Suffolk County Council

Statement of Accounts

2017 - 2018

Suffolk County Council

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Suffolk County Council

Statement of Accounts

for the year ended **31 March 2018**

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK COUNTY COUNCIL

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Suffolk County Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the Authority and Group Movement in Reserves Statement, Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, and the related notes 1 to 40 to the Authority Accounts, including the Expenditure and Funding Analysis to the Authority Accounts and notes G1 to G13 to the Group Accounts and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Suffolk County Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "*Statement of Accounts 2017-2018*", other than the financial statements and our auditor's report thereon. The Head of Finance (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General's (C&AG) in November 2017, we are satisfied that, in all significant respects, Suffolk County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Head of Finance (Section 151 Officer)

As explained more fully in the "*Statement of Responsibilities for the Statement of Accounts*" set out on page iv, the Head of Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Suffolk County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Suffolk County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

We certify that we have completed the audit of the accounts of Suffolk County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Suffolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON

ERNST & YOUNG LLP

....

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Date:.........25.July 2018

The maintenance and integrity of the Suffolk County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Responsibilities for the Statement of Accounts

The 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 Head of Finance;
- manage its affairs to secure economic, efficient, and effective use of resources and to safeguard its assets; and
- approve the statement of accounts

Certification
I confirm that these Accounts were approved by the Audit Committee at its meeting on 25 July 2018 on behalf of Suffolk County Council and have been authorised for issue.

Signed at Audit Committee on 25 July 2018

Councillor J Spicer
Chairman of the Audit Committee
Date 25 July 2018

The responsibilities of the Head of Finance (Section 151 Officer)

The Head of Finance 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 2018, and the income and expenditure (spending) for the year to that date.

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance 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 2018 and its income and expenditure for the year to that date.

Signed at Audit Committee on 25 July 2018

Louise Aynsley
Head of Finance (Section 151 Officer)
Date 25 July 2018

1.0 An Introduction to Suffolk

Suffolk is a rural county in the East of England with a population of approximately 742,000. 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 are generally good but average earnings are below the national average. The Suffolk countryside and coastline are rich in cultural heritage and landscape beauty and 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.

During 2017 - 2018 there has not been any significant changes to the statutory functions delivered by the Council. However, this has been a transitional year which has seen a number of interim management arrangements in place and changes in senior leadership roles. The process for the appointment of a new Chief Executive has now been completed and Nicola Beach took up the role with the Council in May 2018. The Council is now organised into five directorates:

1.1 Adult & Community Services (ACS)

Services commissioned or supported by ACS include information, advice and guidance, short term reablement and longer-term care provision such as residential care, homecare, day-care for older people and working age adults with learning disabilities, mental health problems and physical disabilities. ACS also provide a safeguarding service for all vulnerable adults.

In the next 20 years Suffolk's total population is forecast to increase by nearly 10% with the proportion of older people increasing by 50%. Suffolk's population profile is older than that for the whole of England and will age faster with 1 in 3 residents expected to be 65 or over in 20 years time (currently 1 in 5). By 2037 it is expected that 59,000 Suffolk residents will be over 85 (currently 21,500). Consequently, it is likely that the demand for health and social care support will increase as more people with longer term conditions live longer lives. The working age population proportionately will be lower.

1.2 Health and Wellbeing & Children's Services (HW&CS)

Health and Wellbeing which is part of the wider Health, Wellbeing and Children's Services directorate consists of the following service areas: Health Improvement and Public Health Services (which includes Most Active County), Support to Health and Care Commissioning, Localities and Partnerships (which includes Libraries) and Knowledge and Intelligence. Public Health provides and commissions a wide range of services to improve the health and lives of Suffolk people including healthy lifestyles, health protection and advice.

Children's Services deliver a range of statutory duties in relation to the safety and welfare of children and young people. These include Early Help services, Health Visiting, School Nursing, Education & Learning, Special Education Needs and Disabilities, Social Care Services, Fostering & Adoption, Disabled Children's Services, and Youth Offending. In Suffolk, at 31st March there were 161 maintained schools and 162 academies and free schools and there were 862 Children in Care, an increase of 3% over the previous year.

1.3 Fire & Rescue and Public Safety (FPS)

The Fire and Rescue Service and Public Safety Directorate consists of the Suffolk Fire and Rescue Service, Trading Standards, Health and Safety 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. The county has 35 fire stations with 4 full time, 2 day-crewed and 37 on-call fire engines with associated 999 control, training and support functions. The service is increasingly provided from collaborative bases with blue light and other partner services.

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

The Corporate Health and Safety team provide advice to the County Council and Suffolk's maintained schools. They enable the Council to meet its statutory, moral, social health and safety and wellbeing responsibilities for both the workforce and others affected by its activities.

The Emergency Planning and Business Continuity functions enable the County 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.

1.4 Growth, Highways and Infrastructure (GHI)

The Growth, Highways and Infrastructure directorate is responsible for economic and industrial growth within Suffolk and the provision of Waste Disposal, Transport, Highways and Planning services. In 2017 - 2018, the Council disposed of, recycled or composted 345,000 tonnes of waste produced by Suffolk households. There were 12,700 travel passes issued for children to get to school and over one million passenger journeys taken on buses subsidised by the Council. The Council is responsible for and maintains 6,618km of roads, 5,900km of footways, and 72,300 roadside illuminations of which 61,300 are street lights.

1.5 Corporate Services (CS)

The Corporate Services directorate is responsible for providing support functions to the Council including Commercial, Communications, Corporate Property, Finance, Human Resources, IT, Scrutiny & Monitoring and Strategy & Corporate Programme Management Office, 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 and Registration Services.

2.0 Council's Priorities and Achievements

In July 2017, the County Council adopted a set of corporate priorities through the publication of the '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 priorities were developed following the County Council elections in May 2017 and took into account political priorities as well as the factors impacting on the current public services landscape at a national and local level.

https://www.suffolk.gov.uk/council-and-democracy/our-aims-and-transformation-programmes/the-councils-plans-and-priorities/

The priorities are:

a) Inclusive Growth: Suffolk needs to improve its economic productivity, levels of educational attainment and build more homes, ensuring that everyone benefits, including people who are vulnerable and facing disadvantage.

b) Health, Care and Wellbeing: Caring for Suffolk's vulnerable residents, enabling everyone to live long, healthy and fulfilling lives and having thriving families and communities that support each other.

c) Efficient and Effective Public Services: At a time of diminishing resources, increased demand and changing customer expectations, the Council needs to change the way that it operates to meet customers' needs and balance the budget.

These priorities provide a strategic foundation for future planning for the next few years and are supported by annual Business Plans that translate the high-level aspirations outlined in the 'Our Priorities 2017 - 2021' document into a programme of more detailed actions and commitments. These priorities have guided the Administration in the development of savings proposals for 2018 - 2019 and have informed the planning and implementation of the Council's new portfolio of transformation programmes. The new transformation programmes, detailed in paragraph 6, 'Financial Challenges in 2018 -2019', will focus on reducing existing overspends and meeting the forecast budget gap to 2021.

Detailed below are some of the outcomes that the Council has been able to achieve in 2017 – 2018 within the Councils three priorities:

2.1 Inclusive Growth

2.1.1 Ofsted school inspection figures published by the Department for Education (March 2018) show the percentage of schools judged Good or Outstanding in Suffolk as 86%.

2.1.2 During 2017 -2018, the Council received its highest volume of applications for secondary school places: 7,544 compared to 7,171 in in the previous year. In total, 94.6% of applicants were offered their first-choice school, this was a 0.6% improvement on last year.

2.1.3 The latest figures show the numbers of 16-year-olds in education and training has increased from 93.6% (March 2017) to 94.1% (March 2018).

2.1.4 The numbers of adults qualified to NVQ Levels 2, 3 and 4 have all increased in Suffolk at a greater rate than that reported regionally and nationally.

2.1.5 Following a short Ofsted inspection of Adult and Community Learning services in February, the Council maintained its Good rating (this was the first inspection since 2014).

2.1.6 More than 92% of Suffolk addresses now have access to superfast broadband – from around 50% when the programme started. The plan to achieve broadband coverage to 98% of Suffolk premises by 2020 remains achievable. The Council continues to look at options to provide coverage to the remaining 2% of the population.

2.1.7 Suffolk Highways carried out a total of 187 (89 overnight and 98 daytime) gritting and snow clearance runs over the winter period compared to 102 in 2016 - 2017.

2.2 **Health, Care and Wellbeing**

2.2.1 £191 million was invested in purchasing care for adults, with approximately 9,700 people receiving care at any point in time. This included the provision of 1.7 million homecare hours for older people (a rise of 7% from the previous year) and 124,000 bed-weeks of residential and nursing care (a fall of 1%) which highlights the growth in community-based care rather than the more traditional residential care.

2.2.2 Over the last year the waiting list for homecare has been reduced by 63% by working with providers to access care more quickly.

2.2.3 The number of learning disability customers in paid employment remained at a stable level in 2017 - 2018. The current figure of 8.4% compares well both regionally and nationally (particularly when compared to other large rural counties).

2.2.4 Suffolk is one of 10 Councils successful in the first round of the Life Chances Fund. This funding will be used for an enhanced edge-of-care service delivered via a Social Impact Bond (SIB). A SIB contract will help the Council achieve its key priorities identified in the High Cost Demand in Children's Services Transformation programme.

2.2.5 400 frontline professionals, including Police Officers and health staff, were trained through ASIST (Applied Suicide Intervention Skills Training) suicide prevention programme.

2.2.6 An additional £0.5 million external funding was secured to provide 23 extra domestic abuse refuge bed spaces across the county.

2.2.7 In 2017 - 2018 Suffolk Fire and Rescue attended 4,793 separate incidents including those across other counties. The figure included approximately 2,100 incidents that turned out to be false alarms.

2.2.8 Fire Prevention teams provided 2,987 Home Fire Safety checks to vulnerable people and the Fire Protection Team 386 planned audits.

2.3 **Efficient and Effective Public Services**

2.3.1 The Council's wholly-owned companies under Suffolk Group Holdings have achieved over £89 million in turnover with pre-tax profits of approximately £2.6 million returning combined dividends of £1.435 million to the Council.

2.3.2 The Human Resources service has not only reduced its staff costs by 40% but has continued to increase their traded activity in terms of payroll and advertising with new prospects identified in both areas which it anticipates will go live in 2018 - 2019. This trading activity generates additional income for the Council.

2.3.3 Suffolk has been reducing steadily the number of staff that it directly employs. In April 2017 the number of fulltime equivalent (FTE) staff was 4,081. In April 2018 this had reduced to 3,967 a reduction of 114 FTE (3%).

2.3.4 The Council has also been targeting spend on temporary staff and contractors and reduced the level of spend in 2017 - 2018 by 21% from £11.187 million to £8.811 million. One of the most significant areas of reduction was the spend on contractor social workers and this demonstrates the impact of Council initiatives such as the Suffolk and Norfolk Social Work Teaching Partnership (TP).

2.3.5 Overall, the number of complaints to the Council fell by 3.2% from 1,206 in 2016 - 2017 to 1,165 in 2017 - 2018. Service Provision remains the most prominent theme for complaints across the Council.

3.0 Resident Satisfaction

As 2017 - 2018 was a County Council election year, no formal resident satisfaction consultation was undertaken. However, the Council did run six "We Are Listening" events across the County where members of the public were able to talk to Councillors about the services that the Council provides. The Council also conducted an online consultation for the budget setting process for 2018 - 2019. This consultation included a question about the extent to which respondents agreed or disagreed with the proposition that Suffolk County Council provides value for money. The result was that 40% either strongly agreed or tended to agree that the Council provides value for money, 27% neither agreed or disagreed or did not know and 33% disagreed or strongly disagreed.

4.0 Financial Performance

The Cabinet received quarterly budget monitoring reports during the year and will receive a detailed report of the outturn in June 2018. The Council's overall financial position improved over the course of the year but it is clear that containing spending within the budget while maintaining services is becoming very challenging in the face of significant savings targets that are the necessary response to the Government's reductions to local government funding. Demand and the cost of providing services for the most vulnerable in Suffolk continues to increase so the Council has had to use reserves in the current financial year to balance Directorate budgets. In the new financial year, firm management will be required across all budgets to ensure that where adverse trends are identified in one area, these can be offset by action taken elsewhere to ensure that the Council lives within its means.

4.1 Revenue

4.1.1 The Council set a net budget of £487.862 million for the year 2017 - 2018. The budget included a target for planned savings of £31.330 million to reach a balanced budget as well as a planned transfer from the contingency reserve of £8.501 million. The net budget is the budget after fees, charges, contributions and some service specific grants have been deducted. Table 1 below shows how the net budget was expected to be funded when the budget was set, compared to how it was finally funded.

The changes were due to:

- Additional grant funding for adult social care (£14.174 million) announced in the Chancellor's spring budget at March 2017.
- Additional income received from the billing authorities due to a surplus from Council Tax collection compared to estimated income collectable.
- Additional business rates income from the Suffolk-wide pooling of business rates, providing the Council with a share of the gain, along with income from Central Government due to under-indexing of business rates resulting in a 10% increase for authorities. The under indexing was as a result of the 2% cap imposed by the Chancellor in 2014 - 2015 and 2015 - 2016 and the early switch from RPI to CPI in 2017 - 2018.

Table 1: Funding of Net Budget

	As at 1 April 2017 £ million	As at 31 March 2018 £ million
New Homes Bonus	2.981	2.975
Rural Services Delivery Grant	1.743	1.743
Public Health Ring-Fenced Grant	30.793	30.793
Education Services Grant	1.364	1.235
Transitional Grant	1.978	1.978
Better Care Fund	0.870	15.044
Adult Social Care Support Grant	3.276	3.276
Funding from Contingency Reserve	8.501	2.820
Revenue Support Grant	45.191	45.191
Business Rates Top-Up Grant	74.934	72.934
Business Rates	22.979	29.438
Council Tax	279.333	280.689
Social Care Precept	13.919	13.919
	487.862	**502.035**

Table 2 shows the actual spending of the Council against the net budget for each directorate. Overall the Council overspent by £5.259 million. The under/overspendings (variances) have been added to or taken from the service reserves.

Table 2: Actual Spending compared to the Final Net Budget 2017 – 2018

	Net Budget £ million	Actual Expenditure £ million	Variance over under (-) Budget £ million
Adult & Community Services	229.129	229.698	0.569
Health, Wellbeing & Children's Services	137.606	142.336	4.730
Fire & Rescue Service and Public Safety	24.483	24.290	-0.193
Growth, Highways and Infrastructure	51.168	50.980	-0.188
Corporate Services	26.790	26.887	0.097
Central Resources and Capital Financing	32.859	33.103	0.244
Total Suffolk County Council	**502.035**	**507.294**	**5.259**

The reasons for the variances in Table 2 are explained in the following paragraphs.

4.1.2 Within Adult & Community Services there is continuing pressure on the budget for purchased adult care for older people and people with a learning disability (£4.716 million overspend). However, this is mostly offset by underspends in other areas of the budget including spend on reablement services where there was a high level of staff vacancies combined with third-party contracts ending; Family Carer Support, due to signposting family carers to lower cost community options and improved evaluation of carers needs, and not committing the ACS contingency, which is part of the underspend within commissioning and specialist services. These along with other smaller underspends in other parts of the service has resulted in an overall overspend of £0.569 million.

4.1.3 Children’s Services overspent the base budget by £4.394 million, and the Dedicated School Grant (DSG) budget by £0.336 million – a total of £4.730 million against the budget of £99.156 million. The overspend against base budget was a combination of costs associated with children in care, social care teams (both staffing and non-pay) and home-to-school transport. These were partially mitigated by vacancies and underspends in early help, education & learning, business support, early years and workforce development. In addition, savings of £0.909 million identified early in the financial year were left uncommitted to offset anticipated pressures. The DSG budgets for the inclusion service were significantly overspent and there was also an overspend against the DSG budget assigned for school growth - mainly due to the opening costs of the new Social, Emotional and Mental Health (SEMH) needs school in Carlton Colville. These overspends were partially offset by underspends against the budgets for nursery provision in schools, additional Educational Support Grant income and reduced academy recoupment due to business rates rebates.

4.1.4 Fire & Rescue and Public Safety directorate underspent by £0.193 million. Trading Standards contributed the majority of the underspend due to staff savings and a reduction in legal costs due to fewer prosecutions being significantly challenged. Suffolk Trading Standards has joined with 36 Consumer Group barristers and in doing so have reduced the overall legal costs. In 2017 - 2018 £0.035 million of income was achieved in relation to POCA (Proceeds of Crime Act) which was a significant increase over the previous year. Suffolk Fire and Rescue finished the year with a small overspend whilst Health and Safety achieved a small underspend.

4.1.5 Growth, Highways and Infrastructure underspent by £0.188 million. The underspend is largely attributable to the Waste Service which reported an underspend of £0.708 million. This was due to two main factors: first, the tonnages of residual waste and recyclate were less than expected and secondly, the exceptional performance at the Energy from Waste plant which led to greater landfill avoidance. The reduced tonnage and landfill performance for 2017 - 2018 are considered as one-off. The underspend on Waste was offset by an overspend on Strategic Development of £0.564 million, which is a combination of overspends in Economic Development, Transport Strategy and Heritage Services. Both Passenger Transport and Operational Highways reported a balanced budget, despite a substantial increase in cost relating to winter road treatments due to more adverse weather conditions than an average season. The capitalisation of permanent repairs to the road network combined with the use of the winter maintenance reserve supported the delivery of a balanced budget for 2017 – 2018.

4.1.6 The net overspend for the Corporate Services directorate was £0.097 million. This is made up of a number of over and underspends but the most significant were an overspend of £0.231 million on IT services and an underspend of £0.121 million on Human Resources.

4.1.7 The overspend on Central & Capital Financing of £0.244 million relates in part to the Premature Retirement and Pensions budget. Where the employer pension contractual contribution rate due from a divested company is lower than that set for 2017 - 2018, the benefit is payable to the Council. This benefit was lower than expected. Lower than budgeted dividend income from Suffolk Group Holdings Ltd also contributed to the overspend.

4.1.8 Underspends within the service related to the Apprenticeship Levy, new in 2017 - 2018, a levy payable by the Council to Central Government on non-schools staff. There were also small underspends on Councillors Allowances and Locality budgets.

4.2 Capital

Table 3 shows the Council's capital programme for 2017 - 2018, the final expenditure against the programme and how this has been funded.

Table 3: Capital Programme 2017 – 2018

2017 - 18 Capital Budget Monitoring Table for the Period Ending 31 March 2018

Original Expenditure Programme 2017-18 £ million		Revised Expenditure Programme 2017-18 £ million	Actual Expenditure 2017-18 £ million	Variance Against Revised Programme £ million
0.500	Adult & Community Services	10.370	6.384	3.986
21.190	Health, Wellbeing & Children Services (ex. schools)	55.603	37.382	18.221
1.300	Schools	5.758	3.257	2.501
1.000	Fire & Rescue Service and Public Safety	8.618	3.742	4.876
29.000	Strategic Development	48.400	23.135	25.265
23.473	Operational Highways	38.500	32.504	5.996
0.000	Waste	13.087	2.060	11.027
4.700	Property	14.454	7.931	6.523
2.850	IT	5.810	5.182	0.628
13.680	Broadband	22.653	5.617	17.036
97.693		**223.253**	**127.194**	**96.059**
	Financed by:			
11.700	Ringfenced Government Grant	24.372	12.082	12.290
26.120	Ringfenced Contributions	45.100	20.823	24.277
33.393	Non-Ringfenced Government Grant	48.127	44.087	4.040
2.950	Capital Receipts	11.609	5.933	5.676
6.630	Revenue Budgets or Reserves	23.147	16.158	6.989
16.900	Borrowing	70.898	28.111	42.787
97.693		**223.253**	**127.194**	**96.059**

4.2.1 Adult & Community Services paid £3.772 million to districts and borough councils through the Disabled Facilities Grant to provide support to disabled people who require adaptations to their home. The service also included £1.852 million for community equipment. The remaining spend has been on supported housing for working age adults. The variance of £3.986 million relates mainly to the ACS IT transformation programme, a new customer record management IT system. The contract was awarded in February 2017, and the project will complete during 2018 - 2019.

4.2.2 The programme for Children's Services included expenditure of £23.917 million on basic need schemes which provided new school places in areas of pupil growth. The construction of two new primary schools as part of this programme (The Pines Primary in Red Lodge and The Limes Primary in Woods Meadow in Lowestoft) have progressed well and are both on target to open in September 2018. These accounted for £9.000 million of the £23.917 million expenditure. There was £14.917m spent on expanding existing schools to create the additional school places needed. A further £5.713 million has been spent on school maintenance and refurbishment. Some basic need schemes will take place in future years due to delays in planning and site acquisition. Funding has been carried forward due to the timing of new housing projects which will result in new school places being needed, however the progress of the sites is outside of the Councils control, so the profile of the spend will be amended to ensure the Council does not invest in places which might not be needed.

4.2.3 There was a final spend of £0.724 million on School Organisation Review (SOR), the project is now complete and all maintained schools in Suffolk are two tier which is shown to raise educational attainment. A budget of £1.685 million allowed early years providers to make adaptions and improvements to accommodate the increase in free child-care hours from 15 to 30 hours. This funding was provided by a one-off Government grant.

4.2.4 The Fire & Protection programme included new operational equipment and the replacement of ageing emergency vehicles for Suffolk Fire and Rescue Service. Work has been completed at Newmarket and Beccles to create shared blue light stations at a cost of £1.297 million. The remaining budget will be carried forward into 2018 – 2019 to complete this work in other areas across Suffolk.

4.2.5 The strategic development programme included The Hold Heritage Centre project with most of the funding for this carried forward for use in 2018 – 2019, including a National Lottery grant of £10.300 million. Work on the Beccles Southern Relief Road is on target and due to open to traffic in August 2018, with £2.753 million being spent in 2017 - 2018. Work on the Upper Orwell and Lowestoft bridges is progressing well with £6.005 million being spent on the feasibility studies, planning applications, initial design and a land purchase for part of the site. The Ipswich Radial Corridors scheme spent £1.594 million on a number of highway improvement schemes on the south east side of Ipswich that will ease congestion on the network. £1.302 million has been carried forward into 2018 - 2019 to continue this work.

4.2.6 The highways programme included maintenance work on principal & non-principal roads, bridges, street lighting, traffic signals, footways and drainage. Operational Highways have spent £29.4 million by successfully delivering around 2.13 million square metres of surface dressing of roads completed in the summer of 2017. This represents 325 kilometres of local road network which, together with a further 38 kilometres of surfacing, means that just over 5% of Suffolk's road network was treated in 2017 - 2018. Work will continue in 2018 - 2019 on the repair to Suffolk roads caused by winter damage.

4.2.7 In the waste programme £1.741 million was spent on the purchase of land for the new West Suffolk Operational Hub. The majority of the remaining budget is expected to be utilised in 2018 - 2019 on the construction of the site. The remaining £3.070m of funding will be used on the re-location and improvement of several household waste recycling centres.

4.2.8 The property programme includes the construction of the South Lowestoft Phoenix Enterprise Park industrial units. Total spend on the project in 2017 - 2018 was £3.601 million. The underspend of £1.323 million will be carried forward to 2018 - 2019 when completion of the park is expected. A total of £1.064 million has been spent on improvements and maintenance to the Council's main office buildings, including security improvements to Endeavour and Constantine House and the car park barrier at Riverside. The Greenest County budget has been re-focused to target schemes that reduce overall energy usage rather than using green energy. The schemes have spent £1.311 million in 2017 - 2018, part of this has been on the start of the fan coil replacement in the air conditioning units across 16 floor plates in Endeavour House. 5 have been completed in 2017 – 2018, the rest will be completed in 2018 - 2019. Due to the adverse weather conditions in the last quarter of the financial year work on the re-provision of the Eye library has not progressed as fast as planned, £0.551 million will be carried over to be spent early in 2018 - 2019.

4.2.9 On the 1st April 2017 phase 2 of the Suffolk Better Broadband programme began, work on this is ongoing as roll out has been slower than expected. Capital investment has been used to establish the foundation infrastructure and architecture to support the Council's IT Strategy. This includes investment in cyber security protection, installation of new firewalls and establishing a resilient connectivity to cloud services for the Suffolk wide area network.

4.3 Future capital programme

In February 2018 the Council set a capital programme for 2018 - 2021 that totals £367.713 million. The programme includes investment in schools of £103.949 million, investment in the county's road network of £82.984 million, £116.300 million on the design and build of the wet dock crossings in Ipswich and Lowestoft and a further £7.200 million for the Suffolk Better Broadband programme which will provide 98% of premises in Suffolk with access to superfast broadband speeds. The programme also includes a £5.300 million investment in Barley Homes (Group Ltd) to allow the company to develop a business case for three sites to allow house building.

4.4 Balance Sheet

Table 4 summarises the Balance Sheet of Suffolk County Council at 31 March 2017 and 31 March 2018. The full Balance Sheet can be found on page 20 together with references to the notes that support each of the figures.

Table 4: Balance Sheet as at 31 March 2018

31 March 2017 £ million		31 March 2018 £ million	Increase/ Decrease (-) 2017 - 2018 from 2016 - 2017 £ million
1,581.964	Non Current Assets	1,488.015	-93.949
96.522	Current Assets	118.299	21.777
-229.694	Current Liabilities	-282.495	-52.801
-1,108.101	Long Term Liabilities	-1,095.525	12.576
340.691	**Net Assets**	**228.294**	**-112.397**
193.938	Usable Reserves	173.769	-20.169
146.753	Unusable Reserves	54.525	-92.228
340.691	**Total Reserves**	**228.294**	**-112.397**

4.4.1 The net decrease in non current assets mainly relates to the movement in Property, Plant and Equipment, a reduction of £92.226 million. During 2017 – 2018, 37 schools where the Council held the asset on the balance sheet, transferred from the Council to Academy Status, totalling £98.410 million (Note 5 of the core statements). Capital expenditure during the year created additions to non-current assets of £93.163 million and depreciation charged reduced the balance by £51.724 million.

4.4.2 Current Assets have increased by £21.777 million which includes an increase in short term investments of £16.942 million to meet the short term cash flow management of the Council.

4.4.3 Current liabilities include an increase of £23.857 million in short term borrowing necessary for the Council's short term cash flow, aligned with the Treasury Management borrowing strategy. It also includes an increase of £13.824 million in the cash balance held on behalf of New Anglia Local Enterprise Partnership, as part of the Councils accountable body role. Current liabilities also include an increase in the receipt of developer contributions of £4.948 million which will be used to finance the capital programme in future years. Other movements in current liabilities relate to monies owed on invoices of £6.305 million as at 31 March.

4.4.4 Long-term liabilities include the liabilities in relation to two Private Finance Initiative (PFI) schemes the Council has in place and the 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 30 of the core statements). The balance of the liability in relation to the two schemes has decreased by £7.130m in 2017 - 2018. The movement in the liabilities balance relates to a decrease in the liability of the Local Government Pension Scheme of £20.149 million, an increase in Long Term Borrowing of £11.624 million and an increase of £3.967 million in capital grants which will be used to finance the capital programme in future years.

4.4.5 Usable reserves are cash reserves that can be used to fund the activities of the authority. The decrease of £20.169 million in usable reserves is shown in Table 5 overleaf and in note 8 of the core statements, alongside details of the types of reserves the Council holds.

4.4.6 Unusable reserves are those which exist because the Council has to comply with accounting practice and statute. Details of the decrease in unusable reserves of £92.228 million are shown in Note 19.

Table 5 summarises the Council’s usable reserves.

Table 5: Useable Reserves

31 March 2017 £ million		31 March 2018 £ million	Increase/Decrease (-) 2017 - 2018 from 2016 - 2017 £ million
50.588	General Reserves (unallocated)	46.066	-4.522
19.352	Service reserves (directorate)	9.260	-10.092
50.650	Specific Activity reserves (allocated)	52.615	1.965
57.180	Other earmarked reserves	42.981	-14.199
177.770	**Total Revenue reserves**	**150.922**	**-26.848**
16.168	Capital reserves	22.847	6.679
193.938	**Total Useable reserves**	**173.769**	**-20.169**

4.4.7 General reserves are ring-fenced for each directorate and service reserves are allocated for a defined future use.

4.4.8 The net movement in reserves has been used to support £3.727 million of revenue expenditure and £16.442 million to fund the capital programme.

4.4.9 Schools hold delegated budgets which are funded mainly from the Dedicated Schools Grant (DSG). Any under/overspendings by schools are transferred to individual school's balances. These are earmarked reserves held by the schools that appear within the Council's balance sheet as useable reserves but can only be used by schools. As schools become academies these balances are removed from the Council's balance sheet. At 31 March 2018 school balances were £14.928 million (£19.794 million at 31 March 2017).

4.5 Pension Liabilities

4.5.1 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. The liabilities of the Council in relation to the schemes are reported on the balance sheet in accordance with International Financial Reporting Standard 19 (IAS19). This showed a deficit at 31 March 2018 of £611.044 million (£631.193 million at 31 March 2017) in respect of the firefighters' and the local government pension schemes. The decrease of £20.149 million in the pension fund liabilities is because of an increase in the performance of the funds investments as determined by the actuary over the period.

4.5.2 The teachers' pensions' scheme is administered nationally by the Department for Education and the NHS scheme is administered by NHS Pensions. Their liabilities are not reported separately in the accounts of individual local authorities.

4.5.3 The Suffolk Pension Fund is revalued every three years with the last full valuation in 2016 reporting a funding level of 91.2%.

4.5.4 The Pension Fund has a deficit recovery plan in place to return to a 100% funding level over the next 20 years. Further detail on the schemes funding position can be seen in note 19 and 20 of the Pension Fund Accounts.

5.0 Treasury Management & Cashflow

Table 6: Cash and Short Term Investments

2016 - 2017 £ million		2017 - 2018 £ million
1.156	Cash and other cash equivalents	0.751
28.774	Short term investments	45.716
29.930	**Total**	**46.467**

The main factors that would affect cash in the future are:

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

The Council held £45.027 million of invested funds at 31 March 2018. These investments consisted of £8.954 million in Lloyds deposit account, £31.299 million in money market funds, £4.707 million in Churches, Charities and Local Authorities (CCLA) Property Fund and £0.067 million of interest accrued on these balances. £0.689 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 £604.756 million at 31 March 2018 (£576.829 million at 31 March 2017). This consisted of borrowing of £439.762 million and a Private Finance Initiative (PFI) and donated asset liability of £164.994 million which are described further in note 30. This was substantially below the Council's capital financing requirement (£710.299 million at March 2018), 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 short and long term external borrowing at 31 March 2018 consisted of Public Works Loan Board (PWLB) of £128.663 million, long-term bank loans of £45.000 million, other long-term market loans (Lender Option and Borrowing Options) of £130.000 million, short term borrowing of £132.400 million, funds held in trust of £0.752 million, and accrued interest payable on these balances of £2.947 million. The average rate of interest on the Council's external borrowing at March 2018 was 2.88% (3.14% at March 2017).

6.0 Financial Challenges in 2018 - 2019 and Medium-Term Outlook

6.1.1 Like most councils in England, Suffolk County Council accepted a four-year financial settlement from the Government which covered the period from 2016 - 2017 to 2019 - 2020. This has allowed the council to have a degree of certainty about future levels of funding. However, it is unclear what will replace this regime when it comes to an end. In 2018-19 Suffolk is one of the 10 pilot sites where the Government is looking to test out the implications of moving to funding councils by the retention of Business Rates rather than government grants. The Government is also conducting a major spending review which will set the overall quantum of public expenditure for the next few years and in addition, is consulting on how the Local Government share of that total, so that it is be more fairly distributed between councils.

6.1.2 Nevertheless, using available information and knowledge of funding streams and demand and cost pressures, the Council has forecast what the likely gap between funding and expenditure is likely to be in each year up to 2021-22. This amounts to £57.600 million over the period 2018-19 to 2021-22.

6.1.3 For 2018 - 2019 the Council has identified savings of £23.903 million in order to set a balanced budget. This is because alongside the government grant reductions in 2018 – 2019, the council will need to fund the cost of inflation and increasing demand for adult and children's care services.

6.1.4 The challenge to make savings is not new. The Council has already successfully managed the delivery of savings of more than £236 million since 2011-12. However, it has been recognised that a new programme of transformational change is necessary to build on the success of the previous programme and to ensure that the Council can continue to deliver the best possible services within its available resources. As a result, a new portfolio of service transformation programmes has been developed to fundamentally review how services are operated and how the organisation is run. In 2018 - 2019 the transformation programmes are expected to deliver £11.450 million of savings and the Council is aiming to deliver a further £12.453 million from other savings, including reducing capital financing and containing the impact of inflationary pressures.

The service transformation programmes are:

a) Building adult health and care Alliances to develop an integrated health and care system

b) Adult Mental Health and Learning Disability service transformation

c) Transforming Adult Social Care through managing demand

d) Children and young people's Alliances

e) Implementing the Special Educational Needs and Disabilities (SEND) strategy

f) High-cost demand: Children in care

g) Travel choices

h) Commercialism

i) Infrastructure and growth

j) Our digital business

6.2 Building adult health and care alliances to develop an integrated health and care system

Working with partners in the NHS and other Suffolk organisations, the Council will transform the way it delivers health and adult social care services so that they are more integrated and efficient. To then deliver better support for people by being more responsive and co-ordinated in the care it provides or purchases. This will mean developing a long-term strategy for adult care services, and trialling a new way of providing community care, known as the Buurtzorg model, in one area of Suffolk.

6.3 Adult Mental Health and Learning Disability service transformation

The Council will transform the mental health and learning disability services so they are more tailored to individual needs, give people more choice and control, and prevent future issues from arising. To do this the Council will work to deliver improvements to services such as urgent respite, planned supported breaks, and evening and weekend activities for people with learning disabilities. Further improvements to both working practices and the core technology system used to support people with mental health and learning disabilities will also be delivered.

6.4 Transforming Adult Social Care through managing demand

Demand for social care is increasing every year, something that the Council needs to address, to be able to afford to provide the best quality care possible. The design, implementation and promotion of alternative ways of providing social care services to adults will help more people to live independently for longer and help the Council to manage increasing demand. Working with partners to create a system that serves people better, makes better use of resources, and delivers better outcomes for residents. A long term sustainable social care system is only possible if demand is managed better and the need for local authority-funded care is reduced. Part of this work will include reviewing our residential nursing strategy. The Council will also enter into a new commercial relationship with those who provide care services on our behalf.

6.5 Children and young people's Alliances

The Council will come together with providers and commissioners across the children's health and care sectors to transform community health services. This will move children's health and care systems from a reactive, fragmented model of care towards one that is more proactive, preventive and in which people are empowered to play a central role in managing their own care. To do this a range of reviews will be undertaken, outlining how customers are currently supported, designing new ways of supporting them and identifying opportunities to trial new ways of working. A review of opportunities to integrate services with other providers, such as undertaking a data-led review of urgent care, to understand demand across services and develop appropriate responses.

6.6 Implementing the SEND strategy

The Council will improve the Special Educational Needs and Disability (SEND) services to ensure that children, young people, families and professionals are able to access local services to support themselves. Professionals will work more closely to share information and deliver more timely, high-quality services, designed with the help of children, young people and families themselves. Developing a good understanding of the gaps in services and provision will produce new offers to meet identified need. The transition from childhood through to adulthood will be better understood by children, young people and families. To deliver this multi-agency assessment centres will be created, ensuring better services are developed with the help of the people that will use them. Improvements will be made online to access clear information on what services are available locally. This will empower families to make informed decisions to help reduce demand on services.

6.7 High cost demand: Children in care

Despite a national rise in the number of children in care, the Council had managed to keep its numbers stable from November 2015 to November 2017, with an increase in the last five months of 2017 - 2018. Costs have, however, risen - particularly for adolescents. Numbers of children in need and children with child protection plans are stable, but work must continue to be more efficient and effective. A “Social Impact Bond” will be created to incentivise organisations to support adolescents who are at risk of going into care. Funded partly by the Life Chances Fund, this will help to reduce the number of young people entering care in Suffolk. To keep more children aged 11 years and over out of care, the Family Solutions Service will be strengthened to provide intensive support services (e.g. respite, psychologists and activities programmes). Funded by the Department for Education, the Council want to deliver the “Mocking Bird” fostering model to increase the resilience of our foster carers to look after those children with the most challenging needs. The Council will also deliver the “Staying Close” programme to ensure a smoother transition for those young people leaving residential care and going on to live more independent lives. Work will continue to build on the Signs of Safety and Wellbeing practice.

6.8 Travel choices

There are spaces on public transport that currently are not being utilised, so the Council will work to get more of them being used by people who need to travel, piloting a new travel app to assist with this. This will give Suffolk residents increased travel options and the ability to arrange their own transport to meet their needs, without public subsidy. The Council will encourage the development of a bus network that integrates commercially-run and community services, along with encouraging sustainable travel to school and developing a fair and equitable school travel policy.

6.9 Commercialism

The Council want to provide efficient, effective and innovative services that meet the needs of Suffolk residents and businesses at minimum cost to taxpayers. This means getting the right balance between the Council paying for services to be delivered by other organisations and delivering them ourselves. Local businesses will be encouraged to develop and provide better services that meet residents’ needs whilst generating funding for the Council. An important element of this work will be to carry out a complete review of Council services to determine what opportunities there are for further improvements in the way services are purchased, provided and income generated.

6.10 Infrastructure and growth

To maximise economic growth for Suffolk, the Council will focus its efforts on securing investments which will deliver increased business rates and council tax income. This means developing a clear understanding of the relationship between infrastructure investment, housing and economic growth, skills and business rates and council tax, to help make better decisions.

6.11 Our digital business

The Council will be transformed radically to improve the way residents are served by using technology in better and more innovative ways to ensure everyone can access services digitally. The Council will exploit the power of technology to drive economic growth and enhance the health and wellbeing of Suffolk people. To do this the Council will modernise its online transactions system, removing costly manual activities from our processes where appropriate, along with developing and implementing a strategy to help provide more services digitally.

7.0 Corporate Risk Management

The Council takes a pragmatic and flexible approach to risk management by which staff are encouraged actively to manage risk on a daily basis and to tailor their risk management approach to suit their business environment and operational needs. The work of embedding the Active Risk Management (ARM) approach across the Council is ongoing. 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 Management Team (CMT) 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 CMT 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.

8.0 Annual Governance Statement

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 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.

A copy of the Annual Governance Statement for 2017 – 2018 is available on the Councils website.

https://www.suffolk.gov.uk/council-and-democracy/budget-council-tax-and-finance/council-accounts/

9.0 Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2018. 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 2017 - 2018, which in turn is underpinned by International Reporting Standards.

The Core Statements are:

9.1 Comprehensive Income and Expenditure Account

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.

9.2 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 Account. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting.

9.3 Balance Sheet

The Balance Sheet shows the value as at the 31 March 2018 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:

- Useable 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).
- 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'.

9.4 Cash Flow Statement

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

The supplementary statements are:

9.5 Notes to the accounts

Accounting Policies -The accounting policies 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.

There have been no significant changes to the Council's accounting policies during the year.

Notes 2 to 40 set out supplementary information to assist readers of the accounts.

9.6 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.

9.7 Group Accounts

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.

The Council has not included Suffolk Norse Ltd, Suffolk Norse (Transport) Ltd, Schools Choice Group Ltd, Sensing Change Ltd, Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd, Realise Futures CIC, Suffolk Careline Community Interest Company and Barley Homes (Group Limited) in the Group accounts as they are not material either qualitatively or quantitatively.

9.8 Pension Fund Accounts

The objective of the Suffolk Pension Fund's financial statements from page 93 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.

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 34).

9.9 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 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 Account

2016 - 2017 Gross Expenditure £ million	2016 - 2017 Restated Gross Income £ million	2016 - 2017 Net Expenditure £ million		Notes	2017 - 2018 Gross Expenditure £ million	2017 - 2018 Gross Income £ million	2017 - 2018 Net Expenditure £ million
281.416	-68.147	213.269	Adult and Community Services		301.362	-69.672	231.690
553.624	-367.764	185.860	Health, Wellbeing & Children's Services		519.703	-342.649	177.054
27.467	-4.417	23.050	Fire & Rescue Service and Public Safety		29.658	-4.418	25.240
109.104	-38.318	70.786	Growth, Highways & Infrastructure		107.865	-29.785	78.080
54.732	-9.560	45.172	Corporate Services		61.797	-18.215	43.582
5.109	-0.162	4.947	Central Resources and Capital Financing		5.443	-0.313	5.130
-1.002	0.000	-1.002	Pension Costs IAS 19 *		-3.550	0.000	-3.550
1,030.450	**-488.368**	**542.082**	**Net cost of services**		**1,022.278**	**-465.052**	**557.226**
81.246	-0.137	81.109	Other operating expenditure	9	101.070		101.070
39.227	-2.070	37.157	Financing and investment income and expenditure	10	33.506	-2.399	31.107
	-510.547	-510.547	Taxation and non-specific grant income and expenditure	11		-540.995	-540.995
1,150.923	**-1,001.122**	**149.801**	**Deficit on Provision of Services**		**1,156.854**	**-1,008.446**	**148.408**
		-9.931	Surplus (-) / deficit on revaluation of non-current assets	19			17.268
		23.125	Remeasurements of the net defined benefit liability	34			-53.572
		0.000	Surplus or deficit on revaluation of available for sale financial assets	19			0.293
		13.194	**Other Comprehensive Income and Expenditure**				**-36.011**
		162.995	**Total Comprehensive Income and Expenditure**				**112.397**

The Comprehensive Income and Expenditure Account has been restated for 2016 - 2017 to reflect changes to the directorate structure of the Council during 2017 - 2018.

The directorates have changed in the following way:

- Children and Young People is now part of Health, Wellbeing and Children's Services (HW&CS).
- Public Health and Protection has been divided with Public Health moving into Health, Wellbeing and Children's Services and Public Protection becoming Fire & Rescue Service and Public Safety.
- Resource Management has been split into Growth, Highways & Infrastructure and Corporate Services.
- Corporate Resources & Capital Financing has been renamed Central Resources & Capital Financing.

The restatement has been completed purely to allow for comparison between the two financial years. No change has been made to the Net Cost of Services.

* The Pension Costs are in relation to accounting for Employee Benefits (IAS19) which are not allocated to service areas. The negative expenditure is due to past service costs and settlements identified by the actuary, see note 34.

Movement in Reserve 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 Authority Reserves £ million
Balance at 31 March 2016	**49.455**	**156.819**	**8.434**	**6.347**	**2.280**	**223.335**	**280.351**	**503.686**
Movement in reserves during 2016 - 2017								
Surplus or deficit (-) on provision of services	-149.801	0.000	0.000	0.000	0.000	**-149.801**		**-149.801**
Other Comprehensive Expenditure and Income						**0.000**	**-13.194**	**-13.194**
Total Comprehensive Expenditure and Income	**-149.801**	**0.000**	**0.000**	**0.000**	**0.000**	**-149.801**	**-13.194**	**-162.995**
Adjustments between accounting basis and funding basis under regulations **(note 7)**	121.297	0.000	-1.648	-0.091	0.846	**120.404**	**-120.404**	**0.000**
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-28.504**	**0.000**	**-1.648**	**-0.091**	**0.846**	**-29.397**	**-133.598**	**-162.995**
Transfer to (-)/from Earmarked Reserves **(note 8)**	29.637	-29.637	0.000	0.000	0.000	**0.000**		**0.000**
Increase/Decrease (-) in Year	**1.133**	**-29.637**	**-1.648**	**-0.091**	**0.846**	**-29.397**	**-133.598**	**-162.995**
Balance at 31 March 2017 carried forward	**50.588**	**127.182**	**6.786**	**6.256**	**3.126**	**193.938**	**146.753**	**340.691**
Movement in reserves during 2017 - 2018								
Surplus or deficit (-) on provision of services	-148.408	0.000	0.000	0.000	0.000	**-148.408**		**-148.408**
Other Comprehensive Expenditure and Income						**0.000**	**36.011**	**36.011**
Total Comprehensive Expenditure and Income	**-148.408**	**0.000**	**0.000**	**0.000**	**0.000**	**-148.408**	**36.011**	**-112.397**
Adjustments between accounting basis and funding basis under regulations **(note 7)**	121.477	0.000	4.707	0.792	1.262	**128.239**	**-128.239**	**0.000**
Net Increase/Decrease (-) before Transfers to Earmarked Reserves	**-26.931**	**0.000**	**4.707**	**0.792**	**1.262**	**-20.169**	**-92.228**	**-112.397**
Transfer to (-)/from Earmarked Reserves **(note 8)**	22.409	-22.327	0.000	0.000	-0.082	**0.000**		**0.000**
Increase/Decrease (-) in Year	**-4.522**	**-22.327**	**4.707**	**0.792**	**1.180**	**-20.169**	**-92.228**	**-112.397**
Balance at 31 March 2018 carried forward	**46.066**	**104.855**	**11.493**	**7.048**	**4.306**	**173.769**	**54.525**	**228.294**

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 to the Comprehensive Income and Expenditure Accounts. It shows the movement in net expenditure at Outturn, as reported to the Council's Cabinet, to the net expenditure in the Comprehensive Income and Expenditure Account. It also shows the movement in the total revenue reserves from the deficit on the provision of services.

2017 – 2018

				Adjustments between the Funding and Accounting basis				
	Outturn as reported to Cabinet	**Adjustments (EFA Note 1)**	**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments for Capital Purposes (EFA Note 2)**	**Net Charge for the Pensions Adjustments (EFA Note 3)**	**Other Differences (EFA Note 4)**	**Total Adjustments**	**Net Expenditure in the Comprehensive Income & Expenditure Account**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Adult and Community Services	229.698	-2.164	**227.534**	0.442	3.771	-0.057	**4.156**	**231.690**
Health, Wellbeing and Childrens Services	142.336	8.054	**150.390**	46.384	12.367	-32.087	**26.664**	**177.054**
Fire & Rescue Service and Public Safety	24.290	-0.658	**23.632**	1.089	0.467	0.052	**1.608**	**25.240**
Growth, Highways and Infrastructure	50.980	8.198	**59.178**	18.732	1.482	-1.312	**18.902**	**78.080**
Corporate Services	26.887	6.031	**32.918**	8.703	2.308	-0.347	**10.664**	**43.582**
Central Resources and Capital Financing	33.103	-23.975	**9.128**	-3.998	0.000	0.000	**-3.998**	**5.130**
Pension Costs IAS 19	0.000	0.000	**0.000**	0.000	-3.550	0.000	**-3.550**	**-3.550**
Net Cost of Services	**507.294**	**-4.514**	**502.780**	**71.352**	**16.845**	**-33.751**	**54.446**	**557.226**
Other Income and Expenditure (Note 9,10,11)			-475.932	15.514	16.579	35.021	**67.114**	**-408.818**
Surplus (-) or Deficit on provision of services			**26.848**				**121.560**	**148.408**
Opening Revenue Reserve Balance 31 March 2017 (Note 8)			**177.770**					
Less Surplus/Deficit (-) on Revenue Reserve Balances in Year			-26.848					
Closing Revenue Reserve Balance at 31 March 2018 (Note 8)			**150.922**					

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 Account.
Other Income and Expenditure includes those items shown in Notes 9,10,11 to the core statements. 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, impairments, revaluation gains and losses, capital loss on disposal, along with capital grants recognised in the Comprehensive Income and Expenditure Account 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 the 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 Account.

EFA Note 4 – Other Differences – Removal of capital reserve movements reported at outturn excluded from the Comprehensive Income and Expenditure Account under statute, 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. 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.

EFA Note 5 – The employee benefits included within the net cost of services are £341.025 million for 2017 – 2018 (£381.864 million 2016 – 2017).

Expenditure and Funding Analysis

The Expenditure and Funding Analysis has been restated for 2016 - 2017 to reflect changes to the directorate structure of the Council during 2017 - 2018 as described on page 15 under the Comprehensive Income and Expenditure Account. The restatement has been completed purely to allow for comparison between the two financial years, no changes have been made to the Net Cost of Services.

2016 - 2017

				Adjustments between the Funding and Accounting basis				
	Outturn as reported to Cabinet (restated)	**Adjustments (EFA Note 1)**	**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments for Capital Purposes (EFA Note 2)**	**Net Charge for the Pensions Adjustments (EFA Note 3)**	**Other Differences (EFA Note 4)**	**Total Adjustments**	**Net Expenditure in the Comprehensive Income & Expenditure Account**
			£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Adult and Community Services	208.754	2.867	**211.620**	1.277	0.342	0.030	**1.649**	**213.269**
Health, Wellbeing & Childrens Services	144.383	14.579	**158.962**	54.152	1.216	-28.469	**26.899**	**185.860**
Fire & Rescue Service and Public Safety	24.711	-1.040	**23.671**	0.250	-0.885	0.014	**-0.621**	**23.050**
Growth, Highways and Infrastructure	56.492	-2.673	**53.819**	16.949	0.000	0.018	**16.966**	**70.786**
Corporate Resources	31.125	4.845	**35.970**	8.764	0.367	0.071	**9.202**	**45.172**
Central Resources and Capital Financing	39.895	-32.543	**7.352**	-2.666	0.005	0.256	**-2.405**	**4.947**
Pension Costs IAS 19	0.000	0.000	**0.000**	0.000	-1.002	0.000	**-1.002**	**-1.002**
Net Cost of Services	**505.360**	**-13.965**	**491.394**	**78.725**	**0.043**	**-28.080**	**50.688**	**542.082**
Other Income and Expenditure			-462.890	17.318	20.655	32.636	**70.609**	**-392.281**
Surplus or Deficit			**28.504**				**121.297**	**149.801**
Opening General Fund Balance 31 March 2016			**206.274**					
Less Surplus/Deficit on General fund Balance in Year			-28.504					
Closing General Fund Balance at 31 March 2017			**177.770**					

Balance Sheet

31 March 2017 £ million		Notes	31 March 2018 £ million
1,566.906	Property, Plant and Equipment	**12**	1,474.639
2.319	Intangible Assets	**13**	2.361
0.839	Heritage Assets		0.839
0.001	Long-term Investments		0.001
11.899	Long-term Debtors	**37**	10.175
1,581.964	**Total Non Current Assets**		**1,488.015**
28.774	Short Term Investments	**37**	45.716
0.394	Carbon Reduction Allowances		0.126
6.465	Assets Held for Sale	**14**	4.552
0.050	Inventories		0.059
59.683	Short Term Debtors	**15**	67.095
1.156	Cash and Cash Equivalents	**16**	0.751
96.522	**Current Assets**		**118.299**
-115.619	Short Term Borrowing	**37**	-139.476
-96.434	Short Term Creditors	**17**	-127.361
-2.798	PFI Liability	**30**	-2.752
-4.755	Donated Asset Account	**30**	-4.755
-10.088	Provisions	**18**	-8.151
-229.694	**Current Liabilities**		**-282.495**
-6.213	Provisions	**18**	-5.602
-288.662	Long Term Borrowing	**37**	-300.286
-13.040	Other Long Term Liabilities	**37**	-13.141
-60.378	PFI Liability	**30**	-57.626
-104.617	Donated Asset Account	**30**	-99.861
-631.193	Liability related to Defined Benefit Pension Scheme	**34**	-611.044
-3.998	Capital Grants Receipts in Advance	**26**	-7.965
-1,108.101	**Long Term Liabilities**		**-1,095.525**
340.691	**Net Assets**		**228.294**
193.938	Usable Reserves	**8**	173.769
146.753	Unusable Reserves	**19**	54.525
340.691	**Total Reserves**		**228.294**

These financial statements replaced the unaudited financial statements certified by the Head of Finance on 30 May 2018.

Head of Finance (Section 151 Officer)
Date 25 July 2018

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.

2016 - 2017 £ million		Notes	2017 - 2018 £ million
149.801	**Net deficit on the provision of services**		**148.408**
-156.953	Adjust net deficit on the provision of services for non cash movements	**CF1**	-218.167
52.273	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	**CF1**	78.991
45.121	Net cash flows from Operating Activities		**9.232**
-2.516	Investing Activities	**CF2**	26.314
-43.376	Financing Activities	**CF3**	-35.141
-0.771	**Net increase (-) or decrease in cash and cash equivalents**		**0.405**
-0.385	Cash and cash equivalents at the beginning of the reporting period		-1.156
-1.156	**Cash and cash equivalents at the end of the reporting period**		**-0.751**

Notes

CF1. Operating Activities

The cashflows for operating activities include the following items:

2016 - 2017 £ million		2017 - 2018 £ million
-1.049	Interest received	-0.972
18.563	Interest paid	16.963

The deficit on the provision of services has been adjusted for the following non cash movements:

-53.506	Depreciation and impairment	-52.550
-8.544	Downward revaluations	-9.632
0.135	Increase/decrease (-) in impairment for bad debts	0.016
6.692	Increase (-)/decrease in creditors	-23.946
4.501	Increase/decrease (-) in debtors	3.081
-0.011	Increase/decrease(-) in inventories	0.009
-20.698	Movement in pension liabilities	-33.423
-90.204	Carrying amount of non current assets and non current assets held for sale, sold or de-recognised	-109.301
4.682	Other non cash items charged to the net deficit on the provision of services	7.577
-156.953	**Total**	**-218.167**

The deficit on provision of services has been adjusted for the following investing and financing activities:

10.185	Proceeds from the sale of property, plant and equipment and intangible assets	10.524
42.088	Any other items for which the cash effects are investing or financing cashflows	68.467
52.273	**Total**	**78.991**

Cash-flow statement

CF2. Investing Activities

2016 - 2017 £ million		2017 - 2018 £ million
86.486	Purchase of Property, Plant and Equipment	87.399
865.641	Purchase of short-term and long-term investments	882.725
-10.185	Proceeds from the sale of Property, Plant and Equipment	-10.524
-898.827	Proceeds from short-term and long-term activities *	-866.596
-45.631	Other receipts from investing activities	-66.690
-2.516	**Net cash flows from investing activities**	**26.314**

* included within proceeds from short term and long term investments is cash received upon maturity of investments.

CF3. Financing Activities

2016 - 2017 £ million		2017 - 2018 £ million
-303.500	Cash receipts of short and long term borrowings	-654.200
-3.632	Other cash receipts from financing activities	-2.741
2.909	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	3.117
262.795	Repayments of short-term and long-term borrowing	618.677
-1.948	Other payments for financing activities	0.006
-43.376	**Net cash flows from financing activities**	**-35.141**

Index of Explanatory Notes to the Core Financial Statements

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.

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017 -2018 (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 2017 - 2018 financial year and its position at the year end of 31 March 2018. 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 2017 – 2018 (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.

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 £1,000 de-minimis policy on accruals at year end. This means the Council does not record accruals for transactions under £1,000 except for the following:

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

The application of the £1,000 de-minimis policy does not materially affect the accounts of Suffolk County 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 policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior year adjustment.

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 accounts on page 47. 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 35 and 36 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 Account. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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. Details of the reserves held are shown in note 8 to the accounts on page 39.

vii Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and 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 Account 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. 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 Account.

Where capital grants are credited to the Comprehensive Income and Expenditure Account they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it is applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve 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 Health, Wellbeing and Children's Services 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 benefits scheme. This scheme provides pensions and other benefits for staff other than teachers and firefighters. 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.
- **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 Suffolk County Council Income and Expenditure Account is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The liabilities of the Suffolk Pension Scheme (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.

Liabilities are discounted to their value at current prices. The discount rate employed for the 2017 - 2018 accounts is 2.7%. The discount rate used is determined with reference to market returns of high quality corporate bonds at the balance sheet date.

The change in the net pension liability 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 Account 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 Account.
- 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 the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Account. 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.

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 33 and 34 of the accounts.

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 Account 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 excludes 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 with the exception of I.T. assets, which have all been included. Enhancements to existing assets have also been included.

Under International Financial Reporting Standards (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

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:

	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.
Infrastructure	Depreciated historical cost – except that the value of infrastructure assets at 1 April 1994 was set by referring to the outstanding loan debt on the assets at that time.	40 years
Community assets	Historical cost or valuation – except that community assets held at 1 April 1994 for which the historic cost or value was not known, were given a token value of £1,000.	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.

The valuation figures included in the accounts are the total of separate valuations of all our 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 Account where they arise from the reversal of an impairment loss previously charged to a service. 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 Account.

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 £1m.

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 Account, 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 Account, 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.

xii 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, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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 Account.

Where an impairment loss previously charged to the Comprehensive Income and Expenditure Account is reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Account, but only up to the amount of the original loss.

xiii 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. The council changed its policy for calculating MRP in 2016 - 2017 which has led to a lower MRP charge than in the prior year. Depreciation, revaluation and impairment losses charged to the Comprehensive Income and Expenditure Account 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.

xiv 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 Account. 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 Account 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 Account 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 can then only be used for new capital investment.

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.

xv 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 Account 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.

xvi Leases

Leases are classified as finance leases where the terms of the lease substantially transfers 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.

<u>The Council as Lessee</u>
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 Account as an expense to the services benefiting from the use of the leased Property, Plant or Equipment.

<u>The Council as Lessor</u>
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 Account 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 Account.

xvii Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account 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 Account is the amount payable for the year in the loan agreement.

xviii Financial assets

Financial assets are classified into two types: loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market) and available-for-sale assets (assets that have a quoted market price and/or do not have fixed or determinable payments).

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by (where applicable) the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are recognised by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Comprehensive Income and Expenditure Account within Other Comprehensive Income and Expenditure.

xix Interests in companies and other entities

The Council has a 100% shareholding in both Suffolk Group Holdings Ltd and Schools Choice Group Ltd. Suffolk Group Holdings Ltd is made up of Vertas Group Ltd (Vertas), Concertus Design and Property Consultants Ltd (Concertus) and Opus People Solutions Ltd (Opus). The council also wholly owns Sensing Change. Suffolk Norse Ltd and Suffolk Norse (Transport) Ltd are associates of the Council with the other shareholder being Norse Commercial Services Ltd. The Council has a 50% interest in Barley Homes Group Ltd, a joint venture with Forest Heath District Council and St Edmundsbury Borough Council. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

xx 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 Account.
- **Finance cost** – a % interest charge on the outstanding Balance Sheet liability, debited to Interest payable and similar charges in the Comprehensive Income and Expenditure Account.
- **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 Account.
- **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 2017 - 2018 transactions please refer to note 30 on page 65.

xxi Accounting for council tax and business rates

From 1 April 2009, for both billing authorities and major preceptors, the council tax income included in the Comprehensive Income and Expenditure Account for the year is the accrued income for the year. The Council's share of the accrued council tax income is collated from the billing authorities' information that is required to be produced by them to prepare their Collection Fund Statements. From April 2013 business rates are also accounted for using the same method.

The difference between the income included in the Comprehensive Income and Expenditure Account 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 their proportion of council tax debtors and corresponding creditors showing the amount then owed to the Billing Authorities.

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 also shows in the Balance Sheet their proportion of the business rate levy due to the Council from the billing authorities based upon the actual rates collected above the rates baseline as set by Central Government. The levy is proportionately due to Central Government. Therefore, the Council shows a creditor on the balance sheet for the amount due to be paid.

xxii 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. SCC policy is that deposits of any length should be classed as an investment and not a cash equivalent on the Balance Sheet.

xxiii 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 Schools Choice Group Ltd, Suffolk Norse Ltd, Sensing Change Ltd, Leading Lives IPS Ltd, Suffolk Libraries IPS Ltd, Realise Futures CIC and Barley Homes (Group) Ltd in the Group accounts as they are not material either qualitatively or quantitatively.

No amendments have been necessary to the accounts of the group entities as a result of material differences arising from the variation in accounting policies.

2. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017 - 2018 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. This applies to the adoption of the following or amended standards within the 2018 - 2019 Code:

- **IFRS 9 'Financial Instruments'** The accounting standard introduces changes to the classification and measurement of financial assets, with them being measured at fair value and changes in fair value being recognised through the Comprehensive Income and Expenditure Account. This will impact mainly on loans and receivables but is not likely to have a material impact on the financial statements because most assets will retain the same measurement basis and a provision is already made for doubtful debts on service assets (trade receivables).
- **IFRS 15 'Revenue from Contracts with Customers'** This standard presents new requirements as to how and when revenue will be recognised using a new revenue recognition model. Revenue will be recognised when a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. IFRS 15 is a standard which will impact mainly on commercial entities although will require disclosure in the 2018 - 2019 Accounts.
- **Amendments to IAS 7 'Statement of Cash Flows: Disclosure Initiative'** This will potentially require additional analysis of Cashflows from financing activities as disclosure in the Cashflow Statement in future years. It is envisaged this will improve the understanding of changes in the Councils net debt and management of financing activities.
- **Amendments to IAS 12 'Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'** Clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This is only likely to be relevant to the Councils subsidiary companies within the group accounts.
- **IFRS 16 Leases**, will require local authorities that are lessees to recognise most leases on their balance sheet as 'right of use' assets, with corresponding lease liabilities.

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:

- The Council anticipates that the pressures on public expenditure will continue and there is still a high degree of uncertainty about future levels of funding for local government. These pressures will be mitigated by further Council savings and use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2020. Consequently, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision.
- Note 38 details the Council's Investment Strategy and approach to managing risk.
- The Council has two Private Finance Initiative contracts. One for the provision/refurbishment of Fire Stations and one for the provision of the Energy from Waste Facility. Note 30 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's

consolidated statements only include Suffolk Group Holdings Limited as the others in aggregate are not sufficiently material to include. See note 39 and the Group accounts for further information.

- The Council has committed to enter a Suffolk wide business rate pooling pilot from 2018 - 2019. The governance arrangements for the pilot guarantee no detriment compared with the Council's position whilst in the pool, than if it had not entered into such an arrangement, as this is backed by the Ministry for Housing, Communities and Local Government. The Council's accounts as at 31 March 2018 are unaffected by the commitment to enter into the pooling arrangement.

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	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in note 1.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation for assets would increase by £5.230m for every year that useful lives had to be reduced.
Fair Value Measurement	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.	Concertus Design and Property Consultants Ltd carried out all the valuations on the Council's Surplus Assets and advised that all the valuation inputs used were Level 3 and therefore unobservable inputs. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of these assets.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, 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.	During 2017 - 2018, the Council's actuary advised that the net pensions liability had decreased by £20.149 million. Further sensitivity analysis on pension liabilities are in Note 34.

5. Material Items of Income and Expenditure

The following material item is included within the Comprehensive Income and Expenditure Account:

In 2017-18 £98.410 million of non-current assets have been transferred to 37 Academies which opened during the year.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 30 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2018 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

Academies
Since 31 March 2018, there have been 9 schools that have become Academies, and a further 22 are currently planning to convert during 2018 – 2019, although this figure may change as the year progresses.

Academies are independent and the Council has ceased to be the maintaining authority from the date of transfer. All running costs and income relating to these schools no longer form part of the Council's financial statements.

Chief Executive
The process for the appointment of a new Chief Executive has been completed and Nicola Beach took up the role with the Council on 21 May 2018.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Comprehensive Income and Expenditure Account 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.

2017 - 2018	Usable Reserves			
	General Fund Balance £ million	Capital Receipts Reserve £ million	Capital Grant/ Contributions Unapplied Account £ million	Movement in Unusable Reserves £ million
Adjustments to the Revenue Resources				
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:				
Pension Costs (transferred to (or from) the Pensions Reserve	-33.423			**33.423**
Council Tax and Non Domestic Rates (transfers to or from Collection Fund Adjustment Account)	-2.641			**2.641**
Holiday Pay (transferred to the Accumulated Absences Reserve)	1.371			**-1.371**
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)				
Charges for depreciation, impairment of non current assets and amortisation of intangible assets	-52.550			**52.550**
Revaluation losses on Property, Plant and Equipment	-9.632			**9.632**
Capital grants and contributions that have been applied to capital financing	74.880			**-74.880**
Income in relation to Donated Assets	5.270			**-5.270**
Revenue expenditure funded from capital under statute	-33.095			**33.095**
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	-109.301			**109.301**
Total Adjustments to Revenue Resources	**-159.121**	**0.000**	**0.000**	**159.121**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5.273	-5.273		**0.000**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6.795			**-6.795**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	16.158			**-16.158**
Total Adjustments between Revenue and Capital Resources	**28.226**	**-5.273**	**0.000**	**-22.953**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	5.252	0.681		**-5.933**
Long Term Debtor repayment in year		-0.115		**0.115**
Application of capital grants to finance capital expenditure				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	4.166		-4.166	**0.000**
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account			2.111	**-2.111**
Total Adjustments to Capital Resources	**9.418**	**0.566**	**-2.055**	**-7.929**
Total Adjustments	**-121.477**	**-4.707**	**-2.055**	**128.239**

2016 - 2017	Usable Reserves			
	General Fund Balance £ million	Capital Receipts Reserve £ million	Capital Grant/ Contributions Unapplied Account £ million	Movement in Unusable Reserves £ million
Adjustments to the Revenue Resources				
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:				
Pension Costs (transferred to (or from) the Pensions Reserve	-20.698			**20.698**
Council Tax and Non Domestic Rates (transfers to or from Collection Fund Adjustment Account)	-1.947			**1.947**
Holiday Pay (transferred to the Accumulated Absences Reserve)	-2.610			**2.610**
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)				
Charges for depreciation, impairment of non current assets and amortisation of intangible assets	-53.506			**53.506**
Revaluation losses on Property, Plant and Equipment	-8.544			**8.544**
Capital grants and contributions that have been applied to capital financing	47.320			**-47.320**
Income in relation to Donated Assets	4.840			**-4.840**
Revenue expenditure funded from capital under statute	-39.660			**39.660**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-90.204			**90.204**
Total Adjustments to Revenue Resources	**-165.009**	**0.000**	**0.000**	**165.009**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1.084	-1.084		**0.000**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5.271			**-5.271**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	25.801			**-25.801**
Total Adjustments between Revenue and Capital Resources	**32.156**	**-1.084**	**0.000**	**-31.072**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	9.101	2.732		**-11.833**
Application of capital grants to finance capital expenditure				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2.455		-2.455	**0.000**
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account			1.700	**-1.700**
Total Adjustments to Capital Resources	**11.556**	**2.732**	**-0.755**	**-13.533**
Total Adjustments	**-121.297**	**1.648**	**-0.755**	**120.404**

8. Transfers to/from Earmarked Reserves

	Balance at 1 April 2016 £ million	Transfers between Reserves £ million	Transfers Out 2016-2017 £ million	Transfers in 2016-2017 £ million	Balance at 31 March 2017 £ million	Transfers between Reserves £ million	Transfers Out 2017-2018 £ million	Transfers in 2017-2018 £ million	Balance at 31 March 2018 £ million
County Fund	**10.990**	0.000	-0.103	0.039	**10.926**	0.000	0.000	0.000	**10.926**
Contingency Reserve	**38.465**	0.000	-2.629	3.826	**39.662**	-2.300	-5.022	2.800	**35.140**
Total General Fund Reserves	**49.455**	**0.000**	**-2.732**	**3.865**	**50.588**	**-2.300**	**-5.022**	**2.800**	**46.066**
Service Reserves									
Adult & Community Services	**7.985**	1.923	-0.640	0.066	**9.334**	-0.910	-3.761	0.400	**5.063**
Health, Wellbeing and Children's Services	**0.000**	0.000	0.000	0.000	**0.000**	4.909	-6.416	0.622	**-0.885**
Children & Young People	**10.691**	0.000	-9.557	1.804	**2.938**	-2.938	0.000	0.000	**0.000**
Public Health & Protection	**1.739**	-0.150	-0.009	0.293	**1.873**	-1.873	0.000	0.000	**0.000**
Fire & Rescue and Public Safety	**0.000**	0.000	0.000	0.000	**0.000**	1.786	-0.311	0.243	**1.718**
Growth, Highways and Infrastructure	**0.000**	0.000	0.000	0.000	**0.000**	2.560	-0.300	0.189	**2.449**
Corporate Services	**0.000**	0.000	0.000	0.000	**0.000**	2.887	-2.399	0.029	**0.517**
Resource Management	**5.435**	0.009	-1.026	0.511	**4.929**	-4.929	0.000	0.000	**0.000**
Central Services	**0.658**	0.000	-0.385	0.005	**0.278**	0.000	0.000	0.120	**0.398**
Total Service Reserves	**26.508**	**1.782**	**-11.617**	**2.679**	**19.352**	**1.492**	**-13.187**	**1.603**	**9.260**
Specific Activity Reserves									
Adult & Community Services	**4.029**	-1.923	-1.540	0.090	**0.656**	0.853	-0.053	5.802	**7.258**
Health, Wellbeing and Children's Services	**0.000**	0.000	0.000	0.000	**0.000**	5.988	-3.553	3.124	**5.559**
Children & Young People	**9.143**	0.000	-3.688	0.364	**5.819**	-5.819	0.000	0.000	**0.000**
Public Health & Protection	**4.981**	0.150	-0.926	0.704	**4.909**	-4.909	0.000	0.000	**0.000**
Fire & Rescue and Public Safety	**0.000**	0.000	0.000	0.000	**0.000**	4.174	-0.342	0.106	**3.938**
Growth, Highways and Infrastructure	**0.000**	0.000	0.000	0.000	**0.000**	15.871	-2.763	1.543	**14.651**
Corporate Services	**0.000**	0.000	0.000	0.000	**0.000**	3.213	-1.503	0.035	**1.745**
Resource Management	**18.279**	0.022	-5.107	5.220	**18.414**	-18.414	0.000	0.000	**0.000**
Central Services	**26.373**	0.000	-7.871	2.350	**20.852**	0.829	-4.146	1.929	**19.464**
Total Specific Activity Reserves	**62.807**	**-1.751**	**-19.132**	**8.728**	**50.650**	**1.786**	**-12.360**	**12.539**	**52.615**
Other Earmarked Reserves									
Traders Reserves	**1.146**	0.000	-0.156	0.087	**1.077**	-1.077	0.000	0.000	**0.000**
Capital Financing Reserve	**25.290**	0.000	-23.898	22.057	**23.449**	-0.008	-18.877	13.702	**18.266**
Renewals Reserves	**3.844**	-0.009	-1.880	1.359	**3.314**	-0.112	-2.215	1.173	**2.160**
Central Schools Reserves	**4.246**	0.000	-3.169	0.001	**1.078**	0.000	-1.413	0.000	**-0.335**
Short Term Revenue Grants Reserve	**2.148**	0.000	-0.423	2.679	**4.404**	0.000	-2.571	2.130	**3.963**
Public Health (Grant)	**5.075**	0.000	-1.011	0.000	**4.064**	0.211	-0.481	0.203	**3.997**
Schools Balances	**25.755**	0.000	-5.963	0.000	**19.794**	0.000	-4.947	0.083	**14.930**
Total Other Earmarked Reserves	**67.504**	**-0.009**	**-36.500**	**26.183**	**57.180**	**-0.986**	**-30.504**	**17.291**	**42.981**
Total Revenue Reserves	**206.274**	**0.022**	**-69.981**	**41.455**	**177.770**	**-0.008**	**-61.073**	**34.233**	**150.922**
Capital Reserves									
Capital Grants Unapplied (Reserve)	**6.347**	0.000	-2.540	2.449	**6.256**	0.000	-1.760	2.552	**7.048**
Capital Contributions Unapplied (Reserve)	**2.280**	-0.022	-0.697	1.565	**3.126**	0.008	-0.558	1.730	**4.306**
Capital Receipts Reserve	**8.434**	0.000	-2.732	1.084	**6.786**	0.000	-0.681	5.388	**11.493**
Total Capital Reserves	**17.061**	**-0.022**	**-5.969**	**5.098**	**16.168**	**0.008**	**-2.999**	**9.670**	**22.847**
Total Useable Reserves	**223.335**	**0.000**	**-75.950**	**46.553**	**193.938**	**0.000**	**-64.072**	**43.903**	**173.769**

Purpose of the Reserves

Service reserves exist in each directorate to manage in year cost pressures and to finance non-recurring expenditure. The contingency reserve exists to enable the Council to manage the uncertainty of future funding. The county fund is a ‘back-stop’ to the corporate contingency and service reserves to be deployed by either Cabinet or the County Council for any purpose within the legal power of the Council.

The specific activity and other earmarked revenue reserves are held for the unspent monies, where its use has been identified for a specific purpose or the uses of the funds are ring fenced.

They include:

- Specific activity reserves held for a clearly identified purpose, for example one-off projects or specific services.
- The capital financing revenue reserve is held to finance future capital spend.
- Unspent dedicated schools grant held in the central schools reserve.
- 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.
- Any unspent school funds are held in schools balances.
- 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.

Capital reserves are held to finance spend on non current assets.

- Capital receipts reserve 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.

9. Other Operating Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
0.695	Payments to the Environment Agency	0.726
0.403	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.403
-0.137	Gains(-)/losses on trading operations (note 20)	1.072
80.148	Losses on the disposal of non current assets	98.869
81.109	**Total**	**101.070**

10. Financing and Investment Income and Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
18.606	Interest payable and similar charges	16.927
20.621	Net Interest on the net defined benefit liability (note 34)	16.579
-1.055	Interest receivable and similar income	-0.964
-1.015	Other investment income - dividend receivable	-1.435
37.157	**Total**	**31.107**

11. Taxation and Non-Specific Grant Income

2016 - 2017 £ million		2017 - 2018 £ million
-280.491	Council tax income	-292.837
-100.639	Non domestic rates	-102.761
-82.361	Non-ringfenced government grants (note 26)	-71.569
-4.840	Donated Assets	-5.270
-42.216	Capital grant and contributions (note 26)	-68.558
-510.547	**Total**	**-540.995**

12. Property, Plant and Equipment

Movements in 2017 - 2018:

	Other Land and Buildings £ million	Vehicles, Plant & Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant and Equipment £ million
Cost or Valuation							
At 1 April 2017	975.748	75.647	711.383	0.421	74.366	0.373	**1,837.938**
Additions	23.056	7.687	53.082		2.142	7.196	**93.163**
Donations					0.515		**0.515**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-2.146				-32.615		**-34.761**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-11.670				1.184		**-10.486**
Derecognition - Disposals	-113.154	-6.387			-1.315		**-120.856**
Assets reclassified (to) / from Held for Sale	-1.103				-1.637		**-2.740**
Other movements in Cost or Valuation	-0.664				0.700	-0.036	**0.000**
At 31 March 2018	**870.067**	**76.947**	**764.465**	**0.421**	**43.340**	**7.533**	**1,762.773**
Accumulated Depreciation and Impairment							
At 1 April 2017	54.984	47.930	167.657	0.000	0.461	0.000	**271.032**
Depreciation charge	24.411	8.938	18.517		-0.142		**51.724**
Depreciation written out to the Revaluation Reserve	-17.455				-0.003		**-17.458**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-0.624				-0.023		**-0.647**
Derecognition - Disposals	-10.194	-6.303			-0.020		**-16.517**
At 31 March 2018	**51.122**	**50.565**	**186.174**	**0.000**	**0.273**	**0.000**	**288.134**
Net Book Value							
At 31 March 2018	**818.945**	**26.382**	**578.291**	**0.421**	**43.067**	**7.533**	**1,474.639**
At 31 March 2017	**920.764**	**27.717**	**543.726**	**0.421**	**73.905**	**0.373**	**1,566.906**

Movements in 2016 - 2017:

	Other Land and Buildings £ million	Vehicles, Plant & Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant and Equipment £ million
Cost or Valuation							
At 1 April 2016	1,052.900	75.278	655.788	0.421	75.329	3.818	**1,863.534**
Additions	20.920	8.802	55.595		0.383	0.373	**86.073**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-0.394				-0.718		**-1.112**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-11.246				-0.819		**-12.065**
Impairments to Surplus/Deficit on the Provision of Services	-0.045						**-0.045**
Derecognition - Disposals	-84.963	-8.455			-2.186		**-95.604**
Assets reclassified (to) / from Held for Sale	-1.581				-1.262		**-2.843**
Other movements in Cost or Valuation	0.157	0.022			3.639	-3.818	**0.000**
At 31 March 2017	**975.748**	**75.647**	**711.383**	**0.421**	**74.366**	**0.373**	**1,837.938**
Accumulated Depreciation and Impairment							
At 1 April 2016	48.525	47.197	150.448	0.000	0.027	0.547	**246.744**
Restatements	-0.019						**-0.019**
Depreciation charge	26.026	8.712	17.209		0.858		**52.805**
Depreciation written out to the Revaluation Reserve	-10.525				-0.499		**-11.024**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-3.974				-0.070		**-4.044**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	-0.027						**-0.027**
Derecognition - Disposals	-5.297	-7.979			-0.127		**-13.403**
Other movements in Depreciation and Impairment	0.275				0.272	-0.547	**0.000**
At 31 March 2017	**54.984**	**47.930**	**167.657**	**0.000**	**0.461**	**0.000**	**271.032**
Net Book Value							
At 31 March 2017	**920.764**	**27.717**	**543.726**	**0.421**	**73.905**	**0.373**	**1,566.906**
At 31 March 2016	**1,004.375**	**28.081**	**505.339**	**0.421**	**75.302**	**3.271**	**1,616.789**

Capital commitments

At 31 March 18, the Council has committed to a programme for the construction or enhancement of Property, Plant and Equipment in 2018 - 2019 and future years budgeted to cost £261.172 million. Similar commitments at 31 March 2017 were £169.518 million. The commitments with a value greater than £5.000 million are:

Upper Orwell and Lake Lothing Third River Crossings	£118.322 million
Broadband Superfast Extension Programme	£24.236 million
Suffolk Heritage Centre (The Hold)	£19.705 million
Waste Transfer Stations	£15.696 million
Schools Basic Need schemes	£12.800 million
Disabilities Facilities Grant	£6.284 million
Investment in Barley Homes Ltd	£6.000 million
Mildenhall Hub (shared public services estate)	£5.438 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 were revalued so that as at 31 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 2018. Valuations were carried out by Concertus Design and Property Consultants Ltd in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In 2017 - 2018 the County Farms portfolio was revalued as part of the five-year rolling programme. Valuations were carried out by Bruton Knowles with the valuation date being 31st March 2018.

All the valued properties that are operational have been valued on the basis of Current Value in Existing Use. 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 Current 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 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.

In recognition of the International Financial Reporting Standards, buildings have been valued on a component basis in accordance with the accounting policy detailed in note 1.

Vehicles, Plant and Equipment, Infrastructure assets and Community assets are held at historic cost

	Other land and buildings £ million	Vehicles, Plant, Equipment £ million	Infrastructure assets £ million	Community assets £ million	Surplus Assets £ million	Total £ million
Carried at historical cost	1.017	76.947	764.465	0.421	1.741	844.591
Value at fair value in:						
2017 - 2018	133.230	0.000	0.000	0.000	33.093	166.323
2016 - 2017	131.053	0.000	0.000	0.000	0.630	131.683
2015 - 2016	284.400	0.000	0.000	0.000	7.876	292.276
2014 - 2015	119.957	0.000	0.000	0.000	0.000	119.957
2013 - 2014	200.410	0.000	0.000	0.000	0.000	200.410
Total Cost or Valuation	**870.067**	**76.947**	**764.465**	**0.421**	**43.340**	**1,755.240**

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

13. Intangible Assets

2016 - 2017 £ million		2017 - 2018 £ million
	Balance at start of year: comprising	
2.979	• Gross carrying amount	3.604
-0.602	• Accumulated amortisation	-1.285
2.377	Net carrying amount at start of year	**2.319**
0.625	Additions	0.935
0.000	Disposals	-0.185
0.000	Disposal Amortisation	0.117
-0.683	Amortisation for the period	-0.825
-0.058	Net carrying amount at end of year	**0.042**
	Balance at end of year: comprising	
3.604	• Gross carrying amount	4.354
-1.285	• Accumulated amortisation	-1.993
2.319		**2.361**

14. Assets Held for Sale

31 March 2017 £ million		31 March 2018 £ million
12.150	**Balance at start of year**	**6.465**
	Assets newly classified as held for sale:	
2.991	Property, Plant and Equipment	2.897
0.000	Revaluation increases/decreases (-) recognised in the Revaluation Reserve	0.035
-0.525	Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0.205
	Assets declassified as held for sale:	
-0.148	Property, Plant and Equipment	-0.157
-8.003	Assets sold	-4.893
6.465	**Balance at end of year**	**4.552**

15. Debtors

31 March 2017 Restated £ million		31 March 2018 £ million
13.304	Central government bodies	18.775
11.759	Other local authorities	12.565
2.521	NHS bodies	3.938
19.253	Other entities and individuals	21.010
10.873	Council Tax receivable from taxpayers	9.259
1.973	Business Rates receivable from ratepayers	1.548
59.683	**Total**	**67.095**

The restatement of the 2016 - 2017 figures relate to the analysis between categories not a changed to the figures disclosed.

16. Cash and Cash Equivalents

31 March 2017 £ million		31 March 2018 £ million
1.156	Bank current accounts	0.751
1.156	**Total**	**0.751**

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

31 March 2017 £ million		31 March 2018 £ million
0.051	Suffolk Strategic Partnership	0.009
6.195	Monies held on behalf of vulnerable adults	6.556
13.240	New Anglia Local Enterprise Partnership	27.064
0.079	Nuclear Legacy Advisory Forum	0.082
0.084	Eastern Safeguarding Project	0.076
0.666	Area of Outstanding Natural Beauty Partnership	0.866
0.249	Natural Environment Partnerships	0.038
0.000	Environment Strategy Partnership	0.202
0.000	Historic Environment Partnership	0.405
2.581	Transforming Suffolk	1.825
0.263	Association of Directors of Adult Social Services	0.000
0.506	Suffolk Waste Partnership	0.518
1.099	Other (Balances less than £0.150 million)	0.021
25.013		**37.662**

17. Creditors

31 March 2017 Restated £ million		31 March 2018 £ million
-12.596	Central government bodies	-12.330
-12.117	Other local authorities	-13.972
-0.838	NHS bodies	-0.945
-63.685	Other entities and individuals	-92.315
-5.052	Council Tax payable to ratepayers	-5.209
-2.146	Business Rates payable to ratepayers	-2.590
-96.434	**Total**	**-127.361**

The increase in creditors within 'other entities and individual' relates in part to an increase in monies held on behalf of New Anglia Local Enterprise Partnership of £13.824m as shown in note 16. The restatement of the 2016 - 2017 figures relate to the analysis between categories not a changed to the figures disclosed.

18. Provisions

Current

	Other Provisions £ million
Balance at 1 April 2017	**-10.088**
Additional provisions made in 2017 - 2018	-8.063
Amounts used in 2017 - 2018	1.649
Unused amounts reversed in 2017 - 2018	8.351
Balance at 31 March 2018	**-8.151**

Other Provisions

There are two provisions included within the current balance. Benefits Payable during Employment (£6.980 million) and Redundancy (£1.171 million).

Benefits Payable during Employment refers to benefits that employees receive as part of their contract of employment and entitlement that is 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 £6.980 million is made up of £4.304 million which relates to teachers working in schools, which is governed by where the end of term falls in relation to 31 March 2018 and £2.676 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.

Non-current

	Injury and Damage Compensation Claims £ million
Balance at 1 April 2017	**-6.213**
Additional provisions made in 2017 - 2018	-2.614
Amounts used in 2017 - 2018	3.225
Balance at 31 March 2018	**-5.602**

Injury and Damage Compensation Claims
The provision is an estimate of claims relating to motor, public liability and employers liability insurance. The decrease in provision in 2017 - 2018 relates to the claims paid and legal fees to some of the claimants regarding the alleged abuse by staff at the former Oakwood School from 1974 until the school closure in 2000. There is currently only one claim to be concluded, however significant legal fees remain outstanding which are included in the provision. With the exception of the Oakwood claim, most of the claims on an individual basis are financially insignificant, however significant claims are subject to a deductible excess which will be reimbursed by the insurer if it is breached.

In February 2017 the Lord Chancellor announced an increase in the discount rate applied to personal injury compensation payments from 2.5% to -0.75%. This affects lump sum settlements for claimants who suffered life changing injuries. Insurers are assessing the impact of reserves on claims. It is estimated claim reserves can be increased by up to 50% however any current claim is likely to be already above the current deductible. Following challenge in February 2017, the discount rate will be reviewed and is likely to be decreased in the near future.

19. Unusable Reserves

31 March 2017 £ million	Unusable Reserves	31 March 2018 £ million
271.617	Revaluation Reserve	223.417
509.033	Capital Adjustment Account	446.420
-631.193	Pensions Reserve	-611.044
5.647	Collection Fund Adjustment Account	3.006
-8.351	Accumulated Absences Account	-6.980
0.000	Available for Sale	-0.293
146.753	**Total Unusable Reserves**	**54.526**

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.

31 March 2017 £ million	Revaluation Reserve	31 March 2018 £ million
289.143	**Balance at 1 April**	271.617
-0.993	Restatements	-0.282
9.912	Revaluation of assets	-17.268
298.062	Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	254.067
-6.732	Difference between fair value depreciation and historical cost depreciation	-5.741
-19.713	Accumulated gains on assets sold or scrapped	-24.910
-26.445	Amount written off to the Capital Adjustment Account	-30.651
271.617	**Balance at 31 March**	**223.417**

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 Account (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.

31 March 2017 £ million	Capital Adjustment Account	31 March 2018 £ million
576.725	**Balance at 1 April**	**509.033**
1.012	Restatements	0.282
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account:	
-62.050	Charges for depreciation, revaluations and impairment of non-current assets	-62.182
-39.660	Revenue expenditure funded from capital under statute	-33.095
-90.204	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	-109.301
-191.914		-204.578
26.445	Adjusting amounts written out of the Revaluation Reserve	30.651
-165.469	Net written out amount of the cost of non-current assets consumed in the year	-173.927
	Capital financing applied in the year:	
11.833	Use of the Capital Receipts Reserve to finance new capital expenditure	5.933
49.020	Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to capital financing	76.991
5.271	Statutory provision for the financing of capital investment charged against the General Fund	6.795
25.801	Capital expenditure charged against the General Fund	16.158
91.925		105.877
4.840	Income related to Donated Assets Account credited to the Comprehensive Income and Expenditure Account	5.270
0.000	Loan Principal Repayment	-0.115
509.033	**Balance at 31 March**	**446.420**

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 Account 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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are to be paid.

31 March 2017 £ million	Pensions Reserve	31 March 2018 £ million
-587.370	**Balance at 1 April**	-631.193
-23.125	Remeasurement of the net defined benefit liability	53.572
-71.793	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	-79.512
51.095	Employer's pensions contributions and direct payments to pensioners payable in the year	46.089
-631.193	**Balance at 31 March**	**-611.044**

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 Account as it falls due from council and business tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2017 £ million	Collection Fund Adjustment Account	31 March 2018 £ million
7.594	**Balance at 1 April**	5.647
-1.947	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	-2.641
5.647	**Balance at 31 March**	**3.006**

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 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2017 £ million	Accumulated Absences Account	31 March 2018 £ million
-5.741	**Balance at 1 April**	-8.351
5.741	Settlement or cancellation of accrual made at the end of the preceding year	8.351
-8.351	Amounts accrued at the end of the current year	-6.980
-2.610	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	1.371
-8.351	**Balance at 31 March**	**-6.980**

Available for Sale Reserve

The Available for Sale Reserve is a revaluation reserve utilised to manage the fair value changes of financial assets with an active market, reflecting the gain or loss on those assets at the 31 March 2018.

31 March 2017 £ million	Available for Sale Financial Instruments Reserve	31 March 2018 £ million
0.000	**Balance at 1 April**	0.000
0.000	Downward Revaluation of Investments not charged to the Surplus/Defecit on Provision of Services	-0.293
0.000	**Balance at 31 March**	**-0.293**

20. Trading Operations

The insurance trading account provides insurance cover for most of the Council's third party and employer's liability risks. The trading objective of the unit is to break even and to maintain a reserve and/or contingency within agreed parameters which are reviewed annually.

The Council insures most of its own, third-party and employer's liability risks. Insurance companies provide cover for very large individual claims and limit total claims for each insurance year. Services have to contribute to the cost of the insurance company premiums and to build up money to pay for future claims. The Council also has an insurance reserve.

Schools' Choice was a traded provider offering services to schools, academies and other learning establishments nationally. Schools' Choice divested from the Council on 1 January 2017 and further detail can be seen in note 27, Related Parties.

	2016 - 2017				2017 - 2018	
Gross Spending	**Income**	**Surplus (-) or deficit**		**Gross Spending**	**Income**	**Surplus (-) or deficit**
£ million	**£ million**	**£ million**		**£ million**	**£ million**	**£ million**
3.677	-3.977	-0.300	Insurance	3.320	-2.248	1.072
11.977	-11.814	0.163	Schools Choice	0.000	0.000	0.000
15.654	**-15.791**	**-0.137**	**Net surplus (-) / deficit taken to the revenue account**	**3.320**	**-2.248**	**1.072**

21. Pooled Budgets

The pooled fund for services to people with mental health problems

From 1 April 2002, Suffolk County Council and the Clinical Commissioning Groups (CCGs), formerly Primary Care Trusts (PCTs), operating in Suffolk (Suffolk and Great Yarmouth and Waveney) have pooled money through the Section 75 agreement of the Health Act. This will be 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 problems 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 purely Suffolk County Council. The mental health pooled fund underspent by £0.033 million against the original allocation of funding for 2017 - 2018.

The table below details income and expenditure for the year.

2016 - 2017				2017 - 2018	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-2.358		Funding:	Suffolk County Council	-1.931	
-1.400			Clinical Commissioning Groups	-1.170	
	-3.758				**-3.101**
		Expenditure			
0.031			Staffing	0.033	
0.077			Day Care	0.081	
0.736			Support Work	0.212	
2.437			Supported Housing	2.437	
0.275			Advocacy	0.205	
0.100			Direct Payments	0.100	
0.011			Other Projects	0.000	
	3.667				**3.068**
	-0.091	**Net under (-) or over spend**			**-0.033**

The Better Care Fund

The Better Care Fund was introduced by the Government to encourage more collaborative working in the run up to having integrated social care and health services by 2020. It brings together funding and spending from Clinical Commissioning Groups (CCGs), the County Council and District & Borough Councils. At this stage in its evolution, 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. Entries in the Councils financial system relate only to the share of the pool that is controlled by the Council. For 2017 - 2018 the Council received Improved Better Care Fund money from Central Government, some of which has been identified for one off investment schemes. These schemes cover a two year period over 2017 - 2018 and 2018 – 2019 and therefore accounts for the revenue underspend being reported in the table below. The unspent funding has been moved into reserves to then be utilised in 2018 – 2019. 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 CCG’s under section 75 of the 2006 NHS Act which gives powers to local authorities and clinical commissioning groups to establish and maintain pooled funds to carry out local authority and NHS functions.

2016 - 2017		Overall	Summary	2017 - 2018	
£ million	£ million			£ million	£ million
		Income	**Contribution to BCF**		
46.614		Funding:	Revenue	62.492	
4.825			Capital	5.271	
	51.438				**67.763**
		Expenditure			
46.614			Revenue	57.917	
3.248			Capital	4.924	
	49.862				**62.841**
	-1.577	**Net under (-) or over spend**			**-4.922**

Summary of revenue spend:

2016 - 2017		Revenue	Summary	2017 - 2018	
£ million	£ million			£ million	£ million
		Income	**Contribution to BCF Revenue**		
0.000		Funding:	Suffolk County Council	15.044	
23.743			Ipswich & East CCG	24.168	
14.592			West Suffolk CCG	14.853	
8.279			Great Yarmouth & Waveney CCG	8.427	
	46.614				**62.492**
		Expenditure			
11.125			Providing proactive care in the community	11.324	
22.899			Reactive Care	23.310	
1.579			Support for Carers	1.606	
0.000			NHS-commissioned out-of-hospital services	1.211	
1.875			Care Act Commitments	1.909	
0.000			Alliance pump priming initiatives	2.789	
0.000			Care purchasing demand and inflationary increases	3.076	
0.000			Learning Disability demand pressures	4.604	
4.770			Care at Home	2.004	
0.361			Dementia and Mental Health	0.114	
1.237			Integrated community and Out of Hospital teams	0.092	
0.956			Supporting Independence by community based interventions	0.219	
0.000			Locally Integrated Care Programme	0.510	
0.000			Care Homes	2.306	
0.000			Out of Hospital Care	2.843	
1.812			Risk Pool	0.000	
	46.614				**57.917**
	0.000	**Net under (-) or over spend**			**-4.575**

22. Councillors' Allowances

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

2016 - 2017 £ million		2017 - 2018 £ million
0.760	Basic allowance	0.768
0.309	Special responsibility allowance	0.279
0.089	Expenses	0.081
1.158	**Total**	**1.128**

23. Officers' Remuneration

Regulation 7 of 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 those officers with a direct line of report to the Chief Executive.

Employees' pay is defined in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2017 - 2018. 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 below details the pay of Senior Officers.

Dates	Job Title	Salary, Fees & Allowances (Gross Pay) £	Expense Allowances Chargeable to Tax £	End of Employment Payment £	Pension Contribution (Employer) £	Total £
2016 -17						
01/04/2016 - 31/03/2017	Chief Executive - **Deborah Cadman**	170,706	0	0	45,563	216,268
01/04/2016 - 31/03/2017	Corporate Director Children and Adults - **Sue Cook**	146,071	1,781	0	39,150	187,002
01/04/2016 - 31/03/2017	Interim Service Director Children and Young Peoples Services - **Allan Cadzow**	117,414	0	0	31,565	148,979
01/04/2016 - 31/03/2017	Director of Fire & Public Safety / Chief Fire Officer - **Mark Hardingham**	121,148	135	0	17,286	138,569
01/08/2016 - 31/03/2107	Director of Public Health & Protection - **Abdul Razaq**	71,727	0	0	9,434	81,161
01/04/2016 - 31/03/2017	Director of Resource Management (S151 Officer) - **Geoff Dobson**	116,387	0	0	31,419	147,806
01/04/2016 - 31/03/2017	Assistant Director of Scrutiny & Monitoring (Monitoring Officer) - **Tim Ryder**	88,386	125	0	23,864	112,375

Dates	Job Title	Notes	Salary, Fees & Allowances (Gross Pay) £	Expense Allowances Chargeable to Tax £	End of Employment Payment £	Pension Contribution (Employer) £	Total £
2017-18							
01/04/2017 - 17/09/2017	Chief Executive - **Deborah Cadman**	1	95,645	0	5,357	24,641	**125,643**
18/09/2017 - 31/03/2018	Interim Chief Executive - **Sue Cook**		72,659	2,503	0	18,850	**94,012**
03/07/2017 - 17/09/2017	Director of Health, Wellbeing and Children - **Sue Cook**		36,329	0	0	9,425	**45,754**
01/04/2017 - 02/07/2017	Interim Corporate Director Children and Adults - **Sue Cook**	2	36,329	0	0	9,425	**45,754**
03/07/2017-31/03/2018	Director of Adult & Community Services - **Mike Hennessey**		101,282	2,255	0	23,232	**126,769**
03/07/2017 - 31/03/2018	Interim Director of Children's Services - **Allan Cadzow**	3	89,832	0	0	23,198	**113,030**
01/04/2017 - 02/07/2017	Interim Service Director Children and Young Peoples Services - **Allan Cadzow**		29,944	0	0	7,733	**37,677**
01/04/2017 - 31/03/2018	Director of Fire & Public Safety / Chief Fire Officer - **Mark Hardingham**	4	122,376	0	0	17,502	**139,878**
01/04/2017 - 31/03/2018	Director of Public Health & Protection - **Abdul Razaq**		116,501	6,963	0	15,250	**138,714**
01/04/2017 - 31/05/2017	Director of Resource Management (S151 Officer) - **Geoff Dobson**	5	19,723	0	1,836	5,303	**26,862**
08/01/2018 - 31/03/2018	Interim Corporate Director (Growth, Highways & Infrastructure) - **Aidan Dunn**		26,147	0	0	6,794	**32,941**
01/06/2017 - 07/01/2018	Interim Director of Resource Management - **Aidan Dunn**		78,440	120	0	20,383	**98,943**
15/11/2017 - 31/03/2018	Head of Finance (S151 Officer) - **Louise Aynsley**		43,925	0	0	11,378	**55,303**
01/06/2017 - 14/11/2017	Interim Head of Finance (S151 Officer) - **Louise Aynsley**		31,375	0	0	8,127	**39,502**
08/01/2018 - 31/03/2018	Deputy Chief Executive / Director of Corporate Services - **Chris Bally**	6	105,074	328	0	27,280	**132,682**
01/04/2017 - 31/03/2018	Assistant Director of Scrutiny & Monitoring (Monitoring Officer) - **Tim Ryder**		89,270	0	0	23,210	**112,480**
01/06/2017 - 31/03/2018	Assistant Director Strategic Development - **Sue Roper**	7	87,225	0	0	22,679	**109,904**

Where posts became part of the reporting requirement during the year 2017 – 2018, the total costs for the whole year have been shown in the table.

- **Note 1:** Deborah Cadman - The £5,357 End of Employment Payment is in respect of accrued annual leave which was not taken.
- **Note 2:** Sue Cook (Interim Corporate Director Children and Adults) received an acting up payment of £25,000 per annum to reflect the additional duties in this role, which continued, after the appointment of Mike Hennessey, to reflect additional duties leading the new Health, Wellbeing and Children's directorate.
- **Note 3:** Allan Cadzow received an acting up payment of £15,000 per annum to reflect additional interim duties as interim director.
- **Note 4:** In July 2017, Public Health and Children & Young People joined to form the new Health, Wellbeing and Children's Services directorate and Suffolk Fire & Rescue, Trading Standards, the Joint Emergency Planning Unit and Health & Safety formed the Fire & Rescue and Public Safety directorate.
- **Note 5:** Geoff Dobson - The £1,836 End of Employment Payment is in respect of accrued annual leave which was not taken.
- **Note 6:** Chris Bally began reporting to the Chief Executive on 1 June 2017 following the departure of Geoff Dobson. The current role was not established until January 2018.
- **Note 7:** Sue Roper's role started reporting to the Chief Executive on 1 June 2017 following the departure of Geoff Dobson.

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 26% in 2017 – 2018 (2016 - 2017 27%).

The Firefighters Pension Scheme is a statutory scheme and employer contributions are assessed by the Government Actuary Department. The 2017 -2018 contribution rate was 21.7% for the 1992 scheme, 11.9% for the 2006 scheme and 14.3% for the 2015 scheme. 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 pensions 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 2017 - 2018 are detailed in the table below.

Remuneration Band	**2016 - 2017** No of employees Non Schools	**2017 - 2018** No of employees Non Schools	**2016 - 2017** No of employees Schools	**2017 - 2018** No of employees Schools
£50,000 - £54,999	62	57	87	70
£55,000 - £59,999	55	68	64	52
£60,000 - £64,999	29	27	33	27
£65,000 - £69,999	12	10	22	16
£70,000 - £74,999	7	10	5	10
£75,000 - £79,999	4	1	2	1
£80,000 - £84,999	6	1	2	3
£85,000 - £89,999	6	11	1	1
£90,000 - £94,999	2	1	0	1
£95,000 - £99,999	2	3	0	0
£100,000 - £104,999	1	0	2	0
£105,000 - £109,999	1	1	1	1
£110,000 - £114,999	2	0	0	0
£115,000 - £119,999	0	1	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	1	0	0	0
£145,000 - £149,999	0	0	0	0
£155,000 - £159,999	0	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 2017 - 2018 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.

Due to funding pressures the council is downsizing and has run a number of redundancy programmes. As a result, one school and sixteen non-school employees received compensation for loss of office in 2017 - 2018 which resulted in them entering the remuneration bands or moving up within them.

24. External Audit Costs

In 2017 - 2018 the Council incurred the following fees relating to external audit.

2016 - 2017 £ million		2017 - 2018 £ million
0.098	Fees payable to external audit services carried out by the appointed auditor for the year	0.096
0.015	Fees payable to the appointed external auditor to carry out non-audit work that falls outside the external auditors certification arrangements	0.014
0.113	**Total**	**0.110**

25. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the 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 2017 – 2018 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Final DSG for 2017 - 2018 before academy recoupment			489.146
Less: Academy Figure recouped for 2017 -2018			-241.223
Total DSG after academy recoupment for 2017 -2018			**247.923**
Plus: Brought forward from 2016 -2017			1.078
Less: Carry forward to 2018 -2019 agreed in advance			-0.001
Agreed initial budgeted distribution in 2017 - 2018	**98.253**	**150.747**	**249.000**
Early Years recoupment (2016/17 and 2017/18)	-3.334		-3.334
Other in year adjustments	0.110	-0.349	-0.239
Final budget distribution in 2017 - 2018	**95.028**	**150.398**	**245.426**
Less: Actual central expenditure	95.477		95.477
Less: Actual ISB deployed to schools		150.285	150.285
Overspend (-) carried forward to 2018 - 2019	-0.449	0.113	-0.336
Carry forward to 2018 - 2019			**-0.335**

The overspend carry forward to 2018 - 2019 of -£0.336 million will be funded from a transfer of £0.970 million from the Schools Block Funding (an element of DSG) as agreed by Schools Forum.

26. Grant Income

The Council recognised the following revenue grants and contributions to the Comprehensive Income and Expenditure Account:

	2016 - 2017 £ million	2017 - 2018 £ million
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-68.230	-45.191
New Homes Bonus	-3.949	-2.976
Transition Grant	-1.944	-1.978
Improved Better Care Fund	0.000	-0.870
Adult Social Care Support Grant	0.000	-3.276
Additional Better Care Fund	0.000	-14.173
Education Services Grant	-5.441	-1.235
Rural Services Delivery Grant	-2.159	-1.743
Local Support Services Grant	-0.625	0.000
Eastern Inshore Fisheries Conservation Authority Support Grant	0.000	-0.114
Transparency Code	-0.013	-0.013
Total	**-82.361**	**-71.569**
Credited to Services		
Local Reform and Community Voices	-0.446	-0.452
Social Care in Prisons Grant	-0.195	-0.197
Independent Living Fund Grant (ILF)	-2.559	0.000
The Former ILF Recipient Grant	0.000	-2.475
War Pensions Scheme Disregard	0.000	-0.196
Skills Funding Agency Grant	-2.736	-2.782
Music	-0.946	-0.938
Troubled Families	-1.503	-1.678
Special Educational Needs and Disablilty Implementation (New Burdens)	-0.472	-0.524
6th Form Funding	-6.697	-6.015
Dedicated Schools Grant	-269.900	-244.589
Dedicated Schools Grant Pupil Premium	-13.815	-11.411
Universal Infant Free School Meals	-5.846	-5.011
Unaccompanied Asylum Seeking Children (including Care Leavers)	-1.763	-2.576
Youth Justice (Youth Offending Team) Grant	-0.663	-0.671
Physical Education Sport and Strategy	-1.773	-2.273
Adoption Inter-Agency Fee Grant	-0.264	0.000
High Needs Strategic Planning Fund	-0.298	0.000
Social Work Programmed Grant	-0.128	-0.755
Staying Put Implementation Grant	0.000	-0.238
Controlling Migration Grant - Childrens Services	0.000	-0.327
School Improvement Monitoring and Brokering Grant	0.000	-0.341
Opportunity Areas Grant	0.000	-0.350
Essential Life Skills Programme Grant	0.000	-0.442
30 Hours Free Childcare Delivery Support Fund	0.000	-0.124
Staying Close Grant	0.000	-0.197
Extended Rights to Free Transport	0.000	-0.545
Energy from Waste Contract (Private Finance Initiative)	-7.864	-7.864
Bus Service Operators	-0.615	-0.615
Suffolk Energy Gateway Grant	-1.000	0.000
Firelink	-0.222	-0.228
Fire - Private Finance Initiative	-2.193	-2.193
Specialist Accomodation Domestic Abuse Grant	-0.272	-0.259
Public Health	-31.571	-30.793
Controlling Migration Grant - Public Health	0.000	-0.121
Other Revenue Grants	-0.797	-0.608
Broadband	0.000	-3.693
Green Deal Communities	-2.170	-0.004
Central Heating Fund	-1.263	-0.003
Disabled Facilities Grant	-4.825	-5.272
Early Years Capital Grant	-0.323	-1.147
Clean Vehicle Technology Funding	0.000	-0.421
Dementia Friendly Environments	0.000	-0.025
	-363.119	**-338.353**

The Council has received several grants which relate to the 2018 - 2019 financial year which are yet to be recognised as income. There are also a number 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. The balances at the year end are:

	31 March 2017 £ million	31 March 2018 £ million
Revenue Grants Receipts in Advance		
Firelink	-0.189	-0.340
Special Educational Needs Implementation Grant	0.000	-0.099
Special Educational Needs Preparation for Employment Grant	0.000	-0.235
New Dimensions Grant	0.000	-0.020
Suffolk and Norfolk Social Work Teaching Partnership Funding	0.000	-0.520
Green Deal Communities	-0.005	-0.001
Clean Vehicle Technology Funding	-0.438	-0.017
Dementia Friendly Environments	-0.066	-0.042
Central Heating Fund	-0.003	0.000
Early Years Capital Grant	-1.482	-0.334
Total	**-2.183**	**-1.608**

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

	2016 - 2017 £ million	2017 - 2018 £ million
Capital Grants and Contributions		
Academies Enterprise Trust	0.000	-0.037
AquiGen (Nacton) Ltd	-0.047	0.000
Basic Need	-1.087	-2.305
Bellway Homes Ltd	-0.012	-0.082
Bloor Homes Eastern	0.000	-1.007
Bovis Homes Ltd	0.000	-0.096
British Telecom	0.000	-1.925
Crest Nicholson	-0.004	-0.988
Devolved Formula Capital	-1.456	-1.191
Demographic Growth Capital Fund - Riverwalk Special School	-0.002	0.000
Department for Digital, Culture, Media & Sport	0.000	-2.050
Greater Anglia	0.000	-0.250
Highway Maintenance Block	-21.221	-21.258
Hopkins Homes Ltd	-0.018	-0.075
Integrated Transport	-3.246	-3.246
Knight Developments Ltd	0.000	-0.204
Local Authorities Contributions	-0.517	-3.409
Lowestoft Flood Management Grant	0.000	-1.825
Matthew Homes Ltd	0.000	-0.048
New Anglia Local Enterprise Partnership	-3.098	-8.911
Persimmon Homes	-0.066	-2.758
Pothole Action Fund	-1.384	-6.948
Schools Condition Allocation	-8.454	-7.701
Suffolk Constabulary	-0.004	-0.526
Taylor Wimpey UK Ltd	-0.164	-0.673
Tesco Stores Ltd	0.000	-0.142
Transformation Challenge Award	0.000	-0.400
Trinity College	-0.190	0.000
Other	-1.245	-0.502
Total	**-42.216**	**-68.558**

The Council has received several 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. The balances at the year end are:

	31 March 2017 £ million	31 March 2018 £ million
Capital Grants Receipts in Advance		
Department for Education - Devolved Formula Capital	-2.301	0.000
Department for Education -Basic Need Grant	-0.585	-5.392
Department for Education - Demographic Growth Fund	-0.201	-0.187
Department for Education - Early Years	0.000	-0.335
Department for Transport - Pot Hole Action Fund	-0.882	0.000
Ministry of Housing, Communities & Local Government - Fire Rota Software	-0.030	0.000
Department for Digital, Culture and sports - Broadband	0.000	-2.051
Total	**-3.998**	**-7.965**

27. 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) were 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 of the other subsidiary organisations of the Council. Currently this includes Vertas Group Ltd, Concertus Property Management Ltd, and Opus People Solutions Ltd.

Suffolk Group Holdings Ltd, is not a trading company.

Vertas Group Ltd (Vertas)

Vertas is a wholly-owned subsidiary of Suffolk County Council. Their principal activities are the provision of Grounds, Catering, Caretaking, Facilities Management and Print and Design services. Vertas became a wholly owned subsidiary on 1 November 2011. The companies Vertas (Ipswich) Ltd, IEM Caterquip Ltd, Snackpax Distribution Ltd, Easilife Cleaning Services Ltd, Oakpark Security Ltd, and Diamond View Cleaning Solutions Ltd are subsidiaries of Vertas Group Ltd and the company has a Joint Venture with Forest Heath District and St Edmundsbury Borough Councils (Verse Facilities Management Ltd). From 1st April 2018 the shareholding of the Schools Choice Group of companies transferred to Vertas Group Ltd.

The Council made a loan of £2.430 million to Vertas upon inception, the outstanding balance of the loan is £1.430 million.

During 2017 - 2018 the Council incurred expenditure from the Vertas Group of companies of £24.255 million (2016 - 2017 £24.374 million). The Council also received income from the Vertas Group of £1.602 million (2016 - 2017 £1.979 million). The Council has a creditor balance of £1.635 million and a debtor balance of £1.712 million at 31 March 2018. Of the debtor balance £0.063 million is outstanding for over 30 days.

Included in the above Vertas declared a dividend of £0.850 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Concertus Design and Property Consultants Ltd (Concertus)

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

The Council made a loan of £1.000 million to Concertus upon inception, the outstanding balance of the loan is £1.000 million. The Council made a further loan in 2016 - 2017, secured against property, of £2.500 million, the outstanding balance of the loan is £2.385 million.

During 2017 - 2018 the Council incurred expenditure from Concertus of £4.922 million (2016 - 2017 £6.383 million). The Council also received income from Concertus of £0.497 million (2016 - 2017 £0.438 million). The Council has a creditor balance of £0.483 million and a debtor balance of £0.363 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Included in the above Concertus declared a dividend of £0.300 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Opus People Solutions Ltd (Opus)

Opus is a wholly-owned subsidiary of Suffolk County Council. Their 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 formed a joint venture with Cambridgeshire County Council, Opus LGSS People Solutions Ltd.

During 2017 - 2018 the Council incurred expenditure from Opus of £7.848 million (2016 - 2017 £10.328 million). The Council also received income from Opus of £0.327 million (2016 - 2017 £0.330 million). The Council has a creditor balance of 0.583 million and a debtor balance of £0.286 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Included in the above Opus declared a dividend of £0.275 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

Schools Choice Group Ltd (Schools Choice)

Schools Choice is a wholly owned subsidiary of Suffolk County Council. Their principal activities are the provision of Financial Services and Human Resources to Suffolk County Council Schools, other Local Authority's Schools, Free Schools and Academies, both within Suffolk and country wide. Schools Choice Group has two subsidiary undertakings through which this trading is undertaken; Schools Choice Ltd, and Schools Choice Suffolk Ltd, these companies became wholly owned subsidiaries of the Council and commenced trading in January 2017. From 1st April 2018 the shareholding of the Schools Choice Group of companies transferred to Vertas Group Ltd.

The Council made a loan of £1.000 million to Schools Choice upon inception, the outstanding balance of the loan is £1.000 million.

During 2017 – 2018 the Council incurred expenditure of £8.131 million (2016 – 2017 £2.453 million for 3 months). The Council also received income of £3.749 million (2016 – 2017 £1.085 million for 3 months). The Council has a creditor balance of £0.539 million and a debtor balance of £1.073 million at 31 March 2018. Of the debtor balance, £0.008 million is outstanding for more than 30 days.

Included in the above Schools Choice declared a dividend of £0.100 million due to the Council for the year 2017 – 2018, which was unpaid at 31 March 2018.

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 2017 - 2018 the Council incurred expenditure from Realise Futures of £3.988 million (2016 - 2017 £4.429 million). The Council also received income from Realise Futures of £0.151 million (2016 - 2017 £0.262 million). The Council has a creditor balance of £0.156 million and a debtor balance of £0.040 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

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 covering the period 1 July 2012 to 30 June 2015 initially, for Leading Lives to provide the services previously provided by the Council. This contract has subsequently been extended to June 2018.

During 2017 - 2018 the Council incurred expenditure from Leading Lives of £10.187 million (2016 - 2017 £9.569 million). The Council also received income from Leading Lives of £0.221 million (2016 - 2017 £0.165 million). The Council has a creditor balance of £0.103 million and a debtor balance of £0.076 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Norse Group (Norse)

Suffolk Norse Limited and Suffolk Norse Transport Limited are both Limited companies which have a service agreement with the Council to provide transportation for school pupils and swimming services, delivering such services primarily, although not exclusively, to the Council and schools within the administrative boundaries of Suffolk. The services were transferred to the two companies on 1 February 2013.

The shareholders of Suffolk Norse Limited are Norse Commercial Services Ltd (80%) and Suffolk County Council (20%). There are no shares for Suffolk Norse Transport Limited as it is a not for profit company limited by guarantee and is wholly owned by Suffolk Norse Ltd.

The board of directors of Suffolk Norse Limited have responsibility for the supervision and management of Suffolk Norse Limited and its business, subject to the provisions of the Shareholders Agreement. Each board consists of 5 Directors and SCC has the right to appoint 2 of the Directors.

During 2017 - 2018 the Council incurred expenditure from Norse of £3.020 million (2016 - 2017 £3.561 million). The Council also received income from Norse of £0.071 million (2016 - 2017 £0.184 million). The Council has a creditor balance of £0.398 million at 31 March 2018.

Sensing Change Ltd (Sensing Change)

Sensing Change is a Social Enterprise (wholly owned by Suffolk County Council) and run by a Board of Directors, the majority of whom are drawn from the Sensing Change Strategic Managers. The Enterprise has been formed under a pilot scheme to provide services to people with sight and/or hearing loss in Suffolk. The pilot scheme was initially for two years but was extended to 31 March 2018 with the project evaluated throughout to determine the benefits for both customers and staff.

During 2017 - 2018 the Council incurred expenditure from Sensing Change of £1.376 million (2016 - 2017 £1.516 million). The Council also received income from Sensing Change of £0.922 million (2016 - 2017 £1.008 million). The Council has a debtor balance of £0.170 million at 31 March 2018. 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 2017 - 2018 the Council incurred expenditure from Libraries of £6.844 million (2016 - 2017 £6.810 million). The Council also received income from Libraries of £0.470 million (2016 - 2017 £0.282 million). The Council has a creditor balance of £0.422 million and a debtor balance of £0.144 million at 31 March 2018. Of the debtor balance, none is outstanding for more than 30 days.

Barley Homes Group Ltd (Barley Homes)

Barley Homes is a joint venture between Suffolk County Council, St Edmundsbury Borough Council, and Forest Heath District Council. The principal activity of the company is the development of residential properties within Suffolk.

The Council made a loan of £0.065 million to Barley Homes upon inception and during 2017 - 2018 it has made further loans to a cumulative balance of £0.168 million. The full £0.168 million of the loan is currently outstanding.

During 2017 – 2018 the Council incurred no expenditure from Barley Homes (2016 – 2017 nil). The Council received income of £0.024 million (2016 – 2017 £0.014 million). The Council has a debtor balance of £0.016 million at 31 March 2018. Of the debtor balance, none 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 2018, the total amount invested by the Council on behalf of the EIFCA, including accumulated interest, was £0.577 million (31 March 2017 £0.575 million).

Ipswich Buses Ltd

Two of the non-executive directors of Ipswich Buses Ltd are also County Councillors. In 2017 - 2018 the Council made payments to Ipswich Buses Ltd totalling £3.225 million (2016 - 2017 £3.672 million).

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:

2016 - 2017 £ million		2017 - 2018 £ million
0.215	Other Related Transactions (Members)	0.695
0.991	Other Related Transactions (Officers)	0.451
1.206		**1.146**

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 Clinical Commissioning Groups (CCGs) operating in Suffolk. Several Councillors sit on the boards of these CCGs. Transactions related to these are detailed in note 21. In addition, the CCGs 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:

2016 - 2017 Income £ million		2017 - 2018 Income £ million
-0.933	Administration expenses charged to Pension Fund	-0.955
-0.933		**-0.955**

28. 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.

	2016 - 2017 £ million	2017 - 2018 £ million
Opening Capital Financing Requirement	650.106	688.982
Capital investment		
Property, Plant and Equipment - Operational Assets	85.317	83.825
Property, Plant and Equipment - Non Operational Assets	0.756	9.338
Intangible Assets	0.625	0.936
Revenue Expenditure Funded from Capital under Statute	39.660	33.095
Loans and advances treated as capital expenditure	2.500	0.000
Sources of finance		
Capital receipts	-11.833	-5.933
Government grants and other contributions	-49.020	-76.991
Waste PFI Adjustment for relevant change in Law (note 30)	1.943	0.000
Sums set aside from revenue:		
Direct revenue contributions	-25.801	-16.158
Minimum revenue provision	-5.271	-6.795
Closing Capital Financing Requirement	**688.982**	**710.299**
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrow	38.876	21.317
Increase/ Decrease (-) in Capital Financing Requirement	**38.876**	**21.317**

29. Leases

Authority as Lessee

Finance Leases
The Council has 12 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 2017 £ million	31 March 2018 £ million
Other Land and Buildings	5.063	5.485
	5.063	**5.485**

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 Account.

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

	31 March 2017 Total £ million	31 March 2018 Land and Buildings £ million	31 March 2018 Vehicles, Plant and Equipment £ million	31 March 2018 Total £ million
Not later than one year	1.451	0.930	0.449	1.379
Later than one year and not later than five years	2.758	2.446	0.297	2.743
Later than five years	5.299	4.433	0.000	4.433
	9.508	**7.809**	**0.746**	**8.555**

Authority as Lessor

Finance Leases

The Council has leased out 151 school properties. These are schools that have converted to academies and had the lease agreement finalised. There are also the leases of Fen Alder Car Park & Local Nature Reserve, a resource centre, a youth centre and the power centre at Pakefield School. 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 in 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:

	31 March 2017 £ million	31 March 2018 £ million
Not later than one year	1.802	1.563
Later than one year and not later than five years	3.158	4.103
Later than five years	10.715	1.334
	15.675	**7.000**

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. On an annual basis County Farms have a rent review and in 2017 - 2018 £1.518 million was receivable by the Council in relation to County Farms (£1.462 million in 2016 - 2017).

30. 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 2017 - 2018 with comparators and the movement in the value of the liability.

Movement in the value of Fire Stations

	2016 - 2017 £ million	2017 - 2018 £ million
Value at start of year	**12.372**	**16.332**
Revaluations	4.329	-0.121
Depreciation	-0.369	-0.410
Value at end of year	**16.332**	**15.801**

Liability outstanding on the Fire PFI Contract

	2016 - 2017 £ million	2017 - 2018 £ million
Balance outstanding at start of year	**13.385**	**13.131**
Payments during the year	-0.254	-0.281
Balance outstanding at end of year	**13.131**	**12.850**

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 2018 - 2019	0.313	1.448	1.174	-1.097	**1.838**
Payable within two to five years	1.648	5.398	4.698	-4.386	**7.358**
Payable within six to ten years	3.344	5.463	5.871	-5.483	**9.195**
Payable within eleven to fifteen years	5.704	3.103	5.871	-5.483	**9.195**
Payable within sixteen to twenty years	1.841	0.214	1.370	-1.051	**2.374**
Total	**12.850**	**15.626**	**18.984**	**-17.500**	**29.960**

Waste Service

The Council has a PFI contract, with Suez Environnement (formerly SITA 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 Environnement 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 within the accounts 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. First, 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.

The following tables show the movement in value of the Energy-from-Waste facility included in the PFI contract during 2017 - 2018 with comparators and the movements in the value of the liability and the donated asset.

Movement in the value of the Energy from Waste Facility

	2016 - 2017 £ million	2017- 2018 £ million
Value at start of year	**162.000**	**156.867**
Additions	0.303	0.320
Revaluations	0.000	0.000
Depreciation	-5.436	-5.478
Value at end of year	**156.867**	**151.709**

Liability outstanding on the Waste PFI contract

	2016 - 2017 £ million	2017 - 2018 £ million
Balance outstanding at start of year	**88.239**	**50.045**
Payments during the year	-2.655	-2.837
Capital expenditure incurred in the year	0.303	0.320
Adjustment for Relevant Change in Law (LEC)	1.943	0.000
Capital Contribution	-37.785	0.000
Balance outstanding at end of year	**50.045**	**47.528**

Donated Asset Account within the Waste PFI Contract

	2016-2017 £ million	2017-2018 £ million
Balance outstanding at start of year	**116.155**	**109.372**
Expensed during the year	-4.840	-4.755
Adjustment for Relevant Change in Law (LEC)	-1.943	0.000
Balance outstanding at end of year	**109.372**	**104.617**
Short Term Donated Asset Account	4.755	4.755
Long Term Donated Asset Account	104.617	99.861
	109.372	**104.617**

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 2018 - 2019	2.439	2.694	4.214	0.395	-7.864	**1.878**
Payable within two to five years	9.907	9.329	16.677	3.054	-31.455	**7.511**
Payable within six to ten years	8.433	8.885	20.916	10.474	-39.319	**9.389**
Payable within eleven to fifteen years	9.168	6.602	21.061	11.877	-39.319	**9.389**
Payable within sixteen to twenty years	12.465	3.495	21.276	11.472	-39.319	**9.389**
Payable within twenty one to twenty five years	5.116	0.328	7.046	3.774	-12.779	**3.485**
Total	**47.528**	**31.333**	**91.190**	**41.046**	**-170.056**	**41.041**

The repayment of the liability of both schemes amounting to £60.378 million reconciles to the short and long-term PFI liability figures on the Balance Sheet.

31. Impairment Losses

During 2017 - 2018 the Council did not recognise a loss due to no impairments on non current assets.

As a result of the five yearly revaluation exercise, there was a total downward revaluation charged to the Comprehensive Income and Expenditure Account of £9.632 million on the Council's non-current assets. A significant part of this relates to revaluations of schools within the Health, Wellbeing and Children's Services.

32. Termination Benefits and Exit Packages

The 2017 - 2018 code of practice (paragraph 6.3.1) on local authority accounting requires local authorities to disclose in bands, separated between compulsory and other redundancies, the number of exit packages agreed and the cost of those packages to the Council in the financial year. Exit cost 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 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)	
	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017	2017 - 2018
£0 - £20,000	126	41	118	56	244	97	**1.170**	**0.830**
£20,001 - £40,000	30	23	13	3	43	26	**1.071**	**0.710**
£40,001 - £60,000	5	6	0	3	5	9	**0.223**	**0.430**
£60,001 - £80,000	0	5	0	3	0	8	**0.000**	**0.530**
£80,000 - £100,000	2	3	0	0	2	3	**0.190**	**0.280**
£100,001 - £150,000	0	1	0	1	0	2	**0.000**	**0.230**
Total - excluding provision	**163**	**79**	**131**	**66**	**294**	**145**	**2.654**	**3.010**

The total cost of £3.010 million in the table above includes exit packages that have been paid in 2017 - 2018 using £1.505 million of the provision which was set up as at 31 March 2017. In addition, the Comprehensive Income and Expenditure Statement includes a provision for £1.171 million as at 31 March 2018 which is set aside to pay officers in 2018 - 2019. These costs are not included in the bands but will be in 2018 - 2019 when the exit packages can be allocated into bands.

33. 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.

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 2017 - 2018, the County Council paid £13.968 million of employer contributions to the Teachers' Pension Scheme in respect of teachers' retirement benefits (2016 – 2017 £16.263 million), representing 16.48% of pensionable pay (2016 – 2017 16.48%).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 34.

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 2017 - 2018, the Council paid £0.380 million of employer contributions (2016 – 2017 £0.450 million) in respect of retirement benefits to NHS Pensions in respect of staff who transferred into the Council from the NHS, representing 14.38% of pensionable pay (2016 – 2017 14.3%).

34. 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 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 Fund Regulations 2007, if the amounts receivable by the pension fund 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 fund. 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 fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the fire authority which then must repay the amount to central government.

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 Account and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
	2016 - 2017 £ million	2017 - 2018 £ million	2016 - 2017 £ million	2017 - 2018 £ million
Comprehensive Income and Expenditure Account				
Cost of Services:				
Current service cost	45.719	62.177	4.900	5.500
Past Service cost/(-)gain	0.498	0.594	5.100	0.000
Settlements and Curtailments cost/(-)gain	-5.045	-5.338	0.000	0.000
Financing and Investment Income and Expenditure				
Net interest	13.421	10.179	7.200	6.400
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**54.593**	**67.612**	**17.200**	**11.900**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding net interest)	-170.748	-18.926	0.000	0.000
Actuarial gains (-) and losses arising on changes in demographic assumptions	-14.529	0.000	1.300	-2.600
Actuarial gains (-) and losses arising on changes in financial assumptions	254.347	-34.289	41.700	0.000
Other experience	-80.525	-0.428	-8.420	2.671
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Account	**-11.455**	**-53.643**	**34.580**	**0.071**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-54.593	-67.612	-17.200	-11.900
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to the scheme	**44.815**	**40.518**	**6.280**	**5.571**

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:

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
Reconciliation of present value of the scheme liabilities (defined benefit obligation):	**2016 - 2017 £ million**	**2017 - 2018 £ million**	**2016 - 2017 £ million**	**2017 - 2018 £ million**
Present value of the defined benefit obligation	-1,763.190	-1,790.235	0.000	0.000
Fair value of plan assets	1,394.004	1,446.609	0.000	0.000
	-369.186	-343.626	0.000	0.000
Present value of unfunded liabilities	-15.507	-14.518	-227.300	-234.000
Present value of injury liabilities	0.000	0.000	-19.200	-18.900
Net liability arising from defined benefit obligation	**-384.693**	**-358.144**	**-246.500**	**-252.900**

Reconciliation of the movements in the fair value of Scheme Assets

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
	2016 - 2017 £ million	2017 - 2018 £ million	2016 - 2017 £ million	2017 - 2018 £ million
Opening fair value of scheme assets	**1,177.633**	**1,394.004**	**0.000**	**0.000**
Interest income	41.247	36.143	0.000	0.000
Remeasurement gain/(loss)				
Effect of settlements	-4.983	-7.920	0.000	0.000
Remeasurement gain/loss				
Return on plan assets (excluding net interest expense)	170.748	18.926	0.000	0.000
Other	0.298	0.044	-0.580	-0.071
Contributions from employer	43.825	39.586	5.780	5.071
Contributions in respect of unfunded benefits	0.990	0.932	0.500	0.500
Contributions from employees	10.327	9.901	1.200	1.200
Benefits paid	-45.091	-44.075	-6.400	-6.200
Unfunded benefits paid	-0.990	-0.932	-0.500	-0.500
Closing fair value of scheme assets	**1,394.004**	**1,446.609**	**0.000**	**0.000**

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

	Local Government Pension Scheme		Unfunded Liabilities Uniformed Fire Fighters	
	2016 - 2017 £ million	2017 - 2018 £ million	2016 - 2017 £ million	2017 - 2018 £ million
Opening balance 1 April	**-1,564.003**	**-1,778.697**	**-201.000**	**-246.500**
Current service cost	-45.719	-62.177	-4.900	-5.500
Interest cost	-54.668	-46.322	-7.200	-6.400
Contributions by scheme participants	-10.327	-9.901	-1.200	-1.200
Remeasurement gains and losses:				
Actuarial gains and losses arising from changes in demographic assumptions	14.529	0.000	-1.300	2.600
Actuarial gains and losses arising from changes in financial assumptions	-254.347	34.289	-41.700	0.000
Other	80.227	0.384	9.000	-2.600
Past service costs	-0.498	-0.594	-5.100	0.000
Benefits paid	45.091	44.075	6.400	6.200
Unfunded benefits paid	0.990	0.932	0.500	0.500
Liabilities extinguished on settlements	10.028	13.258	0.000	0.000
Closing balance at 31 March	**-1,778.697**	**-1,804.753**	**-246.500**	**-252.900**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets			
	Quoted prices in active markets 2016-2017 £ million	Quoted prices not in active markets 2016-2017 £ million	Quoted prices in active markets 2017-2018 £ million	Quoted prices not in active markets 2017-2018 £ million
Cash and Cash Equivalents				
Cash	28.724	0.000	15.030	0.000
Equity Instruments (*by industry)*				
Consumer	121.837	0.000	104.796	0.000
Manufacturing	37.847	0.000	37.158	0.000
Energy and utilities	25.401	0.000	21.904	0.000
Financial institutions	47.480	0.000	48.255	0.000
Health and care	39.717	0.000	22.426	0.000
Information Technology	49.772	0.000	42.287	0.000
Other	17.345	0.000	15.117	0.000
Total Equity	**339.398**	**0.000**	**291.943**	**0.000**
Bonds (*by sector)*				
Corporate	203.625	0.000	350.675	0.000
Government	58.878	0.000	54.998	0.000
Total Bonds	**262.504**	**0.000**	**405.673**	**0.000**
Private Equity				
All	0.000	44.962	0.000	52.132
Total Private Equity	**0.000**	**44.962**	**0.000**	**52.132**
Property				
UK Property	129.844	0.000	140.239	0.000
Total Property	**129.844**	**0.000**	**140.239**	**0.000**
Other Investment Funds				
Equities	417.402	0.000	335.412	0.000
Hedge Funds	42.528	0.000	58.986	0.000
Infrastructure	0.000	31.787	0.000	37.725
Other	75.560	20.886	80.547	28.978
Total Other Investment Funds	**535.490**	**52.673**	**474.945**	**66.703**
Derivatives				
Foreign Exchange Contracts	0.410	0.000	-0.057	0.000
Total Derivatives	**0.410**	**0.000**	**-0.057**	**0.000**
Total Assets	**1,296.370**	**97.635**	**1,327.774**	**118.835**

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 Council Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

The principal assumptions used by the actuary have been:	Local Government Pension Scheme 2016 - 2017	Local Government Pension Scheme 2017 - 2018	Unfunded Liabilities Uniformed Fire Fighters 2016 - 2017	Unfunded Liabilities Uniformed Fire Fighters 2017 - 2018
Mortality assumptions:				
Longevity at retirement for current pensioners:				
Men	21.9	21.9	30.2	28.6
Women	24.4	24.4	31.7	31.0
Longevity at retirement for future pensioners:				
Men	23.9	23.9	31.6	29.7
Women	26.4	26.4	33.2	32.2
Rate of inflation	2.4%	2.4%	3.4%	3.4%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%	3.4%	3.4%
Rate for discounting scheme liabilities	2.6%	2.7%	2.6%	2.6%

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. For each change the assumption analysed could 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 2018:	Approximate % increase to Employer Liability	Increase in Assumption £ million	Decrease in Assumption £ million
0.5% increase in Salary Increase Rate	1%	21.587	-21.587
0.5% increase in Pension Increase Rate	9%	155.178	-155.178
0.5% decrease in Real Discount Rate	10%	178.683	-178.683

Uniformed Fire Fighters Scheme

Change in assumptions at year ended 31 March 2018:	Approximate % increase to Employer Liability	Increase in Assumption £ million	Decrease in Assumption £ million
1 year increase in member life expectancy	3%	7.595	-7.595
0.5% increase in Salary Increase Rate	1%	1.695	-1.695
0.5% increase in Pension Increase Rate	7%	18.796	-18.796
0.5% decrease in Real Discount Rate	9%	22.049	-22.049

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

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contribution rates stable. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates paying £40.214 million in contributions to the scheme in 2018 - 2019.
The weighted average duration of the defined benefit obligation for scheme members is 17.9 years in 2017 – 2018.

35. Contingent Liabilities

At 31 March 2018, the Council had 1 contingent liability:

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

A provision of £1.3 million has been made to cover the 25% increase, although if a maximum 100% levy was applied there would not be sufficient funds. However, the numbers of claims, in theory, should be reducing as they relate to incidents prior to 1992 mainly for disease or abuse.

36. Contingent Assets

At 31 March 2018, the Council had no contingent assets.

37. 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 non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Short-term loans from other local authorities and similar bodies
- Overdraft with Lloyds Bank plc
- Long-term loans from the Public Works Loan Board (PWLB) and commercial lenders
- Private Finance Initiative contracts detailed in note 30
- 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 or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash in hand
- Current and deposit accounts with Lloyds Bank plc
- Fixed-term deposits with banks and building societies
- Loans to other local authorities
- Trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- Money market funds
- Pooled property fund managed by CCLA

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

	Long Term Assets and Liabilities		Current Assets & Liabilities	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£ million	£ million	£ million	£ million
Investments				
Loans and Receivables		-	14.244	9.644
Available for Sale			14.530	36.072
Total Investments	**-**	**-**	**28.774**	**45.716**
Debtors				
Loans and Receivables	11.899	10.175	22.431	29.729
Total included in Debtors *	**11.899**	**10.175**	**22.431**	**29.729**
Cash and Cash Equivalents			**1.156**	**0.751**
Total Financial Assets	**11.899**	**10.175**	**52.361**	**76.196**
Borrowings				
Financial liabilities at amortised cost	288.662	300.286	115.619	139.476
Total Borrowings	**288.662**	**300.286**	**115.619**	**139.476**
Bank Overdraft at amortised cost				
Long Term Liabilities				
PFI Liabilities	60.378	57.626	2.798	2.752
Other Long Term Liabilities	13.040	13.141		
Total Long Term Liabilities	**73.418**	**70.767**	**2.798**	**2.752**
Creditors				
Financial liabilities at amortised cost			79.037	110.171
Total included in Creditors *	**-**	**-**	**79.037**	**110.171**
Total Financial Liabilities	**362.080**	**371.053**	**197.454**	**252.399**

*The Council has adjusted for council tax, business rates, HM Revenue and Customs balances and the non-statutory bad debt provision. The debtor figure on the Balance Sheet has been reduced by £37.366 million (£37.521 million 2016 - 2017) and the creditors figure on the Balance Sheet has been reduced by £17.190 million (£17.397 million 2016 - 2017) in 2017 – 2018.

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 2017				31 March 2018		
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
25.770	-24.614	1.156	Bank accounts in credit	21.949	-21.198	0.751
-24.614	24.614	0.000	Bank overdrafts	-21.198	21.198	0.000
1.156	**0.000**	**1.156**	**Total shown in assets**	**0.751**	**0.000**	**0.751**

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:

	2016 - 2017			2017 - 2018		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £ million	Loans and receivables £ million	Total £ million	Liabilities measured at amortised cost £ million	Loans and receivables £ million	Total £ million
Interest expense	-18.606		**-18.606**	-16.927		**-16.927**
Losses on derecognition		-0.346	**-0.346**	-0.011	-0.677	**-0.688**
Impairment losses (-) /gain		0.135	**0.135**		0.017	**0.017**
Total expense in Surplus or (Deficit) on the Provision of Services	**-18.606**	**-0.211**	**-18.817**	**-16.938**	**-0.660**	**-17.598**
Interest and dividend income		2.070	**2.070**		2.399	**2.399**
Gains on derecognition	0.002	0.012	**0.014**	0.011	0.014	**0.025**
Total income in Surplus or (Deficit) on the Provision of Services	**0.002**	**2.082**	**2.084**	**0.011**	**2.413**	**2.424**
Net gain/loss for the year	**-18.604**	**1.871**	**-16.733**	**-16.927**	**1.753**	**-15.174**

Fair value of assets & liabilities

Financial assets classified as available for sale are carried in the Balance Sheet at fair value.

- For shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial assets classified as loans and receivables and all non-derivative financial liabilities 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 2018, 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 value of “Lender’s Option Borrower’s Option” (LOBO) loans have been calculated to allow for the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values 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.

- The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

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 2017 £ million	Fair Value 31 March 2017 £ million		Fair Value Level	Balance Sheet 31 March 2018 £ million	Fair Value 31 March 2018 £ million
		Financial liabilities held at amortised cost:			
113.662	139.414	Long-term loans from PWLB	**2**	125.286	145.118
175.000	302.253	Long Term Bank and LOBO Loans	**2**	175.000	290.325
60.378	89.674	Long-term PFI liabilities	**3**	57.626	83.005
		Financial liabilities for which fair value is not disclosed:*			
210.494		Trade Payables and Other Long Term Liabilities		265.540	
559.534		**TOTAL FINANCIAL LIABILITIES**		**623.452**	
		Held as:			
362.080		Long Term Financial Liabilities		371.053	
197.455		Current Financial Liabilities		252.399	
559.535		**TOTAL FINANCIAL LIABILITIES**		**623.452**	
		Financial assets held at fair value:			
14.530	14.530	Investments - Available for Sale	**1**	36.071	36.071
		Financial liabilities for which fair value is not disclosed:*			
14.243		Investments - Loans and Receivables		9.644	
34.330		Debtors		39.905	
1.156		Bank Balances		0.751	
64.260		**TOTAL FINANCIAL ASSETS**		**86.371**	
		Held as:			
11.899		Long-term Financial Assets		10.176	
52.361		Current Financial Assets		76.195	
64.260		**TOTAL FINANCIAL ASSETS**		**86.371**	

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

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

38. Nature and Extent of Risks arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

As part of the adoption of 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 Annual Investment Strategy in compliance with the Ministry of Housing, Communities and Local Government 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 are based on seeking the highest rate of return consistent with the appropriate levels of security and liquidity.

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 a financial loss may arise as a result of changes in market variables such as interest rates or equity prices.

Credit Risk

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. The Strategy also sets limits on the total amount that can be invested with a single counterparty and the maximum duration of the investment.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to happen.

The following analysis summarises the Council's potential maximum exposure to credit risk.

	Amount at 31 March 2018 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated Maximum exposure to default and uncollectability at 31 March 2018 £ million	Estimated maximum exposure at 31 March 2017 £ million
Deposits with Banks and Financial institutions	46.468	0.000%	0.000%	0.000	0.000
Secured debt	4.045	0.001%	0.001%	0.000	0.000
Customers					
External debts (non aged)	25.196				
General debts less than 90 days	8.742	0.000%	0.000%	0.000	0.000
General debts >90days but <365 days	1.636	30.000%	30.000%	0.491	0.499
General debts >365 days	1.554	50.000%	50.000%	0.777	0.786
Total	**87.641**			**1.268**	**1.285**

The Council generally has terms that give customers 30 days to pay their debts which are classed as 'current'. Of the £37.128 million classified as receivable trade / general debtors (£32.700 million, 2016 - 2017), there is £4.397 million (£4.102 million, 2016 - 2017) outstanding greater than 30 days.

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 the principal sums borrowed is as follows:

	31 March 2017 £ million	31 March 2018 £ million
Less than one year	115.619	139.476
Between one and two years	2.377	63.377
Between two and five years	97.130	69.642
More than five years	189.155	167.267
	404.281	**439.762**

The Council has £130 million 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. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely repay these loans. The maturity date is therefore uncertain.

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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Account and affect the General Fund Balance pound for pound.

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 which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Market Risk: Price and Foreign Exchange Risk

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

39. Interest in Companies

The Council holds majority interests in the following companies:

Company	Company Registration Number	Date Incorporated
Suffolk Group Holdings	09570600	01-May-2015
Schools Choice Group	10318019	08-Aug-2016
Barley Homes Group	10062735	15-Mar-2016

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.

Schools Choice Group Ltd

Schools Choice Group Ltd principal activities are the provision of Financial Services and Human Resources to Suffolk County Council schools, other Local Authority's Schools, and Free Schools and Academies both within Suffolk and country wide. Schools Choice Group issued 100 £10 ordinary shares to the Council.

Schools Choice Group has two subsidiary undertakings through which trading is undertaken; Schools Choice Ltd and Schools Choice Suffolk Ltd, both of whom commenced trading in January 2017. The companies' results for 2017 – 2018 are not considered to be material to the Group Accounts, however the shares in Schools Choice were transferred to Vertas Group Ltd on 1 April 2018, and so will be consolidated into group results from 2018 - 2019 onwards.

Barley Homes Group Ltd

Barley Homes Group Ltd was formed as a joint venture between Suffolk County Council, St Edmundsbury Borough Council and Forest Heath District Council. The principal activity of the company is to develop residential housing within Suffolk, for sale and rental. The company issued 50 £1 shares to the Council.

The company made no supplies within 2017 – 2018 and is not considered material for the preparation of the Group Accounts.

For further details of the Councils transactions with these companies and the structures of the companies held by Suffolk Group Holdings please see note 27: Related Parties.

Please refer to the prepared Group Accounts that begin on page 82. 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.

40. 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.

2016-17 £ million		2017 - 2018 £ million
0.976	Staff recruitment	0.679
0.609	Other advertising such as public notices	0.649
0.043	Other public information activities	0.007
1.628		**1.335**

Introduction to the Group Accounts

The 2017 - 2018 Code of Practice on Local Authority Accounting in the United Kingdom sets out comprehensive 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:

Suffolk Group Holdings Ltd, the parent of the three companies (1-3) noted below;

1) Vertas Group Ltd, who own:
    - Vertas (Ipswich) Ltd
    - Easilife Cleaning Services Ltd
    - IEM Caterquip Ltd
    - Verse Facilities Management Ltd
    - Snackpax Distribution Ltd
    - Vertas Environmental Ltd
    - Vertas Cleaning Supplies Ltd
    - Diamond View Cleaning Solutions Ltd
    - Oakpark Security Systems Ltd
2) Opus People Solutions Ltd, who own;
    - Opus LGSS People Solutions Ltd
    - Opus Resources Ltd
    - Opus Teach Ltd
3) Concertus Design and Property Consultants Ltd, who own;
    - Concertus Coastal Ltd
    - The Energy Practice Ltd
    - Carbon Chain Ltd

Schools Choice Group Ltd, the parent of the following two companies;

- Schools Choice Ltd
- Schools Choice (Suffolk) Ltd

Barley Homes Group Ltd
Leading Lives Industrial and Provident Society Ltd
Realise Futures Community Interest Company
Sensing Change Ltd
Suffolk Libraries Industrial and Provident Society Ltd
Suffolk Norse Ltd
Suffolk Norse (Transport) Ltd

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 board of Suffolk Group Holdings Ltd includes members and officers of the Council. The board receives 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.

The Council's shareholdings in Vertas Group Ltd, Opus People Solutions, 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 Forest Heath District Council and St Edmundsbury Borough Council. It also has several wholly owned subsidiary companies; Easilife Cleaning Services Ltd, IEM Caterquip Ltd, Snackpax Distribution, Vertas Environmental, Vertas Cleaning Supplies, Diamond View Cleaning Solutions, Oakpark Security Systems, and Vertas (Ipswich) Ltd. From 1 April 2018 the shareholding in Schools Choice Group transferred to Vertas Group Ltd.

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, the balance of which currently stands at £1.430 million.

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 Ltd

Opus People Solutions (Opus) was created in 2014 as a wholly owned subsidiary of the Council. The company has a joint venture, Opus LGSS People Solutions Ltd with Cambridgeshire County 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; Concertus Coastal Ltd, The Energy Practice, and Carbon Chain 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 balances of these loans currently stand at £1.000 million and £2.385 million respectively

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

Of the organisations falling within the Council's group boundary, only Suffolk Group Holdings Ltd and its subsidiaries are considered to be material to the financial statements and this organisation has been consolidated in the Group Accounts. The other entities above are not considered material either qualitatively or quantitatively. For further details on transactions with these entities please see note 27 related parties.

Basis of Consolidation

The Group Accounts have been prepared using the group accounts 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.

Subsiduaries 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 to the core statements.

Group Accounts – Comprehensive Income and Expenditure Account

2016 - 2017 Restated Gross Expenditure £ million	2016 - 2017 Restated Gross Income £ million	2016 - 2017 Restated Net Expenditure £ million		Notes	2017 - 2018 Gross Expenditure £ million	2017 - 2018 Gross Income £ million	2017 - 2018 Net Expenditure £ million
278.996	-68.143	210.853	Adult and Community Services		299.292	-69.672	229.620
533.666	-367.765	165.901	Heath, Wellbeing & Childrens Services		501.588	-342.648	158.940
27.215	-4.327	22.888	Fire & Rescue and Public Safety		29.458	-4.415	25.043
108.029	-37.213	70.816	Growth, Highways & Infrastructure		105.933	-29.724	76.209
43.478	-9.560	33.918	Corporate Services		51.796	-17.875	33.921
4.900	-0.162	4.738	Central Resources and Capital Financing		5.322	-0.146	5.176
-1.002	0.000	-1.002	Pension IAS 19 Costs		-3.550	0.000	-3.550
60.789	-28.413	32.376	Other Services		85.380	-56.678	28.702
1,056.071	**-515.583**	**540.488**	**Net cost of services/Total Continuing Operations**		**1,075.219**	**-521.158**	**554.061**
79.785	0.000	79.785	Other Operating Expenditure	G1	101.103	0.000	101.103
39.238	-0.704	38.534	Financing and Investment Income and Expenditure	G2	33.641	-0.588	33.053
0.000	-510.547	-510.547	Taxation and Non-Specific Grant Income	G3	0.000	-540.995	-540.995
1,175.094	**-1,026.834**	**148.260**	**Deficit on Provision of Services**		**1,209.963**	**-1,062.741**	**147.222**
		0.523	Tax expenses of Subsidiaries				0.022
		148.783	**Group Surplus (-) / Deficit**				**147.244**
		-9.931	Surplus on revaluation & restatements of Property Plant and Equipment assets				17.268
		23.125	Remeasurement of the net defined benefit liability				-53.572
		0.000	Surplus or deficit on revaluation of available for sale financial assets				0.293
		13.194	**Other Comprehensive Income and Expenditure**				**-36.011**
		161.977	**Total Comprehensive Income and Expenditure**				**111.233**
		-0.003	Comprehensive Income and Expenditure attributable to Non-Controlling Interests in Subsidiaries and Associates*				-0.041

Group Accounts – Movement in Reserves Statement

	Council's Usable Reserves	Suffolk Group Holdings Usable Reserves	Total Group Usable Reserves	Council's Unusable Reserves	Suffolk Group Holdings Unusable Reserves	Total Group Unusable Reserves	Total Group Reserves
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 31 March 2016	**223.335**	**1.724**	**225.059**	**280.351**	**0.000**	**280.351**	**505.410**
Movement in Reserves during 2016 - 2017							
Group Surplus or Deficit (-)	-115.930	-32.853	-148.783	0.000	0.000	0.000	-148.783
Other comprehensive income and expenditure	0.000	0.000	0.000	-13.194	0.000	-13.194	-13.194
Total comprehensive income and expenditure	-115.930	-32.853	-148.783	-13.194	0.000	-13.194	-161.977
Adjustments between Group Accounts and Council Accounts*	-33.871	33.871	0.000	0.000	0.000	0.000	0.000
Adjustments between accounting basis and funding basis under regulations	120.404	0.000	120.404	-120.404	0.000	-120.404	0.000
Increase / Decrease (-) in year	-29.397	1.018	-28.379	-133.598	0.000	-133.598	-161.977
Balance at 31 March 2017	**193.938**	**2.742**	**196.680**	**146.753**	**0.000**	**146.753**	**343.433**
Movement in Reserves during 2017 -2018							
Group Surplus or Deficit (-)	-118.411	-28.833	-147.244	0.000	0.000	0.000	-147.244
Other comprehensive income and expenditure	0.000	0.000	0.000	36.011	0.000	36.011	36.011
Total comprehensive income and expenditure	-118.411	-28.833	-147.244	36.011	0.000	36.011	-111.233
Adjustments between Group Accounts and Council Accounts*	-29.997	29.979	-0.018	0.000	0.000	0.000	-0.018
Net increase / decrease (-) before transfers	-148.408	1.146	-147.262	36.011	0.000	36.011	-111.251
Adjustments between accounting basis and funding basis under regulations	128.239	0.000	128.239	-128.239	0.000	-128.239	0.000
Increase / Decrease (-) in year	-20.169	1.146	-19.023	-92.228	0.000	-92.228	-111.251
Total Reserves in the Movements in Reserves statement	**173.769**	**3.888**	**177.657**	**54.525**	**0.000**	**54.525**	**232.182**
Minority Interest's share of reserves of subsidiaries			-0.041			0.000	-0.041
Balance at 31 March 2018			**177.616**			**54.525**	**232.141**

* These adjustments primarily relate to the purchase of goods and services between the Council and its subsidiary companies.

Group Accounts – Balance Sheet

2016 - 2017 £ million		Notes	2017 - 2018 £ million
1,570.111	Property, Plant and Equipment	**G4**	1,478.983
2.844	Intangible Assets		3.764
0.839	Heritage Assets		0.839
0.001	Long-term Investments	**G5**	0.001
6.490	Long-term Debtors	**G6**	6.042
1,580.285	**Total Non Current Assets**		**1,489.629**
28.773	Short Term Investments		45.094
0.394	Carbon Reduction Allowances		0.126
6.465	Assets held for sale		4.552
0.502	Inventories		0.944
10.958	Cash and Cash Equivalents	**G7**	9.654
64.568	Short Term Debtors	**G8**	76.781
111.661	**Current Assets**		**137.151**
-115.619	Short Term Borrowing		-139.476
-107.122	Short Term Creditors	**G9**	-143.910
-2.798	PFI Liability		-2.752
-4.755	Donated Asset Account		-4.755
-10.088	Provisions		-8.151
-240.382	**Current Liabilities**		**-299.044**
-6.213	Provisions		-5.602
-288.662	Long Term Borrowing		-300.315
-13.119	Other Long Term Liabilities	**G10**	-13.141
-60.378	PFI Liability		-57.626
-104.617	Donated Asset Account		-99.861
-631.193	Liability related to defined benefit pension scheme		-611.044
-3.998	Capital Grants Receipts in Advance		-7.965
-1,108.180	**Long Term Liabilities**		**-1,095.554**
343.383	**Net Assets**		**232.182**
196.630	Usable Reserves		177.657
146.753	Unusable Reserves		54.525
343.383	**Total Reserves**		**232.182**

Group Accounts – Cash-flow statement

2016 - 2017			2017 - 2018
£ million		**Notes**	**£ million**
148.783	**Net surplus (-) or deficit on the provision of services**		**147.244**
-162.080	Adjust net surplus or deficit on the provision of services for non cash movements	**G11**	-220.288
51.908	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**G11**	78.488
38.611	Net cash flows from Operating Activities		**5.444**
0.396	Investing Activities	**G12**	28.830
-44.350	Financing Activities	**G13**	-32.970
-5.343	**Net increase (-) or decrease in cash and cash equivalents**		**1.304**
-5.615	Cash and cash equivalents at the beginning of the reporting period		-10.958
-10.958	**Cash and cash equivalents at the end of the reporting period**		**-9.654**

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 91 to 94.

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

2016 - 2017 £ million		2017 - 2018 £ million
0.695	Payments to the Environment Agency	0.726
0.403	Payments to the Eastern Inshore Fisheries and Conservation Authority	0.403
-1.426	Gains (-) /losses on trading operations	1.119
80.113	Losses on the disposal of non current assets	98.855
79.785	**Total**	**101.103**

G2. Financing and Investment Income and Expenditure

2016 - 2017 £ million		2017 - 2018 £ million
18.617	Interest payable and similar charges	17.062
20.621	Net Interest on the net defined benefit liability	16.579
-0.704	Interest receivable and similar income	-0.588
38.534	**Total**	**33.053**

G3. Taxation and Non-Specific Grant Income

2016 - 2017 £ million		2017 - 2018 £ million
-280.491	Council Tax Income	-292.837
-100.639	Non domestic rates	-102.761
-82.361	Non-ringfenced government grants	-71.569
-4.840	Donated Assets	-5.270
-42.216	Capital grant and contributions	-68.558
-510.547	**Total**	**-540.995**

G4. Property, Plant and Equipment

	Other Land and Buildings £ million	Vehicles Plant and Equipment £ million	Infrastructure Assets £ million	Community Assets £ million	Surplus Assets £ million	Assets Under Construction £ million	Total Property, Plant & Equipment £ million
2016 - 2017							
Suffolk County Council							
Cost or Valuation at 31 March 2017	975.748	75.647	711.383	0.421	74.366	0.373	**1,837.938**
Accumulated Depreciation at 31 March 2017	54.984	47.930	167.657	0.000	0.461	0.000	**271.032**
Net Book Value at 31 March 2017	920.764	27.717	543.726	0.421	73.905	0.373	**1,566.906**
Vertas Group							
Cost or Valuation at 31 March 2017	2.399	2.393	0.000	0.000	0.000	0.000	**4.792**
Accumulated Depreciation at 31 March 2017	0.114	1.473	0.000	0.000	0.000	0.000	**1.587**
Net Book Value at 31 March 2017	2.285	0.920	0.000	0.000	0.000	0.000	**3.205**
Group							
Cost or Valuation at 31 March 2017	978.147	78.040	711.383	0.421	74.366	0.373	**1,842.730**
Accumulated Depreciation at 31 March 2017	55.098	49.403	167.657	0.000	0.461	0.000	**272.619**
Net Book Value at 31 March 2017	**923.049**	**28.637**	**543.726**	**0.421**	**73.905**	**0.373**	**1,570.111**
2017 - 2018							
Suffolk County Council							
Cost or Valuation at 31 March 2018	870.067	76.947	764.465	0.421	43.340	7.533	**1,762.773**
Accumulated Depreciation at 31 March 2018	51.122	50.565	186.174	0.000	0.273	0.000	**288.134**
Net Book Value at 31 March 2018	818.945	26.382	578.291	0.421	43.067	7.533	**1,474.639**
Suffolk Group Holdings							
Cost or Valuation at 31 March 2018	2.399	4.083	0.000	0.000	0.000	0.000	**6.482**
Accumulated Depreciation at 31 March 2018	0.114	2.024	0.000	0.000	0.000	0.000	**2.138**
Net Book Value at 31 March 2018	2.285	2.059	0.000	0.000	0.000	0.000	**4.344**
Group							
Cost or Valuation at 31 March 2018	872.466	81.030	764.465	0.421	43.340	7.533	**1,769.255**
Accumulated Depreciation at 31 March 2018	51.236	52.589	186.174	0.000	0.273	0.000	**290.272**
Net Book Value at 31 March 2018	**821.230**	**28.441**	**578.291**	**0.421**	**43.067**	**7.533**	**1,478.983**

G5. Long-term Investments

31 March 2017 £ million		31 March 2018 £ million
0.001	Long Term Investments per Suffolk County Council	0.001
0.000	Less Investment in Group Companies	0.000
0.000	Group Investments in subsidiary companies	0.000
0.001	**Total**	**0.001**

G6. Long-term Debtors

31 March 2017 £ million		31 March 2018 £ million
11.899	Long-term Debtors per Suffolk County Council	10.175
-5.430	Less Loan between Suffolk County Council and subsidiaries	-4.193
0.021	Add Group Long-term Debtors	0.060
6.490	**Total**	**6.042**

G7. Cash and Cash Equivalents

31 March 2017		31 March 2018
£ million		£ million
	Cash held by the Council	
1.156	Bank current accounts	0.751
1.156	**Total**	**0.751**
9.802	Group Cash and Bank Balances	8.903
10.958	**Total Group Cash Total**	**9.654**

G8. Short Term Debtors

31 March 2017		31 March 2018
£ million		£ million
13.304	Central government bodies	18.775
17.226	Other local authorities	12.565
2.521	NHS bodies	3.938
19.254	Other entities and individuals	21.010
6.959	Council Tax receivable from ratepayers	9.259
0.419	Business Rates receivable from ratepayers	1.548
59.683	**Total**	**67.095**
10.525	Group companies	14.739
-5.640	Less intra Group debtors	-5.053
64.568	**Group Total**	**76.781**

G9. Short Term Creditors

31 March 2017		31 March 2018
£ million		£ million
-12.596	Central government bodies	-12.330
-6.335	Other local authorities	-13.972
-0.838	NHS bodies	-0.945
-71.279	Other entities and individuals	-92.315
-5.052	Council Tax payable to ratepayers	-5.209
-0.334	Business Rates payable to ratepayers	-2.590
-96.434	**Total**	**-127.361**
-16.307	Suffolk Group	-21.642
5.619	Less intra Group creditors	5.093
-107.122	**Group Total**	**-143.910**

G10. Other Long Term Liabilities

31 March 2017 £ million		31 March 2018 £ million
-13.040	Suffolk County Council Long Term Liabilities	-13.141
-0.079	Suffolk Group Long Term Liabilities	0.000
-13.119	**Total**	**-13.141**

G11. Operating Activities

The cashflows for operating activities include the following items:

2016 - 2017 £ million		2017 - 2018 £ million
-53.823	Depreciation	-52.939
-8.546	Impairment and downward revaluations	-9.645
0.135	Increase/decrease (-) in impairment for bad debts	0.016
6.314	Increase (-) / decrease in creditors	-25.935
2.901	Increase/decrease (-) in debtors	2.896
0.041	Increase/decrease (-) in inventories	0.037
-20.698	Movement in pension liabilities	-33.423
-90.204	Carrying amount of non current assets and non current assets held for sale, sold or de-recognised	-109.301
1.800	Other non cash items charged to the net surplus or deficit on the provision of services	8.006
-162.080	**Total**	**-220.288**
10.187	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10.532
41.721	Any other items for which the cash effects are investing or financing cashflows	67.956
51.908	**Total**	**78.488**

G12. Investing Activities

2016 - 2017 £ million		2017 - 2018 £ million
89.351	Purchase of property, plant and equipment and intangible assets	88.986
865.720	Purchase of short-term and long-term investments	883.687
-10.193	Proceeds from the sale of property, plant and equipment	-10.543
-898.827	Proceeds from short-term and long-term activities	-866.596
-45.655	Other receipts from investing activities	-66.704
0.396	**Net cash flows from investing activities**	**28.830**

G13. Financing Activities

2016 - 2017 £ million		2017 - 2018 £ million
-306.000	Cash receipts of short and long term borrowings	-654.200
-3.632	Other cash receipts from financing activities	-2.741
2.909	Cash payments for the reduction of the outstanding liabilities relating to PFI contracts	3.117
263.381	Repayments of short-term and long-term borrowing	619.404
-1.008	Other payments for financing activities	1.450
-44.350	**Net cash flows from financing activities**	**-32.970**

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INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF SUFFOLK PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

I have examined the pension fund financial statements for the year ended 31 March 2018, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28.

In my opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Suffolk Pension Fund for the year ended 31 March 2018 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Respective responsibilities of the Head of Finance (Section 151 Officer) and the auditor

As explained more fully in the 'Responsibilities of the Head of Finance (Section 151 Officer)', the Head of Finance (Section 151 Officer) is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

My responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Suffolk Pension Fund, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

I also read the other information contained in the pension fund annual report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of:

- Pension Fund Committee Chairman's Report
- Pension Board Chairman's Report
- Head of Finance Report
- Management Structure
- Management Report
- Investment Report
- Governance Report
- Corporate Social Responsibility and Voting Report
- Administration Report
- Employers in the Fund
- ACCESS

I conducted my work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. My report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

MARK HODGSON
ERNST & YOUNG LLP
....

Date:...25...July 2018

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Pension Fund Accounts

Fund Account

2016 - 2017 £ million	Fund Account	Notes	2017 - 2018 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
75.637	Normal	9	78.581
10.490	Deficit funding	9	7.267
2.497	Other	9	2.276
	From members		
20.074	Normal	9	20.495
	Transfers In		
2.474	Individual transfers in from other schemes		4.056
	Benefits payable:		
-72.365	Pensions	9	-75.385
-13.052	Commutations of pensions and lump sum retirement benefits	9	-14.461
-1.366	Lump sum death benefits	9	-1.721
	Payments to and on account of leavers:		
-0.162	Refunds of Contributions		-0.282
-3.878	Individual transfers out to other schemes		-4.638
-0.274	Group Transfers out to other Schemes		0.000
20.075	**Net additions (withdrawals) from dealings with members**		**16.188**
-15.654	Management Expenses	10	-16.416
4.421	**Net additions (withdrawals) including management expenses**		**-0.228**
	Returns on investments		
	Investment income		
14.777	Dividends from equities		15.065
8.097	Income from pooled investment vehicles - Property		9.058
0.636	Income from pooled investment vehicles - Private Equity		1.689
8.212	Income from Other Managed Funds		9.416
0.045	Interest on Cash Deposits		0.056
0.924	Other		0.194
-0.141	Taxes on Income		-0.063
398.484	Change in market value of investments		78.629
0.015	Impairment of Investments (1)		0.000
431.049	**Net returns on investments**		**114.044**
435.470	Net increase, or (decrease), in the fund during the year		113.816
2,213.195	Opening net assets of the scheme		2,648.665
2,648.665	**Closing net assets of the scheme**		**2,762.481**

Notes:
(1) Receipt of MF Global impairment of investment written off in 2011 - 2012.

Net Asset Statement

2016-17 £ million	Net asset statement	Notes	2017-18 £ million
	Investment assets		
	Equities:		
268.998	UK companies	12,13	240.580
353.603	Overseas companies	12,13	291.739
	Pooled Investment Vehicles		
16.244	Unit trusts	12,13	17.169
903.687	Unit linked insurance policies	12,13	728.132
258.117	Property unit trust	12,13	277.478
837.661	Other Managed Funds	12,13	1,194.353
	Other Investment Balance		
2.919	Cash [held by the investment managers]	12	5.862
1.341	Forward Foreign Exchange Contracts	12	-0.113
2,642.570	**Total investments**		**2,755.200**
	Current assets		
14.784	Debtors	21	12.950
8.550	Cash Desposits	18d	2.235
0.103	Cash at Bank	18d	0.042
23.437	**Total current assets**		**15.227**
	Current liabilities		
-17.342	Creditors	22	-7.946
-17.342	**Total current liabilities**		**-7.946**
6.095	**Net current assets**		**7.281**
2,648.665	**Net assets**		**2,762.481**

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 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 262 employer organisations with active members within the Scheme as at 31 March 2018, an increase of 52 from the previous year. 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 2017		31 March 2018
	Number of Employees in the Scheme	
8,928	County Council	8,177
11,026	Other Employers	11,773
19,954	**Total**	**19,950**
	Number of Pensioners	
8,430	County Council	8,721
6,644	Other Employers	6,940
15,074	**Total**	**15,661**
	Number of Deferred Pensioners	
13,936	County Council	14,397
9,502	Other Employers	10,641
23,438	**Total**	**25,038**

Funding

Benefits are funded by contributions and investment earnings. Employers contributions are set based on the triennial actuarial funding valuation which was last carried out as at 31 March 2016. Employees contributions are paid in line with the LGPS Regulations 2013.

Benefits

Benefits earned prior to 1 April 2014 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 per annum.

2. Events after the Balance Sheet Date

There has been no event between 31 March 2018 and the date when these accounts were authorised that requires any adjustments to these accounts.

3. Significant Changes to the Fund

On 22 March 2017 the Pension Fund Committee made a decision to rebalance some of the equity holdings where strong returns from the previous year had contributed to them becoming overweight to the asset allocation. This resulted in a reduction in equities of £95 million which was reinvested into the bond mandates (£77 million) and the absolute return mandate (£18 million). This was completed during April 2017.

On 19 July 2017 the Pension Fund Committee made a commitment to the Partners Group Direct Infrastructure 2015 Fund of €55 million (equivalent to just over £50 million). This will be funded through calls for capital over time when investment opportunities are identified by the investment manager.

At the meeting on 21 September 2017 the Pension Fund Committee agreed to move its passive investments from Legal &General Investment Management to UBS Group, the provider appointed through the use of the National Framework. This was transferred on an asset class basis during January and February 2018.

On 6 December 2017 the committee made a decision to de-risk the Pension Fund holdings and reduce the equity allocation to 42%. The proceeds (£223 million) were invested into the Bond mandates (£195 million) and to top up the hedge fund holding (£28 million). This was completed during December 2017.

4. Basis of Preparation of Pension Fund Accounts

The Statement of Accounts summarises the Fund’s transactions for the 2017 - 2018 financial year and its position as at 31 March 2018.

These accounts have been prepared in accordance with the ‘Code of Practice on Local Authority Accounting in United Kingdom 2017 - 2018’, which is based upon International Financial Reporting Standards (IFRS). The Code also incorporates elements of the 2015 Statement of Recommended Practice (SORP) ‘Financial Reports of Pension Schemes’.

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 20 of these accounts.

5. Summary of Significant Accounting Policies

5.1 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’ deficit funding 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 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 accruals 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.

5.2 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 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

i) Administration Expenses
Administration expenses are accounted for on an accruals basis. Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

ii) Oversight and Governance Expenses
All oversight and governance expenses are accounted for on an accruals basis. Suffolk County Council staff costs are charged to the Pension Fund based on time spent.

iii) Investment Management Expenses
All investment expenses are accounted for on an accrual basis. 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.

5.3 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 2018.

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.

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 2018.

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 held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate as at 31 March 2018.

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.

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 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. Fixed term deposits should be classified as an investment and not a cash equivalent on the Net Asset Statement.

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.

Impairments
Assets are assessed at each year end to determine 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 where this is less than the carrying amount of the asset, an impairment loss is recognised in the Fund Account.

Financial Liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Contingent Liabilities and Contractual Commitments
A contingent liability arises where an event has taken place that gives the Pension Fund 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 Pension Fund.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required, or the amount of the obligation cannot be measured with reliability.

Contingent liabilities are not recognised in the financial statements but are disclosed as a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Pension Fund 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 Pension Fund.

Contingent assets are not recognised in the financial statements but are disclosed as a note to the 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.

6. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017 – 2018 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 2018 - 2019 code.

IFRS 9 - classification and measurement of financial assets after initial recognition

The code requires implementation of the above disclosure from 1 April 2018. These changes are not considered to have a material effect on the Pension Fund accounts of 2017 - 2018.

7. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 5, 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 19 Funding Position. This estimate is subject to significant variances based on changes to the underlying assumptions.

8. 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 17f.

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, is engaged to provide the Fund with expert advice about the assumptions to be applied.

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 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 2018 are £54.514 million with Pantheon and £23.435 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, KKR and M&G at 31 March 2018 are £31.117 million, £28.753 million and £7.728 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 £46.610 million as at 31 March 2018.

Timberlands
Timberlands 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 for Timberlands 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 Timberlands investment at 31 March 2018 is £8.074 million.

9. Contributions Received and Benefits Paid during the Year

2016-2017				2017-2018		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
39.233	9.079	-42.886	Suffolk County Council	35.566	8.640	-45.216
44.001	9.678	-40.475	Other Scheduled and Resolution Bodies	49.131	10.815	-42.552
5.390	1.317	-3.422	Admitted Bodies	3.427	1.040	-3.799
88.624	**20.074**	**-86.783**	**Total**	**88.124**	**20.495**	**-91.567**

Included within employer normal contributions of £78.581 million shown in the Fund account, is an amount for deficit funding of £7.057 million paid within the employers' percentage (£13.595 million in 2016 - 2017). The deficit funding identified separately on the Fund account of £7.267 million (£10.490 million in 2016-17) refers to those employers funding their deficit by means of lump sum payments.

Employer contributions are made up of two elements:
a) the estimated cost of future benefits being accrued, the 'primary rate'; plus
b) an adjustment for the funding position of accrued benefits relative to the Fund's solvency target, the 'secondary rate'.

If there is a surplus there may be a contribution reduction or if there is a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the next three year period. 2017 - 2018 was the first year in the three year period following the 31 March 2016 valuation for the contribution rates set by the actuary to reflect a and b above.

A list of employers and their contribution rates is in the 2016 Valuation Report that accompanies the Funding Strategy Statement. These reports are available on the Suffolk Pension Fund website at www.suffolkpensionfund.org.

10. Management Expenses

2016 - 2017 £ million		2017 - 2018 £ million
13.968	Investment Management Expenses	14.778
1.068	Administration Expenses	1.081
0.618	Oversight and Governance Costs	0.557
15.654		16.416

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

Administration expenses includes costs associated with members, pensioners and scheme employers. This includes 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, voting services, costs associated 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 2017 - 2018 were £0.025 million, (£0.025 million 2016 - 2017). Ernst & Young are intending to charge an additional £0.006 million to respond to IAS 19 assurance requests for 2017 - 18 reports. This will be charged to the employers who have requested assurance.

Investment management expenses includes 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 broker commission transaction costs as below:

2016 - 2017 £ million		2017 - 2018 £ million
9.150	Investment Management Fees and Expenses	12.733
4.052	Performance Fees	1.232
0.734	Transaction Costs	0.769
0.032	Custodian Fees	0.044
13.968		14.778

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

31 March 2017 Market Value £ million	31 March 2017 Percentage of Assets %		31 March 2018 Market Value £ million	31 March 2018 Percentage of Assets %
435.930	**16.52%**	BlackRock Investment Management	608.442	**22.14%**
0.754	**0.03%**	Bluecrest Capital Management	0.352	**0.01%**
8.306	**0.31%**	Brookfield Asset Management	8.074	**0.29%**
0.137	**0.01%**	Cambridge Research & Innovation Limited	0.238	**0.01%**
29.579	**1.12%**	Kohlberg Kravis Roberts	29.139	**1.06%**
903.687	**34.24%**	Legal and General Investment Management	0.000	**0.00%**
242.686	**9.20%**	M&G Investments	350.131	**12.73%**
418.346	**15.86%**	Newton Investment Management	333.484	**12.13%**
61.110	**2.32%**	Pantheon Ventures	82.469	**3.00%**
28.618	**1.08%**	Partners Group	31.116	**1.13%**
140.494	**5.33%**	Pyrford International	164.729	**5.99%**
262.645	**9.96%**	Schroder Property Investment Management	281.832	**10.25%**
0.000	**0.00%**	UBS Group	728.132	**26.49%**
28.421	**1.08%**	Wilshire Associates	23.435	**0.85%**
77.597	**2.94%**	Winton Global Investment Management	107.878	**3.92%**
2,638.310	**100.00%**		**2,749.451**	**100.00%**

Blackrock Investment Management received an additional £177m and M&G Investments an additional £95m investment into their respective active bond mandate which was funded through disinvesting from the equity mandates.

The mandate with Legal and General Investment Management was disinvested during January and February 2018 and reinvested with UBS Group.

The infrastructure mandates with Partners Group, the private equity mandate with Pantheon Ventures Investments, and the debt solutions fund and infracapital fund with M&G Investments have been funded as investment opportunities are identified by the investment managers.

The mandate with Bluecrest Capital Management was terminated in November 2015.

12. Reconciliation of Movements in Investments and Derivatives

	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
UK Companies	224.142	91.121	-86.086	39.821	268.998
Overseas Companies	283.686	82.885	-81.734	68.766	353.603
Derivatives - Forward Foreign Exchange contracts	2.188	14.319	-14.699	-0.467	1.341
Pooled Investment Vehicles:					
Other Managed Funds	536.572	315.185	-230.911	29.720	650.566
Unit trusts	17.782	-	-4.432	2.894	16.244
Unit linked insurance policies	727.955	47.184	-70.398	198.946	903.687
Unquoted Pooled Investment Vehicles:					
Other Managed Funds	165.889	47.108	-66.564	40.662	187.095
Property	241.309	21.362	-12.913	8.359	258.117
Total of Investments	**2,199.523**	**619.164**	**-567.737**	**388.701**	**2,639.651**

	Opening Market Value 01 April 2016 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2017 £ million
Other Investment Balances:					
Cash held by investment managers	1.926	0.298	0.015	0.680	2.919
Net Investments	**1.926**	**0.298**	**0.015**	**0.680**	**2.919**

The change in market value of £389.381 million (£388.701 million and £0.680 million) is £9.103 million lower than the change in market value on the Fund Account of £398.484 million. The difference is caused by indirect management fees and expenses of £8.636 million and the foreign exchange fluctuations of the market value of the holdings held in currencies other than sterling of £0.466 million.

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds and are included in management fees and expenses. Transaction costs incurred during the year total £0.734 million (£0.739 million in 2015 - 2016).

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

	Opening Market Value 01 April 2017 £ million	Purchases £ million	Sales £ million	Change in Market Value £ million	Closing Market Value 31 March 2018 £ million
UK Companies	268.998	85.188	-109.220	-4.386	240.580
Overseas Companies	353.603	103.262	-173.891	8.765	291.739
Derivatives - Forward Foreign Exchange contracts	1.341	0.023	-1.477	0.000	-0.113
Pooled Investment Vehicles:					
Other Managed Funds	650.566	1,060.873	-727.270	9.715	993.884
Unit trusts	16.244	-	-2.055	2.980	17.169
Unit linked insurance policies	903.687	755.269	-956.310	25.486	728.132
Unquoted					
Pooled Investment Vehicles:					
Other Managed Funds	187.095	45.069	-48.907	17.212	200.469
Property	258.117	21.995	-13.643	11.009	277.478
Total of Investments	**2,639.651**	**2,071.679**	**-2,032.773**	**70.781**	**2,749.338**

	Opening Market Value 01 April 2017 £ million	Movement in Cash Balance £ million	Impairment of Investments £ million	Change in Market Value £ million	Closing Market Value 31 March 2018 £ million
Other Investment Balances:					
Cash held by investment managers	2.919	4.859	-	-1.916	5.862
Net Investments	**2.919**	**4.859**	**-**	**-1.916**	**5.862**

The change in market value of £68.865 million (£70.781 million less £1.916 million) is £9.764 million lower than the change in market value on the Fund Account of £78.629 million. The difference is caused by indirect management fees and expenses and investment transaction costs.

Transaction costs, such as commissions, stamp duty and other transaction fees are included in the cost of purchases and sale proceeds and are included in management fees and expenses. Transaction costs incurred during the year total £0.769 million (£0.734 million in 2016 - 2017).

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

13. Analysis of Investments (excluding Cash and Derivatives)

Market Value 31 March 2017 £ million	Market Value 31 March 2017 £ million		Market Value 31 March 2018 £ million	Market Value 31 March 2018 £ million
		Equities		
	268.998	UK Companies		240.580
	353.603	Overseas Companies		291.739
		Pooled Investment Vehicles - Quoted		
	16.244	Unit Trusts		17.169
	903.687	Unit Linked Insurance Policies		728.132
		Other Managed Funds		
376.740		Fixed Income	676.532	
218.846		Absolute Returns	272.959	
38.048		Money Market Funds	21.052	
16.932		Private Equity	23.341	
650.566		Total Quoted Other managed Funds	993.884	
		Pooled Investment Vehicles - Unquoted		
		Other Managed Funds		
49.263		Illiquid Debt	46.610	
58.123		Infrastructure	67.598	
71.403		Private Equity	78.187	
8.306		Timberlands	8.074	
187.095		Total Unquoted Other Managed Funds	200.469	
	837.661	Total Other Managed Funds		1,194.353
	258.117	Property		277.478
	2,638.310	**Total**		**2,749.451**

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).

14. 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 2017 £ million	Percentage of the Fund 31 March 2017	Asset Type	Manager
275.619	10.43%	FTSE RAFI AW 3000 Eq Ind	Legal and General
202.925	7.68%	UK Equity Index	Legal and General
189.827	7.18%	Alpha Opportunities Fund	M&G
186.912	7.07%	Fixed Income Global Opportunity Fund	Blackrock
140.494	5.32%	Pyrford Global Total Return Mutual Fund	Pyrford

Market Value 31 March 2018 £ million	Percentage of the Fund 31 March 2018	Asset Type	Manager
384.766	13.99%	Fixed Income Global Opportunity Fund	Blackrock
291.766	10.61%	Alpha Opportunities Fund	M&G
214.973	7.72%	UBS Life All World Equity (RAFI)	UBS
164.729	5.99%	Pyrford Global Total Return Mutual Fund	Pyrford
161.298	5.87%	UBS Life UK Equity Tracker	UBS

The mandate with Legal and General Investment Management was disinvested during January and February 2018 and reinvested with UBS Group.

15. Analysis of Derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset.

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. KKR holds a currency hedge for this purpose which equates to (£0.113 million) in the Suffolk Pension Fund's holdings, £1.341 million as at 31 March 2017.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the fund hedges a proportion of the Euro and Yen exposure within the passive index tracking portfolios. This has been managed by UBS Group from January 2018 having previously been managed by Legal & General Investment Management. £104.821 million is invested in currency hedged funds as at 31 March 2018, £140.275 million as at 31 March 2017.

16a. Financial Instruments – Classification

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenditure, including fair value gains and losses, are recognised. The table below 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 2017 Designated as Fair Value through Profit & Loss £ million	31 March 2017 Loans and Receivables £ million	31 March 2017 Financial Liabilities at Amortised Cost £ million		31 March 2018 Designated as Fair Value through Profit & Loss £ million	31 March 2018 Loans and Receivables £ million	31 March 2018 Financial Liabilities at Amortised Cost £ million
			Financial Assets			
622.601			Equities	532.319		
16.244			Pooled Investments - Unit Trusts	17.169		
903.687			Pooled Investments - Unit Linked Insurance	728.132		
258.117			Pooled Investments - Property	277.478		
837.661			Pooled Investments - Other Managed Funds	1,194.353		
1.341	2.919		Other Investment Balances	-0.113	5.862	
	8.070		Debtors		7.286	
	8.653		Cash		2.277	
2,639.651	19.642	0.000		2,749.338	15.425	0.000
			Financial Liabilities			
		-14.875	Creditors			-4.658
0.000	0.000	-14.875		0.000	0.000	-4.658
2,639.651	19.642	-14.875		2,749.338	15.425	-4.658

The debtor figure of £7.286 million above (£8.070 million at 31 March 2017) excludes statutory debtors of £5.664 million (£6.714 million at 31 March 2017).

The creditor figure of £4.658 million above (£14.875 million at 31 March 2017) excludes statutory creditors of £3.288 million (£2.467 million at 31 March 2017).

No financial assets were reclassified during the accounting period.

16b. Net Gains and Losses on Financial Instruments

31 March 2017 £ million		31 March 2018 £ million
	Financial Assets	
388.701	Fair value through profit and loss	70.781
0.68	Loans and receivables	-1.916
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
389.381	**Total**	**68.865**

16c. Fair Value of Financial Instruments and Liabilities

The carrying values of financial assets and liabilities are all carried at fair value.

17a. 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, quoted index linked securities and unit trusts.

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.

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.

17.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 Unit Trusts Money Market Funds Absolute Returns	Level 1	Published bid market price	N/A	N/A
Unit Linked Life Assurance Policies	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.
Forward Foreign Exchange derivatives	Level 2	Market exchange rates at the year end	Price of recent transactions for identical instrument	Risk of an exchange rate changing between the transaction date and the subsequent settlement date volatility of the exchange rates during the hedge period

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
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 real estate 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
Private Equity	Level 3	The valuation of the investment 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.

Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting the Valuations
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.

17.c Valuation of Financial Instruments Carried at Fair Value

Values at 31 March 2017	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	912.672	1,281.767	445.212	2,639.651
Loans and receivables	19.642			19.642
Total Financial Assets	**932.314**	**1,281.767**	**445.212**	**2,659.293**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-14.875			-14.875
Total Financial Liabilities	**-14.875**	**0.000**	**0.000**	**-14.875**
Net Financial Assets	**917.439**	**1,281.767**	**445.212**	**2,644.418**

Values at 31 March 2018	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	866.840	1,404.551	477.947	2,749.338
Loans and receivables	15.425			15.425
Total Financial Assets	**882.265**	**1,404.551**	**477.947**	**2,764.763**
Financial Liabilities				
Fair value through profit and loss				
Financial Liabilites at amortised cost	-4.658			-4.658
Total Financial Liabilities	**-4.658**	**0.000**	**0.000**	**-4.658**
Net Financial Assets	**877.606**	**1,404.551**	**477.947**	**2,760.105**

17.d Transfers between hierarchy levels 1 and 2

There has been no transfers of investment assets between the hierarchy levels.

17.e Reconciliation of Fair Value measurements within Level 3

Assets	Opening Market Value 01 April 2016 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2017 £ million
Quoted						
Property	241.309	21.362	-12.913	3.32	5.039	258.117
Illiquid Debt	47.371	25.000	-32.660	0.002	9.550	49.263
Infrastructure	52.978	8.855	-18.494	7.883	6.901	58.123
Private Equity	58.592	13.254	-15.410	6.292	8.675	71.403
Timberlands	6.948	-	-	-	1.358	8.306
Total of Investments	**407.198**	**68.471**	**-79.477**	**17.497**	**31.524**	**445.212**

Assets	Opening Market Value 01 April 2017 £ million	Purchases £ million	Sales £ million	Realised Gains/(Losses) £ million	Unrealised Gains/(Losses) £ million	Closing Market Value 31 March 2018 £ million
Quoted						
Property	258.117	21.995	-13.643	2.589	8.420	277.478
Illiquid Debt	49.263	8.916	-15.521	9.648	-5.696	46.610
Infrastructure	58.123	20.716	-14.916	1.846	1.828	67.597
Private Equity	71.403	15.437	-18.471	13.557	-3.738	78.188
Timberlands	8.306	-	-	-	-0.232	8.074
Total of Investments	**445.212**	**67.064**	**-62.551**	**27.640**	**0.582**	**477.947**

17.f 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 set out below:

	Market Value 31 March 2017 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	258.117	14.2%	294.769	221.464
Illiquid Debt	49.263	7.0%	52.711	45.815
Infrastructure	58.123	20.4%	69.980	46.266
Private Equity	71.403	28.5%	91.753	51.053
Timberlands	8.306	20.4%	10.000	6.611
Total of Investments	**445.212**		**519.213**	**371.209**

	Market Value 31 March 2018 £ million	Valuation Range	Value on Increase £ million	Value on Decrease £ million
Property	277.478	14.3%	317.157	237.799
Illiquid Debt	46.610	6.7%	49.733	43.487
Infrastructure	67.598	20.1%	81.185	54.010
Private Equity	78.187	28.3%	100.314	56.060
Timberlands	8.074	20.1%	9.697	6.451
Total of Investments	**477.947**		**558.086**	**397.807**

18. 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

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 2018 is provided in Note 21.

The securities lending programme is undertaken on behalf of the Fund by the custodian HSBC and is managed through a securities lending agreement. The arrangements to manage risks in the securities lending programme are set out in Note 27.

Forward currency contracts are undertaken by the fund managers within the terms set out in their investment management agreements. All parties entering into forward contracts on behalf of the Fund are Financial Services Authority (FSA) regulated and meet the requirements of the LGPS investment regulations. Further details of forward foreign exchange contracts are provided in Note 15.

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+' and a Short Term Rating 'F1' with Fitch as at March 2018.

Pension Fund cash that is held pending its allocation to the Fund's investment managers is held with Lloyds Bank Plc and also placed with institutions on the Pension Fund Committee's approved counter-party list. The management of cash was carried out by the Council's Treasury Management team in accordance with the cash management strategy approved by the Pension Fund Committee and set out in its statement of investment principles. The Pension Fund Committee invests only in money market funds with a 'AAA MR1+' rating. The Fund has had no occasion of default or uncollectable deposits.

The Fund's cash within the custody system is held in the bank account of the custodian, HSBC Holdings Plc, or placed on deposit at the instruction of the individual managers.

At 31 March 2018, £2.277 million was with Lloyds (£8.653 million at March 2017). Cash deposited in HSBC money markets amounted to £15.741 million at 31 March 2018 (£22.420 million at March 2017), Blackrock held £2.388 million in their money market fund, (£11.137 million at March 2017) and Schroders held £2.923 million in their money market fund, (£4.491 million at March 2017).

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, £477.947 million, 17% (£462.144 million, 18% at March 2017).

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.

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 by the investment managers) are as below:

31 March 2017 £ million		31 March 2018 £ million
8.653	Cash held for Deposit	2.277
40.967	Cash and Cash Equivalent	26.914
49.620	**Total**	**29.191**

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 overleaf, 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 2017 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	8.653	0.087	-0.087
Cash and Cash Equivalent	40.967	0.410	-0.410
Total Assets	**49.620**	**0.497**	**-0.497**

Asset Type	Value as at 31 March 2018 £ million	Change + 100 BP's £ million	Change - 100 BP's £ million
Cash held for Deposit	2.277	0.023	-0.023
Cash and Cash Equivalent	26.914	0.269	-0.269
Total Assets	**29.191**	**0.292**	**-0.292**

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. To partly mitigate this risk the Fund has some currency hedging in place. This is undertaken partly by investment in the currency-hedged Funds managed by its index-tracking manager, UBS Group.

The one-year expected standard deviation for an individual currency as at 31 March 2018 is 10% (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 are as follows:

Asset Type	Value as at 31 March 2017 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	353.603	35.360	388.964	318.243
Overseas Index Linked	591.074	59.107	650.181	531.967
Alternative Investments	154.627	15.463	170.090	139.165
Total overseas assets	**1,099.304**	**109.930**	**1,209.235**	**989.375**

Asset Type	Value as at 31 March 2018 £ million	Potential Market Movement £ million	Value on Increase £ million	Value on Decrease £ million
Overseas Equities	291.739	29.174	320.913	262.565
Overseas Index Linked	456.350	45.635	501.985	410.715
Alternative Investments	145.893	14.589	160.482	131.304
Total overseas assets	**893.982**	**89.398**	**983.380**	**804.584**

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 LLP 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 2017 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	268.998	15.80	311.500	226.497
Overseas Equities	353.603	18.40	418.666	288.540
Fixed Income	376.740	2.90	387.665	365.814
Unit Linked	903.687	16.44	1,052.253	755.121
Cash & FFX	4.260	0.00	4.260	4.260
Money Markets	38.048	2.90	39.152	36.945
Unit Trusts	16.244	15.80	18.811	13.678
Property	258.117	14.20	294.769	221.464
Alternatives	422.873	16.40	492.208	353.537
Total Assets	**2,642.570**		**3,019.284**	**2,265.856**

Asset Type	Value as at 31 March 2018 £ million	Change %	Value on Increase £ million	Value on Decrease £ million
UK Equities	240.580	16.80	280.998	200.163
Overseas Equities	291.739	17.90	343.960	239.518
Fixed Income	676.532	2.80	695.475	657.589
Index Linked	728.132	16.11	845.435	610.830
Cash & FFX	5.749	0.50	5.778	5.720
Money Markets	21.052	2.80	21.641	20.462
Unit Trusts	17.169	16.80	20.053	14.284
Property	277.478	14.30	317.157	237.799
Alternatives	496.769	16.50	578.736	414.802
Total Assets	**2,755.200**		**3,109.232**	**2,401.167**

G. Custody

The Fund appointed HSBC Holdings Plc as its global custodian with responsibility for safeguarding the assets of the Fund. HSBC Holdings Plc is an established custodian bank with more than $7 trillion of assets under custody. They were appointed as the Fund's custodian from 1 October 2014 following a national framework tendering process. Monthly 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 segregated and pooled fund 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 HSBC. 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 has 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.

The table overleaf has been prepared by the Fund Actuary and shows how the funding level (top) and deficit (bottom) would vary if the investment conditions at 31 March 2018 had been different. The level of the FTSE 100 index is used as a proxy for investment performance and the Fixed Interest Gilt yield as the proxy measure for the valuation of Fund's liabilities. The shaded box is the actual position at 31 March 2018.

Movement in Bond Interest Gilts yield (% p.a.)						
	+ 0.2%	80.3% (£543m)	87.3% (£349m)	94.4% (£153m)	101.4% £41m	108.5% £236m
	+ 0.0%	77.4% (£625m)	84.4% (£430m)	**92.2%** (£241m)	99.9% (£40m)	105.6% £155m
	- 0.2%	74.2% (£714m)	81.2% (£519m)	88.3% (£323m)	95.3% (£129m)	102.4% £66m
Movement in FTSE 100 Index		- 20%	- 10%	0	+ 10%	+ 20%

The examples shown are not exhaustive and should not be taken as the limits of how extreme future investment conditions may be. There are other factors not related to market risk that will also impact on the funding position at a given date including but not limited to longevity, member profile, pay awards etc. The risks are covered in more detail in the formal actuarial valuation report which is available at: www.suffolkpensionfund.org

19. 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 is a type of appraisal which requires making 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 ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risks and returns.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pensions obligations.

The aim is to achieve 100% solvency over a number of years and to provide stability in employer contribution rates by spreading increases in rates over a period of time. This is usually over three years but in some cases the period can be extended.

Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from that employer to meet the shortfall.

Formal Valuation
The last formal triennial actuarial valuation was carried out as at 31 March 2016. The valuation report sets out the rates of the employer’s contributions for the three years starting 1 April 2017. 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 2016.
- The ‘projected unit method’ of actuarial valuation.

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 4.0% per year.
- Projected increase in future salaries of 2.4% a year.

- Projected pension increases of 2.1% a year.

Funding Position
The actuary uses the market value of the Fund's assets as stated in the audited accounts of March 2016. The actuarial assessment of the value of the fund's assets was £2,213 million as at 31 March 2016 and the liabilities, £2,429 million.

The valuation showed that the Fund's assets covered 91% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £216 million.

Contribution Rates
The contribution objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon. The time horizon and the likelihood parameters vary by employer according to each employer's characteristics.

The whole fund primary rate (payroll weighted average of the underlying individual employer rates) is 22.5% of pensionable pay for the three years starting 1 April 2017.

The average employee contribution rate is 6.1% of pensionable pay.

The next formal valuation is as at 31 March 2019.

20. 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.

Interim Valuation
An interim valuation was carried out as at 31 March 2018. 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 salaries of 2.6% a year
Projected investment returns of 3.5% per year

The actuarial value of the Fund's assets was £2,762 million and the liabilities £3,003 million at 31 March 2018 (£2,213 million and £2,429 million at 31 March 2016 as at the last valuation).

The valuation showed that the Fund's assets covered 92.2% of its liabilities at the valuation date and the deficit was £241 million (£237 million at March 2017).

International Accounting Standard 26 (IAS 26)
CIPFA's Code of Practice on Local Authority Accounting 2017 - 2018 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 2.4% a year (2.4% 2016 - 2017)
- Increases in future salaries of 2.7% a year (2.7% 2016 - 2017)

- Discount rate of 2.7% per year (2.6% 2016 - 2017)

The IAS 26 calculation shows that the present value of promised retirement benefits amount to £3,529 million as at 31 March 2018 (£3,456 million as at 31 March 2017).

21. Current Debtors

The current debtors can be analysed as below:

31 March 2017 £ million		31 March 2018 £ million
	Debtors	
5.277	Employers Contributions	5.485
1.251	Employee Contributions	1.356
6.010	Investment Assets	3.895
2.246	Sundry Debtors	1.983
0.000	Asset Pooling	0.231
14.784		**12.950**

The investment assets as at 31 March 2018 includes £0.308 million of purchases awaiting settlement, £3.587 million of recoverable tax and income not yet received.

Debtors can be further analysed into sectors as below:

31 March 2017 £ million		31 March 2018 £ million
	Analysis of Debtors	
0.187	Central Government Bodies	0.445
6.109	Other Local Authorities	5.764
8.482	Other entities and individuals	6.726
0.006	NHS	0.015
14.784		**12.950**

22. Current Creditors

The current creditors can be analysed as below:

31 March 2017 £ million		31 March 2018 £ million
	Creditors	
-13.802	Investment Expenses	-4.489
-0.322	Administration Expenses	-0.097
-0.419	Transfer Values In Adjustment	-0.574
-0.167	Lump Sum Benefits	-0.980
-2.632	Sundry creditors	-1.806
-17.342		**-7.946**

The investment expenses as at 31 March 2018 includes £2.466 million of purchases awaiting settlement, an allowance of £2.017 million for investment management fees and expenses and £0.006 million of irrecoverable tax not yet paid.

Creditors can be further analysed into sectors as below:

31 March 2017 £ million		31 March 2018 £ million
	Analysis of Creditors	
-0.104	Central Government Bodies	0.000
-0.985	Other Local Authorities	-0.937
-0.006	NHS Bodies	-0.015
-16.247	Other entities and individuals	-6.994
-17.342		**-7.946**

23. 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 £0.116 million was paid over to the providers Clerical Medical, Standard Life and Equitable Life in 2017 – 2018, (£0.105 million 2016 – 2017).

24. 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 £35.566 million to the Fund in 2017 - 2018 (£39.233 million in 2016 - 2017). In addition the council incurred costs of £0.955 million (£0.933 million in 2016 - 2017) in relation to the administration of the Fund, audit, legal and committee services. These have all been reimbursed by the Fund.

Under legislation introduced in 2003 - 2004 councillors were entitled to join the Scheme this was rescinded in April 2014 when the Government laid down regulations barring councillors joining the scheme. Any councillor who is in the scheme as a result of joining before 1 April 2014 will now be a deferred member as their eligibility for active membership was removed when they were re-elected.

Three members of the Committee, including two councillors, are scheme members within the Pension Fund. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Five members of the Pension Board are scheme members within the Pension Fund, with two receiving benefits from the scheme. Each member of the Pension Board is required to declare their interests at each meeting.

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 ending 31 March 2018 the Fund had an average investment balance of £10.900 million (£12.855

million in 2016 - 2017) earning interest of £0.035 million (£0.042 million in 2016 - 2017) from these investments.

25. 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, Senior Pensions Specialist and Technical Pensions Specialist. The total remuneration payable to the key management personnel by the Suffolk Pension Fund was £0.125 million in 2017 - 2018 (£0.139 million in 2016 - 2017).

These costs are charged to the Pension Fund as governance and oversight costs, Note 10 and are included in the related parties Note 24.

26. Agency Services

In response to the Government's requirement for the LGPS to pool their assets with other 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 Suffolk Pension Fund pays some of the costs of the ACCESS pool on behalf of the other members of the scheme. The amounts paid are not included in the Fund Account. These costs are charged equally by the host authority between all eleven members of the scheme.

The costs charged are as below:

2016 - 2017 £ million		**2017 - 2018 £ million**
0.830	Payments on behalf of the ACCESS pool	0.608
0.830		**0.608**

27. Stock Lending

The Fund has an arrangement with its custodian HSBC to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.066 million in 2017 - 2018 (£0.049 million in 2016 - 2017). This is included within ‘other’ investment income in the Fund Account. The stock lending levels and income raised for the Fund are minimal due to the relatively small holding of non-pooled equities owned by the Fund.

At 31 March 2018, £33.609 million (£27.752 million at 31 March 2017) worth of stock was on loan, for which the Fund was in receipt of £35.482 million worth of collateral (£29.269 million at 31 March 2017). This is a minimal share of the Fund holdings representing less than 1% of total investment holdings in both 2017 - 2018 and 2016 - 2017. The figure out on loan as at 31 March does not necessarily reflect the amount that has been out on loan during the year.

28. Contingent Liabilities and Contractual Commitments

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 (Euros and US Dollars respectively) 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 2018 the unfunded commitment (monies to be drawn in future periods) was £9.177 million. The commitments are paid over the investment timeframe of the underlying partnerships.
In 2011 - 2012 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2012) managed by Partners Group, the outstanding amount as at 31 March 2018 is £14.114 million.

In 2011 a contractual commitment of £39 million was made to KKR Global Infrastructure Investors. The amount outstanding at 31 March 2018 was £0.852 million.

In 2015 - 2016 contractual commitments 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 2018 are £69.952 million.

In 2016 - 2017 the Pension Fund made additional contractual commitments to M & G, of £60 million in the Greenfield infrastructure fund and £25 million in the Debt Solutions investment. Some draw downs on the commitments have been made. The outstanding amount for the Greenfield infrastructure fund is £53.742 million and for Debt Solutions investment £16.253 million.

During 2017 - 2018 a contractual commitment was made to an infrastructure investment (Partners Group Global Infrastructure 2015) managed by Partners Group, the outstanding amount as at 31 March 2018 is £40.160 million.

Asset Class	**2017 - 2018**		
	Commitment £ million	**Drawn £ million**	**Outstanding £ million**
Private Equity			
Wilshire (2003-2008)	66.521	61.870	4.651
Pantheon (2003-2010)	42.780	38.314	4.466
Pantheon (2015)	106.021	36.068	69.952
Total Private Equity	**215.322**	**136.252**	**79.069**
Infrastructure			
KKR (2012)	39.004	38.153	0.852
Partners (2012)	47.298	33.185	14.114
Partners (2016)	48.174	8.014	40.160
M&G (2016)	60.000	6.258	53.742
Total Infrastructure	**194.476**	**85.610**	**108.868**
Illiquid Debt			
Debt Finance Solutions	25.000	8.747	16.253
Total Illiquid Debt	**25.000**	**8.747**	**16.253**

Fire Pension Scheme

2016 - 2017 £ million	Fund Account	2017 - 2018 £ million
	Contributions Receivable	
	From Employer	
1.553	Normal	1.541
1.237	From members	1.243
	Benefits Payable	
-5.371	Pensions	-5.622
-1.507	Commutations and Lump Sum retirement benefits	-0.641
-0.077	Other	-0.019
-0.021	GAD v Milne Redress Payments	0.000
-0.045	1992 Holiday Contributions	-0.032
-4.231	Net amount payable (-) for the year before top-up grant	-3.530
2.801	Top-up grant received	3.016
0.037	Grant for GAD v Milne Redress Payments	0.000
0.078	Grant for 1992 Holiday Contributions	0.033
2.916	Total grant received	3.049
1.364	Top-up receivable from sponsoring department	0.482
-0.016	Amount payable to sponsoring department (GAD v Milne)	0.000
-0.033	Amount payable to sponsoring department (1992)	-0.001
1.315	Net amount payable from/to(-) sponsoring department	0.481

2016-17 £ million	Net Assets Statement	2017-18 £ million
	Net current assets and liabilities	
1.315	Amount (from)/to sponsoring department	0.481

1. Administration of the Fire Pension Fund

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 Fund

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 2017 - 2018. The accounts 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.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Ministry of Housing, Communities and Local Government /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 Funds financial statements do not take account of liabilities to pay pensions and other benefits after the period end, information on the Council's long-term pension's obligations can be found in the main statements in Note 34.

4. Contributions Holiday for relevant members of the 1992 Firefighters Pension Scheme

The Government introduced an employee contribution holiday for 1992 scheme members who accrued the maximum 30 years pensionable service prior to age 50. This applies from the point of accruing the maximum 30 years pensionable service in the scheme until the members 50th birthday. This change has been applied retrospectively to 1 December 2006 and the legislation came into effect on 30 September 2016.

The Council had identified the active and pensioner members who are eligible to benefit from this change during 2016 - 2017. The active members had contributions ceased from the relevant date; whilst employer contributions remain in payment as per the regulations. The pensioner members were all connected with and the majority of these were paid in 2016 - 2017. The remaining payments were paid in 2017 - 2018. The payments made by the Council have been reimbursed by Government, after being calculated using guidance provided by the Home Office.

Glossary

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:

- things that the actuary thought would happen at the last valuation did not happen; 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.

Added years
Discretionary amounts paid by the employer to a person who has taken early retirement to make up their pension to the equivalent of the pension they would have received if they were of pensionable age.

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.

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
This account contains a store of capital resources set aside to meet past expenditure.

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.

Carbon Reduction Commitment Scheme
The Carbon Reduction Commitment Energy Efficiency Scheme requires the Council to purchase allowances proportionate to the energy used within the buildings owned by the Council. Allowances are purchased and surrendered in the year of use. The aim of the scheme is to reduce carbon emissions.

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
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.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

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 Account.

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 Account.

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.

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.

County Fund
See General Fund

De minimus
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.

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 of time.

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.

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 purposes.

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.

IFRIC
International Financial Reporting Standards Interpretations Committee.

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 are identifiable and are controlled by the Council.

Inventories
Goods bought which have not been used.

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.

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.

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.

Net spending
This is the difference between money spent on an area of work and income received towards that activity.

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:

- 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.

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.