5.662 | | | 9.232 | | |
| Accumulated Depreciation at 31 March 2022 | 0.411 | 3.395 | | | 3.806 | | |
| Net Book Value at 31 March 2022 | 3.159 | 2.267 | 0.000 | 0.000 | 5.426 | 0.000 | 5.426 |
| Group | | | | | | | |
| Cost or Valuation at 31 March 2022 | 794.069 | 55.996 | 20.133 | 57.893 | 928.092 | | |
| Accumulated Depreciation at 31 March 2022 | 25.474 | 36.244 | 0.070 | 0.000 | 61.788 | | |
| Net Book Value at 31 March 2022 | 768.595 | 19.752 | 20.063 | 57.893 | 866.304 | 668.576 | 1,534.880 |
| 2022 - 2023 | | | | | | | |
| Suffolk County Council | | | | | | | |
| Cost or Valuation at 31 March 2023 | 810.851 | 49.987 | 18.406 | 90.335 | 969.579 | | |
| Accumulated Depreciation at 31 March 2023 | 30.217 | 32.778 | 0.065 | 0.000 | 63.060 | | |
| Net Book Value at 31 March 2023 | 780.634 | 17.209 | 18.341 | 90.335 | 906.519 | 693.568 | 1,600.087 |
| Suffolk Group Holdings | | | | | | | |
| Cost or Valuation at 31 March 2023 | 3.987 | 8.413 | | | 12.400 | | |
| Accumulated Depreciation at 31 March 2023 | 0.438 | 3.946 | | | 4.384 | | |
| Net Book Value at 31 March 2023 | 3.549 | 4.467 | 0.000 | 0.000 | 8.016 | 0.000 | 8.016 |
| Group | | | | | | | |
| Cost or Valuation at 31 March 2023 | 814.838 | 58.400 | 18.406 | 90.335 | 981.979 | | |
| Accumulated Depreciation at 31 March 2023 | 30.655 | 36.724 | 0.065 | 0.000 | 67.444 | | |
| Net Book Value at 31 March 2023 | 784.183 | 21.676 | 18.341 | 90.335 | 914.535 | 693.568 | 1,608.103 |

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

G5. Long-term Investments

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|--|----------------------------|
| 0.000 | Long Term Investments per Suffolk County Council | 0.000 |
| 0.000 | Less Investment in Group Companies | 0.000 |
| 0.588 | Group Investments | 0.000 |
| 0.588 | Total | 0.000 |

Group Accounts

G6. Long-term Debtors

| 31 March 2022 | | 31 March 2023 | |
|---------------|---|---------------|--|
| £ million | | £ million | |
| 24.584 | Long-term Debtors per Suffolk County Council | 19.243 | |
| -1.715 | Less Loan between Suffolk County Council and subsidiaries | 0.000 | |
| 0.425 | Add Group Long-term Debtors | 0.163 | |
| 23.294 | Total | 19.406 | |

G7. Short Term Debtors

| 31 March 2022 | | 31 March 2023 | |
|----------------|---|----------------|--|
| £ million | | £ million | |
| 24.026 | Central government bodies | 19.004 | |
| 8.467 | Other local authorities | 16.407 | |
| 15.615 | NHS bodies | 26.875 | |
| 45.904 | Other entities and individuals | 57.550 | |
| 14.452 | Council Tax receivable from ratepayers | 12.920 | |
| 0.514 | Business Rates receivable from ratepayers | 0.651 | |
| 108.978 | Total | 133.407 | |
| 19.411 | Group companies | 24.551 | |
| -4.344 | Less intra-Group debtors | -4.468 | |
| 124.044 | Group Total | 153.490 | |

G8. Cash and Cash Equivalents

| 31 March 2022 | | 31 March 2023 | |
|---------------|---|---------------|--|
| £ million | | £ million | |
| 1.783 | Cash held by the Authority Bank current accounts | 1.639 | |
| 1.783 | Total | 1.639 | |
| 13.248 | Group Cash and Bank Balances | 10.493 | |
| 15.031 | Total Group Cash Total | 12.132 | |

Group Accounts

G9. Short Term Creditors

| 31 March 2022 | | 31 March 2023 |
|------------------|--------------------------------------|------------------|
| £ million | | £ million |
| -25.790 | Central government bodies | -31.510 |
| -15.338 | Other local authorities | -23.016 |
| -23.130 | NHS bodies | -28.052 |
| -102.465 | Other entities and individuals | -85.543 |
| -6.988 | Council Tax payable to ratepayers | -7.940 |
| -5.549 | Business Rates payable to ratepayers | -3.048 |
| -179.260 | Total | -179.109 |
| | | |
| -33.578 | Suffolk Group | -33.902 |
| 4.493 | Less intra-Group creditors | 4.468 |
| -208.345 | Group Total | -208.543 |

G10. Other Long Term Liabilities

| 31 March 2022 | | 31 March 2023 |
|------------------|--|------------------|
| £ million | | £ million |
| -34.767 | Suffolk County Council Long Term Liabilities | -38.103 |
| -0.188 | Suffolk Group Long Term Liabilities | -2.148 |
| -34.955 | Total | -40.251 |

Group Accounts

G11. Operating Activities

The cashflows for operating activities include the following items:

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|--|--------------------------|
| -51.915 | Depreciation | -54.910 |
| 12.493 | Impairment and downward revaluations | -13.024 |
| -0.936 | Increase/decrease (-) in impairment for bad debts | -0.540 |
| 31.888 | Increase (-) / decrease in creditors | 12.874 |
| -12.809 | Increase/decrease (-) in debtors | 19.905 |
| 0.192 | Increase/decrease (-) in inventories | 0.082 |
| -61.734 | Movement in pension liabilities | -54.385 |
| -14.417 | Carrying amount of non current assets and non current assets held for sale, sold or de-recognised | -7.360 |
| 7.481 | Other non cash items charged to the net surplus or deficit on the provision of services | 5.534 |
| -89.757 | Total | -91.824 |
| | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4.870 |
| 3.307 | Any other items for which the cash effects are investing or financing cashflows | 58.247 |
| 83.238 | | 63.117 |
| 86.546 | Total | 63.117 |

Group Accounts

G12. Investing Activities

| 2021 - 2022 | | 2022 - 2023 |
|---------------|---|---------------|
| £ million | | £ million |
| 110.001 | Purchase of property, plant and equipment and intangible assets | 125.594 |
| 741.809 | Purchase of short-term and long-term investments | 757.787 |
| -3.307 | Proceeds from the sale of property, plant and equipment | -4.870 |
| -744.416 | Proceeds from short-term and long-term activities | -769.845 |
| -106.469 | Other receipts from investing activities | -89.912 |
| -2.382 | Net cash flows from investing activities | 18.754 |

G13. Financing Activities

| 2021 - 2022 | | 2022 - 2023 |
|----------------|--|----------------|
| £ million | | £ million |
| -153.243 | Cash receipts of short and long term borrowings | -243.033 |
| 0.000 | Other cash receipts from financing activities | 0.000 |
| 3.585 | Cash payments for the reduction of the outstanding liabilities relating to PFI contracts | 3.763 |
| 110.567 | Repayments of short-term and long-term borrowing | 155.115 |
| 20.681 | Other payments for financing activities | 5.135 |
| -18.410 | Net cash flows from financing activities | -79.020 |

Pension Fund Accounts

This page is blank until the auditors report is issued

Pension Fund Accounts

Pension Fund Accounts

This page is blank until the auditors report is issued

Pension Fund Accounts

This page is blank until the auditors report is issued

Pension Fund Accounts

Fund Account

| 2021 - 2022 £ million | Fund Account | Notes | 2022 - 2023 £ million |
|--------------------------|--|-------|--------------------------|
| | Dealings with members, employers and others directly involved in the scheme | | |
| | Contributions and benefits | | |
| | Contributions receivable: | | |
| | From employers | | |
| 95.305 | Normal | 10 | 101.751 |
| 3.010 | Additional | 10 | 2.922 |
| 1.318 | Other | 10 | 0.830 |
| | From members | | |
| 25.389 | Normal | 10 | 28.055 |
| | Transfers In | | |
| 6.940 | Individual transfers in from other schemes | | 10.571 |
| 3.685 | Group transfers in from other schemes | | 0.000 |
| | Benefits payable: | | |
| -89.790 | Pensions | 10 | -94.180 |
| -13.418 | Commutations of pensions and lump sum retirement benefits | 10 | -15.246 |
| -2.748 | Lump sum death benefits | 10 | -1.910 |
| | Payments to and on account of leavers: | | |
| -0.631 | Refunds of Contributions | | -0.371 |
| -7.030 | Individual transfers out to other schemes | | -5.930 |
| 22.030 | Net additions (withdrawals) from dealings with members | | 26.492 |
| -14.247 | Management Expenses | 11 | -17.562 |
| 7.783 | Net additions (withdrawals) including management expenses | | 8.930 |
| | Returns on investments | | |
| | Investment income | | |
| 1.258 | Dividends from equities | | 0.000 |
| 8.451 | Income from Pooled Investment Vehicles - Property | | 10.839 |
| 0.891 | Income from Pooled Investment Vehicles - Private Equity | | 0.959 |
| 24.711 | Income from Other Pooled Investment Vehicles | | 45.019 |
| 0.014 | Interest on Cash Deposits | | 0.838 |
| 0.069 | Other | | 0.001 |
| -0.002 | Taxes on Income | | 0.000 |
| 314.837 | Change in market value of investments | | -76.770 |
| 350.229 | Net returns on investments | | -19.114 |
| 358.012 | Net increase, or (decrease), in the fund during the year | | -10.184 |
| 3,398.416 | Opening net assets of the scheme | | 3,756.428 |
| 3,756.428 | Closing net assets of the scheme | | 3,746.244 |

Pension Fund Accounts

Net Asset Statement

| 2021 - 2022 £ million | Net asset statement | Notes | 2022 - 2023 £ million |
|----------------------------|----------------------------------|-------|--------------------------|
| Investment assets | | | |
| Pooled Investment Vehicles | | | |
| 813.781 | Equities | 13,14 | 827.302 |
| 765.601 | Fixed Income | 13,14 | 776.447 |
| 1,030.112 | Unit linked insurance policies | 13,14 | 1,006.746 |
| 343.274 | Property unit trust | 13,14 | 296.809 |
| 787.962 | Other Managed Funds | 13,14 | 821.792 |
| Other Investment Balance | | | |
| 5.145 | Cash [held for investment] | 13 | 0.709 |
| <u>3,745.875</u> | Total investments | | <u>3,729.805</u> |
| Current assets | | | |
| 12.761 | Debtors | 22 | 14.286 |
| 5.815 | Cash Deposits | 19d | 7.061 |
| 0.184 | Cash at Bank | 19d | 0.022 |
| 18.760 | Total current assets | | 21.369 |
| Current liabilities | | | |
| -8.207 | Creditors | 23 | -4.930 |
| -8.207 | Total current liabilities | | -4.930 |
| <u>10.553</u> | Net current assets | | <u>16.439</u> |
| <u>3,756.428</u> | Net assets | | <u>3,746.244</u> |

Notes

Fixed Income has been shown as a separate asset for 2022 – 2023. This had previously been included within Other Managed Funds. 2021 – 2022 has been changed to reflect the new presentation.

Pension Fund Accounts

Notes to the Accounts

1. Description of the Fund

The Suffolk Pension Fund is administered by Suffolk County Council. It is a contributory defined benefit scheme established by the Superannuation Act 1972 and governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

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

The Fund provides retirement benefits for employees who are members of the Local Government Pension Scheme (LGPS).

Organisations participating in the Suffolk County Council Pension Fund include:

- Scheduled bodies - local authorities, district and borough councils and other similar bodies such as academies whose staff are automatically entitled to be members of the Fund
- Admitted bodies - voluntary and charitable bodies or private contractors undertaking a local authority function
- Resolution bodies - town and parish councils who formally pass a resolution designating staff to be eligible to join the LGPS.

There are 352 employer organisations with active members within the Scheme as at 31 March 2023, an increase of 21 from the previous year total of 331. Teachers, Firefighters and NHS staff have their own pension schemes and are not included in the Fund.

The Fund has the following number of members and pensioners:

| 31 March 2022 | | 31 March 2023 | |
|--|-----------------|---------------|--|
| Number of Employees in the Scheme | | | |
| 7,701 | County Council | 7,973 | |
| 14,578 | Other Employers | 14,500 | |
| 22,279 | Total | 22,473 | |
| Number of Pensioners | | | |
| 9,918 | County Council | 10,247 | |
| 8,492 | Other Employers | 8,918 | |
| 18,410 | Total | 19,165 | |
| Number of Deferred Members | | | |
| 15,542 | County Council | 14,777 | |
| 15,610 | Other Employers | 16,164 | |
| 31,152 | Total | 30,941 | |

Pension Fund Accounts

Funding

Benefits are funded by contributions and investment earnings. Employers' contributions are set based on the triennial actuarial funding valuation in March 2019 for the contributions paid in 2022 – 2023. Employees contributions are paid in line with the LGPS Regulations 2013.

Benefits

Prior to 1 April 2014 pension benefits are based on final pensionable pay and length of service. From 1 April 2014, the scheme became a career average scheme with members accruing benefits based on their current annual pensionable pay at an accrual rate of 1/49th.

2. Events after the Balance Sheet Date

There has been no event between 31 March 2023 and the date when these accounts were authorised for issue that requires any adjustments to these accounts.

3. Significant Changes to the Fund

As part of its annual asset allocation review, the Committee at its meeting on 31 March 2022, agreed to transfer its UBS RAFI All World holding into the UBS RAFI Global Low Carbon Transition Fund, to further reduce the carbon intensity of the equity portfolio. This transfer was implemented during March 2023.

At its meeting on 23 November 2022, the Pension Fund Committee ratified a commitment of £75 million to the Partners Group Multi Asset Credit Fund VII. The first capital call is expected at the end of 2023.

In response to the Government's requirement for the LGPS to pool their assets with Local Government Pension Funds, the Suffolk Pension Fund joined ACCESS (A Collaboration of Central, Eastern and Southern Shires) alongside Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire and West Sussex. The Funds are working together to collectively invest assets in order to significantly reduce investment costs whilst maintaining investment performance.

ACCESS appointed Link Fund Solutions Ltd to establish and operate its authorised contractual scheme and are responsible for the creation of investment sub-funds and the appointment of managers to those sub-funds.

The Pension Fund Committee made a decision at its meeting on 23 September 2022, to disinvest from the Blackrock Fixed Income Fund and to invest the proceeds into the ACCESS Janus Henderson Fixed Income sub-fund. The first tranche of £200m was invested on 30 November 2022, with the final balance of £168 million invested on 31 January 2023.

Suffolk Pension Fund has £2.610 billion invested within the ACCESS Pool (£2.230 billion 31 March 2022), which represents 70% of the Fund's investment assets (60%, 31 March 2022)

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund's transactions for the 2022 - 2023 financial year and its position as at 31 March 2023.

These accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in United Kingdom 2022 - 2023', which is based upon International Financial Reporting Standards (IFRS).

The accounts do not take into account obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 26) basis, is disclosed in Note 21 of these accounts.

5. Going Concern Statement

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Pension Fund Accounts

In carrying out its assessment that this basis is appropriate, made to 31 May 2023, management of the Pension Fund have considered the additional qualitative and quantitative key requirements:

The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services.

The Fund is cashflow positive meaning that the contributions received from the employers and members of the scheme exceed the benefits amount paid out. All employers within the fund are paying contributions as per the rates and adjustment certificate.

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary carried out a valuation during 2022 - 2023. The Fund's assets were valued at £3,756 million, with liabilities of £3,522 million resulting in a funding level of 107%.

The improved funding position has resulted in many Employers paying lower contribution rates from 1 April 2023 which will reduce the income from contributions over the next 3 years. The Fund has forecast a positive cashflow for 2023 - 2024 and a negative cashflow of £3 million for 2024 - 2025, which can be met through surplus cash in the form of income from investments.

The Pension Fund has not utilised any borrowing during the 2022 - 2023 financial year or within the 2023 - 2024 year to date.

The Pension Fund has an allocation of 42% to equities, 26% to fixed income and 0.5% to cash, which are assets that could be liquidated to pay benefits should the need arise.

On this basis, the Pension Fund has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, the Pension Fund continues to adopt the going concern basis in preparing these financial statements.

6. Summary of Significant Accounting Policies

6.1 Fund Account - Revenue Recognition

Contribution Income

Normal contributions from members and employers are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employers' secondary rate contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out of the scheme are accounted for when they have been received/paid, which is when the member's liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included within transfers in.

Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

Investment income may include withholding tax which is disclosed as a separate item (taxes on income) on the face of the Fund Account. Investment income arising from the underlying investments of Pooled Investment

Pension Fund Accounts

Vehicles is reinvested in the vehicle and reflected in the unit price.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Income from cash and other investments are accounted for on an accrual's basis.

Distributions from pooled funds are recognised at the date of issue and any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current financial asset.

Movement in the Market Value of Investments

Movement in the net market value of investments is recognised as a realised or unrealised, gain or loss, during the year.

6.2 Fund Account - Expenditure

Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Asset Statement as a current financial liability.

Taxation

The Fund is a registered public service pension scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and is exempt from UK income tax on interest received and capital gains tax on proceeds of investments sold.

Income from overseas investments is subject to withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense.

Management Expenses

All management expenses are accounted for on an accrual's basis.

i) Administration Expenses and Oversight and Governance Expenses

Suffolk County Council staff costs are charged to the Pension Fund based on time spent. Accommodation and other overhead costs have also been apportioned.

ii) Investment Management Expenses

Investment management fees and performance fees are agreed in the respective mandates governing their appointment. These fees are based on the market value of the investments under management and therefore increase or decrease as the value of the investments change.

Transaction costs and custody fees are included in investment management expenses.

6.3 Net Asset Statement

Financial Assets

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. A financial asset is recognised on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses arising from changes in the fair value from this date are recognised by the Fund.

The value of investments has been determined as follows:

Market Quoted Investments

Managed Funds are valued using the bid market price on 31 March 2023.

Property

Property is valued using the latest available Net Asset Value (NAV) or where a NAV is not available, assumptions based on the probable realisation value.

Pension Fund Accounts

Unquoted Pooled Investment Vehicles

Unquoted Securities include pooled investments in Infrastructure, Illiquid Debt, Private Equity and Timberlands. Market quotations are not readily available. The value is based on the Fund's share of the net asset using the latest financial statements received from the respective fund manager and adjusted for capital calls and distributions received from that date to 31 March 2023.

Quoted Pooled Investment Vehicles

Pooled Investment Vehicles are valued at the closing bid price or at the closing single price, as available. The change in market value of accumulation funds includes income which is reinvested in the Fund net of applicable withholding tax.

Foreign Currency Transactions

Investments and cash held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2023.

Derivatives

Derivative financial instruments are used to manage exposure to specific risks arising from investment activities and are not held for speculative purposes. Derivative contract assets are valued at bid price and liabilities are valued at offer price. Changes in the fair value are included in the change in market value.

Forward Foreign Exchange Contracts outstanding at the year-end are stated at fair value, which is determined as the loss or gain that would arise if the outstanding contract was required to be settled on 31 March 2023.

Cash and Cash Equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Bank balances and cash held by the Pension Fund at 31 March 2023 are therefore cash equivalent sums. For short term investments there are no strict criteria to follow relating to the nature and maturity of these items.

The Pension Fund holds short term investments in Money Market Funds for the purpose of obtaining a gain or return.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Pension Fund Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Pension Fund Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Pension Fund Accounts.

Additional Voluntary Contributions

The Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2009/3093) but are disclosed as a note.

Actuarial Present Value of Promised Retirement Benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement.

7. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2022 – 2023 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted and applies to the adoption of the following disclosures as amended in the 2023 - 2024 code:

- IFRS 3 – Updating reference to the conceptual framework
- IFRS 16 - Leases
- IAS 1 – Disclosure of Accounting Policies
- IAS 8 – Definition of accounting estimates
- IAS 12 – Deferred Tax

The code requires implementation of the above disclosure from 1 April 2023. These changes are not considered to have a material effect on the Pension Fund accounts of 2022 - 2023.

8. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 6, the Pension Fund has to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement that the Pension Fund must consider is the Pension Fund actuarial liability.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 20 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

The methodology used in calculating the Pension Fund's liability, in conjunction with the Fund's investment strategy means that the surplus or deficit can vary significantly over short periods of time, whilst the underlying funding strategy is based on a much longer timeline that smooths out the effects of the extreme market volatility.

9. Assumptions made about the Future and other Sources of Estimation Uncertainty

The Pension Fund Accounts contain 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, the nature of estimation means that actual outcomes could differ from those estimates and there is a risk that these investments may be under or overstated in the accounts. An analysis of the potential market movement range for these holdings is set out in Note 19f.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Actuarial Present Value of Promised Retirement Benefits

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, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries, Hymans Robertson LLP are engaged to provide the Fund with expert advice about the assumptions to be applied.

Property

Pooled property investment vehicles are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

The property investment held with Schroders at 31 March 2023 is £296.809 million.

Private Equity

Private Equity investments are valued at fair value in accordance with IFRS and British Venture Capital Association guidelines. Both Pantheon and Wilshire have established procedures to report fair value on a

Pension Fund Accounts

consistent, transparent and prudent basis. These investments are illiquid and are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The unquoted Private Equity investments at 31 March 2023 are £123.095 million with Pantheon and £7.955 million with Wilshire.

Infrastructure

Infrastructure investments are valued through a fair market value process designed in accordance with IFRS. These investments are not publicly listed and as such there is a high degree of estimation involved in the valuation.

The Infrastructure investments held with Partners, M&G, KKR and JP Morgan at 31 March 2023 are £56.290 million, £67.502 million, £25.756 million and £218.866 million respectively.

Illiquid Debt

Illiquid Debt is valued by a valuation agent who will use an independent pricing source to value most loans at market value or a probable realisation valuation method if market quotations are not readily available. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Illiquid Debt is held with M&G and includes the Debt Opportunity investments, the Illiquid Credit Opportunity Fund and the Debt Solutions Fund totalling £31.312 million and a Multi Asset Credit Fund held with Partners Group valued at £75.056 million as at 31 March 2023.

Timber

The Timber investment is a limited liability partnership investment in large-scale high-quality timber assets. The fair value is determined on at least an annual basis with a valuation review performed on a quarterly basis to assess whether there is evidence of a significant change in the investment fundamentals that warrant a change in the fair value. The manager may utilise independent valuations to confirm the reasonableness of internally prepared valuations.

Fair values will be based on comparable purchase and sale transactions, or other accepted valuation techniques that include the discounted cash flow and multiple of earnings approach. Separate appraisals for timber are obtained from independent qualified appraisers at least once every three years or more frequently as required.

The Timber investment at 31 March 2023 is £0.235 million.

Pension Fund Accounts

10. Contributions Received and Benefits Paid during the Year

| 2021 - 2022 | | | | 2022 -2023 | | |
|---------------------------------------|---------------------------------------|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------------------|
| Employers' Contributions £ million | Employees' Contributions £ million | Benefits Paid £ million | | Employers' Contributions £ million | Employees' Contributions £ million | Benefits Paid £ million |
| 36.920 | 9.984 | -48.156 | Suffolk County Council | 39.428 | 11.171 | -51.584 |
| 59.733 | 14.567 | -52.687 | Other Scheduled and Resolution Bodies | 63.506 | 16.103 | -56.766 |
| 2.980 | 0.838 | -5.113 | Admitted Bodies | 2.569 | 0.781 | -2.986 |
| <u>99.633</u> | <u>25.389</u> | <u>-105.956</u> | Total | <u>105.503</u> | <u>28.055</u> | <u>-111.336</u> |

Employer contributions are made up of two elements:

- The primary rate which is the level sufficient to cover all new benefits
- The secondary rate which are the costs associated with sufficiently funding benefits accrued up to the valuation date.

Included within the employer normal contributions of £101.751 million shown in the Fund account, is an amount of £3.929 million which represents the secondary rate paid within the employers' percentage (£4.411 million in 2021 - 2022).

The additional employer contribution identified separately on the Fund account of £2.922 million (£3.010 million in 2021 - 2022), refers to those employers funding their secondary rate by means of lump sum payments.

The Fund undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three-year period. 2022 - 2023 was the third year in the three-year period following the 31 March 2019 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

11. Management Expenses

| 2021 - 2022 £ million | | 2022 - 2023 £ million |
|--------------------------|--------------------------------|--------------------------|
| 12.286 | Investment Management Expenses | 15.449 |
| 1.383 | Administration Expenses | 1.429 |
| 0.578 | Oversight and Governance Costs | 0.684 |
| <u>14.247</u> | | <u>17.562</u> |

Management expenses are categorised into investment management expenses, administration expenses and oversight and governance costs in accordance with the CIPFA guidance to Accounting for Local Government Pension Scheme Management Costs.

Administration Expenses includes costs associated with members, pensioners and scheme employers. This would include all activities associated with pension administration - staff costs, IT, membership fees and subscriptions.

Oversight and Governance Costs includes costs incurred in the monitoring of investments, investment advisory services, independent advisors, support to the Pension Fund Committee and Pension Board, costs associated

Pension Fund Accounts

with the production of statutory and non-statutory reporting, legal services, actuarial services, audit services and accountancy services.

External audit fees charged by Ernst & Young for 2022 - 2023 were £0.028 million, (£0.019 million 2021 - 2022). The external fee is subject to change, depending on additional charges which may be made by the external auditors on high-risk areas. £0.015 million has been accrued for additional work for 2022 - 2023.

Ernst & Young will charge an additional amount to respond to IAS 19 assurance requests for 2022 - 2023. £0.016 million was charged in 2022 - 2023, for the work completed for the 2020 - 2021 and 2021 - 2022 accounts. This has been charged to the employers who have requested this assurance.

£0.012 million has been received from the Department for Levelling Up, Housing and Communities to support the implementation of the Redmond Review recommendations, to meet the anticipated rise in fees for the 2022 - 2023 audits driven by new audit requirements.

Investment management expenses include costs that are incurred in association with the management of the Pension Fund assets and financial instruments whether directly invoiced to the fund or deducted from the fund assets. This includes management fees, performance fees and investment transaction costs as below:

| 2021 - 2022 | Management Fees £ million | Performance Fees £ million | Transaction Costs £ million | Total £ million |
|---|--|---|--|----------------------------|
| Assets | | | | |
| UK Equities | 0.076 | 2.021 | 0.039 | 2.136 |
| Pooled Investments | | | | |
| Equities | 0.165 | | | 0.165 |
| Unit Linked Insurance Policies | 0.480 | | | 0.480 |
| Fixed Income | 2.808 | | 0.073 | 2.881 |
| Property | 0.322 | | 0.003 | 0.324 |
| Absolute Returns | 0.771 | | | 0.771 |
| Private Equity | 0.363 | 0.001 | | 0.364 |
| Infrastructure | 2.544 | 2.344 | | 4.887 |
| Illiquid Debt | 0.177 | | | 0.177 |
| Timberlands | 0.070 | | | 0.070 |
| Total Investment Expenses | 7.776 | 4.365 | 0.114 | 12.255 |
| Custody | 0.031 | | | 0.031 |
| Total Investment Management Expenses | 7.807 | 4.365 | 0.114 | 12.286 |

Pension Fund Accounts

| 2022 - 2023 | Management Fees £ million | Performance Fees £ million | Transaction Costs £ million | Total £ million |
|---|------------------------------|-------------------------------|--------------------------------|--------------------|
| Assets | | | | |
| UK Equities | | 0.749 | | 0.749 |
| Pooled Investments | | | | |
| Equities | 0.285 | | | 0.285 |
| Unit Linked Insurance Policies | 0.459 | | | 0.459 |
| Fixed Income | 1.294 | | 2.149 | 3.443 |
| Property | 0.880 | | 0.023 | 0.903 |
| Absolute Returns | 0.669 | | | 0.669 |
| Private Equity | 2.123 | | | 2.123 |
| Infrastructure | 4.832 | 1.545 | | 6.377 |
| Illiquid Debt | 0.365 | | | 0.365 |
| Timberlands | 0.042 | | | 0.042 |
| Total Investment Expenses | 10.949 | 2.294 | 2.172 | 15.415 |
| Custody | 0.034 | | | 0.034 |
| Total Investment Management Expenses | 10.983 | 2.294 | 2.172 | 15.449 |

12. Analysis of the Market Value of Investments by Investment Manager

| 31 March 2022 | | | 31 March 2023 | |
|--|---------------------------|---|---------------------------|---------------------------|
| Market Value £ million | Percentage of Assets % | | Market Value £ million | Percentage of Assets % |
| Investments managed within the ACCESS Pool | | | | |
| 1,199.76 | 32.07% | Link Fund Solutions | 1,603.749 | 43.00% |
| 1,030.11 | 27.54% | UBS Group | 1,006.746 | 27.00% |
| 2,229.867 | 59.61% | Total within the ACCESS Pool | 2,610.495 | 70.00% |
| Investments managed outside the ACCESS Pool | | | | |
| 379.627 | 10.15% | BlackRock Investment Management | 0.000 | 0.00% |
| 8.010 | 0.21% | Brookfield Asset Management | 0.235 | 0.01% |
| 0.146 | 0.00% | Cambridge Research & Innovation Limited | 0.061 | 0.00% |
| 166.397 | 4.45% | JP Morgan | 218.867 | 5.87% |
| 0.000 | 0.00% | Kolhberg, Kravis, Roberts | 25.756 | 0.69% |
| 95.895 | 2.56% | M&G Investments | 98.813 | 2.65% |
| 24.142 | 0.65% | Northern Trust | 20.420 | 0.55% |
| 167.048 | 4.47% | Pantheon Ventures | 155.435 | 4.17% |
| 121.860 | 3.26% | Partners Group | 131.346 | 3.52% |
| 178.808 | 4.78% | Pyrford International | 140.959 | 3.78% |
| 357.281 | 9.55% | Schroder Property Investment Management | 318.754 | 8.55% |
| 11.649 | 0.31% | Wilshire Associates | 7.955 | 0.21% |
| 1,510.863 | 40.39% | Total outside the ACCESS Pool | 1,118.601 | 30.00% |

The Blackrock Investment Management Fixed Income mandate was disinvested and the proceeds invested into the Janus Henderson Fixed Income mandate held with the ACCESS Pool, which is managed by Link Fund Solutions, as the Authorised Contractual Scheme operator of the Pool. The UBS Group investments are managed within the ACCESS Pool on a pool governance basis.

The Northern Trust holding is the surplus cash invested in money market funds.

Pension Fund Accounts

The Multi Asset Credit mandates with Partners Group, the Infrastructure mandate with Kohlberg, Kravis, Roberts, the Private Equity mandate with Pantheon Ventures Investments and Infracapital Fund with M&G have been funded as investment opportunities are identified by the investment managers. These investments are funded from surplus cash and from the Pyrford International mandate.

The Debt Opportunity mandate with M&G, Private Equity with Wilshire and Infrastructure with Partners Group are mature investments that are returning funds as the investments are realised.

13. Reconciliation of Movements in Investments and Derivatives

| | Opening Market Value 01 April 2021 £ million | Purchases £ million | Sales £ million | Change in Market Value £ million | Closing Market Value 31 March 2022 £ million |
|---|---|---|--|---|---|
| UK Companies | 243.349 | 7.845 | -269.997 | 18.803 | 0.000 |
| Quoted Pooled Investment Vehicles: | | | | | |
| Equities | 501.287 | 306.453 | -35.000 | 41.041 | 813.781 |
| Fixed Income | 772.674 | 440.425 | -390.425 | -7.073 | 765.601 |
| Unit trusts | 25.116 | - | -29.099 | 3.983 | 0.000 |
| Other Managed Funds | 260.096 | 149.914 | -163.680 | 14.184 | 260.514 |
| Unit linked insurance policies | 916.969 | 112.754 | -112.755 | 113.144 | 1,030.112 |
| Unquoted Pooled Investment Vehicles: | | | | | |
| Other Managed Funds | 440.135 | 61.088 | -46.539 | 72.764 | 527.448 |
| Property | 278.112 | 35.216 | -21.475 | 51.421 | 343.274 |
| Total of Investments | 3,387.738 | 1,113.695 | -1,068.970 | 308.267 | 3,740.730 |
| | | | | | |
| | Opening Market Value 01 April 2021 £ million | Movement in Cash Balance £ million | Impairment of Investments £ million | Change in Market Value £ million | Closing Market Value 31 March 2022 £ million |
| Other Investment Balances: | | | | | |
| Cash Held for Investment | -2.437 | 9.179 | - | -1.597 | 5.145 |
| Net Investments | -2.437 | 9.179 | - | -1.597 | 5.145 |

The change in market value of £306.670 million (£308.267 million and -£1.597 million) is £8.167 million lower than the change in market value on the Fund Account of £314.837 million. The difference is caused by indirect management fees of £8.053 million and indirect transaction costs of £0.114 million which are charged against the NAV and not directly to the Fund.

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

Pension Fund Accounts

| | Opening Market Value 31 March 2022 £ million | Purchases £ million | Sales £ million | Change in Market Value £ million | Closing Market Value 31 March 2023 £ million |
|------------------------------------|---|--|---|--|---|
| Quoted | | | | | |
| Pooled Investment Vehicles: | | | | | |
| Equities | 813.781 | 15.513 | - | -1.992 | 827.302 |
| Fixed Income | 765.601 | 384.693 | -368.232 | -5.615 | 776.447 |
| Unit linked insurance policies | 1,030.112 | 15.000 | 0.000 | -38.366 | 1,006.746 |
| Other Managed Funds | 260.514 | 608.432 | -643.357 | -9.925 | 215.664 |
| Unquoted | | | | | |
| Pooled Investment Vehicles: | | | | | |
| Other Managed Funds | 527.448 | 115.660 | -58.407 | 21.427 | 606.128 |
| Property | 343.274 | 31.518 | -26.046 | -51.937 | 296.809 |
| Total of Investments | 3,740.730 | 1,170.816 | -1,096.042 | -86.408 | 3,729.096 |
| | | | | | |
| | Opening Market Value 31 March 2022 £ million | Movement in Cash Balance £ million | Impairment of Investments £ million | Change in Market Value £ million | Closing Market Value 31 March 2023 £ million |
| Other Investment Balances: | | | | | |
| Cash Held for Investment | 5.145 | -4.250 | - | -0.186 | 0.709 |
| Net Investments | 5.145 | -4.250 | - | -0.186 | 0.709 |

The change in market value of -£86.594 million (-£86.408 million and -£0.186 million) is £9.824 million different than the change in market value on the Fund Account of -£76.770 million. The difference is caused by indirect management fees which are charged against the NAV and not directly to the Fund.

The Pooled Investment Vehicles are managed by fund managers registered in the UK.

Pension Fund Accounts

14. Analysis of Investments (excluding Cash and Derivatives)

| Market Value 31 March 2022 | | | Market Value 31 March 2023 | |
|-------------------------------|-------------------------|--|-------------------------------|-------------------------|
| £ million | £ million | | £ million | £ million |
| | | Pooled Investment Vehicles - Quoted | | |
| | 813.781 | Equities | | 827.302 |
| | 765.601 | Fixed Income | | 776.447 |
| | 1,030.112 | Unit Linked Insurance Policies | | 1,006.746 |
| | | <u>Other Managed Funds</u> | | |
| 178.808 | | Absolute Returns | 140.959 | |
| 38.148 | | Money Market Funds | 42.365 | |
| 43.558 | | Private Equity | 32.340 | |
| <u>260.514</u> | | Total Quoted Other Managed Funds | <u>215.664</u> | |
| | | Pooled Investment Vehicles - Unquoted | | |
| | | <u>Other Managed Funds</u> | | |
| 95.674 | | Illiquid Debt | 106.368 | |
| 288.479 | | Infrastructure | 368.414 | |
| 135.285 | | Private Equity | 131.111 | |
| 8.010 | | Timberlands | 0.235 | |
| <u>527.448</u> | | Total Unquoted Other Managed Funds | <u>606.128</u> | |
| | 787.962 | Total Other Managed Funds | | 821.792 |
| | 343.274 | Property | | 296.809 |
| | <u><u>3,740.730</u></u> | Total | | <u><u>3,729.096</u></u> |

The table above breaks down the Pooled Investment Vehicles and further analyses the Other Managed Funds. These investments are either quoted (they are traded on an exchange and have a visible market valuation) or unquoted (stocks that are not traded on an exchange and are difficult to value).

15. Holdings Above 5% of the Fund

This is a summary of the individual holdings within the Fund which exceed 5% of the total net assets available to pay benefits as at the balance sheet date.

| Market Value 31 March 2022 £ million | Percentage of the Fund 31 March 2022 | Investment | Manager |
|--|--|--------------------------------------|---------------------|
| 544.528 | 14.54% | Climate Aware | UBS |
| 519.256 | 13.86% | ACCESS Global Equity - Newton | Link Fund Solutions |
| 385.974 | 10.30% | ACCESS Fixed Income - M&G | Link Fund Solutions |
| 379.627 | 10.13% | Fixed Income Global Opportunity Fund | Blackrock |
| 313.151 | 8.36% | All World Equity | UBS |
| 294.525 | 7.86% | ACCESS UK Equity - Blackrock | Link Fund Solutions |

Pension Fund Accounts

| Market Value 31 March 2023 £ million | Percentage of the Fund 31 March 2023 | Investment | Manager |
|--|--|--------------------------------|---------------------|
| 551.208 | 14.78% | Climate Aware | UBS |
| 519.456 | 13.93% | Global Equity - Newton | Link Fund Solutions |
| 403.435 | 10.82% | Fixed Income - M&G | Link Fund Solutions |
| 373.013 | 10.00% | Fixed Income - Janus Henderson | Link Fund Solutions |
| 308.518 | 8.27% | Low Carbon Transition Fund | UBS |
| 307.847 | 8.25% | UK Equity - Blackrock | Link Fund Solutions |
| 218.867 | 5.87% | Infrastructure Investment Fund | JP Morgan |

16. Analysis of Derivatives

The Pension Fund's investment managers are permitted to use derivatives in the management of their mandates, subject to the restrictions set out in the individual manager's investment management agreement. The investment managers will make use of currency hedging for the purpose of reducing exchange rate risk in the investments held in their mandates.

17a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The table overleaf analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading, excluding statutory creditors (prepayments from employers, transfer values, lump sum benefit payments, payroll adjustments) and statutory debtors, (employer and employee contributions, VAT, transfer values and capital cost of retirement).

| 31 March 2022 | | | 31 March 2023 | | |
|--|---|--|--|---|--|
| Designated as Fair Value through Profit & Loss £ million | Assets at Amortised Cost £ million | Financial Liabilities at Amortised Cost £ million | Designated as Fair Value through Profit & Loss £ million | Assets at Amortised Cost £ million | Financial Liabilities at Amortised Cost £ million |
| Financial Assets | | | | | |
| 813.781 | | | 827.302 | | |
| 765.601 | | | 776.447 | | |
| 1,030.112 | | | 1,006.746 | | |
| 343.274 | | | 296.809 | | |
| 787.962 | | | 821.792 | | |
| | 5.145 | | | 0.709 | |
| | 2.372 | | | 2.500 | |
| | 5.999 | | | 7.083 | |
| 3,740.730 | 13.516 | 0.000 | 3,729.096 | 10.292 | 0.000 |
| Financial Liabilities | | | | | |
| | | -5.001 | | | -2.069 |
| 0.000 | 0.000 | -5.001 | 0.000 | 0.000 | -2.069 |
| 3,740.730 | 13.516 | -5.001 | 3,729.096 | 10.292 | -2.069 |

The debtor figure of £2.500 million above (£2.372 million at 31 March 2022) excludes statutory debtors of £11.786 million (£10.389 million at 31 March 2022).

The creditor figure of £2.069 million above (£5.001 million at 31 March 2022) excludes statutory creditors of £2.861 million (£3.206 million at 31 March 2022).

No financial assets were reclassified during the accounting period.

Pension Fund Accounts

17b. Net Gains and Losses on Financial Instruments

| 31 March 2022 | | 31 March 2023 | |
|----------------|------------------------------------|----------------|--|
| £ million | Financial Assets | £ million | |
| 308.267 | Fair value through profit and loss | -86.408 | |
| -1.597 | Amortised cost - unrealised gains | -0.186 | |
| | Financial Liabilities | | |
| 0.000 | Fair value through profit and loss | 0.000 | |
| 306.670 | Total | -86.594 | |

18a. Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Assets classified as level 2 include pooled equity and fixed income investments.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

These instruments would include unquoted investments such as Property, Private Equity, Infrastructure, Illiquid Debt and Timberlands, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Pension Fund Accounts

18.b Fair Value - Basis of valuation

The basis of valuation for each class of investment asset is set out below:

| Asset | Valuation Hierarchy | Basis of Valuation | Observable and Unobservable inputs | Key Sensitivities affecting the Valuations |
|--|---------------------|--|---|--|
| Market Quoted Equities Money Market Funds Absolute Returns | Level 1 | Published bid market price | N/A | N/A |
| Unit Linked Life Assurance Policies Equity Pooled Funds | Level 2 | Valuation technique with quoted prices of a similar asset | Price of recent transactions for identical instrument | Significant change in economic circumstances or time lapse since the transaction took place. |
| Fixed Income | Level 2 | The prices are published reflecting the NAV at each dealing point but are not exchange traded | Price of recent transactions for identical instrument | Significant change in economic circumstances or time lapse since the transaction took place. |
| Property | Level 3 | Assets are priced based on valuations received from the Managers which are determined in accordance with the last known NAV and adjusted for subsequent capital calls and distributions and other relevant information provided by the property fund. | Pricing inputs are unobservable and includes situations where there is little market activity. Estimated rental growth. Covenant strength for existing tenancies. Discount rate. Land/Building valuation surveys. | Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices and volumes of sales and purchases |
| Illiquid Debt | Level 3 | The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation. | These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. | Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis. |
| Infrastructure | Level 3 | The valuation of the investment assets is determined in accordance with generally accepted valuation principles in compliance with article 5(3) of the Luxembourg law of 15 June 2004 on investment companies in risk capital. | Management's cash flow projections. Estimates of growth expectations and profitability. Profit margin expectations. Adjustments to current prices for similar properties | Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date by changes to expected cash flows and fair value adjustments |

Pension Fund Accounts

| Asset | Valuation Hierarchy | Basis of Valuation | Observable and Unobservable inputs | Key Sensitivities affecting the Valuations |
|----------------|---------------------|--|---|--|
| Private Equity | Level 3 | The valuation of the investments are carried at fair value as determined in good faith by the General Partner in accordance with the terms of the Partnership Agreement and US GAAP. | Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets valuation techniques | Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis. |
| Timberlands | Level 3 | Valuation technique is based on accepted valuation techniques that include discounted cash flow and multiple earnings. | Management's cash flow projections Estimates of growth expectations and profitability Profit margin expectations Adjustments to current prices for similar assets valuation techniques | Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Funds reporting date, by changes to expected cash flows, earning multiples and discount rates used in the discounted cash flow analysis. |

18.c Valuation of Financial Instruments Carried at Fair Value

| Values at 31 March 2022 | Quoted Market | Using | With | Total |
|---|----------------|------------------|----------------|------------------|
| | Price | Observable | Significant | |
| | Level 1 | Inputs | Unobservable | |
| | £ million | Level 2 | Inputs | £ million |
| | | £ million | Level 3 | £ million |
| | | | Level 3 | £ million |
| Financial Assets | | | | |
| Fair value through profit and loss | 260.514 | 2,609.494 | 870.722 | 3,740.730 |
| Assets at amortised cost | 13.515 | | | 13.515 |
| Total Financial Assets | 274.029 | 2,609.494 | 870.722 | 3,754.245 |
| Financial Liabilities | | | | |
| Fair value through profit and loss | | | | |
| Financial Liabilities at amortised cost | -5.001 | | | -5.001 |
| Total Financial Liabilities | -5.001 | 0.000 | 0.000 | -5.001 |
| Net Financial Assets | 269.028 | 2,609.494 | 870.722 | 3,749.244 |

Pension Fund Accounts

| Values at 31 March 2023 | Quoted Market Price Level 1 £ million | Using Observable Inputs Level 2 £ million | With Significant Unobservable Inputs Level 3 £ million | Total £ million |
|---|--|---|---|--------------------|
| Financial Assets | | | | |
| Fair value through profit and loss | 215.664 | 2,610.495 | 902.937 | 3,729.096 |
| Assets at amortised cost | 10.292 | | | 10.292 |
| Total Financial Assets | 225.956 | 2,610.495 | 902.937 | 3,739.387 |
| Financial Liabilities | | | | |
| Fair value through profit and loss | | | | |
| Financial Liabilities at amortised cost | -2.069 | | | -2.069 |
| Total Financial Liabilities | -2.069 | 0.000 | 0.000 | -2.069 |
| Net Financial Assets | 223.887 | 2,610.495 | 902.937 | 3,737.319 |

18.d Reconciliation of Fair Value measurements within Level 3

| Assets | Opening Market Value 01 April 2021 £ million | Purchases £ million | Sales £ million | Realised Gains/(Losses) £ million | Unrealised Gains/(Losses) £ million | Closing Market Value 31 March 2022 £ million |
|-----------------------------|---|------------------------|--------------------|---|---|---|
| Property | 278.112 | 35.216 | -21.475 | 2.593 | 48.828 | 343.274 |
| Illiquid Debt | 66.606 | 35.513 | -9.380 | 1.752 | 1.183 | 95.674 |
| Infrastructure | 258.257 | 13.997 | -7.617 | -0.201 | 24.043 | 288.479 |
| Private Equity | 107.328 | 11.578 | -29.531 | 19.497 | 26.413 | 135.285 |
| Timberlands | 7.944 | 0.000 | 0.000 | 0.000 | 0.066 | 8.010 |
| Total of Investments | 718.247 | 96.304 | -68.003 | 23.641 | 100.532 | 870.722 |

| Assets | Opening Market Value 01 April 2022 £ million | Purchases £ million | Sales £ million | Realised Gains/(Losses) £ million | Unrealised Gains/(Losses) £ million | Closing Market Value 31 March 2023 £ million |
|-----------------------------|---|------------------------|--------------------|---|---|---|
| Property | 343.274 | 31.518 | -26.046 | 4.112 | -56.049 | 296.809 |
| Illiquid Debt | 95.674 | 22.307 | -11.662 | 0.323 | -0.274 | 106.368 |
| Infrastructure | 288.479 | 87.915 | -25.165 | 3.105 | 14.080 | 368.414 |
| Private Equity | 135.285 | 5.438 | -13.502 | 10.137 | -6.247 | 131.111 |
| Timberlands | 8.010 | 0.000 | -8.078 | 2.632 | -2.329 | 0.235 |
| Total of Investments | 870.722 | 147.179 | -84.453 | 20.309 | -50.819 | 902.937 |

Pension Fund Accounts

18.e Sensitivity of assets values at Level 3

An analysis of historical data and expected investment return movements by Hymans Robertson has determined a potential market movement range for the value of the holdings classified as level 3 as below:

| | Market Value 31 March 2022 £ million | Valuation Range | Value on Increase £ million | Value on Decrease £ million |
|-----------------------------|--|--------------------|-----------------------------------|-----------------------------------|
| Property | 343.274 | 15.0% | 394.765 | 291.783 |
| Illiquid Debt | 95.674 | 10.3% | 105.529 | 85.820 |
| Infrastructure | 288.479 | 14.6% | 330.597 | 246.361 |
| Private Equity | 135.285 | 31.2% | 177.494 | 93.076 |
| Timberlands | 8.010 | 14.6% | 9.179 | 6.840 |
| Total of Investments | 870.722 | | 1,017.564 | 723.880 |

| | Market Value 31 March 2023 £ million | Valuation Range | Value on Increase £ million | Value on Decrease £ million |
|-----------------------------|--|--------------------|-----------------------------------|-----------------------------------|
| Property | 296.809 | 15.5% | 342.815 | 250.804 |
| Illiquid Debt | 106.368 | 8.3% | 115.197 | 97.540 |
| Infrastructure | 368.414 | 16.0% | 427.361 | 309.468 |
| Private Equity | 131.111 | 31.2% | 172.018 | 90.204 |
| Timberlands | 0.235 | 16.0% | 0.273 | 0.197 |
| Total of Investments | 902.937 | | 1,057.664 | 748.213 |

19. Nature and Extent of Risks Arising from Financial Instruments

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities of benefits payable to members. The aim therefore of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio.

This risk is minimised through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. The liquidity risk is managed by ensuring there is sufficient liquidity to meet the fund's forecast cash flows, which forms part of the Pension Fund's overall risk management policy.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks and are reviewed regularly to reflect changes in activity and market conditions.

The key risks that have been identified are:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Interest Rate Risk
- E. Currency Risk
- F. Price Risk
- G. Custody
- H. Investment Management
- I. Sensitivity of Funding position to market conditions and investment performance

Pension Fund Accounts

A. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to another party by failing to meet its obligations.

The Fund is exposed to credit risk in its operational activities through securities lending, forward currency contracts and treasury management activities. Commercial credit risk also arises with those organisations that pay monies over to the Fund (debtors) as part of the administration function, principally contributions from employers and transfers in from other registered pension schemes.

The Fund monitors the monthly receipt of contributions from employers. The Funding Strategy Statement requires safeguards to be in place for all new admission agreements to protect the Fund from an employer default, primarily through a guarantee from a tax-backed scheme employer for any new employer in the Fund. An analysis of debtor balances at 31 March 2023 is provided in Note 23.

The Fund's bank account is held with Lloyds Bank Plc, which is also banker to Suffolk County Council the Administering Authority for the Pension Fund. The bank held a Long-Term rating of 'A+' (strong) with Standard and Poor and with Fitch as at March 2023. The management of this cash held for the purpose of managing the cashflow was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee. The Fund has had no occasion of default or uncollectable deposits.

The Fund's cash pending allocation for investment, is held within the custody system in the bank account of the custodian, Northern Trust.

At 31 March 2023, £7.083 million was with Lloyds (£5.999 million at March 2022). Cash deposited with Northern Trust amounted to £21.128 million at 31 March 2023 (£29.287 million March 2022) and Schroders held £21.945 million in their money market fund, (£14.006 million at March 2022).

B. Liquidity risk

Liquidity risk is the risk that the Fund will have insufficient liquid assets (cash) to meet its investment or benefit obligations as they fall due. The Pension Fund takes steps to ensure it has adequate cash resources to meet its commitments.

The Pension Fund holds sufficient working capital to ensure that it has cash available to meet benefit and transfer payments and cash drawdown requirements in respect of certain investment transactions. Within mandates it is the responsibility of the individual managers to ensure that they have sufficient funds available to meet the transactions they enter into on behalf of the Fund. These responsibilities are detailed within the investment management agreements. At an investment level a large proportion of the Fund's investments are held in instruments that can be realised at short notice if a cash flow need arose. Certain investments, particularly property, unquoted private equity, illiquid debt, timberlands and infrastructure funds are considerably less liquid, but these make up a far smaller proportion of the overall portfolio, £902.937 million, 24% (£870.222 million, 23% at March 2022).

C. Market risk

Market risk is the risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market sentiment. Market risk reflects interest rate, currency and other price risk.

Market risk is inherent in the investments that the Fund makes. To mitigate market risk the investments are made in a diversified set of asset classes and investment approaches to ensure a risk adjusted balance between categories. The Fund takes formal advice from its independent investment advisers (Hymans Robertson LLP and Mark Stevens) and the portfolio is split between a number of managers and investment strategies with different benchmarks and performance targets. Full details can be found in the investment strategy statement that is available at www.suffolkpensionfund.org. Investment risk and strategy are regularly reviewed by the Pension Fund Committee.

Pension Fund Accounts

D. Interest Rate Risk

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

The Pension Fund's exposure to interest rate movements from its investments in fixed interest securities and cash and cash equivalents which includes the custodian money market fund and cash held for investment.

The Pension Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets. A 100-basis point (BPS) movement in interest rates (equivalent to 1%) is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis below, assumes that all other variables remain constant and shows the effect in the year of a +/- 100 BPS change in interest rates on the cash available to pay benefits.

| Asset Type | Value as at 31 March 2022 £ million | Change + 100 BP's £ million | Change - 100 BP's £ million |
|--------------------------|--|--|--|
| Cash held for Deposit | 5.999 | 0.060 | -0.060 |
| Cash and Cash Equivalent | 43.293 | 0.433 | -0.433 |
| Total Assets | 49.292 | 0.493 | -0.493 |

| Asset Type | Value as at 31 March 2023 £ million | Change + 100 BP's £ million | Change - 100 BP's £ million |
|--------------------------|--|--|--|
| Cash held for Deposit | 7.082 | 0.071 | -0.071 |
| Cash and Cash Equivalent | 43.073 | 0.431 | -0.431 |
| Total Assets | 50.156 | 0.502 | -0.502 |

E. Currency Risk

Currency risk is the extent to which the Pension Fund is exposed to fluctuations in exchange rates and the impact these fluctuations have on the sterling valuation of assets denominated in foreign currency.

The one year expected standard deviation for an individual currency as at 31 March 2023 is 9.9% (as provided by Hymans Robertson). This is based on the assumption that there is no diversification with other assets and that all other variables, in particular interest rates remain constant.

The foreign exchange rate movement exposure to the strengthening or weakening of sterling against the various currencies in which the fund holds investments which are not hedged to sterling are as below:

| Asset Type | Value as at 31 March 2022 £ million | Potential Market Movement £ million | Value on Increase £ million | Value on Decrease £ million |
|--------------------------------|--|--|--|--|
| Overseas Equities | 519.256 | 49.329 | 568.586 | 469.927 |
| Overseas Index Linked Equities | 892.929 | 84.828 | 977.757 | 808.101 |
| Alternative Investments | 381.671 | 36.259 | 417.928 | 345.412 |
| Total overseas assets | 1,793.856 | 170.415 | 1,964.272 | 1,623.441 |

Pension Fund Accounts

| Asset Type | Value as at 31 March 2023 £ million | Potential Market Movement £ million | Value on Increase £ million | Value on Decrease £ million |
|--------------------------------|--|--|--|--|
| Overseas Equities | 519.456 | 51.426 | 570.882 | 468.030 |
| Overseas Index Linked Equities | 896.105 | 88.714 | 984.820 | 807.391 |
| Alternative Investments | 432.198 | 42.788 | 474.984 | 389.411 |
| Total overseas assets | 1,847.759 | 182.928 | 2,030.686 | 1,664.832 |

F. Price Risk

Price risk is the risk of volatility in the valuation of the assets held by the Fund. The level of volatility will vary by asset class and also over time. The Fund has some diversification in the asset classes in which it invests, which seeks to reduce the correlation of price movements between different asset types, while employing specialist investment managers to best deploy capital in line with the Fund's overall strategy.

An analysis of historical data and expected investment return movements by Hymans Robertson has resulted in a potential market movement price risk index for each asset type. If the market price of the fund's investments increase or decrease in line with the potential market movements then the change in the value of the net assets would be as follows:

| Asset Type | Value as at 31 March 2022 £ million | Change % | Value on Increase £ million | Value on Decrease £ million |
|---------------------|--|---------------------|--|--|
| Equities | 813.781 | 20.03 | 976.782 | 650.781 |
| Fixed Income | 765.601 | 8.10 | 827.615 | 703.587 |
| Index Linked | 1,030.111 | 18.63 | 1,222.021 | 838.202 |
| Cash & FFX | 5.145 | 0.30 | 5.160 | 5.129 |
| Money Markets | 38.148 | 2.10 | 38.949 | 37.347 |
| Property | 343.275 | 15.00 | 394.766 | 291.783 |
| Alternatives | 749.814 | 16.60 | 874.058 | 625.570 |
| Total Assets | 3,745.875 | | 4,339.352 | 3,152.399 |

| Asset Type | Value as at 31 March 2023 £ million | Change % | Value on Increase £ million | Value on Decrease £ million |
|---------------------|--|---------------------|--|--|
| Equities | 827.302 | 20.03 | 993.011 | 661.594 |
| Fixed Income | 776.447 | 7.50 | 834.681 | 718.214 |
| Index Linked | 1,006.746 | 17.90 | 1,186.953 | 826.538 |
| Cash & FFX | 0.709 | 0.30 | 0.711 | 0.707 |
| Money Markets | 42.365 | 2.00 | 43.212 | 41.517 |
| Property | 296.809 | 15.50 | 342.815 | 250.804 |
| Alternatives | 779.427 | 16.19 | 905.615 | 653.238 |
| Total Assets | 3,729.805 | | 4,306.998 | 3,152.612 |

G. Custody

The Fund appointed Northern Trust as its global custodian with responsibility for safeguarding the assets of the Fund. Northern Trust is an established custodian bank and were appointed as the Fund's custodian in 2021 following a national framework tendering process. Quarterly reconciliations are performed between the underlying records of the custodian and the appointed investment managers.

H. Investment Management

The Fund has appointed a number of investment managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS investment regulations. Managers' report performance on a quarterly basis and this is monitored and reported to Pension Fund Committee. The Fund makes use of a third-party performance measurement service provided by Northern Trust. All managers have regular review meetings and discussions with members of the Pension Fund Committee, officers and the Independent Financial Adviser Mark Stevens.

I. Sensitivity of Funding position to market conditions and investment performance

When preparing the formal valuation, the Actuary takes the assets of the Fund at the market value on the valuation date. Volatility in investment performance as a result of market risk factors can have an immediate effect on the funding level and deficit. This is particularly relevant because the Fund is invested predominantly in riskier (and historically higher return) assets such as equities and equity-like investments (e.g., property trusts). A rise or fall in the level of equity prices can have a direct impact on the financial position of the Fund.

Less obvious is the effect of anticipated investment performance on the Fund's liability to pay future pension benefits. Here the returns available on government bonds (gilts) are important, as the discount rate that is used to place a value on liabilities is the gilt yield at the valuation date plus a margin of 1.8% per annum. Effectively if the gilt yield rises the discount rate will increase and all other things being equal the value placed on liabilities will fall. If the Fund was invested entirely in gilts rather than potentially higher returning assets the discount rate would be lower as no margin for the expected-out performance of the Fund's investments over gilts could be assumed.

20. Funding Position

In line with Regulation 62 of the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

An actuarial valuation uses economic and demographic assumptions in order to estimate future liabilities of pensions payable. The assumptions are typically based on a mix of statistical studies and experienced judgement. Hymans Robertson LLP provides the Fund's Actuarial appraisal.

The key elements of the funding policy are:

- To take a prudent long-term view to secure the long-term solvency of the Fund, with sufficient funds to pay benefits to members and their dependents.
- Use a balanced investment strategy to minimise long-term cash contributions from employers for long term efficiency.
- To ensure that employer contributions rates are as stable as possible.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension's obligations.

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned.

Formal Valuation

The last formal three-yearly actuarial valuation was carried out as at 31 March 2022. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2023. The valuation was based on:

- Meeting the requirements of the Local Government Pension Regulations.
- 100% funding of future liabilities for service completed to 31 March 2022.
- The 'projected unit method' of actuarial valuation.

Pension Fund Accounts

Financial Assumptions

Financial assumptions typically try to forecast when benefits will come into payment, what form these will take and how much the benefits will cost the Fund in the future. The financial assumptions included in the valuation are as follows:

- Projected investment returns of 3.7% per year
- Projected increase in future salaries of 3.7% a year.
- Projected pension increases of 2.7% a year. (CPI)

Funding Position

The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2022. The actuarial assessment of the value of the fund's assets was £3,756 million as at 31 March 2022 and the liabilities at £3,522 million.

The valuation showed that the Fund's assets covered 107% of its liabilities at the valuation date, and the surplus based on the actuarial valuation was £235 million.

Contribution Rates

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members.

Employer contributions are made up of two elements:

- the primary contribution rate – contributions payable towards funding future benefits accruing.
- the secondary contribution rate – the difference between the primary rate and the total employer contribution

The total contribution rate for each employer is then based on:

- the funding target – how much money the Fund aims to hold for each employer
- the time horizon – the time over which the employer aims to achieve the funding target
- the likelihood of success – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The whole fund primary rate (payroll weighted average of the underlying individual employer rates) is 20.0% of pensionable pay for the three years starting 1 April 2023.

The average employee contribution rate is 6.6% of pensionable pay.

The next formal valuation is as at 31 March 2025.

21. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the Pension Fund liabilities every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015 with transitional protections introduced for older members. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes, as part of the reforms, amounted to unlawful discrimination on the basis of age discrimination. This ruling does have implications for the Local Government Pension Scheme.

Pension Fund Accounts

As part of the introduced reforms the LGPS changed from a final salary scheme (a pension based on the members salary when they left) to a career average scheme (a pension which is built up based on what the member earned each year)

Older members who were closer to retirement were protected from the changes. This means when a protected member takes their pension, the benefits payable under the career average scheme are compared with the benefits that would have been built up, had the final salary scheme continued and they receive the higher amount. This protection is called the underpin.

To remove the McCloud age discrimination, qualifying younger members will now receive the underpin protection too. This change will come into force on 1 October 2023. Underpin protection only applies to pension built up in the remedy period, between 1 April 2014 and 31 March 2022. From 1 April 2022, there is no underpin protection. Pension built up after this date is based on the career average scheme only.

The cost to the Suffolk Pension Fund of the McCloud remedy has been built into the valuation and funding position by the Fund's actuary.

Interim Valuation

An interim valuation was carried out as at 31 March 2023. The valuation was included in the actuary's Navigator report which is based on long term financial assumptions for the Suffolk Pension Fund and contains the following assumptions:

Increases in future pensions of 2.3% a year (2.7% 2021 - 2022)
Projected investment returns of 5.1% per year (3.7% 2021 - 2022)

The actuarial value of the Fund's assets were £3,746 million and the liabilities £2,800 million at 31 March 2023 (£3,756 million and £3,521 million at 31 March 2022).

The valuation showed that the Fund's assets covered 134% of its liabilities at the interim valuation date and the surplus was £946 million (107%, £235 million surplus at March 2022).

The required asset return for 100% funding is 3.2% p.a. (3.3% March 2022) and there is a 94% (84% March 2022) likelihood of the assets achieving this return.

International Accounting Standard 26 (IAS 26)

CIPFA's Code of Practice on Local Authority Accounting 2022 - 2023 requires administering authorities of the LGPS funds that prepare pension fund accounts to disclose what IAS 26 refers to as the actuarial present value of promised retirement benefits. This is similar to the interim valuation, but the assumptions used are in line with IAS 19 rather than assumptions tailored to the Suffolk Pension Fund.

The following assumptions have been used for the IAS 26 calculation:

- Pension increases of 2.95% a year (3.2% 2021 - 2022)
- Increases in future salaries of 3.95% a year (4.2% 2021 - 2022)
- Discount Rate of 4.75% per year (2.7% 2021 - 2022)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,505 million as at 31 March 2023 (£4,591 million as at 31 March 2022). This incorporates an approximate allowance for the potential increase in liabilities arising from the impact of the McCloud judgement.

Pension Fund Accounts

22. Current Debtors

The current debtors can be analysed as below:

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|-------------------------|----------------------------|
| | <u>Debtors</u> | |
| 8.220 | Employers Contributions | 8.433 |
| 2.122 | Employee Contributions | 2.201 |
| 1.386 | Investment Assets | 1.526 |
| 1.015 | Sundry Debtors | 2.098 |
| 0.018 | Asset Pooling | 0.028 |
| <u>12.761</u> | | <u>14.286</u> |

23. Current Creditors

The current creditors can be analysed as below:

| 31 March 2022 £ million | | 31 March 2023 £ million |
|----------------------------|--|----------------------------|
| | <u>Creditors</u> | |
| -0.941 | Amounts owed to Employers | -0.878 |
| -2.818 | Investment Expenses | -0.632 |
| -0.143 | Administration and Governance Expenses | -0.180 |
| -0.188 | Transfer Values In Adjustment | -0.154 |
| -0.987 | Lump Sum Benefits | -0.612 |
| -3.130 | Sundry creditors | -2.474 |
| <u>-8.207</u> | | <u>-4.930</u> |

24. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, additional voluntary contributions have been excluded from the Fund Account and Net Asset Statement. These contributions are held by the providers and therefore do not form part of the Fund's investments.

A total of £0.065 million was paid over to the providers Clerical Medical, Standard Life and Utmost (previously Equitable Life) in 2022 - 2023, (£0.065 million 2021 - 2022).

25. Related Party Transactions

Related party transactions requiring disclosure in accordance with IAS 24 are as follows:

The Suffolk Pension Fund is administered by Suffolk County Council and consequently there is a strong relationship between the Council and the Pension Fund.

Suffolk County Council is the largest single employer of members of the Pension Fund and contributed £39.429 million to the Fund in 2022 - 2023 (£36.920 million in 2021 - 2022). In addition, the council incurred costs of £1.239 million (£1.219 million in 2021 - 2022) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Part of the Pension Fund cash holdings are invested by the Treasury Management operations of Suffolk County Council through the Treasury Management Policy approved by the Pension Fund Committee. During the year

Pension Fund Accounts

ending 31 March 2023 the Fund had an average investment balance of £10.469 million (£9.619 million in 2021 - 2022) earning interest of £0.247 million (£0.007 million in 2021 - 2022) from these investments.

One member of the Pension Fund Committee and five members of the Pension Fund Board are scheme members within the Pension Fund. All members of the Pension Fund Committee and Board are required to declare their interests at each meeting.

26. Key Management Personnel

No senior officer responsible for the administration of the Pension Fund provides any goods or services to the Fund other than those covered by their contract of employment with the Council.

The key management personnel of the Fund are the S151 Officer, Head of Pensions and Lead Accountant (Pensions). The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.155 million in 2022 - 2023 (£0.150 million in 2021 - 2022).

These costs are charged to the Pension Fund as governance and oversight costs, Note 11 and are included in the related parties Note 25.

27. Securities Lending

The Suffolk Pension Fund does not operate securities lending however, it is undertaken in the pooled holdings operated by Link Fund Solutions and the proceeds are reflected in the asset value earning £0.021 million in 2022 - 2023 (£0.021 million) in 2021 - 2022.

28. Contractual Commitments

In 2003 the Fund has made contractual commitments to private equity funds managed by Wilshire and Pantheon. Commitments are made in the underlying currency of the funds (\$103.131 million and €41.288 million) and are therefore subject to volatility (risk) arising from exchange rate fluctuation. This volatility will impact both the value of unfunded commitments in sterling terms and the valuation of the funded interest and monies received as distributions. At 31 March 2023 the unfunded commitment (monies to be drawn in future periods) is \$8.589 million and €2.245 million. The commitments are paid over the investment timeframe of the underlying partnerships.

In 2011 - 2012 a contractual commitment of €54 million was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group, the outstanding amount as at 31 March 2023 is €9.290 million.

In 2015 - 2016 contractual commitments of \$149.500 million were made to private equity investments managed by Pantheon. Some draw downs on the commitments have been made and the outstanding amounts to 31 March 2023 are \$27.855 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund the outstanding amount is £8.927 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group of €55 million, the outstanding amount as at 31 March 2023 is €8.314 million.

During 2020 - 2021 a contractual commitment of £75 million was made to the Mult Asset Credit Fund VI with Partners Group. The undrawn amount at the end of the year is £4.185 million.

During 2021 - 2022 a contractual commitment of \$80 million was made to the Global Infrastructure Fund IV with KKR \$35.121 million remains outstanding.

During 2021 - 2022 a contractual commitment of £75 million was made to the Mult Asset Credit Fund VII with Partners Group No capital calls have been made during the year.

Pension Fund Accounts

A summary of the commitments is as below:

| Asset Class | 2022 - 2023 | | |
|-----------------------------|-------------------------|--------------------|--------------------------|
| | Commitment £ million | Drawn £ million | Outstanding £ million |
| Private Equity | | | |
| Wilshire (2003-2008) | 72.902 | 68.552 | 4.350 |
| Pantheon (2003-2010) | 46.786 | 42.217 | 4.569 |
| Pantheon (2015) | 120.911 | 98.382 | 22.529 |
| Total Private Equity | 240.599 | 209.151 | 31.448 |
| Infrastructure | | | |
| Partners (2012) | 47.449 | 39.357 | 8.092 |
| Partners (2016) | 48.328 | 41.022 | 7.306 |
| M&G (2016) | 60.000 | 51.073 | 8.927 |
| KKR (IV) | 67.936 | 28.404 | 39.532 |
| Total Infrastructure | 223.713 | 159.856 | 63.857 |
| Illiquid Debt | | | |
| Multi Asset Credit VI | 75.000 | 70.815 | 4.185 |
| Multi Asset Credit VII | 75.000 | 0.000 | 75.000 |
| Total Illiquid Debt | 150.000 | 70.815 | 79.185 |

Fire Pension Fund Statement

Fire Pension Fund Statement

| 2021 - 2022 | Fund Account | 2022 - 2023 |
|--------------------|--|--------------------|
| £ million | | £ million |
| | Contributions Receivable | |
| | From Employer | |
| 2.646 | Normal | 2.611 |
| 1.290 | From members | 1.524 |
| 0.074 | Transfers In | 0.000 |
| | Benefits Payable | |
| -6.628 | Pensions | -7.261 |
| -2.523 | Commutations and Lump Sum retirement benefits | -1.940 |
| -0.188 | Lump Sum Death benefits | -0.003 |
| -0.024 | Other | -0.299 |
| | Payments to and on account of leavers | |
| -0.106 | Individual transfers out to other schemes | 0.000 |
| -5.459 | Net amount payable (-) for the year before top-up grant | -5.368 |
| 2.994 | Top-up grant received | 3.524 |
| 2.465 | Net amount payable from/to(-) sponsoring department | 1.844 |

| 2021 - 2022 | Net Assets Statement | 2022 - 2023 |
|--------------------|---|--------------------|
| £ million | | £ million |
| 2.465 | Net current assets and liabilities | 1.844 |

1. Administration of the Fire Pension Scheme

The Fire Pension Fund is administered by Suffolk County Council following financial guidance issued in April 2006 by the Ministry of Housing, Communities and Local Government. The fund for the pensions of Fire Fighters has no assets and is balanced to nil each year by receipt of a pension top-up grant from the Home Office.

2. Preparation of the Fire Pension Scheme

The Fire Pension Fund is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2022 - 2023. The accounts are prepared on an accrual's basis. This means that, within material levels, income and expenditure is recognised in the accounts in the accounting period in which the effect of the relevant transactions take place and not in the period in which cash is received or paid.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Ministry of Housing, Communities and Local Government and the Home Office and subject to triennial revaluation by the Government Actuary's Department.

3. Accounting for liabilities and other benefits arising after period end.

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the current financial year. Information on the Council's long-term pension's obligations can be found in the main statements in note 33.

Glossary

Glossary of Terms

This is a list of terms used in the accounts and what they mean.

Accruals basis

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

Accumulated Absences Account

The Accumulated Absences Account contains the differences that would otherwise arise on the General Fund Balance from accounting for 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 balanced by transfers to or from the Account.

Actuarial gains and losses

The changes in actuarial losses or gains happen because:

- Events have not coincided with assumptions made by the actuary at the last valuation; or
- the actuary's assumptions have changed.

Actuarial valuation

An actuarial valuation measures a pension fund's ability to meet its long term liabilities (future costs). The actuary looks at the likely increase in the value of the fund and the probable payments out of the fund. The difference between the two is the amount that the Council has put into the fund.

Agent

The Council acts as an agent on behalf of Central Government with regards to the receipt of grants, when it is just transferred through to a third party and the Council can't make any decision over its use.

Amortised

The measure of the wearing out, consumption or other reduction in the useful economic life of an intangible asset.

Asset

An Asset is something of value owned by the Council.

Asset Ceiling

The asset ceiling is the present value of any reductions in future contributions to the local government pension scheme

Assets held for sale

Assets held for sale are assets that are anticipated to be sold within the next year, rather than continue to be used by the Council. They are measured at market value.

Billing Authority

The Districts and Borough Councils within Suffolk who are responsible for the collection of council tax and non-domestic (business) rates.

Budget

A statement of spending plans for a financial year, which starts on 1 April and ends on the following 31 March.

Capital adjustment account

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

Capital expenditure

Spending on assets that have a long term value, for example, land, buildings, equipment and vehicles.

Capital receipts

Income received on the sale of a capital asset.

Cash and cash equivalents

Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Carrying amount

Glossary

Carrying amount refers to the value at which an asset/liability is held in the balance sheet. It is the most recent valuation of the asset/liability net of any depreciation/amortisation.

CCG

Clinical Commissioning Group of the NHS.

CIPFA

The Chartered Institute of Public Finance and Accountancy. CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

Community assets

These assets include public areas within Suffolk such as parks and other open spaces.

Contingent asset

Contingent assets are possible or present assets that arise from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the Comprehensive Income and Expenditure Statement.

Contingent liability

Contingent liabilities are possible or present obligations that arise from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent liabilities are not recognised in the Comprehensive Income and Expenditure Statement.

Creditors

A person or organisation that the Council owes money to at the 31 March.

Current assets

Short term assets which change in value such as inventories, debtors and bank balances.

Current liabilities

Short term liabilities which are due to be paid in less than one year, such as bank overdrafts and money owed to suppliers.

Current Service Cost

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account contains the difference between the amount of income from Council Tax and Business Rates included in the Comprehensive Income and Expenditure account and the amount required by regulation to be credited to the General Fund.

Componentisation

Each part of an asset with a cost that is significant in relation to the total cost of an asset is held separately in the asset register and depreciated separately.

De minimis

The term used to describe a lower limit of a transaction below which no action is needed.

Debtors

A person or organisation that owes the Council money at the 31 March.

Dedicated School Grant Adjustment Account

The dedicated school grant adjustment account is an account established, charged and used solely for the purpose of recognising deficits in respect of schools budgets.

Deferred liabilities

Deferred liabilities are liabilities which are payable at some point in the future or paid off by an annual sum over a period.

Defined benefit scheme

The calculation of the pension due using the employee's final salary or career average and the number of years they have paid into the scheme multiplied by a set fraction.

Defined contribution scheme

A pension scheme with no assets to meet the pension liabilities and cash is generated to meet the actual pension payments.

Glossary

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

Donated Assets

Assets transferred to the Council for nil consideration.

Earmarked reserves

Monies set aside for a specific purpose.

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another. The term "financial instrument" covers both financial assets and financial liabilities and includes the most straightforward of financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors).

General Fund

The General Fund is the main revenue fund from which service costs are met.

Government grants

Support from the Government, government agencies and similar organisations (whether local, national or international) in the form of cash or transfers of assets to the Council. In return, the Council must carry out its activities in line with certain conditions.

Gross expenditure

The cost of providing Council services before allowing for government grants or other income.

Heritage Assets

Assets held principally for contribution to knowledge and culture.

Historical Cost

The original cost of an asset/liability to the Council at the date it was acquired/recognised on the balance sheet.

IAS

International Accounting Standard.

IFRS

International Financial Reporting Standards (IFRS) is a set of accounting standards developed by the International Accounting Standards Board (IASB) to provide a global framework for how organisations prepare and disclose their financial statements.

Impairment

A reduction in value of a fixed asset resulting from, for example, fall in market values, obsolescence or physical damage. To comply with accounting standards, the Council undertakes annual reviews of its assets to identify any assets which have been impaired.

Infrastructure assets

Fixed assets that cannot be sold, transferred or removed. Examples of infrastructure assets are highways and footpaths.

Intangible assets

An asset with no physical substance but is identifiable and is controlled by the Council.

Integrated Care Systems

In July 2022 integrated care systems (ICSs) became legally established through the Health and Care Act 2022 and CCGs (Clinical Commissioning Groups) were closed down. ICSs are partnerships of organisations that come together to plan and pay for health and care services to improve the lives of people who live and work in their area. Each ICS has two statutory elements, an integrated care partnership and an integrated care board.

Inventories

Goods bought which have not been used.

Glossary

Investments (Non-Pension Funds)

A long-term investment in the activities of the Council is an investment that is intended to be held for continuing use. Investments are also classified in this way only where the investors can show they intend to hold the investment for the long term or where there are restrictions on their ability to sell the investment.

Investments which do not meet these conditions are classed as current assets.

Lender's Option Borrower's Option (LOBO) - loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

Liability

An amount due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Long Term Debtor

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a loan.

Materiality

An item is material if its omission, non-disclosure, or misstatement in financial statements could be expected to lead to a distortion of the view given by financial statements.

Minimum Revenue Provision

A minimum amount, set by law, which the Council must charge to the Revenue Account to provide for debt redemption or for the discharge of other credit liabilities.

Net book value

The amount at which fixed assets are included in the balance sheet. This means their original cost or current value less the amount allowed for wear and tear (depreciation).

Net cost of services

This comprises all expenditure minus all income, other than precept and transfers from reserves.

Non-current asset

An asset which is intended to be used for several years such as a building or a vehicle.

Non-current liability

Liabilities which are due to be paid in one year or more, such as a loan with a payback period of longer than one year.

Operating lease

An operating lease is any lease that is not a finance lease.

Pay

Pay is defined in the latest CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This definition includes the following:

- Gross pay (before the deduction of employees' pension contributions)
- Compensation for loss of office and any other payments receivable on termination of employment
- Expense allowances chargeable to tax and other benefits (as declared on HM Revenue & Customs form P11D)

Post balance sheet events

Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Precept

The levying of a rate by one authority which is collected by another. Suffolk County Council precepts upon the borough and district councils' collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Suffolk County Council.

Provision

An amount set aside to provide for a liability that is likely to be incurred but where the exact amount and the date on which it will arise are uncertain.

Projected unit credit method of actuarial valuation

An accrued-benefits valuation method is one in which the scheme liabilities allow for projected earnings. An accrued-benefits valuation method is the scheme liabilities at the valuation date in relation to:

Glossary

- the benefits for pensioners and deferred pensioners (that is, individuals who are no longer active members but are entitled to benefits at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time.

Private Finance Initiative (PFI)

This provides a way of funding major capital investments by working with private consortia.

Public Works Loans Board (PWLB)

A government controlled agency that provides a source of borrowing for public authorities.

Related parties

Two or more parties (individuals or organisations) are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party;
- the parties are controlled by the same source;
- one party has influence over the financial and operational policies of the other party, so the other party might not always feel free to follow its own separate interests; or
- the parties, in entering a transaction, are influenced by the same source to such an extent that one of the parties to the transaction has given favourable conditions to the other because of this outside influence.

Remaining useful life

The length of time that a fixed asset is expected to be operational.

Revaluation reserve

This account contains the difference between the values of the Councils assets based on historical cost and more recent valuations.

Revenue expenditure funded by capital under statute (REFCUS)

Spending which does not result in the creation of a fixed asset but which by law the Council must treat as capital spending and can finance by capital sources including borrowing and capital grants.

Section 151 Officer

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs.

Settlements

Agreements that end the Councils responsibility to pay pensions to people, for example, when people move to another pension scheme.

Single entity accounts

Financial statements prepared for an organisation as a distinct and independent body. These do not include assets, liabilities, expenditure or income owned or incurred by another body in which the organisation has an interest, such as a joint venture.

Straight-line calculation

A way of working out the repayment of an amount spread equally over a period of time.

Subsidiary

The Council, normally through shareholding, controls an organisation – it has the power to govern its financial and operating policies so as to benefit from its activities.

Surplus

The remaining income after taking away all expenses.

Triennial Valuation

A valuation carried out on the Pension Fund every three years, to estimate the future benefit payments from the Fund and the total value of those payments, based on assumptions about the future.

Usable Reserve

A usable reserve represents resources the Council can use to support service delivery. Some usable reserve hold restrictions on their use depending on legislation.

Glossary

Unusable Reserve

Unusable reserves are not available to support delivery of services. The reserves are in place for statutory adjustments, required to reconcile balances to the amounts chargeable to council tax, in order to comply with legislation.

Usable capital receipts

The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure or repay debt.