Suffolk County Council and Suffolk Pension Fund

Auditor's Annual Report

Year ended 31 March 2022

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Council and management of Suffolk County Council and Suffolk Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Council and management of Suffolk County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Council and management of Suffolk County Council and Suffolk Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Introduction

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plans we issued in August 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements of the Council and Pension Fund;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council and Pension Fund;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council and Pension Fund

The Council and Pension Fund are responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Introduction (continued)

2021/22 Conclusions - Suffolk County Council and Suffolk Pension Fund	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's reports on 5 June 2023.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Council and Pension Fund financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited Council and Pension Fund accounts and Pension Fund Annual Report.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Appendix A.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council and Pension Fund.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £2 billion threshold for review as per the NAO's 2021/22 group instructions, we do not expect to have to perform any procedures. However, until the NAO has confirmed whether they have selected Suffolk County Council as one of the additional sampled components for additional audit procedures we are not able to fully conclude this work.
Certificate	We are not able to issue our certificate until the NAO have confirmed whether we are required to undertaken any addition work on the WGA return as noted above.

Audit of the financial statements – Suffolk County Council

Key findings

The Narrative Statement and Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 5 June 2023, we issued an unqualified opinion on the financial statements for the Council. We reported our detailed findings to the Audit and Governance Committee on the 5 June 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We did not identified any material weaknesses in controls or evidence of material management override. We did not identified any instances of inappropriate judgements being applied. Our testing of journals did not identified adjustments outside of the normal course of business and all journals tested had an appropriate rationale. Our testing did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure We have considered the key areas where management has material opportunity and incentive to override controls. We have identified the main areas as being; ➢ Inappropriate classification of revenue spend as capital expenditure; and ➢ manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement.	Our work on capital additions did not identify any additions that were capitalised which did not meet the statutory definition of capital. Our work on REFCUS did not identify any REFCUS items which did not meet the statutory definition. Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

Audit of the financial statements – Suffolk County Council

Significant risk	Conclusion
Land and building valuation - Change in managements expert for all valued assets other than County farms The valuation of land and buildings represent significant balances in the Councils accounts and are subject to valuation changes, impairment reviews and depreciation charges. Prior to 2021/22, the valuation of the Council's land and buildings had been undertaken by Concertus Design and Property Ltd. For the 2021/22 financial year, the majority of these valuation were performed by a new valuer, Lambert Smith Hampton. There is no change in valuer for the Council's County farm assets which have, as in prior years, been valued by Bruton Knowles and as such this significant risk does not relate to the County farm assets. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. At 31 March 2022, the value of land and buildings (other than County farm assets) valued by the expert totalled £148 million. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We did not identify any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. Our own experts concluded that the assets reviewed fell within a reasonable range. They did however find: • For the valuation of the Archive building, The Hold, the valuation assumed that the land value for the asset was nil as the asset was held under an operating lease. Our own experts concluded that there would still be an intrinsic value for the land which they estimated to be £0.43 million to £0.47 million. • For other land values, whilst overall the valuation of land and building assets fell within a reasonable range, the adopted land value rate applied to the asset valuations was significantly higher than those determined by our experts. Although the above issues do not have a material impact we are reporting them to the committee for completeness as they relate to valuation principles and therefore there is a potential risk that these may have a material impact in future years. We did not identify any specific changes to assets that had occurred that required communication to the valuer. Testing of accounting entries confirmed they had been correctly processed in the financial statements. All assets had been appropriately revalued within the Council's 5 year rolling programme.

Audit of the financial statements – Suffolk County Council

Significant risk	Conclusion
Infrastructure assets In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code, these assets are held at depreciated historic cost. It has been identified that, whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulated depreciation are therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated. Suffolk County Council has material infrastructure assets of £668.6 million held on its balance sheet at 31 March 2022. DLUHC issued a Statutory Instrument which came into effect on the 25 December 2022 which allowed for a temporary change in accounting rules in this area giving Authorities the option to account for Infrastructure Assets on a net rather than gross basis. CIPFA also released an update to the Local Authority Accounting Code and a Local Authority Accounting Panel (LAAP) bulletin was issued which provided practitioners guidance on how they should account for Infrastructure Assets should an Authority wish to adopt the Statutory Instrument.	The Council's infrastructure assets were not in line with the CIPFA Local Authority Accounting Code 2021/22 as originally issued as a significant proportion of the Council's annual spend on infrastructure asset's was likely to be on the replacement of assets and that historically no write off of the gross cost and accumulated depreciation had been made. Therefore the impact on the accounts was likely to be material. Changes were made to the Local Authority Accounting Code by CIPFA and DLUHC issued a Statutory Instrument to temporarily change accounting rules in this area. The Statutory Instrument and Code update temporarily resolve the derecognition and existence issues identified above. The Council chose to adopt the statutory instrument and Code adaptation and has amended the disclosures in its financial statements to comply with the revised requirements and report the value of these assets on a net book value basis only. A Local Authority Accounting Panel (LAAP) bulletin was also issued by CIPFA which provided guidance on how infrastructure assets should be depreciated. Management produced an assessment of the approach taken by the Council to depreciating infrastructure assets against this guidance. We were satisfied that the approach and useful economic lives applied by the Council were reasonable. CIPFA provided estimated useful economic lives for components of infrastructure assets. We compared these to the depreciation charged under the Council's depreciation policy and note a potential difference of £5.8 million, which was not material. We therefore gained sufficient assurance that both depreciation and the net book value of infrastructure assets were not materially misstated.

Audit of the financial statements – Suffolk County Council

Areas of audit focus	Conclusion
Accounting for LOBO debt restructuring *(inherent risk)* During 2021/22, the Council restructured two existing Lender Option Borrower Option's (LOBO's), paying back the £30 million outstanding principal and a £20.1 million premium. This was financed through additional borrowings of £50.1 million from the Public Works Loan Board. The £20.1 million premium is being released over the original life of the LOBO of 45 years which has resulted in the creation of a new reserve (Financial Instruments Adjustment Account) for the value of the premium paid. Due to the material and unusual nature of the transactions involved there is a risk that the accounting treatment may be incorrect.	Our work in this area confirmed that the accounting treatment of the LOBO debt restructuring is in line with the CIPFA Code and disclosures in the accounts were appropriate.
New payroll system *(inherent risk)* The Council implemented a new payroll system (for non school payroll) on the 1 April 2021, moving from iTrent to a payroll module within the Council's financial management systems, Oracle Fusion. The completeness and accuracy of data transferred between new and old system increases risk of misstatement.	Our work in this area did not identify any issues from our review and testing of the reconciliation between the new and old payroll system. Our review of Internal Audit's report on the implementation of the new payroll system did not identify any issues.
Accounting for schools that convert to Academy status *(inherent risk)* Schools have continued to convert to academy status since 2015/16. In 2021/22, six academies are reported to have transferred with a total value of £11 million. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted. Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.	Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions. Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.

Audit of the financial statements – Suffolk County Council

Areas of audit focus	Conclusion
Pensions liability – IAS19 *(inherent risk)* The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022, this totalled £648 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We received assurance from the Suffolk Pension Fund auditors in regard to the information supplied to the actuary, and confirmed there were no findings impacting on the Council's accounts. The Pension Fund auditor reported a difference in asset values between the original estimate included in the IAS19 report and the actual year end values. As the Council obtained an updated IAS19 report and amended the accounts to reflect the updated asset values no further audit procedures or adjustments to the Statement of Accounts were required. We reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and followed up on relevant points and did not identify any issues. Our procedures to determine our own estimate for the Council's pension liability found that the liability calculated by the actuary fell within our reasonable range. We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts. The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which included estimates based on roll forward of the information and assumptions in the March 2019 triannual valuation. The Council obtained an updated IAS19 report in March 2023 following release of the March 2022 triannual valuation. This has resulted in an amendment to the draft Statement of Accounts increasing the pension liability by £19.52 million.
Valuation of land and buildings (County farms assets and assets not formally valued in year) ***(inherent risk)*** The fair value of land and buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, this includes for assets not valued in year that their valuation remains materially correct at year end. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We did not identify any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. We did not identify any specific changes to assets that had occurred that required communication to the valuer. Our testing of accounting entries confirmed they had been correctly processed in the financial statements. All assets had been appropriately revalued within the Council's 5 year rolling programme. We identified and applied relevant indices to assets not subject to valuation in 2021/22 and estimated that the value of these assets may be understated by £17.12 million. This estimated difference is below our audit materiality and therefore no adjustment to the draft statement of accounts was required.

Audit of the financial statements – Suffolk Pension Fund

Key findings

The Annual Report and Accounts is an important tool for the Pension Fund to show how it has used public money and how it can demonstrate its financial management and financial health.

On 5 June 2023, we issued an unqualified opinion on the financial statements and our consistency opinion. We reported our detailed findings to the Audit and Governance Committee on the 5 June 2023 and provided an updated Audit Result Report on 22 May 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We did not identified any material weaknesses in controls or evidence of material management override. We did not identified any instances of inappropriate judgements being applied. Our testing of journals did not identified adjustments outside of the normal course of business and all journals tested had an appropriate rationale. Our testing did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.
Valuation of complex investments (unquoted investments) The Fund's investments include unquoted pooled investment vehicles such as private equity, infrastructure and property investments. Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.	Our testing did not identify any material misstatements within year end investment asset valuations. Our additional procedures, including the review of the latest set of audited accounts and the internal control reports for the fund managers, did not identify any matters or material valuation differences in the reported funds valuation within the financial statements. In addition, we also challenged the material accuracy of the valuation as at 31 March 2022 through a benchmarking exercise using relevant indices. We did not identify any material differences following the completion of our work.

Audit of the financial statements – Suffolk Pension Fund

Areas of audit focus	Conclusion
IAS26 – Actuarial present value of promised retirement benefits The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £4,566 million as at 31 March 2022 (£4,728 million as at 31 March 2021). The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability. There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.	We did not identify any issues with the competence of the actuary. There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant. The disclosure of IAS 26 was in line with the relevant standards and the valuation provided by the actuary. The Fund obtained an updated IAS26 report in March 2023 following release of the March 2022 triennial valuation. This has resulted in an amendment to the IAS26 disclosures, increasing the present value of promised retirement benefits by £25 million, from £4,566 million to £4,591 million.
Change of custodian The custodian provides custodial services to the Pension Funds and is responsible for the safekeeping and administration of assets belonging to another. In October 2021, there was a change of custodian from HSBC to Northern Trust. This presents a risk that information may incorrectly transferred or reported in the 2021/22 financial statements.	We updated our understanding of the new custodian as a service organisation to the Pension Fund. We reviewed and confirmed the transfer of information to the new custodian. We did not identify any issues on the reconciliation of balances between the former and new custodian. We confirmed the reporting of investment balances provided by the new custodian were complete and accurate.
Going concern disclosure There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is still required to carry our a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and also the volatility of the capital markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict give rise to a risk that the Pension Fund may not appropriately disclose the impact of these issues on their going concern assessment. The disclosure should be underpinned by management's assessment based on the Pension Fund's actual year end financial position and projected performance and cashflows for the going concern period of 12 months from the auditor's report date.	We received and reviewed the Pension Fund's Going Concern assessment and supporting documentation and following our work in this area we concluded Management's assessment was robust and appropriate. We asked for some small changes to be made to the disclosure and these have been made.

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in it use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Council which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our detailed commentary for 2021/22 is set out on page 8. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Value for Money – Suffolk County Council (continued)

Key findings:

The Council has a sound track record of setting and delivering balanced budgets and set a balanced budget for 2021/22, alongside the Medium Term Financial Plan (MTFP), which was approved in February 2021. The Council delivered services within budget, reporting a net underspend of £9.04 million.

The budget strategy is set as part of the annual budget process. The strategy is included within the budget approved by Council and ensures that financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities. At the heart of the strategy is the development of a four year medium-term financial plan (MTFP), which highlights any emerging budget gaps based on current assumptions. The MTFP includes the requirement to reduce net budgets to manage costs through the delivery of the Council's Transformation Programmes along with the containment of cost pressures. For the 2021/22 budget, planned savings from the Transformation Programmes totalled £10.86 million. COVID-19 impacted on the extent to which transformation activity could be delivered, but despite this the Council's operations and finances were sufficiently flexible during 2021/22, to ensure that the Council remained financial sustainable with adequate levels or reserves. This was after taking into account the support received from additional Government funding.

The Council recognises it faces various risks that may have significant financial implications and holds a risk reserve that seeks to quantify these risks, ensuring it has sufficient resources to manage these risks should they materialise, thus enabling service levels and financial resilience to be sustained.

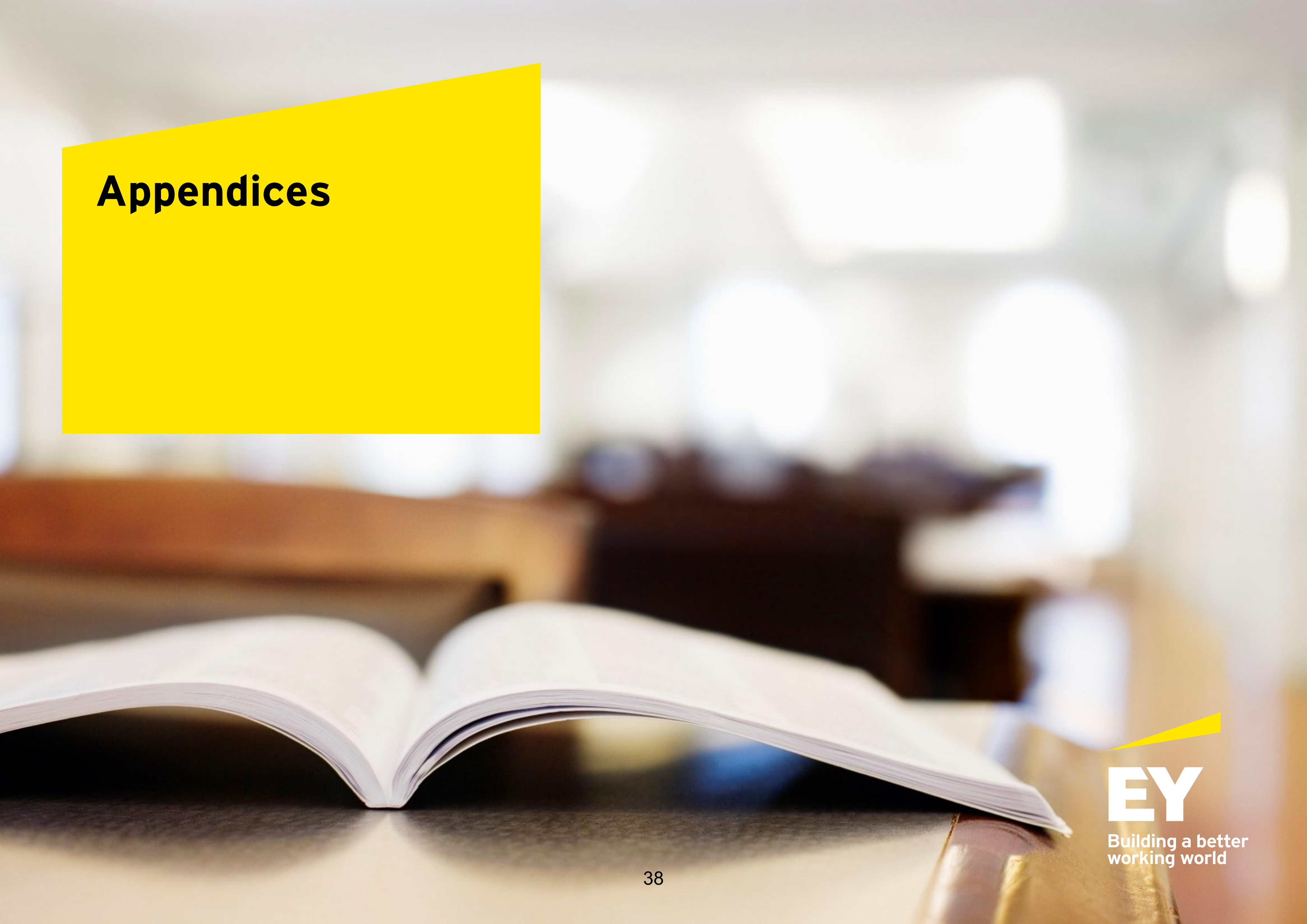
Particular areas of risk to which the Council is exposed include national issues such as inflation and reduced levels of funding, alongside those areas where containing spend is challenging due to the pressures being experienced. Areas such as adult social care, children's social care, home-to-school transport and special educational needs and disabilities (SEND) in particular are areas of spending pressure.

The Council has embedded risk management processes in place and undertakes an annual review of its high-level risks to assess their relevance and suitability and make recommendations to the relevant directorate and risk owner. The annual review is an opportunity to consider high-level risks at a cross-departmental level to moderate and assess appropriateness, balance and coverage for all significant issues facing the Council. In March 2021, the Audit Committee endorsed a series of improvements to the risk management process. These recommendations followed a series of officer / Councillor workshops held in late 2020 to review the current risk management process.

Conclusion:

Based on the work performed, the Council had proper arrangements in place in 2021/22:
- to enable it to plan and manage its resources to ensure that it can continue to deliver its services,
- to enable it to make informed decisions and properly manage its risks and
- to use information about its costs and performance to improve the way it manages and delivers services.

Appendices



Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council identifies six main directorates: Adult and Community Services; Children and Young People; Public Health and Communities; Fire and Public Safety; Growth, Highways and Infrastructure; and Corporate Services. Each Directorate Leadership Team (DLT) includes a Strategic Finance Lead. This lead coordinates the compilation of financial pressures within the Directorate as part of the budget setting process, through sessions with their respective DLT and the associated Service Leads. The Strategic Finance Lead feeds these to the Corporate Finance team who include the information in the budget and associated Medium Term Financial Plan (MTFP). Pressures identified are reviewed and challenged, both by Finance and then by the Corporate Leadership Team, to assess their accuracy, reasonableness and completeness. The financial planning process is Councillor-led as Councillors decide the principles, policies and processes that underpin budget planning, with a Budget Working Group of Councillors meeting to scrutinise the budget process during the budget setting process. Furthermore, the Council's Scrutiny Committee performs a further review and challenge prior to the budget being approved. The Cabinet report describes the Budget Strategy for 2022/23 and the outcomes of the budget consultation process. The management of financial risks outlined above is underpinned by robust budget estimates for 2022/23 that recognize the real pressures experienced by the Council. These are supported by effective financial policies and controls alongside strong financial and budgetary management. Directorates produced detailed budget estimates for expected cost pressures and mitigating actions and savings in 2021/22 and for the period of the MTFP, with these estimates reviewed and challenged by the Council's leadership.
How the body plans to bridge its funding gaps and identifies achievable savings	The Council integrates the planning and approval of its revenue budget with the capital programme and treasury management strategy, with the two reported on and approved within the same report. With regard to workforce, all planned changes with resource implications are reviewed and approved at a directorate level with input from the relevant Strategic Finance Lead. Any approved changes are incorporated into budgets and forecasts by the relevant Strategic Finance Lead and their team. The budget factors in staff headcount and proposed pay increases.

Financial Sustainability	
Reporting Sub-Criteria	**Findings**
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council sets its Budget Strategy as part of its annual Budget. The strategy is included within the Budget approved by Council and forms the basis of ensuring that financial plans support the sustainable delivery of services in accordance with strategic and statutory priorities. At its heart, is the development of a four year medium-term financial plan, highlighting any emerging budget gaps based on current assumptions. Th strategy includes the requirement to reduce net budgets to manage costs through the delivery of the Council's Transformation Programmes, along with the containment of cost pressures. For the 2021/22 budget, planned savings from Transformation Programmes totalled £10.86 million. COVID-19 impacted on the extent to which transformation activity could be delivered, but despite this the Council's operations and finances were sufficiently flexible during 2021/22, to ensure that the Council remained financial sustainable with adequate levels or reserves. This was after taking into account the support received from additional Government funding. The Council recognises it faces various risks that may have significant financial implications and holds a risk reserve that seeks to quantify these risks, ensuring it has sufficient resources to manage these risks should they materialise, thus enabling service levels and financial resilience to be sustained. Particular areas of risk to which the Council is exposed include national issues such as inflation and reduced levels of funding, alongside those areas where containing spend is challenging due to the pressures being experienced. Areas such as adult social care, children's social care, home-to-school transport and special educational needs and disabilities (SEND) in particular are areas of spending pressure. The Council declared a 'climate emergency' in March 2019, and Cabinet agreed the associated Policy Development Panel recommendations in July 2020. As a result, all business cases associated with the delivery recommendations are considered by the Corporate Leadership Team, Capital Strategy Group and Cabinet following an assessment of their impact on the Council's financial position. Any decisions are incorporated into the Council's capital programme and budget as required. Moreover, all Cabinet decisions are required to consider the extent to which they impact onto the Council's ambitions for carbon reduction.

Appendix A – Summary of arrangements (continued)

Financial Sustainability	
Reporting Sub-Criteria	**Findings**
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The Council integrates the planning and approval of its revenue budget with capital programme and treasury management strategy, with the two reported on and approved within the same report. With regard to workforce, all planned changes with resource implications are reviewed and approved at a directorate level with input from the relevant Strategic Finance Lead. Any approved changes are incorporated into budgets and forecasts by the relevant Strategic Finance Lead and their team. The budget factors in staff headcount and proposed pay increases.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Financial risks are reviewed quarterly by the Chief Finance Officer and Head of Corporate Finance as part of the corporate financial risk management process, with these featuring as appropriate in the commentary within quarterly budget monitoring reports and budget setting. The Corporate Risk Register is presented to Audit Committee on a regular basis. A key part of the Council's financial risk management is the quantification of key financial risks (such as demand) and holding a financial risk reserve of an amount equivalent to the sum of these quantified figures. If required, an appropriate amount can be drawn down from this reserve should any specific risk be realised and there are no other mitigating actions that can reasonably be taken. Once the budget has been agreed, Directorates are required to follow the Council's budgetary control policies and are expected to manage in-year budget pressures within their overall resources. All underspends and overspends on directorate budgets are managed through the centrally managed reserves at the year-end, in line with the financial policies.

Governance

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council undertakes an annual review of its high-level risks to assess their relevance and suitability and make recommendations to the relevant directorate and risk owner. The annual review is an opportunity to consider high-level risks at a cross-departmental level to moderate and assess appropriateness, balance and coverage for all significant issues facing the Council and ensure alignment to the Council's business plan. Throughout 2021/22, all high-level risks have been regularly reported and reviewed by senior management teams (at both corporate and directorate level). In March 2021, the Audit Committee endorsed a series of improvements to the risk management process. These recommendations followed a series of officer / Councillor workshops held in late 2020 to review the current risk management process. A new Counter Fraud Strategy covering the period 2021/23 was developed and approved by the Corporate Leadership Team in March 2021. The Council delivered against its Anti-Fraud and Corruption Policy in 2021/22, complying with all statutory requirements of the Cabinet Office' National Fraud Initiative exercise, delivering fraud awareness training delivered, and carrying out investigations in line with the Council's Fraud Response Plan.
How the body approaches and carries out its annual budget setting process	The Council's budget setting process starts in the early summer of the preceding year, with Strategic Finance Leads liaising with their associated Directorate Leadership Teams to identify pressures and potential savings and mitigations. Finance coordinates this information into an outline budget plan which is shared with both Corporate Leadership Team (CLT) and Cabinet, which included the implications for reserves, risks alongside the reporting of any associated budget gap. An iterative process continues in the following months, where CLT and Cabinet will review and challenge Directorates, allowing the development a budget position by Finance which the Chief Finance Officer can support as being sustainable and deliverable. Scrutiny Committee then reviews the draft budget over the preceding winter, making recommendations for amendment as appropriate, with the Budget approved by Cabinet, and then Council, in the preceding January/February.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	Each Directorate Leadership Team (DLT) includes a Strategic Finance Lead (SFL) as a full member. Each SFL also sits on the Finance Leadership Team, ensuring they are fully sighted on the S151's expectations and corporate requirements for production and communication of budgetary control information. In turn, each SFL will disseminate this to the service leads sitting of DLTs, and coordinate the production of budget monitoring information (both financial and non-financial) using the finance systems in place. The Council is continuing its roll out Oracle Fusion's Planning Based Cloud Service to facilitate this process further and ensure greater consistency and compliance. Detailed budget monitoring reports are taken to Cabinet on a quarterly basis, covering both revenue and capital outturns.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	The Council's Constitution requires that Cabinet takes key financial decisions. All Cabinet reports are signed off by the Chief Financial Officer (CFO), with the expectation that SFLs advise the CFO regarding the financial implications as part of this process. The Constitution allows for any decisions to be called in by other Councillors for further review. The Council also operates a Scrutiny Committee which sits apart from Cabinet, whose principal remit is to challenge and review the Council's operations and associated decisions. The Audit Committee has an overarching responsibility to ensure compliance with the Financial Regulations that form the basis for the proper implementation of decisions.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The Leader of the Council is responsible for the development and approval of the policies, strategies and plans of the Council, except for those policies, strategies and plans within the policy framework which are subject to approval by the Council. The Cabinet is the decision-making body of the organisation. The Leader of the Council is the Chair of the Cabinet. All members of the Council sign a register of interests, in line with the Council policy, and the declarations can be found on the Council's website. The Council's Internal Audit Service is responsible for providing oversight concerning compliance with the seven core principles of good governance (i.e. Nolan Principles) as outlined in the Annual Governance Statement. The Head of Internal Audit prepares and presents and Annual Internal Audit Plan and Annual Report to the Audit Committee. Update reports on risk-based reviews are also presented to the Audit Committee. Alongside this the Council maintains registers for Gifts and Hospitality and Conflicts of Interests.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	The Council prepares and presents quarterly finance monitoring reports to Cabinet. These reports compare the performance of the Council against the budget, including treasury management performance As part of this, areas where expenditure is exceeding plans are identified, there is an expectation that remedial action is taken to improve budgetary performance. The use of performance information, and how this is used to identify areas for improvement, is covered below.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council produces comprehensive performance reports quarterly which are shared with the Corporate Leadership Team and Cabinet. This includes a wide range of Key Performance Indicators which are scrutinised, in particular where performance is below expected levels, in order to ensure efforts are focused on improvement in the required areas. These reports are also shared each quarter with the Scrutiny Committee, and form the basis for the Committee identifying suitable areas for work to be carried out to assess performance and identify areas for improvement, with the outcomes of this work reported back to Scrutiny Committee for consideration and action where appropriate. One of the main services provided by the Council is SEND (Special Educational Needs and Disability). During 2021, the Council commissioned an independent review of its SEND services by a team from Lincolnshire, including Lincolnshire County Council and the Lincolnshire SEND parent carer network. The review identified a number of recommendations for improvement which the Council developed an action plan to address. By autumn 2022, 23 of the recommendations had been actioned with 8 actions remaining in progress. In May 2022, the Council received a report from the Local Government and Social Care Ombudsman (LGSCO) concluding their investigations into a complaint against Suffolk County Council and their SEND function. The Council were found to be at fault in relation to delays in the Annual Review process which led to delays in putting an Education, Health and Care Plan provision in place. In response, the Council put in place an action plan to respond to the recommendations made by the LGSCO to address the issues identified in the report. Progress against this action plan has been monitored on an ongoing basis and, in October 2022, the Council received a follow up letter from the LGSCO confirming that actions undertaken were satisfactory and that appropriate remedy was complete.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Council has a culture of engaging with significant partnerships through a wide range of connections, in particular governance boards and regular management meetings. These boards cover key performance matters and identify areas of concern or areas that require improvement. Partnership working is a key component within both the Council's 2022/26 Corporate Strategy and 2022/23 Business Plan. The Council is committed to working effectively with partners across the Suffolk system, further integrating services and jointly funding posts. This is particularly the case within the Integrated Care System, where the Council works closely with Health partners to share and align workforce planning as they look to support the county in its recovery from the impact of Covid-19 and to respond to continuing pressures within the care sector.
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council has a dedicated procurement team that manages the commissioning and procurement of services through contracts throughout the Council. This team is trained and experienced to ensure that procurement is delivered in accordance with relevant legislation, professional standards and internal policies. Contracts contain service performance measures which broadly correlate with the KPIs associated with the service provision that is reviewed regularly through the quarterly performance reports, helping to enable poor contractual performance to be identified. The Council has a Procurement Rule Policy which set out the minimum requirements to be followed when undertaking a procurement process.

Appendix B – Fees – Suffolk County Council
Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Audit Fees – Suffolk County Council	Final Proposed Fee 2021/22	Planned fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA scale fee	76,699	76,699	69,699
Changes in work required to address additional professional and regulatory requirements and changes in scope associated with risk	65,278 (Note 2)	TBC	66,651 (Note 1)
PSAA expected additional minimal core fees			
• Significant Risk: Land & Buildings valuation - change in managements expert	11,105		
• Significant Risk: Infrastructure assets	8,947		
• Inherent Risk: Accounting for LOBO debt restructuring	3,111		
• Inherent Risk: New Payroll system	3,595		
• Impact of March 2022 Triannual valuation on pension liability	5,338		
Total Fees	**174,073**	**TBC**	**136,350**

All fees exclude VAT

Note 1: Following completion of the 2020/21 audit we submitted a proposed additional fee of £98,805 to PSAA. This relates to proposed uplifts to the base scale fee due to increased regulatory requirements, as communicated during our 2019/20 audit, as well as additional work in 2021/22 in respect of Covid, significant risks regarding changes to the general ledger and grant income, new NAO Code of Audit Practice and ISA requirements. PSAA Ltd determined, with agreement from the Council, a final additional fee for 2020/21 of £66,651.

Note 2: For 2021/22 the scale fee will again be impacted by the increased regulatory requirements and our proposed uplifting of the base scale fee. An increased fee is also proposed for additional audit procedures required to respond to the risks identified which are not reflected in the PSAA scale fee. The proposed additional fee is yet to be discussed with management and remains subject determination by PSAA.

We confirm we have not undertaken any non-audit work.

Appendix B – Fees – Suffolk Pension Fund
Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Audit Fees – Suffolk Pension Fund	Final Proposed Fee 2021/22	Planned fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA scale fee	19,270	19,270	19,270
Changes in work required to address additional professional and regulatory requirements and changes in scope associated with risk	58,679 (Note 3)	TBC	14,052 (Note 1)
Impact of March 2022 Triannual valuation on IAS26 disclosure	3,271		
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund)	8,000	8,000	8,000
Additional work in respect of Data Analytics	-	-	7,497 (Note 2)
Total Fees	**89,220**	**TBC**	**48,819**

All fees exclude VAT

Note 1: Following completion of the 2020/21 audit we submitted a proposed additional fee of £53,678 to PSAA. PSAA Ltd determined, with agreement from the Council, a final additional fee for 2020/21 of £14,052.

Note 2: The Pension Fund, along with the Council changed their accounting system to Oracle Fusion during 2020/21. This led to additional work for us to gain assurances over the transfer of data between systems during the year. PSAA Ltd determined a final additional fee of £7,497 in October 2022.

Note 3: For 2021/22, we have re-assessed the scale fee to take into account the same recurring risk factors as in 2019/20 and 2020/21 as well as specific in year risks as set out in our Final Audit Results Report. These include procedures to address the risk profile of the Pension Fund and the additional work to address the increased regulatory requirements, as well as consideration of the impact of the 2022 triennial valuation and the change in custodian during the year.

The 2021/22 fees are subject to PSAA approval.

The additional fee is yet to be discussed with management and then remain remains subject determination by PSAA.

We confirm we have not undertaken any non-audit work.

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ED None

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