Suffolk County Council

Statement of Accounts

2006 - 2007

Suffolk County Council

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Statement of Accounts

for the year ended **31 March 2007**

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Opinion on the financial statements

I have audited the financial statements, the firefighters' pension fund accounting statements and the local government pension funds accounts of Suffolk County Council and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, Group Accounts and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The local government pension funds accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements, the firefighters' pension fund accounting statements and local government pension funds accounts have been prepared under the accounting policies set out within them.

This report is made solely to Suffolk County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective Responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements and the local government pension funds accounts in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements, the firefighters' pension fund accounting statements and the local government pension funds accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

• the financial position of the Authority and its income and expenditure for the year;
• the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year;
and
• the financial transactions of its local government pension funds during the year and the amount and disposition of the funds' assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the schemes' year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

Auditors' report to Suffolk County Council

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion:
• The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended; and
• The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the firefighters' pension fund during the year ended (insert date), and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
• The local government pension funds accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Funds during the year ended 31 March 2007 and the amount and disposition of the funds' assets and liabilities as at 31 March 2007.

Robert Davies
District Auditor September 2007
Audit Commission
Springvale Court, Hadleigh Road, Sproughton, Ipswich, IP8 3AS

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

Authority's Responsibilities

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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

• certifying that I have done so;
• stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
• where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Suffolk County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 21 December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate
I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robert Davies
District Auditor September 2007
Audit Commission
Springvale Court, Hadleigh Road, Sproughton, Ipswich, IP8 3AS

Statement on Internal Control

1.0 Our responsibility

(a) We are responsible for making sure that our business is carried out in line with the law and proper standards, and that public money is protected and properly accounted for, and used economically, efficiently and effectively. Under the Local Government Act 1999 we must also continuously improve the way that we work in terms of economy, efficiency and effectiveness.

(b) We are also responsible for making sure that there is a sound system of internal control, which includes arrangements for managing risk.

(c) This statement also covers the transactions and processes undertaken by Customer Service Direct (CSD), on behalf of Suffolk County Council.

(d) CSD is a joint venture company that was formed as a result of a ten-year partnership between the County Council, Mid Suffolk District Council and British Telecom. CSD provides support services including Finance, HR and ICT together with Public Access services. CSD has a contractual commitment to provide the County Council with a defined level of service. CSD supports the County Council's internal control mechanisms and in some cases is responsible for enforcing them.

(e) As a separate entity, CSD has its own internal governance arrangements, which are not covered by the County Council's statement of internal control. However, those arrangements are subject to testing through County Council's Internal and External Audit processes.

2.0 The purpose of the system of internal control

(a) We have designed the system of internal control to manage risks to a reasonable level rather than to remove all risk of failure to achieve our policies and objectives; it can only provide reasonable and not an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks that will prevent us from achieving our policies and objectives, to assess the likelihood of risks arising and the effects if they do arise, and to manage them efficiently, effectively and economically.

(b) The system of internal control has been in place at the County Council for the year ending 31 March 2007 and up to the date of the approval of the statement of accounts, and is in line with proper practice.

3.0 Internal control environment

We adopted a code of corporate governance in November 2001. The code covers the following areas:

- Community focus
- Arrangements for delivering services
- Structures and processes
- Risk management - internal controls
- Standards of conduct

3.1 Community focus

We:

a) publish summary accounts presenting an understandable depiction of our financial position and performance.

When the accounts are signed off by the Auditors these are published on the County Council's public website, and a summary will be included in About Suffolk.

b) **produce a corporate plan and a delivery plan presenting an objective, balanced and understandable account and assessment of our current performance in delivering services and our plans to maintain and improve service quality.**

The Corporate Plan 2006 - 2008 provides information about how we will deliver the strategic objectives set out in 'A Better Way for Suffolk' over the coming year. The plan provides the link between 'A Better Way for Suffolk' and directorate plans. The County Council agreed the Corporate Plan in February 2007 alongside a delivery plan setting out our progress against our commitments in 'A Better Way for Suffolk'.

c) **have arrangements for the independent review of our financial and operational reporting processes.**
The County Council has an internal audit function that supports the Head of Strategic Finance in meeting his section 151 responsibilities, and ensures the County Council complies with the Accounts and Audit Regulations 2006. Audit Services deliver a risk-based programme of audits, designed to review and make recommendations on the County Council's key controls. Audit Services comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK. The Audit Committee receives regular updates on the outcomes of internal audit work.

d) **have arrangements designed to encourage individuals and groups from all sections of the community to contribute to and participate in our work.**

The County Council has a corporate consultation and involvement strategy that outlines our commitment to involving residents in the planning and development of the services they use. One of the key principles for our consultation and involvement activities is that they are inclusive and accessible, thus enabling all sections of the community to participate. The strategy is supported by the corporate consultation and involvement guide which gives practical guidance on planning consultation exercises. The guide includes the need to consider different methodologies for consulting with different audiences. Targeted consultation exercises have been undertaken with a range of groups and communities, including an Involvement Day around the disability equality duty, and the purchase of a special facility to consult more effectively with children and young people. The Community Cohesion Steering Group oversees a number of forums which help us to engage more effectively with a range of community groups. These include the Race & Faith Reference Group, Gypsy & Traveller Steering Group, the Older Persons Partnership Board, and the Marginalised Adults Board.

e) **make an explicit commitment to openness in all of our dealings.**

The communications team is responsible for creating a better understanding between the County Council, its public and its key stakeholders. They communicate through various means with nearly 700,000 residents across the county, and hundreds of local, national and international organisations and partners.

3.2 Arrangements for delivering services

We:

a) **set standards and targets for performance in delivering services on a long-term sustainable basis and with reference to our equality policies.**

Locally determined standards and targets are agreed in consultation with our partner organisations (such as those set out in the Local Area Agreement). All standards and policies are subject to an equality impact assessment.

b) **have sound systems for providing management information for performance measurement purposes.**

The Corporate Plan outlines our Dimensions of Performance. This is a set of indicators which links the priorities in "A Better Way for Suffolk" with the activities of staff. It provides a high-level summary of progress against performance and fully supports and enables the decision-making process. It is reported to CMT and cabinet on a quarterly basis, providing a forum at which current performance issues can be discussed and options for improving performance assessed. The Corporate Plan also includes a matrix mapping our programmes of work against improvements, efficiencies and aims, showing how we are achieving the Corporate Improvement Plan and our Gershon efficiencies.

c) monitor and report performance against agreed standards and targets.

Statutory Best Value Performance Indicator outturn data is monitored quarterly and published annually on the Council's public website. Key corporate performance data is reported quarterly to CMT and Portfolio Holders. Local Area Agreement (LAA) target outturn data is collected quarterly and reported to the LAA's Accountable Bodies Group, and to GO EAST twice yearly, at mid-year and end-of-year points.

d) have arrangements to allocate resources according to our priorities.

The budget planning process includes a series of joint Cabinet and CMT meetings where the administration discuss, refine and agree their key priorities. "A Better Way for Suffolk" provides a comprehensive range of priorities which the Administration would like to achieve over the longer term but in the financial climate now facing the council there has been a recognition that 'not everything can be a priority.' Therefore, as part of the budget planning process for 2007 - 2008, a more refined set of priorities were agreed and used as a guide for the distribution of resources / mitigation of savings for the council's 2007 - 2008 budget. A corporate paper was taken to each budget Scrutiny meeting which set out the 2007 - 2008 budget process and identified and discussed the arrangements the council has in place to ensure that resources are allocated according to the council's priorities.

e) develop effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider external service providers where it is efficient and effective to do so.

f) have programme management arrangements in place for major procurement projects

The County Council adheres to a programme management discipline for all major procurement projects including using the Public Private Partnerships Programme (4Ps) or the Office of Government Commerce (OGC) to undertake 'gateway reviews'. These are carried out by experienced practitioners from outside the county council and provide a project evaluation prior to key decision milestones and helpful recommendation to ensure successful outcomes.

g) respond positively to the findings and recommendations of our independent external auditors and statutory inspectors and put in place arrangements to implement agreed actions in response to these recommendations.

A Corporate Improvement plan brings together the recommendations of inspections as well as areas the County Council has identified which require improvement.

3.3 Structures and processes

We:

a) have clearly documented guidelines governing the relationships between councillors and officers.

b) have clearly defined the roles and responsibilities of Cabinet and other councillors and senior officers.

c) have defined the role of the cabinet councillors in writing, to include responsibility for providing effective strategic leadership to the Council.

d) have clearly defined the roles and responsibilities of all councillors of the County Council, together with the terms of their payment and its review.

e) have made the Chief Executive responsible for all aspects of operational management.

f) have made the Head of Strategic Finance (section 151 officer) responsible for making sure that appropriate advice is given to the council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

g) have made the Assistant Director (Scrutiny and Monitoring) responsible for making sure that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are followed.

The above are set out in the County Council's constitution, which is available at:

www.suffolk.gov.uk/CouncilAndDemocracy/CountyCouncillors/SuffolkCountyCouncilConstitution

h) make sure that councillors meet on a formal basis regularly to set the strategic direction of the County Council and to monitor service delivery.

Eight scrutiny committees are in place which discharge the County Council's statutory obligations under section 21 of the Local Government Act 2000.

i) have a separate Audit Committee with agreed terms of reference (see www.suffolk.gov.uk/CouncilAndDemocracy/CountyCouncillors/SuffolkCountyCouncilConstitution) which includes considering the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) and the review of the effectiveness of the system of internal audit.

j) have a scheme of resource management, which includes those matters specifically reserved for the collective decision of the County Council. This scheme is available on the County Council's intranet site.

k) have clearly documented and understood management processes for developing policy, putting it into place and reviewing policy. Also we have clear management processes for decision-making, monitoring and control and for reporting the outcome of policies.

l) have arrangements to make sure that councillors are properly trained for their roles and have access to all relevant information, advice and resources, as necessary, to enable them to carry out their roles effectively.

The Monitoring Officer provides councillors with timely advice on relevant issues and the Standards Committee is responsible for advising and training councillors on matters relating to the codes and protocols. A Councillor Learning and Development group has been established to commission training.

m) have clearly defined the roles and responsibilities of all senior officers.

n) have adopted guidelines and codes of conduct to make sure that the implications for supporting community political leadership for the whole County Council are acknowledged and resolved.

3.4 Risk management and internal control

We:

a) have robust systems for identifying and assessing all significant risks.

The County Council has a risk management framework and accompanying process for identifying, assessing, managing and controlling, and reviewing and reporting risks. This framework and process is set out in 'Managing Risk: A Practical Guide to Risk and Opportunity Management in Suffolk County Council' and has been approved by Councillors. The County Council has a corporate risk register which is owned by the Corporate Management Team and contains those threats and opportunities identified as having an impact on the achievement of the council's objectives. Similarly all directorates have risk registers detailing the threats and opportunities to the achievement of their objectives. These registers are managed in line with the corporate risk management framework and process. Councillor involvement in risk management continues to be strong and, through its regular meetings, the Strategic Risk Panel provides assurance to the Council that its significant business risks are being actively and appropriately managed.

b) have effective risk management systems, including systems of internal control and an internal audit function.

The terms of reference for Audit Services are set out in the Scheme of Resource Management that is available on the County Council's intranet site.

c) have arrangements to make sure that services will be delivered by trained and experienced people.

d) have arrangements for an independent review of risk management and internal control, including internal audit.

There is an annual internal audit review of risk management arrangements, which is reported to the Strategic Risk Panel. The Audit Committee carry out an annual review of the effectiveness of the system of internal audit. They receive a report from the Head of Strategic Finance that summarises evidence provided to an officer group by the Head of Audit Services. This includes an assessment of compliance with the CIPFA Code of Practice.

e) **have a professional relationship with our external auditors and statutory inspectors.**

The Head of Audit Services meets regularly with the External Auditor to co-ordinate plans so as to maximise benefit from limited audit resources, and minimise duplication.

f) **have arrangements to produce a balanced and understandable statement and assessment of the Council's risk management and internal control mechanisms and their effectiveness.**

The Audit Committee receive the draft Statement on Internal Control (SIC) with a covering report that will give details of the assurance framework that supports the SIC. The Audit Committee challenge the SIC as appropriate, before it is signed by the Chief Executive and Leader.

3.5 Standards of conduct

We:

a) **have formal codes of conduct defining the standards of personal behaviour individual councillors, officers, and agents of the County Council must follow.**

b) **have arrangements to make sure that our elected councillors and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.**

The above are covered by the Members' Code of Conduct, the Scheme of Resource Management and the Member/Officer Protocols section of the County Council's constitution.

c) **have arrangements to make sure that our procedures and operations are designed in conformity with appropriate ethical standards.**

This is the responsibility of the Standards Committee who issue guidance and best practice advice with regard to probity and ethics.

d) **have arrangements for reporting incidents of improper behaviour ("whistle-blowing") to which staff and all those working with us have access.**

The Scheme of Resource Management and Financial Control Standards make it clear that any suspected irregularities should be reported to the Head of Audit Services. Within the HR policies there is a Whistleblowing Policy and Anti-Money Laundering Guidance for staff and others. An Anti-Fraud and Corruption Policy is also included in the County Council's constitution.

3.6 Use of Resources Assessment

A large number of activities that make up a successful Internal Control Environment (including the areas highlighted above) are tested each year by the Audit Commission in coming to their judgement on the council's 'Use of Resources' assessment. The table below sets out our scores (out of 4) for 2005 - 2006 compared to 2004 - 2005.

Theme	2005 Assessment	2006 Assessment
Financial Reporting	1	2
Financial Management	2	3
Financial Standing	3	3
Internal Control	3	3
Value for Money	3	3
Overall assessment of the Audit Commission	2	3

(Note: 1 = inadequate performance, 2 = adequate performance, 3 = performing well, 4 = performing strongly)

The 2006 - 2007 assessment will take place over the coming months and be reported later in the year.

3.7 Audit Commission Annual Audit and Inspection Letter 2005 - 2006

The Audit Commission Annual Audit and Inspection Letter 2006 reported that the County Council is performing well in the area of internal control. It was stated that the key areas of strength remain the same as the previous assessment but the following improvements were noted:

- the new risk register allows the mapping of strategic objectives to risks and controls;
- improved provision of assurances to Members to support the Statement on Internal Control; and
- an Audit Committee is in place, with terms of reference that are consistent with CIPFA guidance, and which is providing effective challenge across the County Council.

4.0 Review of effectiveness

We are responsible for carrying out a review of the effectiveness of the system of internal control at least once a year. The review of the system of internal control is informed by the work of our internal auditors and the chief officers, who have responsibility for the development and maintenance of the internal control environment, and also by the comments of our external auditors and other review agencies and inspectorates in their reports to the County Council. Chief officers are responsible for maintaining organisational, financial, operational and compliance controls in their directorates. During the year all directorates have undertaken an assessment of the controls which they have in place to manage risks. We recognise that there are areas in practice where our standards are not fully in place. Directorates have reported on any areas where their internal controls need to be strengthened and prepared plans for their improvement.

4.1 Audit Services Report on Directorate Self Assessments & Corporate Governance 2006 - 2007

During 2006 - 2007, Audit Services reported that as a result of their work and the information provided by directorates the following matters should be recognised. A brief response is set out below accompanying each issue and progress with addressing these will be made in the forthcoming year through separate action plans and individually assigned responsibility for particular activities. The key issues and a flavour of what will be done is set out below:

- **There should be a governance statement that subsumes the requirement to prepare and publish a statement on internal control. This will be required for 2007 - 2008 but arrangements to produce this statement should be put in place at an early stage.**

A working group consisting of the Head of Audit Services, the Monitoring Officer and the Section 151 Officer will produce the governance statement.

- **There should be a corporate strategy for managing partnerships and arrangements and a corporate responsibility for coordinating and monitoring partnership agreements. Contractual agreements should be in place for all partnerships and risk should be considered as each partnership agreement is drawn-up**

The Partnerships Team are working to develop a corporate policy on Partnership Working. This will provide:

- A corporate approach to developing and improving partnership working
- An overarching policy offering high level, general advice
- Sign-posting to existing, more specialised guidance on key aspects of partnership working

The policy will be aimed at anyone who is leading or taking part in one or more existing partnerships OR developing a new partnership.

It will include definitions of different kinds of partnership, what we mean by a partnership and the distinction between commercial and other partnerships.

The policy will look at whether a partnership is needed, the advice required when setting up a partnership, partnership agreements, the responsibilities when working in a partnership and the risks associated with partnership working.

- **The Business Continuity Management structure should be implemented to meet the statutory requirements of the Civil Contingencies Act 2004.**

The County Council endorsed its Business Continuity Policy in October 2005 which confirmed the following management structures to meet the statutory requirements within the Civil Contingencies Act 2004.

Business Continuity is a corporate responsibility and the Director of Public Protection is the CMT lead. Ownership of Business Continuity Plans rests with individual Directors. The Corporate Risk & Resilience Group provides a cross directorate forum to review business continuity arrangements and to spread best practice.

The specialist Business Continuity staff within the Joint Emergency Planning Unit provide support and advice to these management arrangements and also monitor corporate business continuity performance against Audit Commission guidelines.

- **The Councillor's Learning and Development Programme should be implemented.**

A Councillor' Learning and Development Reference Group was established by the Standards Committee in October 2005, as a standing group to inform and oversee the development of the councillors' learning and development programme.

The role of the Reference Group and development of the programme is supported by Democratic Services to enable more efficient management of the learning opportunities that are currently available as well providing clear evidence of the levels of activity achieved.

The terms of reference of the Reference Group are:

(a) To oversee the transfer of the development and management of the councillor's Learning and Development Programme.

(b) To be a forum for consultation on curriculum development and quality assurance, and to receive feedback on learning activities that are organised.

(c) To contribute to the Leadership Strategy workstream that will be developing leadership training for county councillors.

- **Directorates should produce Service Plans which include a detailed budget, workforce plan, performance indicators and clear measurable actions with evaluation criteria, timescales and responsible officers. Such plans should cover a 3-year period.**

Service plans are the responsibility for each Directorate to produce. These are being prepared or updated in the required format in line with the corporate planning framework. Service plans will be incorporated within the budget and medium term plan for 2008 - 2009.

4.2 Audit Services Report on the Scheme of Delegation

The recent internal audit of the scheme of delegation identified the following weaknesses:

- Some budget holders have a lack of knowledge of key financial documents.
- There needs to be a greater emphasis on budget holders responsibility and accountability
- The list of authorised signatories needs to be updated and maintained
- There is a need to improve the quality of financial data held on the financial ledger (oracle).

In response, all of these issues have been incorporated into the financial transformation programme, which the County Council is implementing in conjunction with CSD.

Since the audit findings were published, all budget holders have been offered training on the standard reporting processes and year-end accounting duties. This has been accompanied by the publication of the "Budget holders Hand Book" which details the role and expectations of budget holders, and directs them to further information and training materials.

Within CSD, the financial reporting teams are collating the latest list of authorised signatories on behalf of the Council, and are exploring means to maintain a readily accessible list.

A key element of the financial transformation programme will be the upgrading of the financial ledger (ORACLE). The increased capabilities of the system will lead to an improvement in data quality. An example of this is the automation of the link between the Social Care database (COMPASS) and the Financial Ledger. This workstream will automate the commitment accounting processes.

The County Council and CSD Finance Teams are jointly committed to the continuous improvement of financial governance.

5.0 Business Planning, Performance and Risk Management

(a) The Corporate Improvement and Risk Team, was formed in November 2005 to enhance, link and embed the three key elements of business planning, performance and risk across the County Council, to drive improvement. To enable that, a new strategic planning framework has been developed, the standard of risk management has continued to improve and the foundations for a performance management culture continue to be built upon. In addition, the awareness and understanding of strategic regulation and inspection requirements has been raised, reflected in the County Council's increased CPA rating to 4* for 2006.

(b) The new strategic planning framework introduced in 2006 linked the business and budget planning, brought the whole process forward by three months to enable scrutiny of the proposed budget in October and November and to include the Consultation process so that the views of the public were taken into consideration as part of the priority setting decision making process.

(c) Our strategic planning framework starts with 'A Better Way for Suffolk' which sets out our vision and strategic objectives. How the work we do will deliver these objectives is laid out in the corporate plan, agreed by Council in February 2006. To ensure that we work to the same objectives, our planning connects right through from A Better Way for Suffolk, the corporate plan, directorate and service plans to individual Personal Development Reviews. In addition, the corporate plan brings together and shows how we are achieving the Corporate Improvement Plan and our 'Gershon' efficiencies.

(d) The County Council's performance management framework is the means by which we can see how we are achieving our objectives. Corporate management team and portfolio holders work closely with staff and partner organisations to monitor our progress against the improvement priorities and the planning process makes sure that resources are directed to support these priorities. Quarterly performance reports on progress with key indicators linked to the objectives and the targets in our Local Area Agreement identify the areas where the planned improvement is not being made, and are then used to begin the definition of the necessary remedial action to be taken either by departments or corporately.

(e) Our Best Value Performance Indicators (BVPI) are the indicators against which our progress will be measured. Progress is regularly and formally monitored against those indicators as part of a process, with an annual report published on our website.

(f) The County Council continues to embed risk management in all its activities and business. In accordance with the County Council's strategy and framework, risk registers continue to be reviewed on a regular quarterly basis. The corporate approach to the wording of risk in terms of event, consequence and impact enables focus to be on the management of the event, or opportunity, rather than trying to manage issues and so direct resources at the right level.

(g) Risk registers continue to be available for view on the County Council's intranet, providing more visual clarity of the risks, the issues underlying the risk, the level of risk and how the risk is managed and by whom. The risk registers clearly show how risks and opportunities are linked to business objectives.

(h) Councillor involvement in risk management continues to be strong and, through its regular meetings, the Strategic Risk Panel has worked with all directorates to raise the standard of risk management and embed it in all activities.

(i) In May 2006 the County Council's approach to risk management was recognised with the Strategic Risk European Award for 'Best Risk Management Approach in the Public Sector'.

6.0 Audit Services

(a) The Accounts and Audit (Amendment) (England) Regulations 2006 require that "a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practices in relation to internal control". Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, efficient and effective use of resources.

(b) Audit Services within the County Council identifies and evaluates risks and makes plans to audit those risks in collaboration with the external auditor. Audit resources are allocated over a three-year strategic period with assumptions and calculations updated each year. This ensures that strategic audit aims are informed about operational changes so that audit cover can be amended as and when risks and priorities change. Chief officers, the Section 151 officer and the Audit Committee have been consulted for their views on risks and potential audit work priorities. The work of other inspection agencies within and outside the County Council is also considered to reduce duplication, increase cooperation and mutual benefit, and to avoid missing any new risk areas that arise from new working arrangements. In preparing the 2006 - 2007 Audit Plan, information was obtained from the Corporate Risk Register. This has provided useful supporting evidence for the discussions with service managers during the audit planning process.

(c) All potential internal audit work that has been identified has been subject to a systematic formula-based assessment of materiality, corporate importance, vulnerability and management concerns.

(d) Deficiencies in internal control are reported by Audit Services to management, whose responsibility is to consider them and act appropriately. Quarterly reports on internal audit work are presented to the Audit Committee. The results of the internal audit review of the effectiveness of the system of internal control were reported to the Audit Committee which confirmed that the system of internal audit is effective, and plans to address areas for development and ensure continuous improvement are in place.

6.1 Opinion of the Head of Audit Services

(a) While the County Council continues to demonstrate satisfactory controls, there are a number of areas where improvements are required to be made during 2007 - 2008 to ensure that there are no concerns about the overall control environment. Internal audit reports have raised matters relating to the General Ledger (the need to prepare and introduce comprehensive procedure manuals; ensuring all journal transactions are appropriately authorised; and control account reconciliations are completed regularly and accurately), the embedding of Risk Management within directorates, and the full implementation of IT Standards (the Standards as written are excellent).

(b) There is an identified and recognised need to modernise financial systems and there is a major finance transformation programme in place to deliver this. Audit Services are closely involved to ensure that, prior to and when completed, this programme improves both the efficiency of the organisation, and the internal control environment.

Statement on Internal Control

Approval of the Statement of Internal Control

Certificate of Chief Executive

Signature: Date: 28th September 2007

Certificate of Leader of the Council

Signature: Date: 28th September 2007

Approval of the Statement of Accounts

Certificate of Chairman of the Statement of Accounts Sub Committee

This statement was approved by the Statement of Accounts Sub Committee, on behalf of the County Council.

Signature: James Finey Date: 27th September 2007

Statement of Responsibilities for the Statement of Accounts

Our responsibilities

We must:

- look after our finances properly (the Head of Strategic Finance is responsible for this);
- make sure we use our resources economically, efficiently and effectively and make sure our assets are safe; and
- approve the statement of accounts (Chairman of the Statement of Accounts Sub Committee is responsible for this).

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

The Head of Strategic Finance is responsible for preparing our statements of accounts including those of the Pension Fund. To follow the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local authority accounting in the United Kingdom, these statements must present fairly our financial position and that of our pension funds at 31 March 2007, and the income and expenditure (spending) for the year to that date.

In preparing this statement of accounts, the Head of Strategic 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 Strategic Finance has also:

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

I certify that this statement of accounts has been prepared in accordance with proper accounting practices and presents fairly the position of the Authority at 31 March 2007 and its income and expenditure for the year to that date.

Geoff Dobson

Head of Strategic Finance (Section 151 Officer)

Date: 27th September 2007

Explanatory Foreword

1. Introduction

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ended 31 March 2007, and to summarise the overall financial position of the Council as at 31 March 2007. The following paragraphs provide an overview of the financial performance and position of the Council, with the supporting detail being set out within the subsequent sections of these accounts.

2.0 The Accounting Statements

For 2006 - 2007 there have been some major changes in the format of the Statements compared to 2005 - 2006. These changes are required by the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice (SORP). We are required by law to complete our accounts in line with the SORP which reflects the proper practices that we must follow. The guidance makes sure that the accounts of different authorities can be compared with each other. It tells us how the figures are to be prepared and the definition of services to be included under the main headings

The information in these accounts is presented in a number of statements, which are explained below and changes from 2005 - 2006 indicated:

2.1 The Income and Expenditure Account and the Statement of Movement on the General Fund Balance

These two statements used to be combined in one statement in 2005 - 2006 called the **Consolidated Revenue Account.**

The **Income and Expenditure Account** reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (UK Generally Accepted Accounting Practice) that a large unlisted company would use in preparing its audited annual financial statements.

However, the items of 'income' and 'expenditure' that are required to be credited or charged to the General Fund is determined by statute and non-statutory proper practices rather than in accordance with UK Generally Accepted Accounting Practice (GAAP). These movements are reflected in the **Statement of Movement on the General Fund Balance.**

For example, in some circumstances capital expenditure can be charged to the General Fund but all capital expenditure is excluded from the Income and Expenditure Account; and depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with UK GAAP, the movement on the General Fund Balance is also an important aspect of the Council's stewardship and is therefore reflected in this statement.

2.2 The Statement of Recognised Gains and Losses

The Statement of Recognised Gains and Losses is a new statement. It is required because not all the gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. For example, gains on revaluations of fixed assets and pension actuarial gains and losses are excluded as they are treated under UK GAAP as arising from asset and liability valuation changes rather than from an entities operating performance.

2.3 The Balance Sheet

The balance sheet is fundamental to the understanding of an authority's financial position at the year-end. It shows its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

2.4 The Cash Flow Statement

This statement summarises the cash inflows and outflows arising from transactions with third parties for revenue and capital purposes.

2.5 The Group Accounts

We produce Group Accounts in the same formats as the statements above. We are required to do this to reflect Suffolk County Council's 16.4 % share of the net assets, expenditure and income of the Joint Venture Company, Customer Service Direct Ltd. The other parties involved in the partnership are BT and Mid-Suffolk District Council.

2.6 The Pension Accounts

The objective of the pension fund's financial statements is to provide information about the financial position, performance and financial sustainability of the Suffolk Pension Fund that we administer on behalf of the admitted bodies. This fund is used to pay former employees of Suffolk County Council and other bodies in the scheme their pensions and other benefits when they retire.

2.7 The Councillor's Allowances Statement

This statement shows how much each councillor was paid in allowances during the year.

3. Service Expenditure

A summary of the differences between the original spending plan and actual spending on council services is provided in the table below.

	2006 - 2007			
	Original Spending plan £ million	**Actual Spending £ million**	**Variance %**	**Variance £ million**
Spending on services	371.1	366.3	1.3	4.8
Transfer from (-) / to specific service reserves	0.0	4.8		
Total	**371.1**	**371.1**		
Funding from				
Income from Council Tax payers	243.1	243.1		
Government grant and Non-domestic Rates	128.0	128.0		
Total Funds	**371.1**	**371.1**		

4. Capital Spending

Most of the £100.2 million spending on our capital programme in 2006 - 2007 was on schools and roads. This is a decrease from the £122.1 million spent in 2005 - 2006. Capital spending is largely paid for by government grants, borrowing money, receipts from the sales of surplus assets and contributions from revenue. For a breakdown of funding please see note 13 on page 31.

Our approved limit on external borrowing to pay for capital projects was £430 million at the end of March 2007. By using our own money where we could, we only had to borrow £303 million from outside sources.

5. General Fund and Earmarked Reserves

We have £81.895 million of reserves that we can use to pay for future service needs. This is made up of £27.810 million for the General Fund (of which £18.280 million is schools related), £23.329 million is held for specific services, £30.277 million are held for particular activities that we are committed to and £0.479m is a non-cash reserve relating to the Landfill Allowance Trading Scheme (see Accounting Policy 21 on pages 70 and 71). A further explanation of our reserves is given in note 25 on pages 40 and 41.

6. Pensions

Suffolk County Council participates in three pension schemes, for firefighters, teachers and other local government employees. These schemes are used to pay former employees their pension and other benefits when they retire. Like other local authorities, Suffolk currently has a deficit on its firefighters and local government pension schemes. At 31 March 2007 this was £288 million (£349 million at 31 March 2006), and there is a fifteen year recovery plan to correct this. The Suffolk local government pension fund has to be valued every three years, but Suffolk values its fund every year. In March 2007 it was valued at £1,301 million. This is estimated as able to meet over 89% of its future commitments. It should be able to meet 100% of its future commitments by around 2020 - 2021 in accordance with the plan at the previous triennial valuation in 2004.

7. Looking to the future

The Council's budget for 2007- 2008 includes planned savings of £21.3 million and similar levels of efficiencies and savings will be required in future years. The main cost drivers facing the council are:

- **Demographic change.** By 2021, the county's population is projected to rise by around 12% (from 690,000), with much of this growth concentrated in the Haven Gateway in the south east of the county. Already with the 8th highest proportion of people aged 65+ in Britain, by 2021:
  - the population of people aged over 65 is projected to rise to almost a quarter of the population;
  - the proportion of the population who are of working age will fall and there will be a real decline in the number of people aged under 15. Taken together this creates a risk of "hollowed out" and unsustainable communities.

- **Legislative Pressures** from new legislation and regulations imposed on local government effecting Environment, Health, Safety and Education etc.

- **Demand for Services,** particularly for vulnerable people, continues to grow in quantity and complexity, and together with the public's rising expectations for improved services.

- **Cost pressures** from inflation and market forces as more and more services are commissioned from the private and independent sectors.

The council has to address these real issues within the strategic priorities set out in the "*Better Way for Suffolk*" and its financial strategy which sets the context for council tax increases and provides the financial capacity to deliver major projects to meet the ambitions for Suffolk:

- **Schools Organisation Review:** to improve and support pupil learning which, in conjunction with Building Schools for the Future (see below), will raise educational achievement and contribute to lifting the skills base by changing those areas of the county where a three tier schools system is operating, to a two tier system.
- **Transforming Learning within Communities - Building Schools for the Future (BSF):** BSF is a national initiative to rebuild or remodel every secondary school in England over the next 15-20 years to ensure it is 'fit for purpose'. Suffolk is starting to prepare its business case and outline project plans which will lead to an investment in secondary schools of about £550 million over a 10-15 year time span.
- **Waste Procurement Project:** The Government is requiring us to place less waste in landfill, and, if we don't, we incur penalties and pay more tax. If we do nothing the cost of the Waste Service will rise significantly above its present 5.3% of the whole Council budget. We are currently looking at solutions which involves capital expenditure on a new long-term waste treatment facility of over £100 million together with the associated financing and running costs, but it will provide compliance with the Government's requirement to put less waste in landfill sites and avoid the large cost penalties if this was not achieved.
- **Public Service Village / Waveney Campus:** The council is undertaking a significant programme of work to rationalise its estate, ensure properties meet 21st century occupation standards and facilitate the development of flexible working. Two significant developments relate to offices in the Bury St Edmunds and Lowestoft areas. Working in partnership with St Edmundsbury Borough Council and Waveney District Council, together with the Centre of Fisheries, Agriculture and Science (CEFAS), the county council will co-locate with them to integrate the delivery of services, as well as provide the option to bring in other public agencies to further enhance the customer experience and provide opportunities for collaboration.
- **Securing the Future:** A change programme to deliver a new organisational model which will move the council to an enabling authority, process improvements, procurement savings and improved demand management.
- **Unitary Ipswich Council:** A further major project impacting on the whole organisation will be the implementation of a Unitary Ipswich Council with effect from April 2009 (subject to final confirmation by the Minister in November 2007) and the challenges and opportunities that will bring to the 'new' Suffolk County Council. Clearly this will stretch the Council's existing capacity and resources to manage its own major transformation agenda.

More information

You can get more information about the statement of accounts from the Head of Strategic Finance, Endeavour House, 8 Russell Road, Ipswich IP1 2BX (phone 01473 264347) or Peter Jasper, Financial Specialist Manager, Constantine House, 5 Constantine Rd, Ipswich, IP1 2DH (phone 01473 264274).

Geoff Dobson

Head of Strategic Finance

Income and Expenditure Account

2005 - 2006 (Re-stated) Net Expenditure			2006 - 2007 Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
1.587	Central services to the public		4.279	-1.382	2.897
0.749	Court services		0.740	0.000	0.740
33.030	Cultural, environmental and planning services	34	60.034	-22.426	37.608
348.254	Education services	28	545.023	-492.240	52.783
23.159	Fire services		24.217	-0.876	23.341
38.283	Highways, roads and transport services		60.905	-17.868	43.037
0.026	Housing Services		19.248	-20.969	-1.721
188.679	Social services		252.154	-58.360	193.794
5.375	Corporate and democratic core	31	6.076	-0.142	5.934
3.024	Non distributed costs		1.496	-0.053	1.443
642.166	**Net cost of services**		**974.172**	**-614.316**	**359.856**
-1.712	Surplus(-)/Loss on the disposal of fixed assets				0.743
0.537	Payments to the Environment Agency				0.431
0.335	Payments to the Eastern Sea Fisheries Joint Committee				0.343
-0.499	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	3			-2.529
12.967	Interest payable and similar charges				13.287
-2.875	Interest and investment income	32			-3.675
10.931	Pensions interest cost and expected return on pensions assets				6.415
661.850	**Net Operating Expenditure**				**374.871**

Income and Expenditure Account

2005 - 2006 Re-stated Net Expenditure £ million		Notes	2006 - 2007 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
-230.328	Demand on Collection Fund				-243.128
-211.772	General government grants				-22.718
-214.598	Non-domestic rates redistribution				-106.896
5.152	**Deficit for the Year**				**2.129**

For 2006 - 2007, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the council's overall Revenue Support Grant. In 2006 - 2007, the council has received a specific grant from the Department for Education and Skills – the Dedicated Schools Grant (DSG). £325.3 million has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant in corporate income. The difference between 2006 - 2007 figures and comparative figures for 2005 - 2006 for these two lines is substantially explained by this change.

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

It should be noted that the balance held in relation to schools is committed for spending on schools only.

2005 - 2006 £ million		2006 - 2007 £ million
5.152	Deficit for the year on the Income and Expenditure Account	2.129
-0.357	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-2.562
4.795	(Increase)/Decrease in General Fund Balance for the Year	**-0.433**
-32.172	General Fund Balance brought forward	-27.377
-27.377	General Fund Balance carried forward	**-27.810**
-15.372	Amount of General Fund balance held by schools under local management schemes	-18.280
-12.005	Amount of General Fund Balance generally available for new expenditure	-9.530
-27.377		**-27.810**

Statement of Movement on the General Fund Balance

This note shows the reconciling items between the Income and Expenditure Account deficit and the additional amount credited to the General Fund:

2005 - 2006 £ million		2006 - 2007 £ million
-0.357	**Net Additional amount to be credited to the General Fund balance for the year**	**-2.562**
	Comprising:	
-70.820	**Amounts included in the Income and Expenditure Account but required to be excluded by statute when determining the movement on the General Fund Balance for the year**	**-84.169**
-25.974	Depreciation and impairment of fixed assets	-32.725
2.968	Government Grants and Capital Contributions Deferred amortisation	12.155
-9.473	Write downs of deferred charges and de-minimis capital spending to be financed from capital resources	-19.974
1.712	Net loss on sale of fixed assets	-0.238
-40.053	Net charges made for retirement benefits in accordance with FRS 17	-43.387
61.735	**Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year**	**63.363**
12.854	Minimum revenue provision for capital financing	14.816
11.002	Capital expenditure charged in-year to the General Fund Balance	5.992
37.879	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	42.555
8.728	**Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the general fund balance for the year.**	**18.244**
8.728	Net transfer to or from earmarked reserves	18.244

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2005 - 2006 £ million		2006 - 2007 £ million
5.152	Deficit for the year on the Income and Expenditure Account	2.129
-154.510	Surplus arising on revaluation of fixed assets	-213.375
16.624	Actuarial (gains)/losses on pension fund assets and liabilities	-61.553
-1.099	Other gain caused by transfer out of Magistrates pensions liability	0.000
-133.833	**Total recognised gains for the year**	**-272.799**

£5.518m of the movement on the surplus arising on revaluation of fixed assets relates to prior period adjustments where we have restated the opening balance of fixed assets.

Balance Sheet

31 March 2006 (Restated) £ million		Notes	31 March 2007 £ million	£ million
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
1,067.150	Other land and buildings		1,289.657	
28.059	Vehicles, plant and equipment		27.205	
234.337	Infrastructure assets		265.922	
0.713	Community assets		0.748	
	Non operational assets:			
1.827	Assets under construction		4.188	
8.981	Surplus assets held for disposal		9.638	
1,341.067	**Total Fixed Assets**	12		1,597.358
0.200	Long-term investments		0.187	
0.298	Long-term debtors		0.285	
				0.472
1,341.565	**Total Long-Term Assets**			1,597.830
	Current Assets			
2.153	Stocks and work in progress	37	0.997	
38.487	Debtors		42.730	
25.301	Investments	36	45.091	
4.038	Landfill Allowances	34	1.219	
2.815	Cash and bank		0.000	
				90.037
1,414.359	**Total Assets**			1,687.867
	Current Liabilities			
-16.854	Short-term borrowing	35	-43.348	
-99.832	Creditors		-99.792	
0.000	Bank overdraft		-2.149	
				-145.289
1,297.673	**Total Assets Less Current Liabilities**			1,542.578
	Long-term liabilities			
-257.296	Long-term borrowing	23	-260.095	
-0.072	Credit Arrangement Liabilities		0.000	
-3.087	Provisions	24, 34	-2.823	
-136.927	Government grants deferred		-159.117	
-2.099	Capital contributions deferred		-12.560	
-8.201	Deferred liabilities		-5.914	
-348.889	Liability related to defined benefit pension scheme		-288.168	
				-728.677
541.102	**Total Assets Less Liabilities**	21		**813.901**
	Financed by:			
723.499	Fixed asset restatement account	25		932.258
104.851	Capital financing account	14 , 25		89.496
-348.889	Pensions reserve	25		-288.168
27.377	General fund balance	25		27.810
34.264	Earmarked reserves	25, 34		52.505
541.102	**Total Net Worth**			**813.901**

Cash-flow Statement

2005 - 2006 (Restated) £ million	£ million		Notes	2006 - 2007 £ million	£ million
		Revenue activities			
		Cash outflows:			
507.069		Cash paid to and on behalf of employees		532.800	
454.854		Other operating cash payments		442.640	
	961.923				975.440
		Cash inflows:			
-230.328		Council tax receipts		-243.128	
-214.211		National non-domestic rate receipts from national pool		-106.896	
-210.892		Revenue support grant		-22.718	
-138.832		Other government grants	42	-443.519	
-193.626		Cash received for goods and services		-216.327	
	-987.889				-1,032.588
	-25.965	**Revenue Activities' Net Cash Flow**	**38**		**-57.148**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
11.915		Interest paid		13.062	
		Cash inflows:			
-1.963		Interest received		-4.694	
	9.952	**Net cash flow from returns on investments**			**8.368**
		Capital Activities			
		Cash outflows:			
110.699		Purchase of fixed assets		89.607	
9.473		Other capital cash payments		19.974	
		Cash inflows:			
-9.400		Sale of fixed assets		-3.874	
-37.762		Capital grants received	42	-31.140	
-2.110		Other capital cash receipts		-13.607	
	70.900	**Net cash flow from capital activities**			**60.960**
	54.887	**Net Cash inflow / outflow Before Financing**	**40**		**12.180**
		Management of Liquid Resources			
	1.501	Net increase / decrease in short-term deposits	**41**		**19.790**
		Financing			
		Cash outflows:			
29.175		Repayments of amounts borrowed		42.201	
		Cash inflows:			
-78.446		New loans raised		-45.000	
-4.125		Deferred Liabilities		2.287	
0.000		New short-term loans		-26.494	
	-53.396				**-27.006**
	2.992	**(Net increase) / decrease in cash**	**39, 40**		**4.964**

1. Prior Period Adjustments

In the 2006 - 2007 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005 - 2006 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

In addition following a review of the CIPFA Best Value Code of Accounting Practice (BVACOP), Suffolk Highways Contracting and Suffolk Fleet Management have been included as trading organisations. We have re-stated the 2005 - 2006 comparatives to remove the net impact of SHC and SFM from the Highways, Roads and Transport service heading, and included them in the Traded Undertakings line. See also note 3 on page 23.
These changes have had the following impact on the comparative figures for 2005 - 2006 compared with those published in the 2005 - 2006 Statement of Accounts:

	Consolidated Revenue Account in 2005 - 2006 Statement of Accounts £ million	Removal of capital financing charges £ million	Relocation of capital grants deferred credits £ million	Recognition of gains and losses on disposal of fixed assets £ million	Trading Undertakings Adjustment £ million	2005 - 2006 comparatives in Income and Expenditure Account £ million
Central services to the public	1.587	0.000	0.000	-		1.587
Court services	0.749	0.000	0.000	-		0.749
Cultural, environmental and planning services	34.801	-1.593	-0.178	-		33.030
Education services	381.716	-31.501	-1.961	-		348.254
Fire	24.340	-1.177	-0.004	-		23.159
Highways, roads and transport services	49.924	-11.176	-0.715	-	0.250	38.283
Housing services	0.102	-0.076	0.000	-		0.026
Social Services	191.294	-2.551	-0.064	-		188.679
Corporate and democratic core	5.375	0.000	0.000	-		5.375
Non distributed costs	3.477	-0.407	-0.046	-		3.024
Impact on Net Cost of Services	**693.365**	**-48.480**	**-2.968**	**0.000**	**0.250**	**642.166**
Surplus on the disposal of fixed assets				-1.712		-1.712
(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	-0.230	-0.019			-0.250	-0.499
Asset Management Revenue Account (Interest payable and similar charges)	-38.500	48.499	2.968			12.967
Other operating expenditure	8.928					8.928
Impact on Net Operating Expenditure	**663.563**	**0.000**	**0.000**	**-1.712**	**0.000**	**661.850**

Notes to the Core Statements

2. Private Finance Initiatives

The private finance initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia are contracted to design, build, and in some cases manage new projects.

The Council is in the procurement phase of a PFI contract in relation to the development of Fire Stations. This is unlikely to reach contract stage before December 2007.

The projected timetable for project approval now involves submission of the Final Business Case to Central Government in late 2007.

3. Trading Organisations

The council has established a small number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

Following a review of the CIPFA Best Value Code of Accounting Practice (BVACOP), Suffolk Highways Contracting and Suffolk Fleet Management have been included as trading organisations, and Connexions are no longer included.

Details of those trading units are as follows:

2005 - 2006 (Restated)				2006 - 2007		
Gross Spending	Income	Surplus marked '-' or deficit		Gross Spending	Income	Surplus marked '-' or deficit
£ million	£ million	£ million		£ million	£ million	£ million
2.893	-2.883	0.010	Cleaning Buildings	2.833	-2.838	-0.005
1.952	-1.892	0.060	Grounds Maintenance	3.804	-4.023	-0.219
13.090	-13.354	-0.264	Catering	13.458	-13.420	0.038
1.073	-1.131	-0.058	Suffolk Design and Print	0.064	-0.163	-0.099
6.892	-7.245	-0.353	Connexions	-	-	-
17.650	-17.819	-0.169	Suffolk Highways Contracting	22.792	-23.184	-0.392
2.951	-3.032	-0.081	Suffolk Fleet Management	3.257	-3.347	-0.090
5.450	-5.094	0.356	Central Department Traders	6.949	-8.711	-1.762
51.951	**-52.450**	**-0.499**	**Net surplus / deficit taken to the revenue account**	**53.157**	**-55.686**	**-2.529**

Notes to the Core Statements

4. Publicity

Section 5 of the Local Government Act 1986 says we must show how much we spend on publicity.

2005 - 2006		2006 - 2007
£ million		£ million
1.857	Staff recruitment	1.390
0.748	Other advertising such as public notices	0.911
0.945	Other public information activities	0.903
3.550		**3.204**

5. Local Authority Goods & Services Act 1970

We provide services to other Local Authorities and public organisations under the Local Authorities (Goods and Services) Act 1970. The income we receive and the related costs in 2006 - 2007 are shown below.

2005 - 2006			2006 - 2007	
Income	Related Costs		Income	Related Costs
£ million	£ million		£ million	£ million
-0.444	0.422	Legal services	-0.092	0.092
-0.007	0.007	Fire services (sales, training and other services)	-	-
-0.015	0.007	Trading Standards - Training Courses	-0.007	0.007
-0.039	0.058	Emergency Planning - Joint EPU for Suffolk	-0.165	0.173
-0.036	0.036	Suffolk Design and Print	-0.120	0.120
-0.030	0.017	Mobile Library - consultancy and design services	-0.011	0.010
-0.292	0.278	Financial services (including payroll and audit)	-0.270	0.169
-0.289	0.289	Property services (professional and technical services)	-1.261	1.261
-0.406	0.406	Procurement (professional services and direct supplies)	-0.551	0.551
-0.667	0.556	HR (training services)	-0.660	0.560
-0.254	0.250	Suffolk Highways Contracting	-0.030	0.030
-0.008	0.008	Suffolk Fleet Maintenance	-0.001	0.001
-0.004	0.003	Highways Safety and Improvement	-0.003	0.003
-0.017	0.006	Cleaning trading organisation	-0.019	0.009
-0.146	0.134	Catering trading organisation	-0.134	0.115
-0.144	0.131	Grounds trading organisation	-0.117	0.107
-2.798	**2.608**		**-3.441**	**3.208**

6. The pooled fund for services to people with learning disabilities

We and the Primary Care Trusts (PCTs) operating in Suffolk (1st April to 30th September: five primary care trusts – Suffolk West, Central Suffolk, Ipswich, Suffolk Coastal and Waveney; from 1st October, Suffolk PCT and Gt Yarmouth and Waveney PCT) – have pooled our money to be spent on services for people with learning disabilities. The main aims are to:

- give people with learning disabilities more opportunities to study and work;
- develop the range, quality and quantity of housing and support services available;
- provide more short-term and respite care;
- improve general health and mental-health services; and
- train people to give them skills to live more independently.

The money will be spent in stages. The first priority is to provide more support for people so they can stay in their own homes, as well as residential and day care services. These will be provided by private companies, but paid for from the joint fund.

The income and expenditure figures below reflect the overall position of the pooled fund not purely Suffolk County Council. Although the Learning Disabilities pooled fund balanced in 2006/07, this was only achieved through additional contributions from the County Council and the Suffolk Primary Care Trusts of £2.677m. The County Council contributed £2.105m and the Primary Care Trusts £0.572m. These contributions are reflected in the accounts and were formally ratified by the Learning Disabilities Partnership Board Business Management Group, at its September 2007 meeting.

2005 - 2006				2006 - 2007	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-17.396		Funding:	Suffolk County Council	-18.264	
-4.860			Primary Care Trusts	-4.958	
	-22.256				**-23.222**
-1.008		Income:	Residents' contributions	-1.037	
-0.154			Other	-0.507	
	-1.162				**-1.544**
	-23.418				**-24.766**
		Expenditure			
0.134			Expenditure Review Team	0.017	
15.175			Residential services	15.117	
4.953			Supported living	6.624	
3.156			Day services	3.008	
	23.418				**24.766**
	0.000	**Net under (-) or over spend**			**0.000**

Notes to the Core Statements

7. The pooled fund for services to people with mental-health problems

From 01 April 2002 we and the Primary Care Trusts (PCTs) operating in Suffolk (1st April to 30th September: five primary care trusts – Suffolk West, Central Suffolk, Ipswich, Suffolk Coastal and Waveney; from 1st October, Suffolk PCT and Gt Yarmouth and Waveney PCT) have pooled our money to be spent on helping to put into practice the National Service Framework for Mental Health and our best value review of mental-health residential care, supported housing and support work services. The main aims are to:

- increase the availability of day care, 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; and
- train people to give them skills to live more independently.

2005 - 2006				2006 - 2007	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-2.556		Funding:	Suffolk County Council	-2.619	
-1.393			Primary Care Trusts	-1.559	
	-3.949				**-4.178**
		Expenditure			
1.120			Residential services	1.184	
0.631			Day care	0.621	
0.897			Support work	0.898	
0.445			Supported housing	0.557	
0.155			Advocacy	0.175	
0.275			Employment	0.317	
0.426			Carers service	0.426	
	3.949				**4.178**
	0.000	**Net under (-) or over spend**			**0.000**

Notes to the Core Statements

8. Councillor's Allowances

We must publish how much each County Councillor is paid. You can see details on pages 72 to 73.

2005 - 2006 £ million		2006 - 2007 £ million
0.522	Basic allowance	0.603
0.156	Special responsibility allowance	0.225
0.001	Dependants carer's allowance	0.001
0.679	**Total**	**0.829**

9. Employees' pay

The number of staff paid more than £50,000 in 2006 - 2007 was as follows:

Band			Number of Employees			
			2005 - 2006		2006 - 2007	
			Non - Schools	Schools	Non - Schools	Schools
£50,000	-	£59,999	28	68	38	71
£60,000	-	£69,999	20	13	24	26
£70,000	-	£79,999	11	7	17	6
£80,000	-	£89,999	3	0	2	3
£90,000	-	£99,999	3	0	2	0
£100,000	-	£109,999	0	0	1	0
£110,000	-	£119,999	0	0	0	0
£120,000	-	£129,999	0	0	0	0
£130,000	-	£139,999	1	0	0	0
£140,000	-	£149,999	0	0	1	0

10. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. 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.

Individuals who are deemed to be related parties are members and chief officers of the council. Grants to organisations, or goods and services supplied by businesses with which a county councillor (or a member of his/her immediate family) was involved totalled £0.302 million (2005 - 2006: £0.139 million). 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.

Notes to the Core Statements

Other public bodies – The council has significant transactions with Suffolk Police Authority and the Suffolk Probation Board. Details of these transactions are given in the following table.

2005 - 2006 Income £ million	2005 - 2006 Spending £ million		2006 - 2007 Income £ million	2006 - 2007 Spending £ million
-0.894	0.000	Suffolk Police Authority – providing support services	-0.250	0.000
-0.037	0.000	Suffolk Police Authority – arrest referral	-0.035	0.000
-0.303	0.000	Suffolk Police Authority – other services	-0.544	0.000
-0.046	0.000	Suffolk Probation Board – providing support services	-0.126	0.000

Pension Fund – at the end of the financial year, the pension fund had a balance of £0.864 million (2005 - 2006: £0.018 million) of surplus cash deposited with the council. The council paid the fund a total for interest of £0.142 million (2005 - 2006: £0.185 million) on these deposits. The council charged the fund £0.823 million (2005 - 2006: £0.804 million) for expenses incurred in administering the fund. The council owed £3.492m to the Pension Fund (2005 – 2006 £2.113 m).

Assisted organisations – there are three councillors that represent the council on the Eastern Sea Fisheries Joint Committee (ESFJC). In 2001 - 2002 the council made a loan of £0.240 million to the ESJFC towards the cost of buying a new boat. The loan is being repaid over 15 years. The amount outstanding at 31 March 2007 was £0.180 million. During 2006 - 2007 the ESFJC has given the council £0.075 million to invest on its behalf. At 31 March 2007 the total amount invested by the council on behalf of the ESFJC was £0.366 million (31 March 2006: £0.274 million).

In June 2004, the Council entered into a partnership with BT and Mid Suffolk District Council that resulted in the formation of a Joint Venture Company, Customer Service Direct (CSD). The Council pays an annual contract sum to BT for the services provided by CSD. For 2006 - 2007 this totalled £38.087 million (2005 - 2006: £29.919 million). This amount includes the cost of staff employed by the Council who are seconded to CSD. The council continues to pay these employees through its payroll, in addition to the contract sum. As a result, the council is separately reimbursed by BT for the value of these staff costs. In 2006 - 2007, this reimbursement totalled £24.230 million (2005 - 2006: £24.959 million).

Notes to the Core Statements

11. Audit Commission Fees

We have paid the Audit Commission the following amounts for the work they have done.

2005 - 2006 £ million		2006 - 2007 £ million
0.191	Code of Audit Practice Work	0.230
0.043	Certifying grant claims	0.046
0.009	Statutory inspections	0.022
0.000	Other	0.012
0.243	**Total**	**0.310**

Notes to the Core Statements

12. Movement of fixed assets

The following table summarises the movement in fixed assets during 2006 - 2007.

	Operational assets			Non-operational assets			
	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Community assets	Assets under construction	Surplus assets	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Cost or valuation							
Value at 1 April 2006	1,106.087	52.590	268.139	0.784	1.827	8.942	**1,438.369**
Restatements	-4.131	- 0.402	- 1.478	-	-	0.146	**-5.865**
Restated at 1 April 2006	1,101.956	52.188	266.661	0.784	1.827	9.088	**1,432.504**
Revaluations	198.754	-	-	0.036	-	2.088	**200.878**
Impairment	-	-	-	-	-	-	**-**
Additions	24.024	9.650	38.783	-	7.763	0.036	**80.256**
Disposals	- 2.844	- 1.020	-	-	-	- 1.459	**- 5.323**
Transfers	5.137	0.265	-	-	- 5.402	-	-
Value at 31 March 2007	1,327.027	61.083	305.444	0.820	4.188	9.753	**1,708.315**
Accumulated depreciation							
Value at 1 April 2006	34.942	24.447	32.324	0.071	-	-	**91.784**
Restatements	- 0.136	- 0.318	-	-	-	0.107	**- 0.347**
Restated at 1 April 2006	34.806	24.129	32.324	0.071	-	0.107	**91.437**
Revaluations	- 12.488	-	-	0.001	-	- 0.010	**- 12.497**
Impairment	0.116	-	-	-	-	-	**0.116**
Sales and disposals	-	- 0.707	-	-	-	-	**- 0.707**
Transfers	-	-	-	-	-	-	-
Charge for the year	14.936	10.456	7.198	-	-	0.018	**32.608**
Total depreciation	37.370	33.878	39.522	0.072	-	0.115	**110.957**
Net book value							
Value at 1 April 2006	1,071.145	28.143	235.815	0.713	1.827	8.942	**1,346.585**
Restated at 1 April 2006	1,067.150	28.059	234.337	0.713	1.827	8.981	**1,341.067**
Value at 31 March 2007	1,289.657	27.205	265.922	0.748	4.188	9.638	**1,597.358**

Notes to the Core Statements

The restatements on the previous page are as a result of the following events;

- A review of ownership of property assets
- Notification of a small number of disposals that took place in prior periods but were not previously recognised in the accounts
- Recognition of a Park & Ride site within Land & Buildings
- Correction of non-operational assets held within operational Land & Buildings

13. Summary of capital expenditure and sources of finance

The table below summaries capital spending for 2006 - 2007 and shows how this was financed. It also explains the extent to which we have borrowed to finance our capital programme.

2005 - 2006		**2006 - 2007**	
£ million		**£ million**	**£ million**
108.926	Operational assets	72.455	
3.675	Non-operational assets	7.801	
9.469	Deferred charges	12.297	
0.004	De minimis spending	7.677	
122.074	**Total capital spending**		**100.230**
-9.400	Receipts from sale of assets	-4.378	
-41.854	Government grants and other contributions	-46.846	
-11.002	Revenue financing of capital	-5.992	
0.000	Capital creditors	0.000	
-62.256	**Capital spend funded by borrowing**		**-57.216**
-12.854	**Minimum Revenue Provision to repay debt**		**-14.816**
46.964	**Increase in underlying need to borrow**		**28.198**
338.283	Opening capital financing requirement		385.247
37.892	Increase in underlying need to borrow supported by Government financial assistance		28.198
9.072	Increase in underlying need to borrow unsupported by Government financial assistance		0.000
385.247	**Closing capital financing requirement**		**413.445**

Notes to the Core Statements

14. Capital Financing Account

This account includes money we have set aside to use for capital spending or to repay loans. The movements on the capital financing account are detailed below.

2005 - 2006			2006 - 2007	
£ million	£ million		£ million	£ million
	104.075	Balance at 1 April		104.851
		Financing capital spending:		
9.400		Selling assets	4.378	
11.002		Revenue account	5.992	
	20.402			10.370
		Extra transfers from or to the revenue account:		
12.854		Minimum revenue provision	14.816	
-25.974		Less: Depreciation and impairment	-32.725	
	-13.120			-17.909
	2.968	Using capital grants and contributions money		12.155
	-9.469	Deferred charges		-12.297
	-0.004	De minimus spending		-7.677
	104.851	**Balance at 31 March**		**89.496**

15. Usable Capital Receipts

Capital receipts are the income from selling assets. The movements on the account are shown below.

2005 - 2006		2006 - 2007
£ million		£ million
	Balance at 1 April	
9.400	Capital receipts	4.378
-9.400	Less: Money used to buy or build assets	-4.378
-	**Balance at 31 March**	-

Notes to the Core Statements

16. Future capital commitments

We are committed to spending £109.668 million on capital projects that had started before 31 March 2007 (compared with £66.326 million in the previous year).

17. Assets Held

The following table gives details of the most important buildings and other assets we own or use.

2005 - 2006	Service	Description	2006 - 2007
44	Libraries	Libraries	44
3		Record offices	3
10		Mobile libraries	9
254	Schools	Primary schools	256
40		Middle schools	40
38		Upper schools	38
2		Residential special schools	2
7		Day special schools	7
6	CYP	Family centres	8
7		Children's centres	14
36	Fire service	Fire stations	36
17	Adult care	Elderly people's homes	17
7		Homes for people with learning disabilities	7
27	Central services	Offices and other buildings	41
5,533	County farms	Hectares of farmland	5,444
92		Farms	88
8		Cottages	8
576	Highways	Kilometres of principal roads	584
6,143		Kilometres of non-principal roads	6,236

18. Leases – Disclosure by Lessees

The Council has acquired the use of a variety of assets under operating lease agreements, including equipment, plant, vehicles and properties. The lease rental payments are charged to the Income & Expenditure Account, within the Net Cost of Services.

The following tables show the rentals payable in 2006 - 2007 under these agreements, and the payments that the Council is committed to make in 2007 - 2008, analysed between lease commitments expiring within a year, in the second to fifth year and over five years from 31 March 2007.

2005 - 2006		2006 - 2007
£ million		£ million
1.026	Land & Buildings	1.188
0.973	Other	0.905
1.999	**Total lease rental payments**	**2.093**

2007 - 2008	Land and Buildings	Vehicles, Plant and Equipment	Total
	£ million	£ million	£ million
Commitments expire;			
During 2007 / 2008	0.076	0.006	**0.082**
Between 2008 / 2009 and 2012 / 2013	0.559	0.077	**0.636**
After 2012 / 2013	0.422	-	**0.422**
Total liabilities at 31 March 2007	**1.057**	**0.083**	**1.140**

Notes to the Core Statements

19. Leases – Disclosure by Lessors

The Council rents properties to third parties under operating lease arrangements. The first table shows the net book value of these assets and the second table shows the rentals receivable in 2006 - 2007 from these agreements.

2006 - 2007	**Net Book Value**
	£ million
Land & Buildings	18.312
Total	**18.312**

2005 - 2006		**2006 - 2007**
£ million		**£ million**
2.421	Land & Buildings	1.758
2.421	**Total lease rental received**	**1.758**

Notes to the Core Statements

20. Fixed Asset Valuation

31% of our properties were revalued in the accounts as at 1 April 2006, by the Assistant Director (Property). He followed guidance from the Royal Institution of Chartered Surveyors (RICS) when he did the valuations.

For any properties not inspected at this time, we have used previous valuations as their current value. We have a rolling programme to value all properties every five years.

The following statement shows the progress of our rolling programme for revaluing fixed assets.

	Operational assets						
	Land and buildings	Vehicles, plant and equipment	Infra-structure assets	Community assets	Assets under construction	Surplus assets	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Valued at historical cost		61.083	305.444		4.188		370.715
Valued at current value in:							
2006 - 2007	530.420			0.113		0.820	531.353
2005 - 2006	232.625			0.388		3.835	236.848
2004 - 2005	126.480			0.243		1.532	128.255
2003 - 2004	105.577			0.076		1.596	107.249
2002 - 2003	331.925			-		1.970	333.895
Total	**1,327.027**	**61.083**	**305.444**	**0.820**	**4.188**	**9.753**	**1,708.315**

The values we gave properties at 1 April 2005 haven't been altered to take account of any changes or alterations since then. Where work on a building was in progress, we estimated the value of the work that had been finished by 1 April 2005. We have since sold some of the buildings we owned at 1 April 2005.

Notes to the Core Statements

21. Analysis of Net Assets employed by General Fund/others

Suffolk County Council operates some traded undertakings as disclosed in note 3 on page 23. This note shows the net assets employed by Suffolk County Council analysed between these traded undertakings and between the main General Fund activities.

	31 March 2007
	£ million
General Fund	806.677
Trading Operations	7.224
Total	**813.901**

22. Interest in companies

We have an interest in a company called Customer Services Direct Ltd (CSD Ltd). The Council owns 16.4% of the ordinary shareholding of CSD Ltd. The two other shareholders are BT plc and Mid-Suffolk District Council. CSD Ltd is defined as a Joint Venture company.

The principal activities of CSD Ltd are to improve the Information and Communications Technology, Human Resources and Payroll, Finance, Public Access and Revenue and Benefits Services of Suffolk County Council and Mid-Suffolk District Council.

CSD Ltd has the policy not to own any assets and at 31 March 2007 net assets equalled the paid up share capital of 10,000 shares at one pound each. The County Council shares equalled its percentage shareholding (1,640 shares).

The turnover of CSD Ltd for 2006 – 07 was £41.314m (£35.547m 2005-06), and operating costs £41.314m (£35.547m 2005-06). The accounts of CSD Ltd received an unqualified opinion.

Please refer to the prepared Group Accounts that begin on page 57. The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of CSD Ltd net assets, expenditure and income together in a unified set of accounts.

Customer Services Direct Ltd information is as follows: Registered number 5111581, registered office is at 81 Newgate Street, London, EC1A 7AJ.

Copies of the accounts for CSD Ltd can be requested from the CSD Accountant, 3rd floor, Constantine House, 5 Constantine Road, Ipswich, Suffolk, IP1 2DH.

Notes to the Core Statements

23. Long Term Borrowing

The table below outlines when money, which we have borrowed, is due to be paid back.

31 March 2006	When we will pay the money back	31 March 2007
£ million		**£ million**
	Loans with the Public Works Loan Board	
42.201	Between one and two years	3.503
10.511	Between two and five years	10.513
12.535	Between five and ten years	10.040
87.049	Over ten years	86.039
152.296	**Total with the Public Works Loan Board**	**110.095**
	Other loans	
30.000	Between two and five years	30.000
60.000	Between five and ten years	60.000
15.000	Over ten years	60.000
105.000		**150.000**
257.296	**Total**	**260.095**

24. Provisions

Contributions to provisions are shown as part of the spending of individual services.

We have an insurance trading account which receives all premiums charged to services, pays out premiums to other insurers, tops up the insurance cover and receives a central contribution. Any surplus or deficit on the trading account is transferred to the insurance reserve. The trading account is included under "Central Department Traders" in note 3 on page 23. All outstanding insurance claims that we can put a value on at the end of the year are included in the Insurance Provision. Claims settled during the year are paid out of the Provision.

We have also made a provision in relation to an industrial tribunal ruling against Suffolk County Council. Five Newmarket based carers won the ruling in March 2007. The women claimed that having regularly worked between 50 and 70 hours a week they were told, without proper consultation, that the maximum weekly figure was being cut back to just 37 hours. It was claimed that new working patterns left them unable to obtain additional jobs to make up the shortfall. Some of the carers said their wages had effectively been cut in half and have asked to be paid the difference.

The tribunal upheld the claim and agreed that the council had made unauthorised deductions from their wages by not paying the carers the difference between the new working week and what they had previously been asked to do. The five women were awarded £53,694 in compensation. This has not yet had to be paid, and therefore a provision has been made for that amount.

	Balance at 01 April 2006	Arising during the year	Used during the year	Balance at 31 March 2007
	£ million	£ million	£ million	£ million
Insurance claims	2.940	0.667	-0.840	2.767
Environment & Transport internal traders	0.147	0.000	-0.145	0.002
Homecarers legal claim	0.000	0.054	0.000	0.054
Balance at 31 March	**3.087**	**0.721**	**-0.985**	**2.823**

Bad Debt Provision

Included within the debtors figure is a provision for bad debts which amounts to £2.637m (£3.373m 2005/06).

Notes to the Core Statements

25. Movements on Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Details of movements on our reserves for 2006 - 2007 is set out below:

Reserve	Balance at 1 April 2006 £ million	Net Movement in Year £ million	Balance at 31 March 2007 £ million	Purpose of Reserve	Details of Movements
Fixed Asset Restatement Account	723.499	208.759	932.258	Store of gains on revaluation of fixed assets	See note 25a
Capital Financing Account	104.851	-15.355	89.496	Store of capital resources set aside to meet past expenditure	See Capital Financing Account Note 14
Pensions Reserve	-348.889	60.721	-288.168	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 25b
General Fund	27.377	0.433	27.810	Resources available to meet future running costs of services	See Statement of Movement on General Fund Balance
Earmarked Reserves	34.264	18.241	52.505	Resources available to meet the future costs of specific services and activities (except for the LATS reserve)	See note 25c
Total	**541.102**	**272.799**	**813.901**		

25a – Movement in Year on Fixed Asset Restatement Account

2005 - 2006 £ million		2006 - 2007 £ million
154.513	Gains/Losses on revaluation of fixed assets in 2006 - 2007	213.375
-7.688	Amounts written off fixed asset balances for disposals in 2006 - 2007	-4.616
146.825	**Total**	**208.759**

25b – Movement in Year on Pensions Reserve

2005 - 2006 £ million		2006 - 2007 £ million
-2.174	Appropriation to pensions reserve	-0.832
-16.624	Actuarial gains and losses relating to pensions	61.553
1.099	Removal of Magistrates Courts from pensions reserve	0
-17.699	**Total**	**60.721**

25c – Movement in Year on Earmarked Reserves

2005 - 2006 £ million		2006 - 2007 £ million
4.909	Specific activities	13.949
2.756	Specific services	4.873
1.060	Landfill Allowance Trading Scheme (LATS) non-cash reserve	-0.581
8.725	**Total**	**18.241**

26. Contingent Assets and Liabilities

Municipal Mutual Insurance (MMI)

In 1992, Municipal Mutual Insurance (MMI), one of our insurers at the time, stopped accepting new business. MMI and its policyholders, including local authorities, have organised how the company can be closed if necessary. How much the company owes cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from the major policyholders part of the claims paid from 1 October 1993. The total amount of claims they could ask for is £3.4 million (£3.4 million in 2005 - 2006).

Contractual liabilities

We could be made to pay around £1.267 million in connection with potential contract liabilities. We will not know the exact amount or timing of the payment until a claim is made against us.

Suffolk Primary Care Trusts (PCTs)

The overall contingent liability in relation to Suffolk PCTs as at 31 March 2007 is £1.827 million. The nature of the contingency is in respect of the request for past contributions to be repaid.

The County Council has three long standing arrangements that were negotiated (between 1991 - 1992 and 1998 - 1999) with the Suffolk Health Authority, under the powers in section 28a of the National Health Service Act 1977. The arrangements resulted in payments to the County Council, enabling it to make provision to ensure that people were not delayed in hospital beds while awaiting care in either a residential or community setting. In March 2005, the Suffolk PCTs gave formal notice requesting that these arrangements be cancelled and that:

1. Contributions of £1.392 million to the county council in 2003 - 2004 be repaid
2. Contributions of £0.435 million to the county council in 2004 - 2005 be repaid.

The PCTs request for SCC to repay is not accepted. The item is considered a contingent liability as it represents a possible future liability that will only become certain once resolution is achieved through legal advice and negotiation. There is sufficient uncertainty about the resolution of this dispute that it is not a provision.

Homecarers industrial tribunal

Please also refer to note 24 on page 39 on Provisions on the ruling against the Council in respect of five Newmarket based carers.

It is now anticipated that Unison will be making claims on behalf of other Home Carers who worked in excess of 37 hours throughout the accounting period under the collective agreement (12 June 2006 to 21 March 2007). As the claims have not yet been lodged there is no certainty on the figure or timing of the claim and we cannot make a provision. However, we estimate the contingent liability to be in the region of £0.200 million.

Notes to the Core Statements

27. Pension funds, trust funds and amenity funds

We look after 111 trust and amenity funds (119 in 2005 - 2006) relating to specific services. Of these 29 are trust funds, most of which were set up after we were left money or property in somebody's will. The 82 amenity funds are for money held on behalf of individual establishments, mainly social care services. The trust and amenity fund balances are placed in specific investments amounting to £0.462 million (£0.462 million in 2005 - 2006), and cash totalling £0.443 million at 31 March 2007 (£0.458 million at 31 March 2006) was lent to us.

2005 - 2006		2006 - 2007
£ million		£ million
1,181.631	Pension funds	1,317.029
0.564	Trust funds	0.562
0.356	Amenity funds	0.343

Notes to the Core Statements

28. Deployment of Dedicated Schools Grant

For 2006 - 2007, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the council's overall Revenue Support Grant. In 2006 - 2007, the council has received a specific grant from the Department for Education and Skills – the Dedicated Schools Grant (DSG). £324.9 million has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant in corporate income. The difference between 2006 - 2007 figures and comparative figures for 2005 - 2006 for these two lines is substantially explained by this change.

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, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The council is able to supplement the Schools Budget from its own resource and this year programmed an additional £0.920 million of spending on DSG school related items.

Details of the deployment of DSG receivable for 2006 - 2007 are as follows:

	Central Expenditure £ million	Individual Schools Budget £ million	Total £ million
Original grant to Schools Budget	33.115	291.764	324.879
Adjustments to Final Grant	0.379	-	0.379
DSG Receivable for the Year	**33.494**	**291.764**	**325.258**
Actual Expenditure	30.372	291.764	322.136
Underspend	**3.122**	**0.000**	**3.122**
Planned top-up of DSG	0.920	-	0.920
Use of School Balances B/Fwd	-	-	-
(Over)/Under Spend from previous year	-	-	-
Underspend C/Fwd	**4.042**	**0.000**	**4.042**

Notes to the Core Statements

29. Pension arrangements

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has to pay enough money into a fund to cover both current and future pension payments. This is called a funded pension scheme.

The authority participates in two pension schemes:

- the Local Government Pension Scheme for employees, administered by Suffolk County Council - this is a funded scheme.
- the Fire Pension Scheme for firefighters - this is an unfunded scheme, meaning that there are no investments built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2005 - 2006			2006 - 2007	
Suffolk County Council Pension Fund No 1 £ million	**Uniformed Fire-fighters £ million**		**Suffolk County Council Pension Fund No 1 £ million**	**Uniformed Fire-fighters £ million**
		Net Cost of Services:		
24.987	2.900	Current service cost	33.115	3.500
-0.575	0.100	Past service cost	-0.442	0.000
1.710	0.000	Gains on settlements and curtailments	0.799	0.000
		Net Operating Expenditure:		
35.306	6.100	Interest cost	39.245	6.400
-30.475	0.000	Return on assets	-39.230	0.000
30.953	9.100	*Net Charge to the Income & Expenditure Account:*	33.487	9.900
		Statement of Movement in the General Fund Balance:		
-30.953	-9.100	Reversal of net charges made for retirement benefits in accordance with FRS 17	-33.487	-9.900
		Actual amount charged against the General Fund Balance for Pensions in the year:		
-33.779	-4.100	Employers contributions payable to scheme	-39.355	-3.200

The way we account for pensions is based on Financial Reporting Standard (FRS) 17 and follows best practice for local authorities.

Teachers

Teachers have their own pension scheme. This is looked after by the Teachers' Pension Agency (TPA). We pay in an amount equal to a percentage of pensionable pay. In 2006 - 2007 we paid over £37.853 million to the TPA. We don't have to give information about the teachers' scheme because the Teachers' Pension Agency is responsible for paying the pensions.

Assets and Liabilities in Relation to Retirement benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	2005 - 2006 £ million	2006 - 2007 £ million
Estimated liabilities in the fire pensions scheme	-130.900	-128.700
Share of liabilities in the local government pension fund	-772.461	-790.033
Estimated liabilities for discretionary added years	-16.215	-16.011
Total liabilities	-919.576	-934.744
Share of assets in the local government pension fund	570.687	646.576
Net pensions deficit	**-348.889**	**-288.168**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £934.744 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £288.168 million. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary.

- finance is only required to be raised to cover fire pensions when the pensions are actually paid. Any deficit between the contributions paid into the scheme and the benefits paid out in the year is met by a Top-Up Grant from Central Government.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the 'projected unit method', an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Both the Fire Scheme and the County Council Fund liabilities have been assessed by Hymans, an independent firm of actuaries, who valued both schemes fund liabilities as at 31 March 2007. When analysing information on our pension fund's individual membership, Hymans came to the conclusion that there has not been a significant change in the age profile over the year. While it is worth noting that under the projected unit method current service costs will increase as members of the scheme approach retirement, there has not been a significant change to the current service cost due to a changing age profile in the year to 31 March 2007. The last full valuation was as at the 31 March 2004.

Notes to the Core Statements

The main assumptions used in their calculations have been:

	2005 - 2006		2006 - 2007	
	Fire scheme and discretionary payments	**Local government pension fund**	**Fire scheme and discretionary payments**	**Local government pension fund**
Rate of inflation	3.1%	3.1%	3.2%	3.2%
Rate of increase in salaries	4.6%	4.6%	4.7%	4.7%
Rate of increase in pensions	3.1%	3.1%	3.2%	3.2%
Rate of discounting scheme liabilities	4.9%	4.9%	5.4%	5.4%
Take-up of option to convert annual pension into retirement grant	n/a	n/a	n/a	25%

The Fire Pension Scheme has no assets to cover its liabilities.
Suffolk County Council's element of the Pension Fund 1 assets are valued at fair value, principally market value for investments, totalling £646.576 million for the fund as a whole at 31 March 2007 (£570.687million at 31 March 2006). The Funds assets consist of the following categories, with an expected future investment return:

	Assets 31 March 2006		**Assets 31 March 2007**	
	Suffolk County Council	**Expected future return**	**Suffolk County Council**	**Expected future return**
	£ million	**%**	**£ million**	**%**
Equity investments	407.239	7.4%	456.843	7.8%
Bonds	90.410	4.6%	102.654	4.9%
Property	62.748	5.5%	80.586	5.8%
Cash	10.290	4.6%	6.493	4.9%
	570.687		646.576	

The actuarial gains identified as movements on the Pensions Reserve in 2006 - 2007 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

Local Government Pension Fund Suffolk County Council

	2002 - 2003		2003 - 2004		2004 - 2005		2005 - 2006		2006 - 2007	
	£ million	% assets/ % liabilities	£ million	% assets/ % liabilities	£ million	% assets/ % liabilities	£ million	% assets/ % liabilities	£ million	% assets/ % liabilities
Difference between the actual and expected return on pension fund assets	-80.500	-29.20%	48.238	13.20%	15.058	3.50%	84.463	14.80%	5.977	0.90%
Experience gains (marked with '-') and losses arising on pension liabilities	-9.296	-2.10%	0.066	0.00%	-34.074	-5.30%	-0.291	-0.04%	-0.346	0.00%
Changes in financial assumptions underlying the present value of the scheme liabilities	n/a	n/a	n/a	n/a	- 103.994	-16.16%	-88.896	-11.27%	47.022	5.83%
	-89.796	**-31.30%**	**48.304**	**13.20%**	**- 123.010**	**-17.96%**	**-4.724**	**3.49%**	**52.653**	**6.73%**

Fire Scheme	2002 - 2003		2003 - 2004		2004 - 2005		2005 - 2006		2006 - 2007	
	£ million	% liabilities	£ million	% liabilities	£ million	% liabilities	£ million	% liabilities	£ million	% liabilities
Difference between the actual and expected return on pension fund assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains (marked with '-') and losses arising on pension liabilities	0.500	0.70%	0.066	0.10%	-14.900	-13.10%	0.600	0.50%	0.900	0.70%
Changes in financial assumptions underlying the present value of the scheme liabilities	n/a	n/a	n/a	n/a	-21.870	-19.18%	-12.500	-9.54%	8.000	6.22%
	0.500	**0.70%**	**0.066**	**0.10%**	**-36.770**	**-32.28%**	**-11.900**	**-9.04%**	**8.900**	**6.92%**

The change in the pensions reserve for the year is shown below.

	Fire Scheme	Suffolk County Council
	£ million	£ million
Balance b/f 1 April 2006	130.900	217.989
Reversing out FRS 17 items		
Current service cost	3.500	33.115
Past Service Cost	0.000	0.465
Interest cost	6.400	39.245
Curtailments & Settlements	0.000	0.799
Return on Assets	0.000	- 39.230
	9.900	34.394
Pensions liability - actuarial gain	- 8.900	- 52.653
	1.000	**- 18.259**
Pension costs payable to council tax		
Employers' contributions	- 3.200	- 39.355
Pensions and lump sum expenditure	0.000	- 0.907
Balance at 31 March 2007	**128.700**	**159.468**

30. The Fire Pension Fund

The Fire Pension Fund is a defined benefit scheme and administered by Suffolk County Council as a combined contribution scheme following financial guidance issued in April 2006 by Communities and Local Government. The fund reflects the pensions of fire fighters, has no assets and is balanced to nil each year by receipt of pension top-up grant from Communities and Local Government.

The Funds financial statements are on page 86.

31. Corporate and democratic core

The corporate and democratic core (CDC) includes anything to do with councillors' activities and any cost involved in supporting their work and the democratic processes which back this up (including financial reporting and auditing). Of the £5.934 million shown in the revenue account, £3.359 million relates to democratic representation and management. The remaining £2.575 million relates to corporate management.

32. Interest received

Interest received in 2006 - 2007 includes £1.608 million, which goes directly to schools (£1.595 million in 2005 - 2006).

Notes to the Core Statements

33. Local Area Agreement

In March 2005 we were selected to pilot the Government's Local Area Agreement scheme. A Local Area Agreement (LAA) provides opportunities for partners to the agreement to improve service delivery due to freedom to "pool" government funding between partners. For 2006 - 2007 the LAA for Suffolk received £13.2 million of grant income.

Suffolk County Council is the Accountable Body for the LAA, but as we work with our LAA partners to reach a consensus on how funding is used we only record in our accounts the LAA money we use. For 2006 - 2007 this was £10.9 million. This is the amount reflected in the Income and Expenditure Account.

The Government funding that we have received and distributed to partners, and therefore not recorded in our accounts, is identified below:

2005 - 2006 Government Grant £ million	Partner	2006 - 2007 Government Grant £ million
0.094	Babergh	0.113
0.329	Western (managed by Forest Heath)	0.344
0.160	Ipswich	0.195
0.124	Suffolk Coastal	0.123
0.137	Waveney	1.538
0.844		2.313

Notes to the Core Statements

34. Landfill Usage

In relation to the Landfill Allowance Trading Scheme (LATS) Suffolk County Council was allocated, by Central Government, an allowance of 191,379 tonnes representing the maximum amount of Biodegradeable Municipal Waste (BMW) it could landfill in 2006 - 2007 without paying penalties. It is estimated that we have landfilled 148,000 tonnes. This means we landfilled 43,379 tonnes less than our allowance.

We have assessed the market value of these allowances to have dropped from £20.20 at the end of 2005 - 2006 to £5.00 by the end of 2006 - 2007 based on recent trades for these allowances between different landfill authorities.

The effect on the Balance Sheet is summarised in the table below.

	Brought Forward As at 31 March 2005 - 2006	Initial Recognition of 2006 - 2007 Allowances	2006 - 2007 In-year movements	As at 31 March 2006 - 2007
	£ million	£ million	£ million	£ million
Assets and Liabilities in the Balance Sheet				
Current Assets				
Landfill Usage Allowances	4.038	3.866	- 6.685	1.219
Total Assets	**4.038**	**3.866**	**- 6.685**	**1.219**
Liabilities				
Deferred Income	0.000	- 3.866	3.866	0.000
Liability to DEFRA for BMW landfill usage	- 2.978	0.000	2.238	0.740
Total Liabilities	**- 2.978**	**- 3.866**	**6.104**	**0.740**
Net Assets / (Liabilities)	**1.060**	**0.000**	**- 0.581**	**0.479**
Reserves				
Earmarked Reserves	1.060	0.000	- 0.581	0.479
Total Reserves	**1.060**	**0.000**	**- 0.581**	**0.479**

The impact on the Income and Expenditure Account is summarised in the following table:

Income & Expenditure Transactions in year **2006 - 2007**	Gross Income £ million	Gross Expenditure £ million	Net Expenditure £ million
Cultural, Environmental and Planning Services	-3.866	4.447	0.581

For information on the accounting treatment of Landfill Usage please refer to accounting policy 21 on pages 70 to 71.

Notes to the Core Statements

35. Short-term borrowing

31 March 2006 £ million		31 March 2007 £ million
16.378	External	42.040
0.018	Pension funds	0.864
0.458	Trust and amenity fund balances	0.444
16.854	**Total**	**43.348**

36. Investments

The investment total of £45.091 million at 31 March 2007 (£25.301m at 31 March 2006) is money we have lent out on behalf of schools, £25.002 million (£22.001 million at 31 March 2006), and on behalf of the County Council £20.089 million (£3.300 million at 31 March 2006).

37. Stock and work in progress

31 March 2006 £ million		31 March 2007 £ million
0.053	Suffolk Design and Print	0.058
0.222	Public Protection	0.118
0.054	Social Care	0.048
1.430	Suffolk Highways	0.402
0.030	Suffolk Fleet Maintenance	0.030
0.057	Information Centres	0.056
0.307	Education / Catering	0.285
2.153		**0.997**

Notes to the Core Statements

38. Reconciliation of revenue cash flow

2005 - 2006 (Restated) £ million		2006 - 2007 £ million	2006 - 2007 £ million
5.152	**(Surplus)/deficit on Income and Expenditure Account**		**2.129**
	External interest		
-11.915	Interest paid	-13.062	
1.963	Interest received	4.694	
-9.952			**-8.368**
	Appropriations		
-0.213	Contributions to Provisions		**3.242**
	Items on accruals basis		
6.775	Decrease/(increase) in creditors	-12.288	
0.722	Increase/(decrease) in debtors	4.243	
-0.010	Increase/(decrease) in long term debtors	-0.013	
0.465	Increase/(decrease) in stocks	-1.156	
7.952			**-9.214**
	Capital financing adjustments		
2.968	Government Grants Deferred	12.156	
-25.975	Depreciation	-32.725	
-9.473	Deferred Charges & de minimis spending	-19.974	
1.712	Gain/loss on sale of assets	-0.743	
-2.174	Pension charges	-0.832	
4.038	Landfill Allowances	-2.819	
-28.904			**-44.937**
-25.965	**Net Cash flow from Revenue Activities**		**-57.148**

39. Change in cash and bank

01 April 2005 £ million	Movement £ million	31 March 2006 £ million		01 April 2006 £ million	Movement £ million	31 March 2007 £ million
5.807	-2.992	2.815	Cash and bank	2.815	-4.964	-2.149

Notes to the Core Statements

40. Movement in net debt

2005 - 2006 £ million		2006 - 2007 £ million
-2.992	Decrease (-) / increase in cash in the period	-4.964
-53.396	Cash inflow from increase in debt and lease financing	-27.006
1.501	Cash outflow from increase in liquid resources	19.790
-54.887	**Movement in net debt in the period**	-12.180
-199.348	Net debt at beginning of year	-254.235
-254.235	Net debt at end of year	-266.415

	At 01 April 2006 £ million	Cashflow £ million	At 31 March 2007 £ million
Cash at bank / in hand	2.815	-4.964	-2.149
Overdrafts			
		-4.964	
Debt due after one year	-265.497	-0.512	-266.009
Debt due within one year	-16.854	-26.494	-43.348
		-27.006	
Current asset investments	25.301	19.790	45.091
Total	**-254.235**	**-12.180**	**-266.415**

41. Change in short-term investments

01 April 2005 £ million	31 March 2006 £ million		01 April 2006 £ million	31 March 2007 £ million
23.800	25.301	Temporary lending	25.301	45.091
	1.501			**19.790**

42. Grants for services

2005 - 2006 £ million		2006 - 2007 £ million
	Revenue	
70.216	Education	386.461
43.502	Social Services	40.776
0.000	Magistrates' courts	0.000
4.723	Environment and transport services	4.671
6.816	Connexions Suffolk	7.505
0.012	Emergency planning	0.039
12.313	Community Safety	3.850
0.762	Economic development	-0.016
0.022	Libraries	0.028
0.086	Fire	0.192
0.376	Policy	0.000
0.004	Resource Management	0.013
138.832		**443.519**
	Capital Grants & Contributions	
10.308	Highways grants	6.696
23.719	Education	23.977
0.679	Social Services	0.324
0.000	Magistrates' courts	0.000
0.000	Information and communications technology	0.129
2.946	Waste management	0.014
0.000	Connexions Suffolk	0.000
0.015	Environment	0.000
0.095	Fire	0.000
37.762		**31.140**

Please refer to note 28 for the reason the Education grants have increased in 2006 – 2007.

43. Insurance arrangements

We insure most of our own third-party and employer's liability risks. Insurance companies provide cover for very large individual claims and limit the total claims for each insurance year. Services have to contribute to the cost of the insurance company's premiums and to build up money to pay for future claims. We also have an insurance reserve – you can find more details on reserves in the accounting policies.

Group Accounts – Introduction

Introduction to the Group Accounts

The 2006 Statement of Recommended Practice (SORP) sets out comprehensive requirements for group accounts. These require Local Authorities to consider all their interests in subsidiaries, associates or joint ventures.

A review has been undertaken of the Council's relationship with other bodies and it is clear that we should account for an interest in Customer Services Direct Ltd as a Joint Venture and prepare Group Accounts.

The statements are intended to present financial information about the parent (the Council) and then additionally reflect the Council's share of CSD Ltd net assets, expenditure and income together in a unified set of accounts. The Council owns 16.4% of the ordinary shareholding of CSD Ltd.

The principal activities of CSD Ltd are to improve the Information and Communications Technology, Human Resources and Payroll, Finance, Public Access and Revenue and Benefits Services of Suffolk County Council and Mid-Suffolk District Council.

Where the notes to the Group Accounts are no different from the notes to the Single Entity accounts, the note numbers will link to the notes in the Single Entity pages of these accounts. Where there are differences or new notes, the note numbers will start with a **G.** The notes to the Group Accounts will follow the main statements.

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 accounting policy notes 1 to 22 on pages 65 to 71.

Group Accounts – Income & Expenditure Account

2005 - 2006 (Restated) Net Expenditure			2006 - 2007		
			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
1.587	Central services to the public		4.279	-1.382	2.897
0.749	Court services		0.740	0.000	0.740
33.030	Cultural, environmental and planning services	34	60.034	-22.426	37.608
348.254	Education services	28	545.023	-492.240	52.783
23.159	Fire services		24.217	-0.876	23.341
38.283	Highways, roads and transport services		60.905	-17.868	43.037
0.026	Housing Services		19.248	-20.969	-1.721
188.679	Social services		252.154	-58.360	193.794
5.375	Corporate and democratic core	31	6.076	-0.142	5.934
3.024	Non distributed costs		1.496	-0.053	1.443
0.000	Share of operating results of Joint Venture	G1	6.437	-6.437	0.000
642.166	**Net cost of services**		**980.609**	**620.753**	**359.856**
-1.712	Surplus(-)/Loss on the disposal of fixed assets				0.743
0.537	Payments to the Environment Agency				0.431
0.335	Payments to the Eastern Sea Fisheries Joint Committee				0.343
-0.499	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	3			-2.529
12.967	Interest payable and similar charges				13.287
-2.875	Interest and investment income	32			-3.675
10.931	Pensions interest cost and expected return on pensions assets				6.415
661.850	**Net Operating Expenditure**				**374.871**

Group Accounts – Income & Expenditure Account

2005 - 2006 (Restated) Net Expenditure			2006 – 2007		
			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
-230.328	Demand on Collection Fund				-243.128
-211.772	General government grants				-22.718
-214.598	Non-domestic rates redistribution				-106.896
5.152	**(Surplus)/Deficit for the Year**				**2.129**

For 2006 - 2007, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the council's overall Revenue Support Grant. In 2006 - 2007, the council has received a specific grant from the Department for Education and Skills – the Dedicated Schools Grant (DSG). £325.3 million has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant in corporate income. The difference between 2006 - 2007 figures and comparative figures for 2005 - 2006 for these two lines is substantially explained by this change.

Group Accounts – Statement of Recognised Gains and Losses

2005 - 2006		2006 - 2007
£ million		£ million
5.152	Deficit for the year on the Income and Expenditure Account	2.129
-154.510	Surplus arising on revaluation of fixed assets	-213.375
16.624	Actuarial (gains)/losses on pension fund assets and liabilities	-61.553
-1.099	Other gain caused by transfer out of Magistrates pensions liability	0.000
-133.833	**Total recognised gains for the year**	**-272.799**

£5.518m of the movement on the surplus arising on revaluation of fixed assets relates to prior period adjustments where we have restated the opening balance of fixed assets.

Group Accounts – Balance Sheet

31 March 2006 (Restated) £ million		Notes	31 March 2007 £ million	£ million	£ million
	Fixed Assets				
	Tangible Fixed Assets				
	Operational Assets:				
1,067.150	Other land and buildings			1,289.657	
28.059	Vehicles, plant and equipment			27.205	
234.337	Infrastructure assets			265.922	
0.713	Community assets			0.748	
	Non operational assets:				
1.827	Assets under construction			4.188	
8.981	Surplus assets held for disposal			9.638	
1,341.067	**Total Fixed Assets**	**12**			1,597.358
	Long-term investments				
2.056	Share of gross assets of Joint Venture		4.282		
-2.054	Share of gross liabilities of Joint Venture		-4.280		
	Total long-term investment in Joint Venture	**G2**		0.002	
0.198	Other long-term investments			0.185	
0.298	Long-term debtors			0.285	
					0.472
1,341.565	**Total Long-Term Assets**				1,597.830
	Current Assets				
2.153	Stocks and work in progress	**37**		0.997	
38.487	Debtors			42.730	
25.301	Investments	**36**		45.091	
4.038	Landfill Allowances	**34**		1.219	
2.815	Cash and bank			0.000	
					90.037
1,414.359	**Total Assets**				1,687.867
	Current Liabilities				
-16.854	Short-term borrowing	**35**		-43.348	
-99.832	Creditors			-99.792	
0.000	Bank overdraft			-2.149	
					-145.289
1,297.673	**Total Assets Less Current Liabilities**				1,542.578
	Long-term liabilities				
-257.296	Long-term borrowing	**23**		-260.095	
-0.072	Credit Arrangement Liabilities			0.000	
-3.087	Provisions	**24 , 34**		-2.823	
-136.927	Government grants deferred			-159.117	
-2.099	Capital contributions deferred			-12.560	
-8.201	Deferred liabilities			-5.914	
-348.889	Liability related to defined benefit pension scheme			-288.168	
					-728.677
541.102	**Total Assets Less Liabilities**	**21**			**813.901**

Group Accounts – Balance Sheet

31 March 2006 (Restated) £ million		Notes	31 March 2007 £ million	£ million	£ million
	Financed by:				
723.499	Fixed asset restatement account	25			932.258
104.851	Capital financing account	14 , 25			89.496
-348.889	Pensions reserve	25			-288.168
27.377	General fund balance	25			27.810
34.264	Earmarked reserves	25 , 34			52.505
541.102	**Total Net Worth**				**813.901**

Group Accounts – Cash Flow Statement

2005 - 2006 (Restated) £ million	2005 - 2006 (Restated) £ million		Notes	2006 - 2007 £ million	2006 - 2007 £ million
		Revenue activities			
		Cash outflows:			
507.069		Cash paid to and on behalf of employees		532.800	
454.854		Other operating cash payments		442.640	
	961.923				975.440
		Cash inflows:			
-230.328		Council tax receipts		-243.128	
-214.211		National non-domestic rate receipts from national pool		-106.896	
-210.892		Revenue support grant		-22.718	
-138.832		Other government grants	42	-443.519	
-193.626		Cash received for goods and services		-216.327	
	-987.889				-1,032.588
	-25.965	**Revenue Activities' Net Cash Flow**	**38**		**-57.148**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
11.915		Interest paid		13.062	
		Cash inflows:			
-1.963		Interest received		-4.694	
	9.952	**Net cash flow from returns on investments**			**8.368**
		Capital Activities			
		Cash outflows:			
110.699		Purchase of fixed assets		89.607	
9.473		Other capital cash payments		19.974	
		Cash inflows:			
-9.400		Sale of fixed assets		-3.874	
-37.762		Capital grants received	42	-31.140	
-2.110		Other capital cash receipts		-13.607	
	70.900	**Net cash flow from capital activities**			**60.960**
	54.887	**Net Cash inflow / outflow Before Financing**	**40**		**12.180**
		Management of Liquid Resources	**41**		
	1.501	Net increase / decrease in short-term deposits			**19.790**
		Financing			
		Cash outflows:			
29.175		Repayments of amounts borrowed		42.201	
		Cash inflows:			
-78.446		New loans raised		-45.000	
-4.125		Deferred Liabilities		2.287	
0.000		New short-term loans		-26.494	
	-53.396				**-27.006**
	2.992	**(Net increase) / decrease in cash**	**39, 40**		**4.964**

Group Accounts – Notes to the Group Accounts

G1 Group Share of Joint Venture gross expenditure and gross income

The Group's share (16.4%) of Joint Venture CSD Ltd's gross turnover and gross cost of sales and other operating expenditure is shown on separate lines before the net cost of services. The gross values are shown in accordance with Financial Reporting Standard 9 (FRS9) issued by the Accounting Standards Board.

2005 - 2006 £ million		2006 - 2007 £ million
-5.830	Share of turnover	-6.437
5.830	Share of operating expenditure	6.437
0.000		0.000

Also refer to note 22 of the single entity notes to the accounts for the total of CSD turnover and operating expenditure for the year.

G2 Long-term investments

The Group's share (16.4%) of Joint Venture, CSD Ltd, gross assets and gross liabilities is shown under long-term investments in the Balance Sheet in accordance with Financial Reporting Standard 9 (FRS9) issued by the Accounting Standards Board. The net investment has not changed from the £0.002 million shown in the re-stated 2005 - 2006 figures.

G3 Reconciliation of the Single Entity deficit to the Group deficit

2005 - 2006 £ million		2006 - 2007 £ million
5.152	Single Entity Income and Expenditure Account Deficit	2.129
0.000	Less: subsidiary and associate dividend income and other distributions	0.000
0.000	Add: surplus or deficit arising from other entities included in the group accounts	0.000
5.152	Group Account Income and Expenditure Account deficit for the year	2.129

Accounting policies

1 **General principles**

We have prepared these accounts in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2006 (SORP).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Where significant estimate methods are used in the accounts these are declared in the relevant accounting policies below. There is no policy in relation to the estimation techniques used for debtors or creditors as most are based on values of orders or invoices outstanding at the year end and where estimates are used these are not material to the accounts.

2 **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 they are received or consumed.

We apply a £1,000 de-minimis policy on accruals at year-end. This means we do not record accruals for transactions under £1,000 except for the following:

- transactions related to grant funding
- transactions relating to Schools
- transactions going through our 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.

3 **Provisions**

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 24 to the accounts on page 39.

Provisions are charged to the appropriate service revenue account in the year that the authority 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.

4 **Reserves**

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits and landfill allowances that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

Details of our reserves are shown in note 25 to the accounts on pages 40 and 41.

5 Government grants and contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the bottom of the Income and Expenditure Account after Net Operating Expenditure.

6 Retirement benefits – Financial Reporting Standard 17 (FRS17)

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

- **Teachers** – The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education and Skills (DfES). 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 it if were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the Education service 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, we pay the extra pension.

- **Firefighters** – The Firefighters' Pension Scheme is administered by Suffolk County Council and accounted for as a defined benefit scheme. This provides pensions and other benefits for firefighters. The cost of pensions and other benefits are provided from Employer Contributions paid to the scheme by Suffolk County Council, and 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 method.

- **Local Government Pension Scheme** – The Local Government Scheme is administered by Suffolk County Council and accounted for as a defined benefits scheme. This provides pensions and other benefits for staff other than teachers and firefighters. The cost of pensions and other benefits is provided from the Pension Number 1 Fund, except for the extra costs we have to pay when an employee retires early.

The liabilities of the Suffolk County Council pension scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirements benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices. The rate employed for the 2006 - 2007 accounts is the yield available on long-dated, high quality corporate bonds, as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years.

The assets of the Suffolk County Council pension fund attributable to the council are included in the balance sheet at their fair value:

1. Quoted securities – mid-market value
2. Unquoted securities – professional estimate
3. Unitised securities – average of the bid and offer rates
4. Property – market value

The change in the net pensions liability is analysed into seven components:

1. Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
2. 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

3. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure in the Income and Expenditure Account.
4. Expected Return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to net Operating Expenditure in the Income and Expenditure Account.

5. Gains/Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Net Cost of Services in the income and Expenditure Account as part of Non Distributed Costs.
6. Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Statement of Total Recognised Gains and Losses.
7. Contributions paid to the Suffolk County Council pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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.

These accounting policies represent a change to those policies in previous years prior to 2002 - 2003. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to pensioners for which we were directly responsible. The new policy better reflects our commitment in the long term to increase contributions, making up for any shortfall in net assets in the pension fund.

Under FRS 17, pensions are charged to the net cost of services in the Income and Expenditure account on the basis of the calculations made by the actuary of the cost of providing pensions. Our actual expenditure is deleted from the service accounts and replaced by this calculation. So that the accounts still show our true spending met by government grants and local taxation, these entries are reversed in the Statement of Movement on the General Fund Balance.

Discretionary benefits

The council also have restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

For more information on Retirement Benefits and FRS17 please refer to note 29 on page 45 of the accounts.

7 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.

8 Overheads and support services

The full costs of overheads and support services are recharged to those Services in proportion to the benefit they receive from the supply or service. This is in accordance with the principles of the CIPFA Best Value Accounting Code of Practice 2006.

The two exceptions to this are:
- Corporate and Democratic Core (CDC) – these costs relate to the council's status as a multi-functional democratic organisation.
- Non Distributed Costs (NDC) – these costs relate to the cost of discretionary benefits awarded to employees retiring early.

CDC and NDC are shown as separate headings in the Income and Expenditure Account on pages 15 and 16. Also see note 31 on page 50.

Accounting policies

9 Recognition of fixed assets

All spending on buying, creating or improving fixed assets is classed as capital spending if we will benefit from the asset for more than one year.

Fixed assets can be:

- intangible assets (I.T. software)
- 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 waiting to be developed and surplus assets held for disposal).

Intangible assets do not have physical substance but are identifiable and controlled by the Council for more than one financial year. Tangible fixed assets have a physical substance and are held for the provision of services or for administrative purposes on a continuing basis.

Spending on capital assets is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when we actually pay for it. In this year's accounts we have only included in the Fixed 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 of £6,000 or above have also been included.

We have included land and buildings held at 1 April 1995 if the estimated value of each property was more than £20,000. We have included all capital spending since 1 April 1995 on top of capital valuations after allowing for any adjustments that are needed when a property is revalued.

10 Measurement and depreciation

Fixed assets 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 (amortised/depreciated) according to the following policies:

	Value in Balance Sheet	**Depreciation period**
Intangible assets	Historic cost less amortisation	Variable – based on the estimated useful life.
Operational land & buildings (excluding community assets)	Existing use value if there is a market for the asset. If not, the asset is valued at replacement cost less depreciation.	Variable - based on the valuer's assessment. Land is not depreciated.
Vehicles, plant & equipment	Historic cost less depreciation	Variable – based on the estimated useful life.
Infrastructure	Historic cost less depreciation – 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	Historic cost – except that community assets held at 1 April 1994 for which the historic cost was not known, were given a token value of £1,000.	No depreciation charge
Investment properties	Open market value	No depreciation charge
Assets under construction	Cost	No depreciation charge
Surplus assets pending disposal	Open market value	Variable - based on the valuer's assessment. Land is not depreciated.

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

We calculate depreciation evenly over the useful life of assets. Depreciation is calculated from the date of purchase to the date of disposal. Until 2002 - 2003, we did not allow for depreciation in the year that we bought an asset but allowed for a full year's depreciation in the year we sold it. In 2003-2004 we allowed for a half-year's depreciation both in the year that we bought an asset and in the year we sold it.

11 Impairment of fixed assets

A review is undertaken of the Balance Sheet value of assets at the end of each financial year.

Where a permanent reduction in the value of the assets is identified, due to consumption of economic benefits, the impairment loss is charged to the appropriate service revenue account.

Where a reduction in value results from a general fall in prices, or where the cause cannot be clearly determined, the loss is treated as a downward revaluation that is written off to the Fixed Asset Restatement Account in the Balance Sheet.

12 Grants and contributions

Grants and other contributions are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them.

Grants and contributions we receive to pay for spending on our general activities are shown in the appropriate service revenue account in the year the spending took place.

Government grants and other contributions that we receive to pay for fixed assets are held in the Government Grants Deferred or Capital Contributions Deferred Account. These are then written off to the net cost of services over the life of the asset, to off-set the depreciation charge for that asset. If we used the grant for work that did not increase the value of an asset, that grant is written off to the cost of service in the year that we receive it.

13 Charges to revenue for the use of fixed assets

Service revenue accounts, central support services and trading accounts are charged with depreciation, amortisation and any impairment loss that is due to a clear consumption of economic benefits for all fixed assets used in the provision of the service.

We are not required to raise council tax to cover depreciation, amortisation and impairment losses. However, we are required by law to make a provision for the repayment of debt, known as a Minimum Revenue Provision (MRP). This is calculated as 4% of our capital financing requirement at the start of each financial year, where the capital financing requirement represents our outstanding debt for capital investment. Depreciation, amortisation and impairment losses charged to the Income & Expenditure Account are therefore replaced by MRP in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account.

As a result, the charge to the General Fund for using assets is the minimum debt repayment, and the interest payable in the year on the debt still to be repaid. These adjustments, required by law, mean that the charge to Council Tax payers is much less than if full depreciation had been kept in the accounts.

14 Disposal of fixed assets

Money we get from selling assets is held in a Usable Capital Receipts Account until it is used to pay for new capital projects or to repay debt.

Upon disposal, the fixed assets are taken out of the Council's accounts by removing the net book value of the assets from the Consolidated Balance Sheet, and writing them off against the Fixed Asset Restatement Account.

The Income and Expenditure Account includes a gain or loss on the disposal of fixed assets. This is the amount by which proceeds, after disposal costs, are more or less than the market value of the fixed asset.

The General Fund is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal of the fixed asset. This is shown as a reconciling item in the Statement of Movement on the General Fund Balance and means that gains or losses on disposal of assets have no impact on the level of council tax.

15 Deferred charges and de minimis spending

We treat as deferred charges capital spending that does not result in the creation of an asset for Suffolk County Council. Examples include capital grants we make to other organisations, spend on schools not owned by Suffolk County Council and revenue spending we are directed by the government to treat as capital. We transfer deferred charges and de minimis spending to the revenue account in the year in which we spend the money. These charges are then reversed out in the Statement of Movement on the General Fund balance so that there is no impact on Council Tax.

16 Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Additionally, the Council leases land and properties to third parties. The rental income is taken directly into the Income and Expenditure Account within the net cost of services.

17 Repurchase of borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.

18 Investments

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

19 Stocks and work in progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works. Please refer to note 37 on page 53.

20 Interests in companies and other entities

The council has a material interest in Customer Services Direct Ltd, a joint venture with BT and Mid-Suffolk District Council, and is required to prepare group accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as investments, ie at cost, less any provision for losses.

21 Landfill allowances

Background

The Waste and Emissions Trading Act 2003, places a duty on waste disposal authorities (WDAs) in England and Wales to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowance Trading Scheme (LATS), which commenced operation on 1 April 2005 in England.

LATS is a "cap and trade" scheme. This is explained in the following features:

- Allowances to use landfill to a specified level (the cap) are allocated free of charge by the Department for Environment, Food and Rural Affairs (DEFRA). LATS operates for 15 annual compliance periods that cover the period from 1 April 2005 to 31 March 2020.
- The Council may use its allowances to meet its liability for its BMW landfill usage, sell them to another Waste Disposal Authority (WDA) or carry them forward to meet a future year's landfill usage liability subject to limitations.
- The Council can landfill more BMW than would be covered by the allowances provided by DEFRA, but must buy the additional allowances it needs from another WDA or incur a cash penalty of £150 per tonne of BMW landfilled above the "cap".

Accounting for LATS

Allowances, whether allocated by DEFRA without charge or purchased from another WDA, are recognised as current assets on the Council's balance sheet. They are initially measured at their fair value, which is market value for allowances allocated by DEFRA and cost for purchased allowances. Allowances are subsequently measured at the lower of initial recognition value and net realisable value.

The fair value of the LATS allowances allocated free by DEFRA is treated as a government grant. Accordingly, the grant is initially recognised as deferred income in the balance sheet and subsequently recognised as income to the Income and Expenditure Account crediting the Cultural, Environmental and Planning Service, within the Income and Expenditure Account.

As BMW is sent to landfill a liability is incurred for the obligation to hold allowances equal to the landfill usage. This liability is recognised as a provision on the Council's balance sheet. The provision is established by charging the Cultural, Environmental and Planning Service, within the Income and Expenditure Account, with the amount of the liability.

Where income exceeds expenditure, because less BMW has been sent to landfill than the "cap" of allowances, the Council appropriates the excess income into reserves to meet a future year's landfill usage liability.

For details of 2006 - 2007 transactions please refer to note 34 on page 52.

22 Interest

Included in our accounts is the amount of interest we have to pay on borrowing and interest we have received on lending during the year.

Councillors' allowances

The Local Authorities (Members' Allowances) (Amendment) Regulations 1995 (SI 553) say we must publish information on how much each county councillor is paid in allowances.

Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Clare Aitchison	8,086.50			314.39	
Edward Alcock	8,086.50	10,618.25		3,684.69	
Allyson Barron	8,086.50			2,012.80	
Mark Bee	8,086.50	5,540.73		1,404.00	
Peter Beer	8,086.50			1,824.90	
Peter Bellfield	8,086.50	3,887.50			
Roger Bellham	8,086.50	5,786.50		2,936.27	
Bill Bishop	8,086.50			458.70	
Andrew Cann	8,086.50	1,350.00		144.00	
Lisa Chambers	8,086.50	4,599.00		3,474.80	
Malcolm Cherry	8,086.50	4,599.00		2,625.48	
Rosemary Clarke	8,086.50	1,725.50		1,880.00	
Terry Clements	8,086.50	1,725.50		1,456.20	
Jeremy Clover	8,086.50	1,242.60		1,170.20	
John Field	8,086.50	4,560.60		688.80	
Phillip French	8,086.50	175.81		80.00	
John Goldsmith	8,086.50			989.70	
John Goodwin	8,086.50	1,549.69		3,073.10	
David Grutchfield	8,086.50	768.00		558.95	
Russell Harsant	8,086.50				
Colin Hart	8,086.50			891.40	
Paul Hopfensperger	8,086.50			422.40	
Rebecca Hopfensberger	8,086.50	1,725.50		1,217.00	
Jane Hore	8,086.50	479.63		1,176.10	
Steven Hudson	8,086.50			342.80	
Richard Kemp	8,086.50			501.05	
John Klaschka	8,086.50			188.00	
Karen Knight	8,086.50	3,887.50		990.00	
Raeburn Leighton	8,086.50	175.81		1,763.10	
Tony Lewis	8,086.50	5,786.50		3,581.93	
Kevan Lim	8,086.50	6,634.90	276.00	-43.56	
Inga Lockington	8,086.50	4,599.00			
David Lockwood	8,086.50	4,114.26		2,413.35	
Susan Maguire	8,086.50				
Harold Mangar	8,086.50				
Graham Manuel	8,086.50	3,407.87			
Tim Marks	8,086.50			2,094.35	
Sandy Martin	8,086.50	5,080.11			
Wendy Mawer	8,086.50	2,850.50		1,219.50	
Guy McGregor	8,086.50	10,618.25		3,150.37	
Charles Michell	8,086.50	9,268.79		2,153.54	
Jane Midwood	8,086.50	4,039.87		1,315.12	
Graham Newman	8,086.50	10,084.25	53.75	2,846.85	
Colin Noble	6,671.83			1,851.55	
Patricia O'Brien	8,086.50	10,618.25		1,602.30	
Stefan Oliver	8,086.50	2,686.66		62.00	

Councillors' allowances

Member	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Jack Owen	7,173.00			73.60	
Keith Patience	8,086.50			396.88	
Jeremy Pembroke	8,086.50	19,573.75		3,189.70	
Roger Pendleton	8,086.50			902.39	
Kathy Pollard	8,086.50	1,800.00		859.24	
Selwyn Prior	8,086.50			689.45	
William Quinton	8,086.50				
Eleanor Ramsey	8,086.50	175.81	854.90	537.25	
Keith Rawlingson	8,086.50	5,559.74			
Ben Redsell	8,086.50	1,549.69		942.80	
Ann Rodwell	8,086.50	3,741.00		298.50	
Morris Rose	8,086.50			1,541.80	
Bryony Rudkin	8,086.50	4,257.85		716.56	
Bill Sadler	8,086.50	2,250.00		618.80	
Ken Sale	7,353.77			595.80	
Sue Sida-Lockett	8,086.50	12,635.25		2,238.90	
Colin Spence	8,086.50	1,725.50		1,037.30	
Joanna Spicer	8,086.50	10,618.25		3,705.90	
Jane Storey	8,086.50	10,618.25		2,673.00	
Julian Swainson	8,086.50	8,701.42		3,619.66	
John Taylor	8,086.50			1,670.83	
David Thomas	7,173.00				
Sue Thomas	8,086.50	3,342.34		112.00	
Julia Truelove	8,086.50				
Frank Warby	8,086.50	3,887.50		723.20	
Ron Ward	8,086.50			2,254.55	
Anne Whybrow	8,086.50				
David Wood	8,086.50			936.20	
David Yorke-Edwards	8,086.50			1273.00	
Total	**602,513.10**	**224,622.68**	**1,184.65**	**90,123.44**	**0.00**

Co-opted Members	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Margaret Anderson		4,500.00			
Michael Brenton		2,250.00		32.00	
Anne Dunford				140.00	
Paul McIntee				168.00	951.81
Suzanne Travis				33.60	
Total	**0.00**	**6,750.00**	**0.00**	**373.60**	**951.81**

Pension Number 1 Fund

2005 - 2006 Restated £ million	Fund account	Notes	2006 - 2007 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
62.637	Normal	2, 8	66.390
4.437	Special	2, 8	4.878
	From members		
15.914	Normal	2	16.695
	Transfers in		
11.148	Individual transfers in from other schemes		6.986
	Other income		
0.053	Any other income		0.054
	Benefits payable:		
-35.422	Pensions	2	-37.662
-6.289	Commutations of pensions and lump sum retirement benefits		-7.983
-0.810	Lump sum death benefits		-0.991
	Payments to and on account of leavers:		
-0.118	Refunds of contributions		-0.026
-0.038	State scheme premiums		-0.006
-5.970	Group transfers out to other schemes		-0.130
-6.990	Individual transfers out to other schemes		-4.253
-0.940	Administration expenses borne by the scheme		-1.162
37.612	**Net additions (withdrawals) from dealings with members**		**42.790**
	Returns on investments		
	Investment income		
0.192	Interest from fixed interest securities		0.546
12.007	Dividends from equities		16.558
5.943	Income from pooled investment vehicles		5.365
0.245	Interest on cash deposits		0.446
0.477	Other		0.015
	Change in market value of investments:		
26.318	Realised profit on investments sold		41.286
192.933	Unrealised gain on the market value of investments still held		31.580
-0.563	Taxation - irrecoverable withholding tax		-1.104
-2.996	Investment management expenses borne by the scheme		-3.439
234.556	**Net returns on investments**		**91.253**
272.168	Net increase, or decrease, in the fund during the year		134.043
894.434	Opening net assets of the scheme		1,166.602
1,166.602	**Closing net assets of the scheme**		**1,300.645**

A new disclosure requirement is to show the level of irrecoverable withholding tax deducted from investment income. This disclosure is reflected for the first time in 2006 – 2007, with a comparative for 2005 - 2006.

31 March 2006 Restated £ million	Net asset statement	Notes	31 March 2007 £ million
	Investment assets		
	Fixed interest securities:	3, 6	
21.489	UK government fixed interest securities		31.874
19.863	Overseas fixed interest securities		16.655
108.270	Corporate bonds		122.019
	Equities:		
410.523	UK companies		451.171
399.078	Overseas companies		431.778
9.977	Private equity		16.436
42.680	UK government index linked securities		47.885
5.238	Other Managed Funds		4.391
	Unit trusts:		
134.791	Property		163.207
1,151.909	**Total investments**		**1,285.416**
	Net current assets and liabilities		
13.491	Sundry debtors		11.798
5.196	Cash held by the investment managers		5.076
-0.101	Cash temporarily lent to/(by) the council	8	0.831
-3.893	Sundry creditors		-2.476
14.693	**Net current assets**		**15.229**
1,166.602	**Net assets**		**1,300.645**

Notes to the Pension Number 1 Fund

1. Running the Fund

The fund provides retirement benefits for all our employees who are members of the Local Government Pension Scheme. Also included in the fund are employees of all district councils and town councils in Suffolk, the Suffolk Probation Board, civilian employees of the Suffolk Police Authority and several other organisations. Teachers, Firefighters and Police Officers have their own pension schemes and are not included in the fund.

2. Membership

The fund has the following numbers of members and pensioners:

	31 March 2006	31 March 2007
Members	17,517	17,977
Employee pensioners	7,417	7,721
Dependent pensioners	1,533	1,545
Deferred	9,189	10,748

Contributions received and benefits paid during the year were as follows:

	2005 - 2006			2006 - 2007		
	Employers' Contributions	Employees' Contributions	Benefits Paid	Employers' Contributions	Employees' Contributions	Benefits Paid
	£ million	£ million	£ million	£ million	£ million	£ million
Suffolk County Council	35.694	9.230	16.418	39.392	9.714	17.596
Other Scheduled Bodies	30.165	6.259	18.747	30.597	6.538	19.751
Admitted Bodies	1.215	0.425	0.257	1.279	0.443	0.315
Total	67.074	15.914	35.422	71.268	16.695	37.662

You will find a full list of employers in the pension fund annual report and accounts booklet that we publish separately.

3. Managing the Fund

We invest the balance of the fund in line with the Local Government Pension Regulations. The fund investments are managed by Legal and General, Aberdeen, Societe Generale, Capital International, Schroders, AllianceBernstein, Wilshire Associates and Pantheon Ventures. The managers invest within a broad policy agreed with the Pension Fund Committee, who they report to at intervals during the year. The long term nature of the fund's liabilities means that capital growth potential and likely income, within acceptable levels of risk, are the main investment considerations. You can get a copy of the fund's Statement of Investment Principles from the Head of Strategic Finance, or from the Suffolk County Council website.

Fund Manager	Market value £ million	Percentage of assets %
Alliance Bernstein	185.098	14.40
Legal and General	420.751	32.73
Aberdeen	75.609	5.88
Societe Generale	196.908	15.32
Capital International	227.407	17.69
Schroders	163.207	12.70
Wilshire Associates	11.336	0.88
Pantheon Ventures	4.991	0.39
CRIL	0.109	0.01
Total	1,285.416	100.00

100% (£420.751 million) of the Legal & General Investments are invested in its own index-pooled funds (100%, £387.365 million, as 31 March 2006). Similarly, 79.3% (£59.984 million) of Aberdeen investments are in its own pooled funds (76.2%, £49.365 million, as at 31 March 2006). The pooled funds are one step removed from direct ownership of the assets. Societe Generale have 2.23% (£4.391 million) of their investments in Cash Instruments (£5.237 million as at 31 March 2006). The types of investment shown in the net asset statement, on page 75, includes both direct and pooled fund investments.

4. Actuarial Position

The last formal three-yearly actuarial valuation was carried out as at 31 March 2004. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2005. 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 2004
- The 'projected unit method' of actuarial valuation
- Projected investment returns for equities of 6.7% per year, for bonds 4.9%, increases in future salaries of 4.4% a year and for pension increases of 2.9% a year.
- The actuarial assessment of the value of the fund's assets was £774.0 million as at 31 March 2004 (the market value of the assets), plus £1.8 million for augmentations and redundancies, making a total of £775.8 million, and
- The actuarial assessment of the fund's liabilities, which was £1,035.9 million at 31 March 2004.

The valuation showed that the fund's assets covered 75% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £260.1 million. The actuary has confirmed that the employer's common contribution rate should be 21.1% of pensionable pay for the three years starting 1 April 2005. The aim is to recover the pension fund deficit over the next fifteen years.

During 2006 - 2007, special contributions, in relation to early retirement costs were made to the fund by Suffolk County Council (£3.772 million), Ipswich Borough Council (£0.411 million) and Mid Suffolk District Council (£0.265 million).

An interim valuation was carried out as at 31 March 2007. The valuation was based on the following assumptions:

- Future investment returns for equities were 6.56%, bonds were 4.56%, future salary increases were 4.7% a year, and pensions increases were 3.25%
- The actuarial value of the fund's assets was £1,304 million at 31 March 2007 – this was worked out using the smoothed market valuation basis.
- The fund's liabilities were £1,462 million at 31 March 2007.

The valuation showed that the fund's assets covered 89% of its liabilities at the valuation date and the deficit was £158 million.

The next formal valuation is carried out by the actuaries during 2007.

5. Accounting Policies

- The fund account and net asset statements required under the Accounts and Audit Regulation 2003 have been prepared in line with the Statement of Recommended Practice (financial reports for pension schemes), which is issued by the Accounting Standards Board, and the associated guidance notes issued by CIPFA. The accounts do not take account of liabilities to pay pensions and other benefits after the year-end. The ability to meet these future liabilities is considered by the actuary as part of the actuarial valuation.

- Expenditure and income are accounted for on an accruals basis, with the exception of transfers and lump sum (retirement and death grants) payments, which are accounted for on a cash basis.

- Administration costs charged to the pension fund are based on the time spent by our staff.

- All investments are valued at their market value at the balance sheet date, as follows:

  - Listed securities are valued at the mid-market value on that date.
  - Unit trusts and managed fund investments are shown at the mid-point of the latest prices quoted by the managers before 31 March.
  - Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the balance sheet date.

Notes to the Pension Number 1 Fund

6. Buying and Selling Investments

This is a summary of the investments we bought and sold during the year

	Value at 31 March 2006 Restated £ million	Purchase £ million	Sales £ million	Change in Market Value £ million	Value at 31 March 2007 £ million
Government Securities	64.169	39.026	-24.853	1.418	79.760
Other Fixed Interest	128.133	21.893	-9.630	-1.722	138.674
UK equities	410.523	102.114	-92.190	30.724451.171	
Overseas equities	399.078	133.746	-120.313	19.2664	31.777
Property	134.791	16.944	-11.636	23.108	163.207
Other Managed Funds	5.238	27.899	-28.920	0.174	4.391
Private Equity	9.977	7.885	-1.011	-0.415	16.436
	1,151.909	**349.507**	**-288.553**	**72.553**	**1,285.416**

The 2006 - 2007 Pension Fund accounts are based upon figures provided by the Fund's Custodian (State Street). As a result of this an adjustment to the Fund Account of £1.525 million in unrealised gains has been completed.

7. Holdings above 5 % of the Fund

This is a summary of the holdings within the fund which exceed 5% of the total value of the fund at the balance sheet date.

Asset Type	Manager	Value 2005 - 2006 £ million	% of fund 2005 - 2006	Value 2006 - 2007 £ million	% of fund 2006 - 2007
North American Equities Index	Legal and General	61.211	5.31%	67.131	5.22%
European Equities Index	Legal and General	63.992	5.56%	68.717	5.35%
Corporate Bond Index	Legal and General	58.906	5.11%	65.812	5.12%

Notes to the Pension Number 1 Fund

8. Related parties' transactions and balances

Transactions		31 March 2006 £ million	31 March 2007 £ million
Suffolk County Council	Administrative Expenses	0.804	0.817
Suffolk County Council	Interest on money lent to Suffolk County Council	-0.178	-0.137

Balances	31 March 2006 £ million	31 March 2007 £ million
Cash Temporarily lent to / (by) the council	-0.101	0.831
Due by Suffolk County Council	2.113	3.492
Due by Suffolk District Councils	2.696	2.210
Due by Suffolk Town & Parish Councils	0.009	0.019
Due by Other Bodies	0.658	0.915

There are no significant related parties' transactions involving members or officers.

9. Stock Lending

The fund has a new arrangement with its custodian (State Street) 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 fund value. Collateralised lending generated income of £0.004 million in 2006 - 2007, the first year that security lending has occurred within the fund. This is included within investment income in the Pension Fund Account. At 31 March 2007 £6.804 million worth of stock (0.5% of the Fund) was on loan, for which the fund was in receipt of £7.070 million worth of collateral

10. Contingent liabilities

At the 31 March 2007, there was a pending determination of the transfer value from the Pension No.1 Fund to the Civil Service Pension Scheme, due to a staff transfer which occurred in April 2005 of employees of the Suffolk Magistrates Courts Committee. The determination of the amount of any payment from the Suffolk Pension Fund to the Civil Service Pension scheme is subject to the outcome of national discussions between the Government Actuary and actuaries acting on behalf of local authority pension funds.

At the 31 March 2007, there was a pending bulk transfer of 41 employees from the Pension No.1 Fund to the National Health Service. The value of the transfer is still to be determined by the actuaries of the respective schemes.

Notes to the Pension Number 1 Fund

11. Investment Manager Changes

In July 2007 the Pension Fund made the following changes to its Global and UK Equity Invesment Managers

Previous Managers	**Asset Class**	
Capital International	Overseas Equities	18% of the Fund
Societe Generale	UK Equities	15% of the Fund
New Managers		
JP Morgan Asset Management	Global Equities	13.2% of the Fund
BlackRock Investment Management	UK Equities	6.6% of the Fund
Newton Investment Management	Global Equities	13.2% of the Fund

You can find more information on the Pension Number 1 Fund in the annual report and accounts booklet for 2006 - 2007. We publish this separately and it is available from: Head of Strategic Finance, Suffolk County Council, Endeavour House, Ipswich, IP1 2BX.

Pension Number 2 Fund (Ipswich Buses Ltd)

2005 - 2006 Restated £ million	Fund account	Notes	2006 - 2007 £ million
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
0.516	Normal	2, 8	0.510
	From members		
0.048	Normal	2	0.046
	Benefits payable:		
-0.545	Pensions		-0.572
-0.075	Commutations of pensions and lump sum retirement benefits		-0.084
-0.035	Lump sum death benefits		0.000
	Payments to and on account of leavers:		
-0.061	Individual transfers out to other schemes		0.000
-0.020	Administration expenses borne by the scheme		-0.018
-0.172	**Net additions (withdrawals) from dealings with members**		**-0.118**
	Returns on investments		
	Investment income		
0.068	Income from pooled investment vehicles		0.060
0.007	Other		0.005
	Change in market value of investments:		
0.007	Realised (profit) / loss on investments sold		0.196
2.498	Unrealised (gain)/loss on the market value of investments still held		0.654
-0.005	Taxation - irrecoverable withholding Tax		-0.012
-0.038	Investment management expenses borne by the scheme		-0.019
2.537	**Net returns on investments**		**0.884**
2.365	Net increase, or decrease, in the fund during the year		0.766
12.664	Opening net assets of the scheme		15.029
15.029	**Closing net assets of the scheme**		**15.795**

A new disclosure requirement is to show the level of irrecoverable withholding tax deducted from investment income. disclosure is reflected for the first time in 2006 – 2007, with a comparative for 2005 - 2006.

Pension Number 2 Fund (Ipswich Buses Ltd)

2005 - 2006			2006 - 2007
£ million	**Net asset statement**	**Notes**	**£ million**
	Investment assets		
	Fixed interest securities:		
2.968	Legal & General Corporate bonds		3.002
	Equities:		
4.225	UK companies		4.023
3.245	Overseas companies		3.776
2.970	Legal & General UK government index linked securities		3.264
	Unit trusts:		
1.448	Schroders Property		1.640
14.856	**Total investments**		**15.705**
	Net current assets and liabilities		
0.067	Sundry debtors		0.063
0.119	Cash [temporarily lent to the council]		0.033
0.002	Cash [held by the investment managers]		0.012
-0.015	Sundry creditors		-0.018
0.173	**Net current assets**		**0.090**
15.029	**Net assets**		**15.795**

Notes to the Pension Number 2 Fund (Ipswich Buses Ltd)

1. Running the Fund

The fund provides retirement benefits for employees of Ipswich Buses Limited. The separate fund was started on 1 April 1987.

2. Membership

The fund has the following number of members:

	31 March 2006	31 March 2007
Members	52	47
Employee pensioners	120	124
Dependent pensioners	20	20
Deferred	37	37

Contributions received during the year were as follows:

2005 - 2006		2006 - 2007	
Employers' Contributions £ million	Employees' Contributions £ million	Employers' Contributions £ million	Employees' Contributions £ million
0.516	0.048	0.510	0.046

3. Managing the Fund

The balance of the fund is invested in line with the Local Government Pension Regulations. The fund is quite small therefore to keep administration costs down, the fund is invested in Legal and General equity and index pooled funds (90%) and Schroders property units (10%). You can get a copy of the fund's Statement of Investment Principles from the Head of Strategic Finance.

4. Actuarial Position

The last formal three-yearly actuarial valuation was carried out as at 31 March 2004. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2005.
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 2004;
- the 'attained age method', which values liabilities for a fund that is closed to new members;
- projected investment returns for equities of 6.7% per year, for bonds 4.9%, future salary increases of 4.4% a year, and for pension increases 2.9% a year.
- the actuarial assessment of the value of the fund's assets was £11.501 million at 31 March 2004 (the market value of the assets).
- the actuarial assessment of the fund's liabilities, were £13.448 million at 31 March 2004.

The valuation showed that the fund's assets covered 86% of its liabilities at the valuation date, and the deficit based on the actuarial valuation of the fund was £1.947 million. The actuary has confirmed that the employer's contribution rate should be 400% of employee's contributions for the three years from 1 April 2005. In addition, monetary payments amounting to £0.325 million should be paid annually over the three years.

An interim valuation was carried out as at 31 March 2007. The valuation was based on the same assumptions as for the 2004 valuation, except:

- Future investment returns for equities were 6.56%, for bonds were 4.56%, future salary increases were 4.73% a year, and pensions increases were 3.25%.
- The value of the fund's assets were £16.728 million at 31 March 2007 – this was worked out using the smoothed market value valuation basis.
- The fund's liabilities we £16,615 million at 31 March 2007.

The valuation showed that the fund's assets covered 101% of its liabilities at the valuation date and the surplus was £0.113 million.

The next formal valuation is carried out by the actuaries during 2007.

5. Accounting Policies

- The fund account and net asset statements required under the Accounts and Audit Regulations 2003 have been prepared in line with the Statement of Recommended Practice (financial reports for pension schemes), which is issued by the Accounting Standards Board, and the associated guidance notes issued by CIPFA. The accounts do not take account of liabilities to pay pensions and other benefits after the year-end. The ability to meet these future liabilities is considered by the actuary as part of the actuarial valuation.

- Expenditure and income are accounted for on an accruals basis, with the exception of transfers and lump sum (retirement and death grants) payments, which are accounted for on a cash basis.

- Administration costs charged to the pension fund are based on the time spent by our staff.

- All investments are valued at their market value at the balance sheet date, as follows:

    - Listed securities are valued at the mid-market value on that date.
    - Unit trusts and managed fund investments are shown at the mid-point of the latest prices quoted by the managers before 31 March.
    - Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate on the balance sheet date.

6. Buying and Selling Investments

This is a summary of the investments we bought and sold during the year:

2005 - 2006 £ million		2006 - 2007 £ million
0.048	Bought	0.683
-0.049	Sold	-0.683
-0.001	**Net amount bought/sold**	0.000

Notes to the Pension Number 2 Fund (Ipswich Buses Ltd)

7. Holdings above 5 % of the Fund

This is a summary of the investments above 5% of the total value of the fund at the balance sheet date.

Asset Type	Manager	Value 2005-2006 £ million	% of fund 2005-2006	Value 2006-2007 £ million	% of fund 2006-2007
UK Equities Index	Legal and General	4.225	28.44%	4.023	25.62%
North American Equities Index	Legal and General	0.963	6.48%	1.124	7.16%
European Equities Index	Legal and General	1.020	6.87%	1.230	7.83%
Index Linked Bonds Index	Legal and General	2.970	19.99%	3.082	19.63%
Corporate Bond Index	Legal and General	2.968	19.98%	3.002	19.11%
Property Unit Trusts	Schroders	1.448	9.75%	1.640	10.44%

8. Related parties' transactions and balances

Related Party Transactions		31 March 2006 £ million	31 March 2007 £ million
Suffolk County Council	Interest on money lent to Suffolk County Council	-0.007	-0.005
Employers' Contributions	Ipswich Buses Limited	-0.516	-0.510

Related Party Balances	31 March 2006 £ million	31 March 2007 £ million
Money lent to Suffolk County Council	0.119	0.033
Suffolk County Council – Administrative Expenses	0.006	0.006
Suffolk County Council	0.006	0.003
Ipswich Buses Limited	0.052	0.052

Fire Pension Scheme

Fund Account	**2006 - 2007 £ million**
Contributions Receivable	
From Employer	
Normal	1.587
From members	0.821
Benefits Payable	
Pensions	-3.447
Commutations and Lump Sum retirement benefits	-0.555
Net amount (payable)/receivable for the year before top-up grant	-1.594
Top-up grant received	1.617
Net amount (payable)/receivable for the year	-0.023

Net Assets Statement	**2006 - 2007 £ million**
Net current assets and liabilities	
Amount due to sponsoring department	0.023

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 Communities and Local Government. The fund reflects the pensions of fire fighters, has no assets and is balanced to nil each year by receipt of pension top-up grant from Communities and Local Government.

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: A Statement of Recommended Practice 2006 (SORP). 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.

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.

Glossary

This is a list of technical terms used in the accounts and what they mean.

Accruals basis
Income and expenditure are accounted for as we earn them or commit to them, not as we receive or pay out money.

Actuarial gains and losses
The changes in actuarial loss or gain that happen because:

- things that the actuary thought would happen for the last valuation didn't; 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 we have to put into the fund.

Added years' benefits
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.

Budget
A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Capital charge
A charge to service revenue accounts to show the cost of the fixed assets used to provide the service.

Capital expenditure
Spending on assets that have a long-term value, for example, land, buildings, computers and vehicles.

Capital financing account
This account includes money we have set aside from day-to-day spending to use for capital spending or to repay loans.

Capital receipts
Income from selling assets that have a long-term value.

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 liability
A contingent liability is either:

- a possible obligation arising from past events (it may be confirmed only if particular events happen in future that are not totally within our control); or
- a present obligation arising from past events, where economic transactions are unlikely to be involved or the amount of the obligation cannot be measured with enough reliability.

Corporate and democratic core
Spending relating to supporting the work of councillors and the democratic processes which back this up.

Creditors
People we owe money to.

Current assets
Short-term assets which change in value such as stocks, 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.

Curtailments
The term used to describe an event that reduces future pension payments, for example, when we stop providing a service.

De minimis
The term used to describe a lower limit of a transaction below which no action is needed.

Debtors
People who owe us money.

Deferred charges
Deferred charges arise from capital spending (or spending that by law we have to treat as capital) which does not result in the creation of fixed assets. An example of this is a grant we have given to another organisation to support its capital spending.

Defined benefit scheme
We work out the pension due using the employee's final salary and the number of years they have paid into the scheme multiplied by a set fraction.

Depreciation
The decrease in the value of an asset due to things such as use, age or becoming out of date.

Discretionary benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award, and which ai awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payment Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 199 or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Earmarked reserves
Money set aside for a specific purpose.

Fixed assets
An item which is intended to be used for several years such as a building or a vehicle.

Fixed asset restatement account
This account contains the difference between the values of our assets under the previous valuation system based on historical cost and more recent valuations.

Glossary
An explanation of terms used.

Government grants
Help from the Government, government agencies and similar organisations (whether local, national or international) as cash or transfers of assets to an authority. In return, the authority must carry out its activities in line with certain conditions.

Grants and contributions deferred account
The amount of money given to us to spend on assets that have a lasting value. This amount is reduced each year as the value of the asset reduces due to wear and tear.

Gross spending
The cost of providing our services before allowing for government grants or other income.

Impairment
A reduction in the value of a fixed asset below its amount shown on the balance sheet.

Infrastructure assets
Fixed assets that cannot be sold, transferred or removed. Spending on the asset can be recovered only if the asset continues to be used. Examples of infrastructure assets are highways and footpaths.

Investments (Non-Pension Funds)
A long-term investment in the activities of the authority 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.

Joint Venture
A joint venture is an entity formed between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise.

Liquid resources
Short-term assets such as temporary investments that we can easily turn into cash.

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.

Net spending

If we have spent money on an area of our work and received income from it, the difference between these would be our net spending.

Non-distributed costs

Spending on items not directly related to supplying our services. These items are not charged to services.

Non-operational assets
Fixed assets such as buildings and land that are not needed and are waiting to be sold or redeveloped.

Operational assets
Fixed assets such as buildings and vehicles that we use.

Pay

Pay includes:

- salary;
- travel, food and drink costs;
- other associated costs of employment e.g. national insurance and superannuation.

Pension provision
The two major types of employer-based pension provision are defined-benefit schemes (also known as final-salary schemes) and defined-contribution schemes (also known as money-purchase schemes). The main difference between them is that with defined-benefit schemes, the employee's pension rights do not depend on investment returns or the value of the underlying investments when the person retires. In effect, the employer risks the investments not performing in line with expectations (and takes the benefit in terms of lower employer contributions when investments outperform their expected level). With defined-contribution schemes, both the employer's and employee's contributions to the scheme are fixed. The value of the person's pension is directly related to the investment returns that the pension scheme receives, so the risk of investment underperformance falls on the employee.

Precept
The amount of Council Tax income we need to provide services.

Provision
A provision is money we have set aside in case it is needed.

Projected unit method of Actuarial Valuation
An accrued-benefits valuation method 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. You can find guidance on the projected unit method in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Prudence
Accounts are prepared in line with the prudence concept. This makes sure that profits shown are not too high and asset values are recorded in an acceptable way. It requires that the financial statements are neutral, with gains or losses not being understated or overstated.

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.

Revenue support grant
A grant that makes up the difference between what the Government thinks we should be spending on the day-to-day running of services and what we get from Council Tax and business rates.

Settlements
Agreements that end our 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.

Smoothed market valuation basis
As the value of equity assets can go up or down, our actuary, Hymans, uses a system based on average market conditions in the 12 months leading up to the valuation date.

Stocks
Goods bought which have not been used.

Straight-line calculation
A way of working out the repayment of an amount over a period of time.

Surplus
The remaining income after taking away all expenses.

Trading organisations
Services which are run mainly from the income they get from charging users for their service.

Trust fund
Money that does not belong to us and that we manage for the owners of the money.

Useful life
The length of time that a fixed asset will be useful to us.