Suffolk County Council

Statement of Accounts

2007 - 2008

Suffolk
County Council

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Statement of Accounts

for the year ended **31 March 2008**

Contents

Scope of responsibility

1. Suffolk County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised and its services are delivered, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

3. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) / SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework '*Delivering Good Governance in Local Government*'.

4. A copy of the code can be obtained from the Head of Audit Services, Endeavour House, 8 Russell Road, Ipswich, IP1 2BX. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. The Statement of Internal Control (SIC) has now been replaced by the Annual Governance Statement (AGS).

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

6. 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, Human Resources and Information and Communication Technology 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.

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

The purpose of the governance framework

8. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

9. The governance framework comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high-quality, cost effective services, which meet the needs of those using them.

10. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

11. The Council's governance framework has been in place for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

Systems and processes that comprise Suffolk County Council's governance arrangements

12. The core governance principles of the Council are as follows:

    (a) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

    (b) members and officers working together to achieve a common purpose with clearly defined functions and roles;

    (c) promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

    (d) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

    (e) developing the capacity and capability of members and officers to be effective; and

    (f) engaging with local people and other stakeholders to ensure robust public accountability.

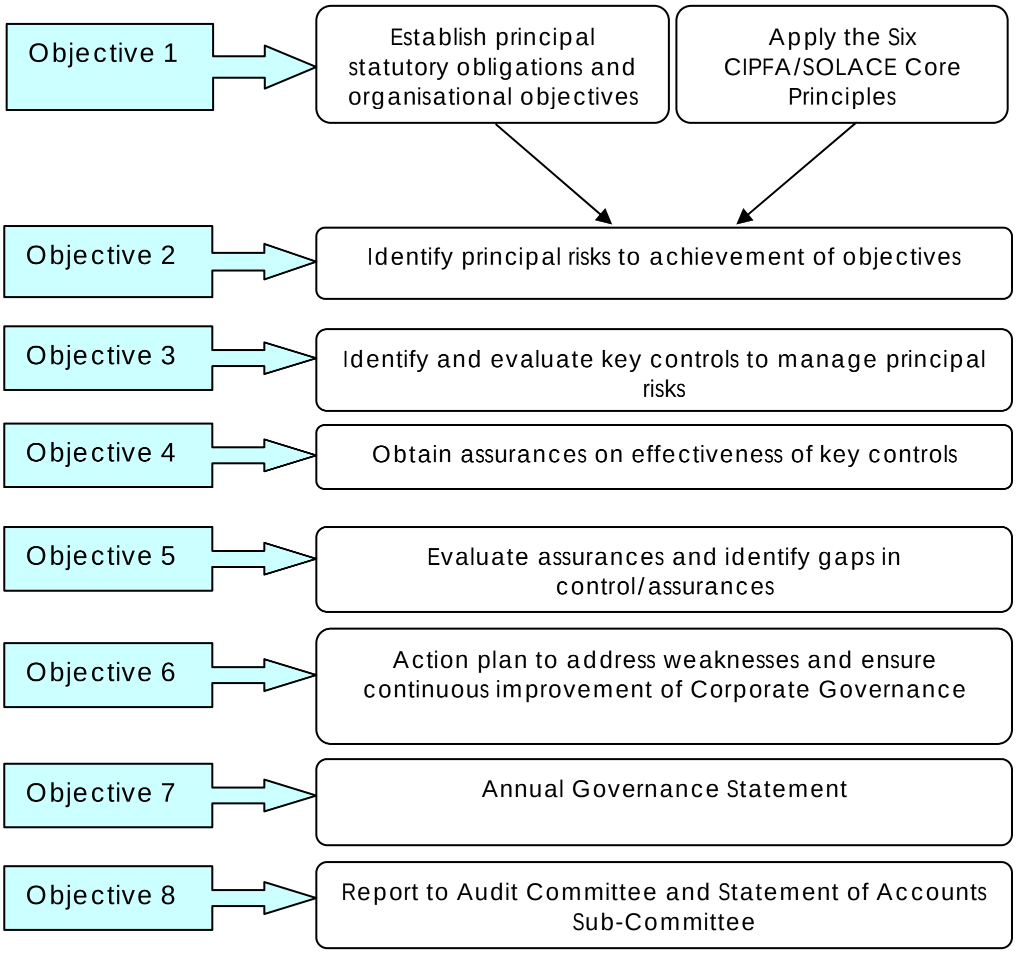
13. The key elements of the systems and processes that compromise the Council's governance arrangements are discussed under these principles in **Annex A** and links given to key documents on the Council's Intranet/Internet.

Review of effectiveness

14. The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

15. This review of effectiveness is undertaken in line with CIPFA guidance 'The Annual Governance Statement, Rough Guide for Practitioners' follows the process detailed on page 11 of the aforementioned guidance:

Review of Annual Governance Statement and Assurance Gathering Process:



16. Evidence was collected against each objective of the above process and was informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit Services annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The evidence collected was then reviewed by Audit Services.

17. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Audit Commission Annual Audit and Inspection Letter 2006 – 2007

18. The Audit Commission's Annual Audit and Inspection Letter 2006-2007, issued in March 2008 reported that the County Council continues to perform well in the area of internal control. The following improvements were noted:

    a) The risk management process specifically considers risks in relation to the Councils strategic partnerships

    b) Significant progress has been made in bringing business continuity plans up to date

    c) Good arrangements are in place to promote and ensure probity and propriety in the conduct of its business, especially in the drive to promote an anti-fraud culture

Use of Resources Assessment

19. 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 2006 - 2007 compared to 2005 - 2006.

Theme	2006 Assessment	2007 Assessment
Financial Reporting	2	2
Financial Management	3	3
Financial Standing	3	3
Internal Control	3	3
Value for Money	3	3
Overall assessment of the Audit Commission	3	3

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

The 2007 - 2008 assessment will take place over the coming months and will be reported later in the year.

Audit Services Report on Corporate Governance Directorate Assessments 2007-2008

20. Internal Audit circulated a self-assessment questionnaire to each directorate to capture evidence that was not available from the information gathered for the Use of Resources assessment. A reality check was carried out by Internal Audit on these self-assessments together with some further testing on the evidence for the Use of Resources. The key issues arising from this exercise that need to be highlighted in the Annual Governance Statement are set out below:

Partnerships

21. There should be a corporately coordinated register of all partnerships, together with a strategy for their management.

22. A corporate responsibility for coordinating and monitoring partnership agreements should also exist. Contractual agreements should be drawn up for all partnerships and risks should be considered and duly recorded on a central system as each partnership agreement is drawn up.

Action

The Corporate Management Board (CMB) approved the Corporate Guidelines for Partnership Working on the 21st April 2008. Adults and Community Services (ACS) are going to trial the new templates during the early part of 2008 - 2009 to check that they are workable for assessing existing partnerships and the need for new ones. They will test whether they are required and ensure that alternative means of collaborative working is not more appropriate or efficient. Once this has been completed and any minor changes made, the Guidelines will be rolled out across the authority and uploaded onto Colin. CMB have agreed that all existing partnerships will be reviewed within the next 6 months. The information from the completed templates will be used to build a comprehensive list of partnerships in Suffolk.

Performance

23. All performance indicators should be fully transparent and consequently included within all service plans.

Action

The 2008-2009 Service Office template required all Service Offices to identify the actions, resources and performance measures required to deliver each identified priority. The Planning and Performance Improvement Specialist Support Function (SSF) will be supporting and raising awareness within the Corporate Management Board and Service Offices to understand that performance management is not just about measuring and monitoring but underpins all they do.

Risk

24. In order to provide a corporate overview of risk, all risks should be recorded in a single risk register within the County Council. Whilst risk analysis can be made outside this register and thus be shared with 3rd parties (often partnerships), the fact that they exist should still be referenced corporately.

25. All risks contained within directorates service plans should be included or referenced within the risk register.

Action

The initial remit for the JC Applications Development (JCAD) risk management system was that it would hold the corporate and all directorate risk registers, and this is being complied with. This provides the corporate overview of risk – the risk escalation process means that any significant partnership, project or section risks are escalated to the relevant directorate risk register and, if necessary, to the corporate risk register, hence any significant corporate risk is included within JCAD. Now that the system is established, the remit for JCAD will be reviewed and guidance given with regard to project, partnership and operational risks. However, there may be circumstances when JCAD is not suitable (e.g. for partnerships where not all partners will have access to the system) in which case risk registers will be held in excel. It is also worth noting that any risk registers held outside of JCAD should comply with corporate guidance and be reviewed on a regular basis.

Finance

26. The County Council should always be seen as a transparent and consistent organisation. Therefore, a uniform approach should be made to the inclusion of appropriate financial information within all directorate Service Plans.

Action

Inclusion of financial information has not been formally required for 2008-2009 Service Office Plans; however, many Service Offices have included this and the high level information was included within the budget documents which went to full Council in February 2008, accompanied by the corporate priorities. The Service Office Plan template will be reviewed for 2009-2010 and the inclusion of financial information will become a formal requirement.

Purchasing

27. All staff who are actively involved in the procurement process, should be trained and have sufficient knowledge of the Scheme of Resource Management and the Procurement Regulations.

Action

As part of Securing the Future, much procurement activity has been centralised within the Sourcing, Procurement and Contract Management function. This will increase consistency. Some 45 staff whose role includes an element of procurement are undergoing basic procurement training to Chartered Institute of Purchasing level 2. Some 400 staff are being trained in use of P2P system as part of Project Matrix. Each Service Office will have a dedicated procurement adviser, as part of the new structure.

Audit Services

28. 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.

29. Within the County Council Audit Services 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 objectives are informed about operational changes so that audit cover can be amended as and when risks and priorities change. Directors, the Section 151 Officer, the Monitoring Officer and the Audit Committee have been consulted for their views on risks and potential audit 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 audit plans, information is obtained from the Corporate Risk Register. This has provided useful supporting evidence for the discussions with service managers during the audit planning process.

30. 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.

31. 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.

32. The results of the review of the effectiveness of the system of internal audit 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.

Opinion of the Head of Audit Services

33. In the opinion of the Head of Audit Services, the County Council has demonstrated effective controls within its main fundamental systems. Audit Services have been closely involved within Project Matrix, the finance transformation project, and can confirm that further improvements to controls can be delivered through the systems to be implemented.

34. Within directorates, systems have been identified where improvements to controls are required and these have been accepted by management. Follow-up work undertaken to date has identified that improvements as specified have been implemented. Outstanding matters will be subject to further internal audit review.

35. During the coming year, the Council must ensure that as new organisational structures are implemented, the need for sound governance and effective internal control is understood throughout directorates. Audit Services will be closely involved to ensure that these programmes improve both the efficiency of the organisation and the internal control environment.

Conclusion

36. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Core Principle 1:
Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

Supporting Principle

Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users.

SCC Evidence

Suffolk County Council has set out its medium-term strategic objectives in 'A Better Way for Suffolk':
- Promoting opportunity for all
- A healthy, prosperous and safe Suffolk
- High quality transport and access
- Innovation in service delivery
- How we deliver – a better way

Each year a Corporate Plan is produced, which demonstrates how we will contribute to these medium-term objectives in the forthcoming year. The Corporate Plan for 2007-2008 identified the following short-term priorities:
- Community involvement and engagement
- Children and young people
- Safer, stronger and sustainable communities
- Adults and healthier communities
- Economic development and enterprise
- Providing quality services and keeping costs down

In November 2007, the Suffolk Strategic Partnership (SSP) set out its 20 year-vision for Suffolk in 'Transforming Suffolk: Suffolk's Community Strategy 2008-2028' after wide consultation with stakeholders etc. The corporate planning process for 2008-2009 was therefore adjusted to ensure that the Corporate priorities for 2008-2009 reflect the Council's contribution to both 'A Better Way for Suffolk' and the wider Community Strategy.

Supporting Principle

Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.

SCC Evidence

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.

A complaints process is in place for service users who are not happy with the level of service provided - Comments and Complaints

Supporting Principle

Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money.

SCC Evidence

The priorities in the Corporate Plan are developed at the start of each budget planning process to ensure that budget allocation decisions are made in line with policies and priorities. For both the 2007-2008 and 2008-2009 budgets, a corporate paper was taken to each budget Scrutiny meeting, which set out the budget process and discussed the arrangements that the Council had in place to ensure that resources are allocated according to the Council's priorities. This is set out in the approved Resources Budget 2007-2008 and Medium Term Plan.

Core Principle 2:
Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Supporting Principle

Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.

SCC Evidence

The County Council's Constitution sets out the roles of Councillors, the Chairman, the Vice-Chairman and Cabinet, rules of procedure and committee/scrutiny panel terms of reference.

Supporting Principle

Ensuring that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard.

SCC Evidence

In addition to the above, the Constitution sets out the roles of Chief Officers and Statutory Officers and the Scheme of Delegation.
Specifically:

- The Chief Executive is the Head of Paid Service in accordance with the Local Government and Housing Act 1989
- The Assistant Director for Scrutiny and Monitoring is the Monitoring Officer and the Proper Officer in accordance with the Local Government Acts (except where signified under other officer delegations) and the Registration Service Act 1953 and is responsible for the administration of the Council's political management structures.
- The Head of Strategic Finance is the Section 151 Officer and is 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.

A Standards Committee is in place and its functions include the following:

- promoting and maintaining high standards of conduct by councillors, independent community members, co-opted members and church and parent governor representatives;
- monitoring the operation of the Members' Code of Conduct, the Planning Code of Good Practice and protocols

Supporting Principle

Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other.

SCC Evidence

In addition to the above, the Constitution includes details on the role of the media, member/officer protocols and the members' allowance scheme

The Council has partnership guidance in place, which details how partnerships should be set up and managed.

Core Principle 3:
Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principle

Ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.

SCC Evidence

The Members' Code of Conduct, the Member/Officer Protocols the Scheme of Resource Management (all within the Constitution), and the staff Code of Conduct (including a register of interests of gifts and hospitality) are in place to:

- define the standards of personal behaviour individual councillors, officers, and agents of the County Council must follow; and
- ensure that elected councillors and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

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.

Supporting Principle

Ensuring that organisational values are put into practice and are effective.

SCC Evidence

A Standards Committee is in place and is responsible for promoting and maintaining high standards of conduct and ethics across the Council, monitoring the operation of codes of conduct for councillors and staff, developing good practice protocols, overseeing the whistle-blowing procedure and investigations by the Ombudsman into complaints against the Council.

A set of five values ('Our Values') is in place for staff to reflect the ethos of the Council:

- I put customers first
- I deliver excellent results
- I work for a team that has no boundaries
- I make a real difference
- I learn, I adapt, I create

Core Principle 4:
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Supporting Principle

Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.

SCC Evidence

The Council has an active scrutiny function and Audit Committee. The scrutiny process was reviewed as part of the CPA Corporate Assessment and the Audit Commission found that 'scrutiny plays an active and robust role in managing performance'.

Examples of the active involvement of scrutiny are as follows:

- Scrutiny committees are involved in the budget-setting process. They are able to comment on budget proposals and suggest alternatives, before the final budget is presented to Cabinet and Full Council
- In 2007-2008 the Environment, Waste Management and Economic Development Scrutiny Committee focused on the major theme of waste. The committee received presentations and visited recycling facilities enabling it to provide the Portfolio Holder and Chief Executive with its views on options for strengthening the Suffolk Waste Partnership including the financing of the residual waste facility.

Supporting Principle

Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.

SCC Evidence

All constitutional meetings of the Council are supported by trained committee staff. Report-writing advice and guidelines have been provided to enable report authors to provide good quality information in plain English to promote transparent, accessible decision-making. Specialist training for report authors has been commissioned and will be delivered in 2008-2009.

Supporting Principle

Ensuring that an effective risk management system is in place.

SCC Evidence

The County Council has a risk management framework and accompanying process for identifying, assessing, managing, 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 the Strategic Risk Panel provides assurance to the Council that its significant business risks are being actively and appropriately managed.

The County Council has effective financial standards and regulations in place. The main framework document in relation to these standards is the Scheme of Resource Management. There is also the Scheme of Delegation of Financial Management that sets out responsibilities for officers in managing their resources. In addition, there are also Financial Control Standards that outline specific controls for operating, for instance, imprest accounts. Recently the Financial Regulations within the Scheme of Resource management have been updated and were approved at full council in March. The new regulations will operate with effect from July 2008. The Scheme of Delegation and the Financial Control Standards are also being reviewed in full by July 2008.

Supporting Principle

Using their legal powers to the full benefit of the citizens and communities in their area.

SCC Evidence

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 the evidence and assessment compiled by an officer group (including a representative of a partner organisation) to support their judgements about the effectiveness of the system of Internal Audit. This includes an assessment of compliance with the CIPFA Code of Practice.
The Constitution includes details of statutory provisions and officer delegations

Core Principle 5:
Developing the capacity and capability of members and officers to be effective

Supporting Principle

Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.

SCC Evidence

Induction and training programmes are in place for both members and staff. Recent training and development additions include the leadership development programme, Project Matrix training and a mentoring scheme.

Staff training and personal development needs are identified through the Performance Development Review process, which all staff take part in.

Supporting Principle

Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.

SCC Evidence

An Audit Committee is in place. The Committee carried out a self assessment at the end of 2006-2007. Furthermore, an independent person (Richard King - Chairman of the CIPFA Audit Panel) carried out an assessment of the work of the Committee, concluding that, in his opinion, "he had witnessed an Audit Committee that is working well".

Supporting Principle

Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

SCC Evidence

A learning and development programme for councillors is in place. It includes an induction programme for new councillors. External sources, such as the IDeA's Leadership Academy are utilised to develop the leadership and political management skills of senior councillors.

The learning and development programme offers councillors a range of subject sessions - from practical skills to quasi-judicial decision making to community issues such as drug and alcohol abuse awareness.

In February 2008, each councillor was issued with a training logbook. The aim of the logbook is to provide a record of a councillor's development during their term of office, bringing together training they have received from the county council, district/borough councils, other statutory authorities (such as the Police Authority) and from external providers.

A People Strategy and accompanying Action Plan, which sets out the Strategy's medium term objectives and links these to the deliverables required, are in place. The strategy includes detail on retention and recruitment, and organisational and employee development. In addition, secondments are available and a mentoring scheme has been created.

Core Principle 6:
Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting Principle

Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

SCC Evidence

An active scrutiny function is in place - each cabinet portfolio is matched by an Overview and Scrutiny committee that scrutinises policy and performance issues. Scrutiny Committees receive a wide range of information from across the Council and the local community. For example, a joint meeting of the Adult and Community Services and Health Scrutiny Committees was held on Wednesday 19 September 2007 to consider Transfers of Care into the Community. The Committee met for a whole day, and during this time, it received evidence from a broad spectrum of witnesses including:

- Customers, reported back to the Committee by the Councillors who visited the customers in their own homes;
- Family Carers;
- The Clinical Director of Care for the Elderly at Ipswich Hospital;
- Directors of PCTs;
- Representatives from Hospices,
- Four hospital joint teams, including Community and PCT staff, reported back to the Committee by the councillors who visited the hospitals,
- Representatives from Suffolk Family Carers,
- Independent care providers

Supporting Principle

Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning.

SCC Evidence

The role of scrutiny has also been extended to cover partnerships. For example, the Local Area Agreement Scrutiny Committee is now in place and includes six Independent Community Members.

For wider ranging policy issues, there is a system of policy development panels – these incorporate portfolio holders, backbenchers and experts from outside the Council to conduct searching reviews on critical policy issues.

The County Council has a corporate consultation and involvement strategy which outlines the Council's commitment to involving residents in the planning and development of the services they use. One of the key principles for 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 the Council 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.

Supporting Principle

Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

SCC Evidence

The method for consulting with the Trade Unions is set out in the Partnership Agreement. The Trade Unions have been consulted as part of the Securing the Future programme and STAFnet has been set up to consult with those staff who are not members of a Trade Union.

With regard to staff working arrangements the Work Environment Programme (WEP) exists to facilitate:
- Flexible working styles in appropriate locations
- The needs of the organisation, partners and the people of Suffolk
- Effective, efficient, value for money, service delivery

It brings together the attributes of property, ICT and HR to identify and implement working environments which match staff and service needs. Included in this area of the programme are flexible working and the provision of two area offices in Bury St Edmunds and Lowestoft with our respective borough/district councils together with the Centre for Environment, Fisheries and Aquaculture Science (CEFAS – a DEFRA agency) for the Waveney project.

Approval of the Annual Governance Statement

Certificate of Director of Resource Management

Signature: Date: 17 June 2008

Certificate of Leader of the Council

Signature: Date: 17 June 2008.

Independent auditor's report to the Councillors of Suffolk County Council

Opinion on the accounting statements

I have audited the Authority and Group accounting statements, the firefighters' pension fund accounting statements, the local government pension fund accounts, and related notes of Suffolk County Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement 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 fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements, the firefighters' pension fund accounting statements and local government pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 Head of Strategic Finance and auditor

The Head of Strategic Finance's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements and local government pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements, firefighters' pension fund accounting statements and the local government pension fund accounts and related notes 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 Authority and Group accounting statements, firefighters' pension fund accounting statements and the local government pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year;
- the financial transactions of the 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 the local government 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.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, firefighters' pension fund accounting statements, the local government pension fund accounts and related notes and consider whether it is consistent with the audited Authority and Group accounting statements, firefighters' pension fund accounting statements, the local government pension fund accounts and related notes. This other information comprises the Explanatory Foreword and the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements, firefighters' pension fund accounting statements, the local government pension fund accounts and related notes. My responsibilities do not extend to any other information.

Auditors' report to Suffolk County Council

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 Authority and Group accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements, firefighters' pension fund accounting statements, the local government pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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 Authority and Group accounting statements, firefighters' pension fund accounting statements, the local government pension fund accounts and related notes 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 information in the Authority and Group accounting statements, firefighters' pension fund accounting statements, the local government pension fund accounts and related notes.

Opinion

As stated in my report for the year ended 31 March 2008 issued on 30 September 2008, in my opinion:

- the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its Group as at 31 March 2008 and its income and expenditure for the year then ended;
- the firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- the local government pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the local government pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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 regularly to review the adequacy and effectiveness of these arrangements.

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 and fire and rescue 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, 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 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 21 December 2007. 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

When the previous audit report was issued on the 30 September 2008, the audit could not be formally concluded and an audit certificate issued until I had completed my consideration of matters brought to my attention by a local authority elector. I was satisfied that these matters did not have a material effect on the financial statements. These matters have now been dealt with.

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, Officer of the Audit Commission

Crown House,

Crown Street,

Ipswich IP1 3HS

24th October 2008

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 code of practice on local authority accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), these statements must present fairly our financial position and that of our pension funds at 31 March 2008, 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 2008 and its income and expenditure for the year to that date.

Geoff Dobson

Head of Strategic Finance (Section 151 Officer)

Date: 30th SEPTEMBER 2008

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: J.T Klaschka Date: 30/09/2008

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 2008, and to summarise the overall financial position of the Council as at 31 March 2008. 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

We are required by law to complete our accounts in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (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:

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

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 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.

For 2007 - 2008 the main change in the balance sheet is the replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. The impact on 2007 - 2008 accounts is that the opening balance on the Capital Adjustment Account equates to the closing balance on the Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007. The new Revaluation Reserve will have an opening balance of zero.

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 format 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 (CSD). 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 scheduled and 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.

2.8 Other issues

Due to the new requirements of the SORP 2007 the Council has implemented new accounting policies relating to Financial Instruments (adopting FRS 25, 26 and 29), see accounting policies 17 and 18 on page 70. Also refer to notes 35 – 38 on pages 46 to 51.

This new adoption has no impact on the Councils Income & Expenditure Account or Balance Sheet. This is due to the fact that the Council does not hold material levels of the types of financial instruments that would require adjustment due to the new policies. However, additional disclosures are required in the notes to the core financial statements to enable users to evaluate:

- the significance of Financial Instruments for the authority's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the authority was exposed and how the authority manages those risks.

3. Service Revenue Expenditure

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

2007 - 2008 Revenue Outturn Table	**Service Budget Allocation**	**Actual Spend**	**Underspend (transferred to reserves)**
Service	**£ million**	**£ million**	**£ million**
Adult & Community Services	151.713	147.362	4.351
Children & Young People	101.097	100.086	1.011
Environment and Transport	63.360	60.785	2.575
Protection	25.254	24.636	0.618
Resource Management	54.629	53.550	1.079
Chief Executives	3.715	3.619	0.096
Other	-8.233	-15.266	7.033
TOTAL BUDGET REQUIREMENT	**391.535**	**374.772**	**16.763**

Comments on the financial position of the Council and the main reasons for the underspending are set out below:

3.1 Overall

The Council has had another successful financial year with all services coming within their budget allocations. This has been the result of firm financial control and prudent financial management. All savings targets have been met and reserves and balances have increased partly reflecting temporary delays in spending in 2007 - 2008 and to cover future risks and uncertainties.

This outturn is as much about the medium term financial planning climate as it is about the last financial year. The Comprehensive Spending Review 2007 (CSR07) which was published in October 2007 indicated a much tighter fiscal regime for the next 3 years with real terms growth in spending for local government averaging 1% p.a. compared to 4% p.a. over the previous 10 years. Since then the economic position has worsened with rising inflation fuelled by the energy and commodity markets.

The budget for 2008 - 2009 and medium term financial plan was set against this background and robust financial management has been maintained to ensure the much tougher financial position being faced can be managed in the medium term.

Action taken to prepare for the 2008 – 2009 budget has resulted in further managed underspending relating to service budgets of £4.5m to that already reported during the year of £4.3m. In addition £5.7m came through a combination of delays in spending and extra income received late in the financial year (of which about £3.5m was mainly outside the control of the council), and £2.3m arose from savings in insurance and contingencies.

3.2 Adult and Community Services (£4.4m)

Underspending of £1m was due to process improvements in dealing with customers, delays in the tendering process has meant the Assistive Technology grant of £1m will not be spent until 2008 – 2009, whilst the strict vacancy management controls have lead to an underspend on pay and training budgets (£2.4m)

3.3 Children and Young People (£1m)

The underspending of 1% of budget was due to delays on “spend to save” investment in the in-house fostering service (£0.2m), due to problems with recruiting additional foster carers. This will have a knock on effect on purchased care budgets, as children will need to be placed in more expensive purchased placements if the in-house service is not available. Lower than expected spend on home to school transport (£0.5m) due to there being fewer school days in the financial year as Easter fell before the end of March, the impact of which had not been forecast earlier in the financial year, and several other smaller variances.

3.4 Environment & Transport (£2.6m)

There was reduced spending on waste disposal (£0.7m) due to lower quantities of waste arising (quantities were less than in 2006 – 2007), some delays in spending works budgets on highways repairs and lighting equipment (£0.8m) which will be carried forward to 2008 – 2009. Additional income (£0.4m) from charging utility companies and a government grant relating to the disposal of electrical equipment.

3.5 Protection (£0.6m)

Operational activity in the Fire and Rescue Service was lower than budgeted (£0.1m) and grants were received from government and other bodies (£0.3m) which will be spent over more than one year.

3.6 Resource Management (£1.1m)

Larger surpluses were made by the ‘trading units’ (£0.3m) due to additional business across most of the groups activities, savings were made through staff vacancies across the directorate (£0.3m) together with lower ICT costs (£0.3m)

3.7 Chief Executive's (£0.1m)

The savings consisted of small staff and project based underspends.

3.8 Other (£7m)

The underspend was due to the Council being allocated more grant (£2m) from the Local Authority Business Growth Incentive (LABGI) scheme; insurance savings of £1m due to fewer claims, interest savings of £1.5m due to slippage on the capital programme and reduced calls on the contingency fund (£2.7m).

The following table shows the balance of reserves at 31st March 2008 analysed by service:

2007 - 2008 Reserve Balances	Balance of Reserves at 31 March 2008		
	£ million	£ million	£ million
Service Reserves			
Adult & Community Services	3.787		
Children & Young People (non schools)	5.548		
Environment and Transport	4.615		
Protection	1.817		
Resource Management	3.730		
Chief Executives	0.780		
Other	0.321		
Sub Total		**20.598**	
Specific Activity Reserves		**46.171**	
General Fund (non-schools)		**10.397**	
Total reflected in revenue outturn table			**77.166**
General Fund (schools)	18.914		
Dedicated Schools Grant Reserve	6.322		
Total Schools Related Reserves			**25.236**
Landfill Allowance Trading Scheme Reserve (non-cash)			**0.119**
GRAND TOTAL			**102.521**

We have £102.521 million of General Fund and Earmarked reserves. We can use these reserves to pay for future service needs (except for the Landfill reserve which is non-cash). This is made up of £20.598 million held for services; £46.171 million for specific activities we are committed to; £29.311 million for the General Fund (of which £18.914 million is schools related); £6.322 million held for schools in relation to the Dedicated Schools Grant and £0.119 million which is a non-cash reserve relating to the Landfill Allowance Trading Scheme (see Accounting Policy 21 on page 71). The figures in this table reconcile to the General Fund and Earmarked Reserves balances in note 26 on page 35.

4. Capital Spending

The table below shows the revised capital spending plan compared with the actual spend delivered by the services of the County Council.

	2007 - 2008				2006 - 2007
	Revised Forecast Capital Payments	Capital Payments Outturn	Other Capital Spend*	Total Capital Spend	Total Capital Spend
	£ million	£ million	£ million	£ million	£ million
Service					
Children and Young People	49.246	35.370	3.226	**38.596**	**28.353**
Schools Devolved Capital	13.073	11.723	-	**11.723**	**11.364**
Adult and Community Services	1.960	1.832	-	**1.832**	**3.058**
Public Protection	1.321	1.008	-	**1.008**	**0.676**
Environment and Transport	54.631	51.181	-	**51.181**	**51.601**
Resource Management	15.070	11.305	1.698	**13.003**	**5.178**
Total	**135.301**	**112.419**	**4.924**	**117.343**	**100.230**
Financed By:					
Government Grants	41.671	39.827	-	**39.827**	**33.113**
Supported Borrowing	36.511	25.386	-	**25.386**	**28.198**
Prudential Borrowing	34.061	23.137	0.527	**23.664**	**14.816**
Capital Receipts	0.874	2.024	-	**2.024**	**4.378**
Other Contributions	16.690	15.943	1.040	**16.983**	**13.733**
Renewals Reserves	1.556	2.171	-	**2.171**	**1.283**
Revenue Budgets/Reserves	3.938	3.931	3.357	**7.288**	**4.709**
Total	**135.301**	**112.419**	**4.924**	**117.343**	**100.230**

* Other capital spend includes I.T. equipment purchased through revenue budgets, purchases of land for future schemes and building work at Copleston High School paid for by Insurance.

The main reasons for the underspending between the revised forecast and total capital spend are set out below:

4.1 Children and Young People

There was further slippage on the Harbour Pupil Referral Unit (£1.3m) together with a number of smaller schemes where the forecast was overly optimistic.

4.2 Adult and Community Services

There were delays in receiving planning permission which means the final construction costs (£0.2m) on Ipswich Curriers Lane Community Education Centre will fall in 2008 – 2009; delays in developing ICT projects (£0.1m) and late approvals by the Department of Health to bids from organisations means that payments of £0.2m will not be made until 2008 - 2009

4.3 Environment and Transport

There were delays in preparation costs on the major road scheme at Stowmarket (£1m) and slippage of £2m on a range of highway improvement schemes with a value of about £35m.

4.4 Resource Management

There was a lower than expected spend on the Public Service Village at Bury St Edmunds (£1.2m) which will fall in 2008 -2009 and delays in spending of £2m on ICT projects, many of which were in progress at the year end.

5. 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 2008 this was £212.967 million (£288.168 million at 31 March 2007), 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 2008 it was valued at £1,298.1 million. This is estimated as able to meet 77.1% of its future commitments. It should be able to meet 100% of its future commitments by around 2022 in accordance with the plan at the previous triennial valuation in 2007.

6. Looking to the future

The Council's budget for 2008/09 was set at £424.6m which was a 5.8 % increase over the 2007 – 2008 adjusted budget after reflecting transfers into and from Formula Grant and the new Area Based Grant. Savings of some £12m were required to contain the council tax increase to 3.75% down from the 4.5% in the previous year.

In the medium and long term the Council faces some significant challenges but also major opportunities to make a difference to the lives of people living and working in Suffolk. The ongoing challenges relate to demographic change with the County's population expected to rise by 12% (from about 700,000) by 2021 with significant increases of people aged 65+ projected bringing the proportion to almost a quarter of the population. That taken together with a low skilled and low earning economy, the proportion of the population who are working age falling and a reduction in the number of people aged under 15 will create sections within communities which will have particular needs to be met from the Council's resources. These changes will lead to pressure on future budgets as people's needs become more complex and expensive, together with rising inflation in the economy and other burdens placed on local authorities. This at the same time as public expenditure is being squeezed as forecast in the government's Comprehensive Spending Review 2007 (CSR07) and the desire to have low and stable council tax increases.

To address these challenges the Council has plans for further efficiency savings from the 'Securing the Future' programme which will deliver a new organisational model moving the Council to an enabling authority, improving business processes, optimising opportunities for efficiency, procurement and tighter cost control.

The Council has clear ambitions for the future linked to the priorities within the Sustainable Community Strategy agreed by the Suffolk Strategic Partnership. These will help address the County's economic inequalities by retraining and attracting young people to live, work and study in Suffolk. To address these priorities the Council has several major projects in the preparation stage which will lead to major investment in services together with its financial commitment to University Campus Suffolk. These are summarised below:

- **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.

  The implementation of the overall project could be spread over a 13 year period and cost about £23m which will include training and development for staff, project management and transitional costs. This funding will initially come from schools balances until the first savings begin to accrue, then these savings will be used to fund the remainder of the implementation costs and repay school balances, before the overall savings are made available for re-investment to schools through the Local Management of Schools (LMS) formula.

  The necessary building works to refurbish, remodel and rebuild schools to complement this programme are estimated in the region of £72m and will be met from the Children and Young People's capital programme.

- **Transforming Learning within Communities – Building Schools for the Future (BSF) –** BSF is a national programme to rebuild or remodel every secondary school in England over the next 15-20 years to ensure it is 'fit for purpose'. This programme will have significant benefits for Suffolk and will bring in between £500m to £600m of capital investment to our schools. This is not just about the building of schools but is intended to transform learning in all our secondary schools, so our children and young people have the best start in life and the County's adult population can get the right skills needed for the workplace. To this end, the authority is developing with its schools and their communities, a vision for the future of learning in Suffolk. Work on this has begun and will continue into the future together with the programme costs which the council has to meet including setting up the delivery mechanism for BSF in Suffolk (i.e. the formation of a Local Education Partnership (LEP) involving the private sector, the Council and Partnership for Schools (an arm of the Department for Children, Schools and Families), project management and the financial, technical and educational assessment of the proposed developments. Programme costs have been set aside for this project from a mixture of Children and Young People Directorate reserves and the major corporate projects budget. Indicative costs are about £1.5m per annum. This programme will be rolled out in geographical phases across Suffolk based on deprivation and low attainment and where possible will be integrated with the Schools Organisation Review to optimise funding and effectiveness.

- **Fire Private Finance Initiative (PFI)** – This project aims to build five stations and refurbish five more as part of the modernisation of the Fire Service and covers the rebuilding and refurbishment of about a third of the Fire Services operational buildings. This project has reached financial close on 11 June and has been awarded PFI credits of £27.1m (a specific grant paid over the life of the contract towards the capital element of the scheme). The annual budget requirement to cover the costs of the project will be £1.8m (after grant) including the existing estate and this has been provided from within the Public Protection budget. The procurement costs are estimated to have cost £1.8m over 4 years and have been met from a mixture of base budget, contingency and the major corporate projects budget.

- **Waste Procurement Residual Treatment Facility (Energy from Waste)** - This project presents significant challenges. Historically, the majority of residual municipal solid waste arisings within the county have been landfilled. The ability to continue to landfill is coming to an end. This is because the existing capacity is estimated to be exhausted between 2014-2016 and tighter regulatory controls mean that licenses for further capacity are unlikely to be granted. The council will therefore require an alternative means of residual waste disposal. In addition, the council needs to ensure its compliance with the European Union Landfill Directive, the Landfill Allowance Trading Scheme (LATS) and associated national recycling legislation to avoid very large financial penalties impacting on the council's budget.

  To address these issues will require large levels of capital investment in new waste treatment and disposal technology in order to deal with the projected waste arising over the next 25 years. The council has developed an Outline Business Case together with its advisers which encompasses waste reduction, re-use, transfer, recycling, composting, the treatment of residual waste (recovery) and landfill disposal and will be procured and delivered through a number of separate service contracts. The residual waste treatment facility will be delivered through the Private Finance Initiative (PFI) and provisional PFI credits of £102m have been approved by the Treasury (broadly 50% of the capital cost) and the procurement process has started. The preparation costs associated with this project are estimated at £4.4m leading up to full operation in 2014-15. These will be met mainly from specific reserves within the Environment and Transport (E&T) Directorate and supplemented (if required) by the major corporate projects budget. The ongoing costs of the project are planned to be incorporated into the E&T budget and will need to rise by about £14.6m over the current base budget for Waste.

- **Work Environment Programme –** The council is undertaking a significant programme of work to rationalise its estate, ensure properties meet the latest occupation standards, share buildings with other partners and promote the integration of services together with flexible working. One project, the Public Service Village (West Suffolk House) at Bury St Edmunds, is being undertaken jointly with St Edmundsbury Borough Council. This will provide the County's area office for the west of Suffolk and a Headquarters building for St Edmundsbury. Construction is in progress and should be complete in the early part of 2009. The capital costs of about £21.4m are shared and the County's element is included in the 2008-2009 capital programme. Programme support costs of £0.1m have also been provided for in 2008-2009 and possibly 2009-2010 (50% of total). Capital funding for the project will be a mixture of capital receipts (from disposing of properties surplus to requirements) and prudential borrowing with revenue savings offsetting the debt charges.

The second project the Waveney Campus (located in Lowestoft) is being undertaken jointly with Waveney District Council and the Centre for Environment, Fisheries and Aquaculture Science (Cefas). This will provide the County's area office in the north of Suffolk, Waveney's Headquarters building and a regional centre for Cefas allowing retention and relocation of skilled jobs in the area. The final business case is nearing completion with an expected capital cost of about £60m. At this stage, both the County Council and Cefas will be tenants of Waveney with rental costs being met from existing budgets from redundant property. Following local government reorganisation the new authority will own the campus and only Cefas will be tenants. It is likely the building will be operational during 2010. The County's programme costs are being met from the major corporate projects budget.

- **Residential Care Accommodation -** During 2007-2008 Adult and Community Services progressed the development of the business case to establish the future role and purpose of the 16 Residential Care Homes, currently owned and operated by the County Council. Following a Gateway Review by the independent Public, Private, Partnerships Programme (4P's) further improvements are being made to the programme arrangements and any procurement has been put back to no earlier than January 2009 in the light of Local Government Review (see below). However, work is ongoing to complete an Expression of Interest for PFI credits of £30m to the Department of Health to develop 4 new homes as part of an overall development of accommodation based services. The estimated preparation costs of £1.0m are being met from the Directorate's specific reserves.
- **Local Government Review –** Following the Minister's decision in December 2007 not to award Ipswich unitary status on its existing boundaries the Minister then invited the Boundary Committee to review local government structures in both Suffolk and Norfolk (together with Devon) with a view to the Committee advising the minister on unitary options for the respective areas. The Boundary Committee having accepted its brief is undertaking the exercise in 4 stages as follows:

Stage One: 3rd March to 11th April. Authorities invited to submit concepts for new unitary authorities that would meet the five criteria of :

- Broad cross-section of support
- Strategic Leadership
- Neighbourhood empowerment
- Value for money in provision of services
- Affordability

Stage Two: 14th April to 4th July. Boundary Committee considers concepts and seeks information from local authorities and other stakeholders.

Draft proposals published.

Stage Three: 7th July to 26th September. Consultation on draft proposals including boundaries.

Affordability information provided by local authorities by 8th September.

Stage Four: 29th September to 19th December. Stage three information considered by the Boundary Committee. Further information requested as necessary.

Advice provided to Secretary of State.

Early part of 2009 the Minister makes a decision.

At this stage the County Council together with Mid-Suffolk District Council have submitted a One Suffolk single unitary proposal to the Boundary Committee and have responded to a detailed set of questions from the Boundary Committee. Other concepts submitted by other boroughs/districts in Suffolk and some local authority political groups in Suffolk are for a West Suffolk and East Suffolk unitary and various options for an Ipswich unitary on extended boundaries with East, West and residual Suffolk unitary combinations. At the time of writing we are awaiting the Boundary Committee publishing its draft proposals for consultation.

Clearly the outcome of the Local Government Review does pose risks for the delivery of some of our major projects but through careful stakeholder engagement and providing confidence to the market it is anticipated these risks can be mitigated but this will be regularly monitored and appropriate action taken.

Acknowledgements

The preparation of the final accounts have been undertaken during a period of sustained pressure for finance colleagues in both CSD, Strategic Finance and Procurement as the introduction of new financial systems and business processes is about to go live during August / September 2008 (i.e. finance transformation through re-implementing oracle financials to the latest version and integrating finance with procurement (Project Matrix)). This has meant a substantial amount of development work, demonstrating the new systems, responding to feedback, fine tuning the product, engaging with all budget holders and business support staff, training staff and testing everything works. In addition there have been many staff from the directorates who have attended briefings, workshops and training to help us ensure that systems are “fit for purpose”. My thanks and appreciation go to all those who have contributed to the final accounts process and Project Matrix.

As this foreword indicates the Council will continue to face a tough financial climate but also some exciting prospects with major investments in services in the medium to long term addressing key corporate and community priorities.

In conclusion, it is pleasing to report that the Council’s finances remain healthy as a result of robust budget monitoring throughout the year by all directorates, which has allowed them to come within their budget allocations with underspendings being carried forward to be spent in 2008 - 2009. The Council’s reserves are strong and should be able to withstand the uncertainty the council faces in the medium term, fund change management and programme costs of major projects together with providing some flexibility in managing rising cost pressures generated from world events in the oil and commodity markets.

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

2006 - 2007 Net Expenditure Restated £ million		Notes	2007 - 2008 Gross Expenditure £ million	Gross Income £ million	Net Expenditure £ million
2.897	Central services to the public		4.468	-1.363	3.105
0.740	Court services (Coroners)		0.799	0.000	0.799
37.608	Cultural, environmental and planning services		61.158	-17.555	43.603
98.833	Children's and Education services	**2 , 29**	646.345	-532.559	113.786
23.341	Fire services		25.131	-1.392	23.739
43.037	Highways, roads and transport services		53.970	-15.342	38.628
-1.721	Housing Services		18.590	-15.683	2.907
147.744	Adult Social services	**2**	203.883	-52.528	151.355
5.934	Corporate and democratic core	**31**	6.397	-0.193	6.204
1.443	Non distributed costs		1.093	-0.044	1.049
359.856	**Net cost of services**		**1,021.834**	**-636.659**	**385.175**
0.743	Surplus(-)/Loss on the disposal of fixed assets				0.457
0.431	Payments to the Environment Agency				0.431
0.343	Payments to the Eastern Sea Fisheries Joint Committee				0.355
-2.529	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	**4**			-2.440
13.287	Interest payable and similar charges				13.400
-3.675	Interest and investment income	**32**			-4.731
6.415	Pensions interest cost and expected return on pensions assets				4.494
374.871	**Net Operating Expenditure**				**397.141**

Income and Expenditure Account

2006 – 2007			2007 - 2008		
Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
-243.128	Demand on Collection Fund				-258.284
-22.718	General government grants				-21.678
-106.896	Non-domestic rates redistribution				-114.102
2.129	**Deficit for the Year**				**3.077**

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.

2006 - 2007		**2007 - 2008**
£ million		**£ million**
2.129	Deficit for the year on the Income and Expenditure Account	3.077
-2.562	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-4.578
-0.433	(Increase)/Decrease in General Fund Balance for the Year	**-1.501**
-27.377	General Fund Balance brought forward	-27.810
-27.810	General Fund Balance carried forward	**-29.311**
-18.280	Amount of General Fund balance held by schools under local management schemes	-18.914
-9.530	Amount of General Fund Balance generally available for new expenditure	-10.397
-27.810		**-29.311**

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:

2006 - 2007 £ million		2007 - 2008 £ million
-2.562	**Net Additional amount to be credited to the General Fund balance for the year**	**-4.578**
	Comprising:	
-84.169	**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**	**-90.878**
-32.725	Depreciation and impairment of fixed assets	-48.123
12.155	Government Grants and Capital Contributions Deferred amortisation	19.729
-19.974	Write downs of deferred charges and de-minimis capital spending to be financed from capital resources	-24.530
-0.238	Net loss (-) / gain on sale of fixed assets	0.069
-43.387	Net charges made for retirement benefits in accordance with FRS 17	-38.023
63.363	**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**	**65.592**
14.816	Minimum revenue provision for capital financing	15.944
5.992	Capital expenditure charged in-year to the General Fund Balance	9.458
42.555	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	40.190
18.244	**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.**	**20.708**
18.244	Net transfer to or from earmarked reserves	20.708

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 deficit 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.

2006 - 2007 £ million		2007 - 2008 £ million
2.129	Deficit for the year on the Income and Expenditure Account	3.077
-213.375	Surplus arising on revaluation of fixed assets	-271.075
-61.553	Actuarial (gains)/losses on pension fund assets and liabilities	-73.034
-272.799	**Total recognised gains for the year**	**-341.032**
	Loss through re-statement of tangible fixed assets as at 31 March 2007 as per note 13 on page 26	27.360
	Total gains recognised since the published Statement of Accounts for 2006 - 2007	**-313.672**

Balance Sheet

31 March 2007 Restated £ million		Notes	31 March 2008 £ million	£ million
	Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
1,256.787	Other land and buildings		1,511.283	
27.204	Vehicles, plant and equipment		29.779	
269.699	Infrastructure assets		299.865	
1.216	Community assets		1.216	
	Non operational assets:			
4.188	Assets under construction		21.644	
10.905	Surplus assets held for disposal		20.022	
1,569.999	**Total Fixed Assets**	**13**		1,883.809
0.187	Long-term investments		0.173	
0.285	Long-term debtors		0.204	
				0.377
1,570.471	**Total Long-Term Assets**			1,884.186
	Current Assets			
0.997	Stocks and work in progress	**39**	0.996	
42.730	Debtors		47.868	
45.091	Investments		82.592	
1.219	Landfill Allowances		0.254	
0.000	Cash and bank		0.126	
				131.836
1,660.508	**Total Assets**			2,016.022
	Current Liabilities			
-43.348	Short-term borrowing		-54.287	
-99.792	Creditors		-99.599	
-2.149	Bank overdraft		0.000	
				-153.886
1,515.219	**Total Assets Less Current Liabilities**			1,862.136
	Long-term liabilities			
-260.095	Long-term borrowing		-294.562	
-2.823	Provisions	**25**	-2.733	
-159.117	Government grants deferred	**22**	-186.064	
-12.560	Capital contributions deferred	**22**	-27.010	
-5.914	Deferred liabilities		-11.226	
-288.168	Liability related to defined benefit pension scheme		-212.967	
				-734.562
786.542	**Total Assets Less Liabilities**			**1,127.574**
	Financed by:			
0.000	Fixed asset revaluation reserve	**26**		265.060
994.395	Capital adjustment account	**15 , 26**		972.960
-288.168	Pensions reserve	**26**		-212.967
27.810	General fund balance	**26**		29.311
52.505	Earmarked reserves	**26**		73.210
786.542	**Total Net Worth**			**1,127.574**

Cash-flow Statement

2006 - 2007 Restated £ million	£ million		Notes	2007 - 2008 £ million	£ million
		Revenue activities			
		Cash outflows:			
532.800		Cash paid to and on behalf of employees		552.502	
387.379 *		Other operating cash payments		402.229	
	920.179				954.731
		Cash inflows:			
-243.128		Council tax receipts		-258.284	
-106.896		National non-domestic rate receipts from national pool		-114.102	
-22.718		General government grants		-20.077	
-443.519		Specific service government grants	**45**	-516.658	
-161.066 *		Cash received for goods and services		-101.493	
	-977.327				-1,010.614
	-57.148	**Revenue Activities' Net Cash Flow**	**41**		**-55.883**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
13.062		Interest paid		13.409	
		Cash inflows:			
-4.694		Interest received		-4.362	
	8.368	**Net cash flow from returns on investments**			**9.047**
		Capital Activities			
		Cash outflows:			
89.607		Purchase of fixed assets		89.408	
19.974		Other capital cash payments		24.530	
		Cash inflows:			
-3.874		Sale of fixed assets		-1.481	
-31.140		Capital grants received	**45**	-44.087	
-13.607		Other capital cash receipts		-13.562	
	60.960	**Net cash flow from capital activities**			**54.808**
	12.180	**Net Cash inflow / outflow Before Financing**			**7.972**
		Management of Liquid Resources			
	19.790	Net increase / decrease in short-term deposits	**44**		**37.501**
		Financing			
		Cash outflows:			
42.201		Repayments of amounts borrowed		19.675	
		Cash inflows:			
-45.000		New loans raised		-35.000	
2.287		Deferred Liabilities		-5.312	
-26.494		New short-term loans		-27.111	
	-27.006				**-47.748**
	4.964	**(Net increase) / decrease in cash**	**42**		**-2.275**

* The 2006 – 2007 comparator figures for revenue activities in the main cash flow statement above have been re-stated by £55.261m to eliminate non-cash internal recharges.

1. Authorisation of accounts for issue

Events after the balance sheet date were considered up to 30 September 2008, the point that the Head of Strategic Finance signed the Statement of Accounts on page 1. This followed the completion of the audit of the accounts.

2. Prior period adjustments

In the 2007-2008 Statement of Accounts, the Council has adopted changes to the classification of two of its services in the Net Cost of Services section of the Income and Expenditure Account.

The changes are driven by the redefinition of these services as per the CIPFA Best Value Accounting Code of Practice (BVACOP). These amendments impact on the comparative figures for 2006-2007 in the Income and Expenditure Account.

Education Services and Social Services are now reclassified as Children's and Education Services and Adult Social Services respectively. In brief this means that the children's part of the former Social Services heading has been transferred into the Children's and Education Services heading.

The effect is summarised below:

	Net Expenditure figure from the Income and Expenditure Account in 2006-2007 Statement of Accounts	Amount transferred between services to comply with BVACOP changes	2006-2007 comparative Net Expenditure figure to use in the Income and Expenditure Account in 2007-2008 Statement of Accounts
	£ million	**£ million**	**£ million**
Education services / Children's and education services	52.783	46.050	98.833
Social Services / Adult social services	193.794	-46.050	147.744
	246.577	**0.000**	**246.577**

3. Private Finance Initiatives

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

The Council has completed the procurement phase of a PFI contract in relation to the development of Fire Stations. This reached financial close on 11 June 2008.

The Council has also submitted an Outline Business Case (OBC) to Central Government in relation to building a residual waste treatment facility in Suffolk. The OBC was approved and the Council is now entering the procurement phase of this PFI Project. A Final Business Case is due for submission to Central Government in 2010.

4. 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.

Details of those trading units are as follows:

Cleaning Buildings – the council operates a commercial, value for money, service for the cleaning of education and commercial buildings and the provision of related services. The main recipient of the services is Suffolk County Council but other recipients include private companies and other borough and district councils.

Grounds Maintenance - the council operates commercial, value for money, grounds maintenance and design services. The main recipients of the services are education facilities operated by Suffolk County Council.

Catering – the council operates commercial, value for money, catering services. The main recipients of the services are education facilities operated by Suffolk County Council.

Suffolk Design and Print - the council operates commercial, value for money, design, copying and printing services. The services are provided to Suffolk County Council and other borough and district councils.

The trading objective of the four units above is to generate a modest surplus for re-investment and to maintain a business reserve/contingency within agreed parameters.

Suffolk Highways Contracting – the council operates an in-house construction direct service organisation providing a wide range of construction services for highway maintenance and improvements. It provides the winter maintenance service and works in partnership with Carillion as part of the Suffolk Highways Partnership.

Suffolk Fleet Management – the council runs an in-house trading unit providing fleet management and maintenance services to the authority's fleet of vehicles and plant, excluding the fire service. The service is delivered against a challenging technical specification annually agreed with each customer group.

The trading objectives of Suffolk Highways Contracting and Suffolk Fleet Management are to provide a fully comprehensive, value for money, high quality service and to achieve no less than a break even year end financial performance.

Central Department Traders – these trading units supply a range of services to Suffolk County Council including custodial services, security services and an insurance trading account. The insurance trading account provides insurance cover for most of the authority's third party and employer's liability risks. The trading objective of these units is to break even and, in the case of the insurance trading account, to maintain a reserve/contingency within agreed parameters.

2006 - 2007				2007 - 2008		
Gross Spending	Income	Surplus marked '-' or deficit		Gross Spending	Income	Surplus marked '-' or deficit
£ million	£ million	£ million		£ million	£ million	£ million
2.833	-2.838	-0.005	Cleaning Buildings	2.696	-2.709	-0.013
3.804	-4.023	-0.219	Grounds Maintenance	4.225	-4.405	-0.180
13.458	-13.420	0.038	Catering	13.120	-13.125	-0.005
0.064	-0.163	-0.099	Suffolk Design and Print	0.218	-0.387	-0.169
22.792	-23.184	-0.392	Suffolk Highways Contracting	21.529	-21.480	0.049
3.257	-3.347	-0.090	Suffolk Fleet Management	2.317	-2.383	-0.066
6.949	-8.711	-1.762	Central Department Traders	11.582	-13.638	-2.056
53.157	**-55.686**	**-2.529**	**Net surplus / deficit taken to the revenue account**	**55.687**	**-58.127**	**-2.440**

5. Publicity

Per the requirements of section 5(1) of the Local Government Act 1986, the council's spending on publicity was:

2006 - 2007 £ million		2007 - 2008 £ million
1.390	Staff recruitment	1.284
0.911	Other advertising such as public notices	0.556
0.903	Other public information activities	1.142
3.204		**2.982**

6. Local Authorities (Goods & Services) Act 1970

We provide goods and services to other local authorities and public organisations under the Local Authorities (Goods and Services) Act 1970. The income we received in 2007 – 2008 and the related costs are shown below:

2006 - 2007			2007 - 2008	
Income £ million	Related Costs £ million		Income £ million	Related Costs £ million
-0.092	0.092	Legal services	-0.109	0.109
-0.007	0.007	Trading Standards - Training Courses	-0.003	0.001
-0.165	0.173	Emergency Planning - Joint EPU for Suffolk	-0.189	0.192
-0.120	0.120	Suffolk Design and Print	-0.208	0.208
-0.011	0.010	Mobile Library - consultancy and design services	-0.017	0.009
-0.270	0.169	Financial services (including payroll and audit)	-0.267	0.172
-1.261	1.261	Property services (professional and technical services)	-1.576	1.576
-0.551	0.551	Procurement (professional services and direct supplies)	-0.039	0.039
-0.660	0.560	HR (training services)	-0.701	0.600
-0.030	0.030	Suffolk Highways Contracting	-0.180	0.157
-0.001	0.001	Suffolk Fleet Maintenance	-0.002	0.002
-0.003	0.003	Highways Safety and Improvement	-0.134	0.117
-0.019	0.009	Cleaning trading organisation	-0.073	0.045
-0.134	0.115	Catering trading organisation	-0.188	0.137
-0.117	0.107	Grounds trading organisation	-0.354	0.322
-3.441	**3.208**		**-4.040**	**3.686**

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

From 1 April 2002, Suffolk County Council and the Primary Care Trusts (PCTs) operating in Suffolk (formerly five PCTS, now merged into two: Suffolk and Gt Yarmouth and Waveney) have pooled our money through Section 31 (now Section 75) agreement of the Health Act 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.

2006 - 2007				2007 - 2008	
£ million	**£ million**			**£ million**	**£ million**
		Income			
-2.619		Funding:	Suffolk County Council	-2.531	
-1.559			Primary Care Trusts	-1.580	
	-4.178				**-4.111**
		Expenditure			
1.184			Residential services	0.662	
0.621			Day care	0.817	
0.898			Support work	0.835	
0.557			Supported housing	1.173	
0.175			Advocacy	0.269	
0.317			Employment	0.323	
0.000			Respite	0.030	
0.426			Carers service	0.000	
	4.178				**4.109**
	0.000	**Net under (-) or over spend**			**-0.002**

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

We and the Primary Care Trusts (PCTs) operating in Suffolk (formerly five PCTs now merged into two: 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 pooled fund has agreed priorities decided by the partners. The first priority is to provide more support for people so they can stay in their own homes. The second priority is to move people out of expensive residential and out of county placements into supported living packages.

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 2007-2008, this was only achieved through additional contributions from the County Council and the Suffolk Primary Care Trusts of £4.009m. The County Council contributed £3.223m and the Primary Care Trusts £0.786m. These contributions are reflected in the accounts and were formally ratified by the Learning Disabilities Commissioning Group on 20 March 2008.

2006 - 2007 £ million	2006 - 2007 £ million			2007 - 2008 £ million	2007 - 2008 £ million
		Income			
-18.264		Funding:	Suffolk County Council	-20.873	
-4.958			Primary Care Trusts	-5.090	
	-23.222				**-25.963**
-1.037		Income:	Residents' contributions	-1.353	
-0.507			Other	-0.427	
	-1.544				**-1.780**
	-24.766				**-27.743**
		Expenditure			
0.017			Expenditure Review Team	0.033	
15.117			Residential services	17.384	
6.624			Supported living	7.474	
3.008			Day services	2.852	
	24.766				**27.743**
	0.000	**Net under (-) or over spend**			**0.000**

9. Councillors Allowances

2006 - 2007 £ million		2007 - 2008 £ million
0.603	Basic allowance	0.691
0.225	Special responsibility allowance	0.289
0.001	Dependants carer's allowance	0.000
0.829	**Total**	**0.980**

More information can be found on pages 72 and 73.

10. Employees' Pay

The number of staff paid more than £50,000 in 2007 – 2008 was as follows:

2006 - 2007 Restated		Band			2007 - 2008	
Non - Schools	Schools				Non - Schools	Schools
81	131	£50,000	-	£59,999	108	176
23	33	£60,000	-	£69,999	27	45
17	10	£70,000	-	£79,999	12	19
10	7	£80,000	-	£89,999	16	4
1	0	£90,000	-	£99,999	1	4
3	0	£100,000	-	£109,999	0	0
1	0	£110,000	-	£119,999	3	0
0	0	£120,000	-	£129,999	1	0
0	0	£130,000	-	£139,999	0	0
0	0	£140,000	-	£149,999	0	0
1	0	£150,000	-	£159,999	0	0
0	0	£160,000	-	£169,999	1	0

The latest CIPFA Statement of Recommended Practice (SORP) 2007 has clarified the basis of calculation for the above figures so that pay is now inclusive of employee pension contributions. Previous years were stated based on figures net of employee pension contributions and the comparative figures for the year 2006 - 2007 have been restated to reflect this change.

11. 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 £0.646 million (2006 - 2007: £0.302 million). With these exceptions, there were no significant transactions with members and their families other than payments falling within the adopted scales of councillors' allowances or within normal conditions of employment.

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.

2006 - 2007			2007 - 2008	
Income £ million	Spending £ million		Income £ million	Spending £ million
-0.250	0.000	Suffolk Police Authority – providing support services	-0.206	0.000
-0.035	0.000	Suffolk Police Authority – arrest referral	-0.003	0.000
-0.544	0.000	Suffolk Police Authority – other services	-0.654	0.000
-0.126	0.000	Suffolk Probation Board – providing support services	-0.124	0.000
-0.955	**0.000**		**-0.987**	**0.000**

Pension Fund – at the end of the financial year, the pension fund had a balance of cash borrowed from the council of £36.041 million (2006 - 2007: £0.864 million of surplus cash deposited with the council). The difference between years was due to borrowing to support the timing difference when transferring cash from an existing investment manager to a new currency manager. The period of borrowing was between the 28th March 2008 and the 3rd April 2008 when it was repaid in full. The council paid the fund a total for interest of £0.133 million (2006 - 2007: £0.142 million) on cash deposits held during the year. The council charged the fund £0.885 million (2006 - 2007: £0.823 million) for expenses incurred in administering the fund.

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 2008 was £0.166 million. During 2007 - 2008 the ESFJC has given the council £0.075 million to invest on its behalf. At 31 March 2008 the total amount invested by the council on behalf of the ESFJC, including accumulated interest, was £0.466 million (31 March 2007: £0.366 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 2007 - 2008 this totalled £40.343 million (2006 - 2007: £38.087 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 2007 - 2008, this reimbursement totalled £26.881 million (2006 - 2007: £24.230 million).

12. Audit Commission Fees

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

2006 - 2007 £ million		2007 - 2008 £ million
0.230	Code of Audit Practice Work	0.240
0.046	Certifying grant claims	0.048
0.022	Statutory inspections	0.084
0.012	Other work	0.004
0.310	**Total**	**0.376**

13. Movement of fixed assets

The following table summarises the movement in fixed assets during 2007-2008.

	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 2007	1,327.027	61.084	305.443	0.820	4.188	9.755	**1,708.317**
Restatements	-33.191	-0.444	3.778	0.396	-	1.161	**-28.300**
Restated at 1 April 2007	1,293.836	60.640	309.221	1.216	4.188	10.916	**1,680.017**
Revaluations	244.295	-	-	-	-	8.746	**253.041**
Impairment	-9.436	-	-0.645	-	-	-0.535	**-10.616**
Additions	24.790	10.776	39.426	-	19.237	0.934	**95.163**
Disposals	-3.928	-0.885	-	-	-	-0.240	**-5.053**
Transfers	-0.244	1.781	-	-	-1.781	0.244	**-**
Value at 31 March 2008	1,549.313	72.312	348.002	1.216	21.644	20.065	**2,012.552**
Accumulated depreciation							
Value at 1 April 2007	37.370	33.879	39.522	0.072	-	0.115	**110.958**
Restatements	-0.321	-0.443	-	-0.072	-	-0.104	**-0.940**
Restated at 1 April 2007	37.049	33.436	39.522	-	-	0.011	**110.018**
Revaluations	-17.772	-	-	-	-	-0.004	**-17.776**
Impairment	-0.847	-	-	-	-	-0.007	**-0.854**
Disposals	-0.003	-0.744	-	-	-	-	**-0.747**
Transfers	-	-	-	-	-	-	**-**
Charge for the year	19.603	9.841	8.615	-	-	0.043	**38.102**
Total depreciation	38.030	42.533	48.137	-	-	0.043	**128.743**
Net book value							
Value at 1 April 2007	1,289.657	27.205	265.921	0.748	4.188	9.640	**1,597.359**
Restated at 1 April 2007	1,256.787	27.204	269.699	1.216	4.188	10.905	**1,569.999**
Value at 31 March 2008	1,511.283	29.779	299.865	1.216	21.644	20.022	**1,883.809**

The restatements above are as a result of the following events;

- A review of ownership of Voluntary Aided and Voluntary Controlled schools
- Recognition of bridges incorrectly written off as a deferred charge in 2006-2007
- Correction of valuations incorrectly entered or missed in previous years

14. Summary of capital expenditure and sources of finance

The table below summaries capital spending for 2007-2008 and shows how this was financed. It also explains the extent to which we have borrowed to finance our capital programme.

2006 - 2007			2007 - 2008	
£ million	£ million		£ million	£ million
	385.247	**Opening Capital Financing Requirement**		**413.445**
72.455		Operational assets	72.642	
7.801		Non-operational assets	20.171	
12.297		Deferred charges	17.330	
7.677		De minimis spending	7.200	
	100.230	**Total capital spending**		**117.343**
-4.378		Receipts from sale of assets	-2.024	
-46.846		Government grants and other contributions	-56.810	
-5.992		Revenue financing of capital	-9.458	
	-57.216	**Total sources of finance**		**-68.292**
	-14.816	**Minimum Revenue Provision to repay debt**		**-15.944**
	413.445	**Closing Capital Financing Requirement**		**446.552**
		Explanation of movements in year		
	28.198	Increase in underlying need to borrow supported by Government financial assistance		25.386
	0.000	Increase in underlying need to borrow unsupported by Government assistance		7.721
	28.198	**Increase in Capital Financing Requirement**		**33.107**

15. Capital Adjustment Account

Implementation of the Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006-2007 to accommodate the implementation of the Revaluation Reserve (see accounting policy 10). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £932m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£89m credit balance) to form the new Capital Adjustment Account with a balance of £1,021.755m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Capital adjustment account

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

	2007 - 2008	
	£ million	**£ million**
Capital Adjustment Account at 1 April	1,021.755	
Restatements of Fixed Assets	-27.360	
Restated Balance at 1 April		**994.395**
Financing capital spending:		
Selling assets	2.024	
Revenue account	9.458	
Capital grants and contributions amortisation	19.729	
		31.211
Other transfers from or to the revenue account:		
Minimum revenue provision to repay debt	15.944	
Less: Depreciation and impairment of assets	-47.864	
Deferred charges	-17.330	
De minimis spending	-7.200	
		-56.450
Other movements in Fixed Assets:		
Disposals	0.085	
Amortisation of Revaluation Reserve	3.719	
		3.804
Balance at 31 March		**972.960**

16. Usable capital receipts

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

2006 - 2007 £ million		2007 - 2008 £ million
0.000	Balance at 01 April	0.000
4.378	Capital receipts	2.024
-4.378	Less: Money used to buy or build assets	-2.024
0.000	**Balance at 31 March**	**0.000**

17. Future capital commitments

We are committed to spending £93.699 million on capital projects that had started before 31 March 2008 (compared with £109.668 million in the previous year).

18. Assets held

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

2006 - 2007	Service	Description	2007 - 2008
44	Libraries	Libraries	44
3		Record offices	3
9		Mobile libraries	9
256	Schools	Primary schools	256
40		Middle schools	40
38		Upper schools	38
2		Residential special schools	2
7		Day special schools	7
13		Pupil referral units	13
8	CYP	Family centres	4
14		Children's centres	35
36	Fire service	Fire stations	36
17	Adult care	Elderly people's homes	17
7		Homes for people with learning disabilities	7
41	Central services	Offices and other buildings	41
5,444	County farms	Hectares of farmland	5,438
88		Farms	85
8		Cottages	8
584	Highways	Kilometres of principal roads	584
6,236		Kilometres of non-principal roads	6,248

19. Leases – Council as lessee

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 2007-2008 under these agreements, and the payments that the Council is committed to make in 2008-2009, analysed between lease commitments expiring within a year, in the second to fifth year and over five years from 31 March 2008.

Operating Leases - rentals payable 2007 - 2008

2006 - 2007 £ million		2007 - 2008 £ million
1.188	Land & Buildings	1.393
0.905	Other	0.960
2.093	**Total**	**2.353**

Operating Leases - Commitments payable in 2008 - 2009

2008 - 2009	Land and Buildings £ million	Vehicles, Plant and Equipment £ million	Total £ million
Commitments expire;			
During 2008 - 2009	0.046	0.021	**0.067**
Between 2009 - 2010 and 2013 - 2014	0.774	0.022	**0.796**
After 2013 - 2014	0.331	0.000	**0.331**
Total liabilities at 31 March 2008	**1.151**	**0.043**	**1.194**

20. Leases – Council as lessor

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 2007-2008 from these agreements.

Operating Leases - value of assets held

2006 - 2007 £ million		2007 - 2008 £ million
18.312	Land & Buildings	17.748
18.312	**Total**	**17.748**

Operating Leases - rentals receivable

2006 - 2007 £ million		2007 - 2008 £ million
1.758	Land & Buildings	1.059
1.758	**Total**	**1.059**

21. Fixed asset valuation

33% of our properties were revalued in the accounts as at 1 April 2007, 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				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
Valued at historical cost		72.312	348.002	1.216	21.644		443.174
Valued at current value in:							
2007-2008	628.563					19.642	648.205
2006-2007	521.070					0.423	521.493
2005-2006	201.263					0.000	201.263
2004-2005	94.377					0.000	94.377
2003-2004	104.040					0.000	104.040
prior to 2003	0.000					0.000	0.000
Total	**1,549.313**	**72.312**	**348.002**	**1.216**	**21.644**	**20.065**	**2,012.552**

22. Government grants and capital contributions deferred

The table below shows the movement in the government grants deferred and capital contributions deferred accounts. Applied grants and contributions have been used to finance capital expenditure whilst unapplied grants and contributions have been received but not yet applied to capital expenditure.

2006 - 2007		2007 - 2008		
Total		Unapplied	Applied	Total
£ million		£ million	£ million	£ million
	Government grants:			
136.927	Balance at 1 April	7.009	152.108	159.117
0.000	Application of amounts previously unapplied	-39.521	39.521	0.000
31.364	Capital grants and contributions	43.781	0.306	44.087
-9.174	Less: Transfer to capital adjustment account	0.000	-17.140	-17.140
159.117	**Balance at 31 March**	**11.269**	**174.795**	**186.064**
	Other Capital Contributions:			
2.099	Balance at 1 April	2.436	10.124	12.560
0.000	Application of amounts previously unapplied	-11.994	11.994	0.000
13.443	Capital grants and contributions	12.050	4.989	17.039
-2.982	Less: Transfer to capital adjustment account	0.000	-2.589	-2.589
12.560	**Balance at 31 March**	**2.492**	**24.518**	**27.010**
171.677	**Total grants and contributions deferred at 31 March**	**13.761**	**199.313**	**213.074**

23. Analysis of Net Assets employed

Suffolk County Council operates some trading undertakings as disclosed in note 4 on page 19. This note shows the net assets employed by Suffolk County Council analysed between these trading undertakings and between the main General Fund activities.

31 March 2007 Restated £ million		31 March 2008 £ million
779.318	General Fund	1,120.616
7.224	Trading Operations	6.958
786.542	Total	**1,127.574**

24. Interests in Companies

We have an interest in a company called Customer Service 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 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.

Suffolk County Council has a 10 year contract with CSD Ltd to provide the above services. The current contract arrangement will end in 2014 - 2015. The revenue commitment over the remaining years of the current contract is £220.8m (average per annum £35.8m).

CSD Ltd has a policy not to own any assets and at 31st March 2008 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 2007 - 2008 was £43.620m (£41.314m 2006 – 07), and operating costs £43.620m (£41.314m 2006 – 07). The accounts of CSD Ltd received an unqualified opinion.

Please refer to the prepared Group Accounts that begin on page 56. 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 in a unified set of accounts.

Customer Service 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, Ground floor, Constantine House, 5 Constantine Road, Ipswich, Suffolk, IP1 2DH.

25. 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 4 on page 19. 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.

Provision is also made for the costs of redundancy in respect of a Head teacher as a result of planned changes in the management arrangements for two schools.

	Balance at 01 April 2007	Arising during the year	Used during the year	Balance at 31 March 2008
	£ million	£ million	£ million	£ million
Insurance claims	2.767	0.347	-0.522	2.592
Environment & Transport internal traders	0.002	0.000	0.000	0.002
Homecarers legal claim	0.054	0.000	-0.054	0.000
Redundancy legal Claim	0.000	0.139	0.000	0.139
Balance at 31 March	**2.823**	**0.486**	**-0.576**	**2.733**

26. 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 2007 - 2008 is set out below:

Revaluation Reserve	0.000	265.060	265.060	Store of gains on revaluation of fixed assets not yet realised through sales	a - see next page
Capital Adjustment Account	994.395	-21.435	972.960	Store of capital resources set aside to meet past expenditure	See Capital Adjustment Account Note 15
Pensions Reserve	-288.168	75.201	-212.967	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	b - see next page
General Fund	27.810	1.501	29.311	Resources available to meet future running costs of services	Statement of Movement on General Fund Balance
Earmarked Reserves	52.505	20.705	73.210	Resources available to meet the future costs of specific services and activities (except for the LATS reserve)	c - see next page
Total	**786.542**	**341.032**	**1,127.574**		

a - Revaluation Reserve

2006 - 2007 £ million		2007 - 2008 £ million
0	Revaluations	270.818
0	Disposals	-2.039
0	Amortisation of Revaluation Reserve	-3.719
0	**Movement on fixed asset revaluation reserve**	**265.060**

b - Pensions Reserve

2006 - 2007 £ million		2007 - 2008 £ million
-0.832	Appropriation to pensions reserve	2.167
61.553	Actuarial gains and losses relating to pensions	73.034
60.721	**Movement on pensions reserve**	**75.201**

c - Earmarked Reserves

2006 - 2007 £ million		2007 - 2008 £ million
13.949	Specific activities	21.780
4.873	Specific services	-0.714
-0.581	Landfill Allowance Trading Scheme (LATS) non-cash reserve	-0.361
18.241	**Movement on other revenue reserves**	**20.705**

27. 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 policy holders, 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 its major policy holders part of the claims paid from 1 October 1993. The total amount of claims they could ask for is £3.4m (£3.4m in 2006 - 2007).

Contractual liabilities

We could be made to pay around £0.330m (£1.267m 2006 - 2007) in connection with potential contract liabilities. We will not know the exact timing or amount 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 2008 is £1.827m (£1.827m 2006 - 2007). 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 a 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 £1.392m to the County Council in 2003 - 2004 be repaid.
2. Contributions of £0.435m to the County Council in 2004 - 2005 be repaid.

The PCTs request for the Council 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.

28. Pension funds, trust funds and amenity funds

We look after 106 trust and amenity funds (111 in 2006-2007) relating to specific services. Of these 21 are trust funds, most of which were set up after we were left money or property in somebody's will. The 85 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 2006-2007), and cash totalling £0.460 million at 31 March 2008 (£0.443 million at 31 March 2007) was lent to us.

2006 - 2007		2007 - 2008
£ million		£ million
1,317.029	Pension funds	1,320.637
0.562	Trust funds	0.576
0.343	Amenity funds	0.347

29. Dedicated schools grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families (DCSF), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007 – 08 are as follows:

	Central Expenditure £ million	ISB £ million	Total £ million
Original grant to Schools	38.531	304.489	343.020
Adjustments to Final Grant	0.136	0.000	0.136
DSG Received for the Year	**38.667**	**304.489**	**343.156**
Actual Expenditure	38.244	304.489	342.733
Under Spend	**0.423**	**0.000**	**0.423**

30. 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 civilian employees, administered by Suffolk County Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- the Fire Pension Scheme for firefighters - this is an unfunded scheme, meaning that there are no investments built up to meet the 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 change 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:

2006 - 2007			2007 - 2008	
Suffolk County Council Pension Fund No 1	**Uniformed Fire-fighters**		**Suffolk County Council Pension Fund No 1**	**Uniformed Fire-fighters**
£ million	**£ million**		**£ million**	**£ million**
		Net Cost of Services:		
33.115	3.500	Current service cost	30.284	3.700
-0.442	0.000	Past service cost	-0.772	0.000
0.799	0.000	Gains on settlements and curtailments	0.317	0.000
		Net Operating Expenditure:		
39.245	6.400	Interest cost	43.934	7.000
-39.230	0.000	Return on assets	-46.440	0.000
33.487	9.900	*Net Charge to the Income & Expenditure Account:*	27.323	10.700
		Statement of Movement in the General Fund Balance:		
-33.487	-9.900	Reversal of net charges made for retirement benefits in accordance with FRS 17	-27.323	-10.700
		Actual amount charged against the General Fund Balance for Pensions in the year:		
-39.355	-3.200	Employers contributions payable to scheme	-37.190	-3.000

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 14.1% of pensionable pay and teachers contribute at 6.4%. In 2007-2008 we paid over £40.909 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. We have also agreed to pay some staff for 'added years', as well as their normal pension.

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:

	2006-2007 £ million	2007-2008 £ million
Estimated liabilities in the fire pensions scheme	-128.700	-108.500
Share of liabilities in the local government pension fund	-790.033	-736.000
Estimated liabilities for discretionary added years	-16.011	-14.691
Total liabilities	-934.744	-859.191
Share of assets in the local government pension fund	646.576	646.224
Net pensions deficit	**-288.168**	**-212.967**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £859.191 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 £212.967 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 Robertson LLP, an independent firm of actuaries, who valued both the schemes fund liabilities as at 31 March 2008. 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 2008. The last full valuation was as at the 31 March 2007.

The main assumptions used in their calculations have been:

	2006 - 2007		2007 - 2008	
	Fire scheme and discretionary payments	Local government pension fund	Fire scheme and discretionary payments	Local government pension fund
Rate of inflation	3.2%	3.2%	3.6%	3.6%
Rate of increase in salaries	4.7%	4.7%	5.1%	5.1%
Rate of increase in pensions	3.2%	3.2%	3.6%	3.6%
Rate of discounting scheme liabilities	5.4%	5.4%	6.9%	6.9%
Take-up of option to convert annual pension into retirement grant	n/a	25%	n/a	25%

The Fire Pension Scheme has no assets to cover its liabilities. Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £646.224million for the fund as a whole at 31 March 2008 (£646.576 million at 31 March 2007). The Funds assets consist of the following categories, by proportion of the total assets held by the Fund:

	Assets 31 March 2007		Assets 31 March 2008	
	Suffolk County Council	Expected future return	Suffolk County Council	Expected future return
	£ million	%	£ million	%
Equity investments	456.843	7.8%	446.374	7.7%
Bonds	102.654	4.9%	119.650	5.7%
Property	80.586	5.8%	72.699	5.7%
Cash	6.493	4.9%	7.501	4.8%
	646.576		**646.224**	

The actuarial gains identified as movements on the Pensions Reserve in 2007-2008 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

Local Government Pension Fund Suffolk County

	2003-2004		2004-2005		2005-2006		2006-2007		2007-2008	
	£ 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	48.238	13.20%	15.058	3.50%	84.463	14.80%	5.977	0.90%	-69.542	-10.80%
Experience gains (marked with '-') and losses arising on pension liabilities	0.066	0.00%	-34.074	-5.30%	-0.291	-0.04%	-0.346	0.00%	-15.205	-2.00%
Changes in financial assumptions underlying the present value of the scheme liabilities	n/a	n/a	-103.994	-16.16%	-88.896	-11.27%	47.022	5.83%	129.881	17.30%
	48.304	**13.20%**	**-123.010**	**-17.96%**	**-4.724**	**3.49%**	**52.653**	**6.73%**	**45.134**	**4.50%**

Fire Scheme

	2003-2004		2004-2005		2005-2006		2006-2007		2007-2008	
	£ 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	0.066	0.10%	-14.900	-13.10%	0.600	0.50%	0.900	0.70%	1.209	1.02%
Changes in financial assumptions underlying the present value of the scheme liabilities	n/a	n/a	-21.870	-19.18%	-12.500	-9.54%	8.000	6.22%	26.791	24.69%
	0.066	**0.10%**	**-36.770**	**-32.28%**	**-11.900**	**-9.04%**	**8.900**	**6.92%**	**28.000**	**25.71%**

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

	Fire Scheme	Suffolk County Council
	£ million	£ million
Balance b/f 1 April 2007	128.700	159.468
Reversing out FRS 17 items		
Current service cost	3.700	30.284
Past Service Cost	0.000	0.143
Interest cost	7.000	43.934
Curtailments & Settlements	0.000	0.317
Return on Assets	0.000	-46.440
	10.700	28.238
Pensions liability - actuarial gain	-27.900	-45.134
	-17.200	**-16.896**
Pension costs payable to council tax		
Employers' contributions	-3.000	-37.190
Pensions and lump sum expenditure	0.000	-0.915
Balance at 31 March 2008	**108.500**	**104.467**

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 £6.204 million (£5.934 million in 2006 – 2007) shown in the revenue account, £3.432 million (£3.359 million in 2006 – 2007) relates to democratic representation and management. The remaining £2.772 million (£2.575 million in 2006 – 2007) relates to corporate management.

32. Interest received

Interest received in 2007-2008 includes £2.205 million, which goes directly to schools (£1.608 million in 2006-2007).

33. Local Area Agreement Grant

A Local Area Agreement (LAA) is a three year agreement between the Government Office for the Eastern Region and the Suffolk local strategic partnership (LSP) representing the local authorities and other public, private, voluntary and community interests for the area. The LAA sets out the priorities for Suffolk in defined areas of service provision and agrees specific outcomes and targets that will be achieved each year for the three years of the Agreement 2005 - 2008. It also aims to improve the effectiveness and efficiency of public services in Suffolk by pooling and aligning funding streams where appropriate.

The LAA partners include:

- Local government bodies – Babergh District Council, Forest Heath District Council, Ipswich Borough Council, Mid Suffolk District Council, St Edmundsbury Borough Council, Suffolk Coastal District Council, Suffolk County Council, Waveney District Council.
- Community protection authorities – Suffolk Police Authority, Suffolk Criminal Justice Board.
- Health bodies – Suffolk Primary Care Trust, Great Yarmouth & Waveney Primary Care Trust.
- Learning bodies – Suffolk Learning and Skills Council, University Campus Suffolk, West Suffolk College.
- Voluntary organisations – East Suffolk Mind, One Voice Suffolk, Suffolk Carers, Suffolk Association of Voluntary Organisations.

For 2007 - 2008 the LAA for Suffolk received £15.6 million of pooled grant income.

The accountable body receives all the LAA Grant. In two-tier areas this means that grant funding previously allocated at district level is allocated to the county. 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 2007 - 2008 this was £12.371 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:

2006 - 2007 Government Grant £ million	Partner	2007 - 2008 Government Grant £ million
0.113	Babergh	0.175
0.344	Forest Heath (Including Western Crime and Disorder Reduction Partnership)	0.360
0.195	Ipswich	0.336
0.123	Suffolk Coastal	0.221
0.000	St Edmundsbury	0.086
0.000	Mid Suffolk	0.076
1.538	Waveney	1.683
0.000	Suffolk Acre	0.292
2.313		3.229

Suffolk County Council is responsible for the financial management of the LAA and for ensuring that robust performance management arrangements are in place. Partners who receive funding have to submit quarterly financial reports to the Council to account for the resources that have been allocated to them.

34. Landfill usage

In relation to the Landfill Allowance Trading Scheme (LATS) Suffolk County Council was allocated, by Central Government, an allowance of 180,044 tonnes representing the maximum amount of Biodegradable Municipal Waste (BMW) it could landfill in 2007 - 2008 without paying penalties. It is estimated that we have landfilled 135,000 tonnes. This means we landfilled 45,044 less than our allowance.

We have assessed the market value of these allowances to have dropped from £5.00 per tonne at the end of 2006 - 2007 to £1.00 per tonne by the end of 2007 - 2008 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 31st March 2007	Initial Recognition of 2007-08 Allowances	2007-2008 In-year movement	As at 31st March 2008
	£ million	£ million	£ million	£ million
Assets and Liabilities in the Balance Sheet				
Current Assets				
Landfill Usage Allowances	1.219	0.900	-1.865	0.254
Total Assets	**1.219**	**0.900**	**-1.865**	**0.254**
Liabilities				
Deferred Income	0.000	-0.900	0.900	0.000
Liability to DEFRA for BMW landfill usage	-0.740	0.000	0.605	-0.135
Total Liabilities	**-0.740**	**-0.900**	**1.505**	**-0.135**
Net Assets / (Liabilities)	**0.479**	**0.000**	**-0.360**	**0.119**
Reserves				
Earmarked Reserves	0.479	0.000	-0.360	0.119
Total Reserves	**0.479**	**0.000**	**-0.360**	**0.119**

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

Income & Expenditure Transactions in year		**2007 - 2008**	
	Gross Income £ million	**Gross Expenditure £ million**	**Net Income £ million**
Cultural, Environmental and Planning Services	-0.900	1.260	0.360

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

35. Financial instrument balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

Long term 31 March 2007 £ million	Current 31 March 2007 £ million		Long term 31 March 2008 £ million	Current 31 March 2008 £ million
266.009	145.289	Financial liabilities at amortised Cost	305.788	154.255
-	-	Financial liabilities at fair Value through Income and Expenditure	-	-
266.009	145.289	Total borrowings	305.788	154.255
0.470	87.821	Loans and receivables	0.375	130.955
-	-	Available for sale financial assets	-	-
0.002	-	Unquoted equity investment at cost	0.002	-
0.472	87.821	Total investments	0.377	130.955

36. Financial instruments gains & losses

The gains and losses recognised in the Income & Expenditure Account are made up as follows:

2006-2007				2007-2008		
Financial Liabilities measured at amortised cost £ million	Financial assets loans and Receivables £ million	Total £ million		Financial Liabilities measured at amortised cost £ million	Financial assets loans and Receivables £ million	Total £ million
-13.287	0.000	-13.287	Interest expense	-13.400	0.000	-13.400
-0.109	-0.124	-0.233	Losses on derecognition	-0.008	-0.227	-0.235
0.000	-2.637	-2.637	Impairment (loss)/ gain	0.000	0.358	0.358
-13.396	-2.761	-16.157	Interest payable and similar charges	-13.408	0.131	-13.277
0.000	3.675	3.675	Interest income	0.000	4.731	4.731
0.040	0.009	0.049	Gains on derecognition	0.043	0.011	0.054
0.040	3.684	3.724	Interest and investment income	0.043	4.742	4.785
-13.356	0.923	-12.433	Net gain/(loss) for the year	-13.365	4.873	-8.492

37. Fair Value of assets & liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated average interest rates at 31 March 2008 of 4.52% for loans from the PWLB and 4.26% for other loans payable
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2008	
	Carrying amount £ million	Fair value £ million
Financial liabilities	460.044	448.218

The fair value is lower than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the balance sheet date:

	31 March 2008 Carrying amount £ million	Fair value £ million
Loans and receivables	131.332	131.332

Loans and receivables are carried at amortised cost which is deemed to be equivalent to the fair value.

38. Nature and extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks:

• credit risk – the possibility that other parties might fail to pay amounts due to the authority

• liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments

• market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Suffolk County Council in the Treasury Management Policy Document and Annual Treasury Management Strategy Report. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the following criteria as set out in the Treasury management policy document.

Credit rating criteria

Banks

The Council will invest with UK clearing banks (limit £20m), and their wholly owned subsidiaries (limit £5m). The group limit for clearing banks and their subsidiaries is £20m.

Building Societies

The Council will invest with UK building societies with a P1 Moody's rating (limit £5m). The credit ratings are available via the internet on a monthly basis, and regular checks are made to ensure that the list of eligible building societies is kept up to date.

Local Authorities

The Council will invest with British local authorities (limit £3m).

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last 2 financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2008 £ million	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2008 %	Estimated maximum exposure to default and uncollectability £ million
Deposits with banks and financial institutions	83.126	0.001%	0.001%	0.000
Secured debt	1.821	0.001%	0.001%	0.000
Customers				
External debts (non aged)	30.153			
General debts less than 90 days	13.029	-	-	-
General debts >90days but <365 days	2.310	30.000%	30.000%	0.693
General debts >365 days	3.170	50.000%	50.000%	1.585
Total	133.609			2.278

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The authority generally has terms that give customers 30 days to pay their debts, of the £18.509m classified as receivable trade / general debtors there is £10.027 million outstanding greater than 30 days.

The past due amount can be analysed by age as follows:

	£ million
Less than three months	4.139
Three to six months	1.591
Six months to one year	0.820
More than one year	3.477
Total	10.027

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 40% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	£ million
Less than one year	57.258
Between one and two years	3.503
Between two and five years	20.515
More than five years	267.573
	348.849

The Council also has a significant number of agreements with developers, such as Section 106, 278, and 38 agreements, that are classified in the balance sheet as Deferred Liabilities and total £11.226m (£5.914m 2006-2007). These are agreements that cover contributions to, for instance, road schemes. Each agreement can be different but all those in this category are required to be paid back to the developer should the Council not fulfil the agreement or should the related scheme not be completed for any reason.

The trigger points for repayment are often not given explicit dates in the agreements, but can be linked to other activities such as when a certain number of properties have been completed. It is therefore not possible to get a reliable “maturity profile” for these balances although it is ensured that we properly recognise those balances that may mature in less than one year and recognise these in short-term liabilities in the balance sheet.

All trade and other payables are due to be paid in less than one year.

Market risk:

Interest rate risk

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

• borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise

• borrowings at fixed rates – the fair value of the liabilities borrowings will fall

• investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

• investments at fixed rates – the fair value of the assets will fall.

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

The authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is decreased by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables constant the main impact would be on £11.226m of Developers contributions included within Long term debt (potential impact £0.112m). All other variable rate debt and investments are immaterial as at 31 March 2008 and thus a 1% increase in rates would have an immaterial effect on the accounts for those items.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

Price risk arises mainly through stock market movements.

The authority does not generally invest in equity shares but does have shareholdings to the value of £0.002m in CSD LTD (a joint venture between Suffolk County Council, Mid Suffolk District Council and BT). The authority is not currently exposed to any gains and losses relating to this joint venture.

The £0.002m shares are not quoted on any stock market and are classified as unquoted investments. It is not currently possible to establish a fair value for these shares reliably using the established techniques, as the company currently does not make a profit, issues no dividends and does not own any fixed assets. Therefore the shares are valued at amortised cost.

39. Stocks and Work In Progress

31 March 2007 £ million		31 March 2008 £ million
0.058	Suffolk Design and Print	0.060
0.118	Public Protection	0.102
0.048	Social Care	0.052
0.402	Suffolk Highways	0.390
0.030	Suffolk Fleet Maintenance	0.033
0.056	Information Centres	0.055
0.285	Education / Catering	0.304
0.997		**0.996**

40. 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 total claims for each insurance year. Services have to contribute to the cost of the insurance company premiums and to build up money to pay for future claims. We also have an insurance reserve – you can find more details on reserves in accounting policy 4 on page 66.

41. Reconciliation of revenue cash flow

2006 - 2007 Restated £ million		2007 - 2008 £ million	2007 - 2008 £ million
2.129	**Deficit on I & E Account**		**3.077**
	External interest		
-13.062	Interest paid	-13.409	
4.694	Interest received	4.362	
-8.368			**-9.047**
	Appropriations		
3.242	Contributions to provisions	0.090	
0.736	Bad debt provision	0.359	
3.978			**0.449**
	Items on accruals basis		
-12.288	Decrease/(increase) in creditors	3.599	
3.507	Increase/(decrease) in debtors	1.270	
-0.013	Increase/(decrease) in long term debtors	-0.081	
-1.156	Increase/(decrease) in stocks	-0.001	
0.000	Decrease/(increase) in other accruals	-2.970	
-9.950			**1.817**
	Capital financing adjustments		
12.156	Government grants deferred	19.729	
-32.725	Depreciation and impairment	-48.123	
-19.974	Deferred charges & de minimis spending	-24.530	
-0.743	Gain/loss on sale of assets	-0.457	
-0.832	Pension charges	2.167	
-2.819	Landfill allowances	-0.965	
-44.937			**-52.179**
-57.148	Net cash flow from revenue actitvities		**-55.883**

42. Change in cash

01 April 2006	Movement	31 March 2007		01 April 2007	Movement	31 March 2008
£ million	£ million	£ million		£ million	£ million	£ million
2.815	-4.964	-2.149	Cash and bank	-2.149	2.275	0.126

43. Movement in net debt

2006 - 2007		2007 - 2008
£ million		£ million
-4.964	Decrease (-) / increase in cash in the period	2.683
-27.006	Cash inflow from increase in debt and lease financing	-47.748
19.790	Cash outflow from increase in liquid resources	37.501
-12.180	Movement in cashflow related net debt in the period	-7.564
0.000	Accrued interest on debt financing	-2.970
-254.235	Net debt at beginning of year	-266.415
-266.415	Net debt at end of year	-276.949

	At 01 April 2007	Cashflow	At 31 March 2008
	£ million	£ million	£ million
Cash at bank / in hand	-2.149	2.275	0.126
		2.275	
Debt due after one year	-266.009	-36.809	-302.818
Debt due within one year	-43.348	-10.939	-54.287
		-47.748	
Current asset investments	45.091	37.501	82.592
Sub-Total	**-266.415**	**-7.972**	**-274.387**
Accrued interest on debt financing			-2.970
Net debt closing balance			**-277.357**

44. Change in short-term investments

01 April 2006 £ million	31 March 2007 £ million		01 April 2007 £ million	31 March 2008 £ million
25.301	45.091	Temporary lending	45.091	82.592
	19.790			**37.501**

45. Grants for services

2006 - 2007 £ million		2007 - 2008 £ million
	Revenue	
386.461	Education	449.230
40.776	Social Services	48.452
4.671	Environment and transport services	7.058
7.505	Connexions Suffolk	7.286
0.039	Emergency planning	0.000
3.850	Community Safety	2.645
-0.016	Economic development	1.671
0.028	Libraries	0.029
0.192	Fire	0.250
0.000	Registrars	0.019
0.000	County Farms	0.018
0.013	Resource Management	0.000
443.519		**516.658**
	Capital Grants	
6.696	Highways grants	8.309
23.977	Education	34.617
0.324	Social care	1.161
0.129	Information and communications technology	0.000
0.014	Waste management	0.000
31.140		**44.087**

Group Accounts – Introduction

Introduction to the Group Accounts

The 2007 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 21 on pages 65 to 71.

Group Accounts – Income and Expenditure Account

2006 - 2007 Restated Net Expenditure				2007 - 2008	
			Gross Expenditure	Gross Income	Net Expenditure
£ million		Notes	£ million	£ million	£ million
2.897	Central services to the public		4.468	-1.363	3.105
0.740	Court services		0.799	0.000	0.799
37.608	Cultural, environmental and planning services		61.158	-17.555	43.603
98.833	Children's and education services	**2 , 29**	646.345	-532.559	113.786
23.341	Fire services		25.131	-1.392	23.739
43.037	Highways, roads and transport services		53.970	-15.342	38.628
-1.721	Housing Services		18.590	-15.683	2.907
147.744	Adult social services	**2**	203.883	-52.528	151.355
5.934	Corporate and democratic core	**31**	6.397	-0.193	6.204
1.443	Non distributed costs		1.093	-0.044	1.049
0.000	Share of operating results of Joint Venture	**G1**	7.154	-7.154	0.000
359.856	**Net cost of services**		**1,028.988**	**-643.813**	**385.175**
0.743	Surplus(-)/Loss on the disposal of fixed assets				0.457
0.431	Payments to the Environment Agency				0.431
0.343	Payments to the Eastern Sea Fisheries Joint Committee				0.355
-2.529	Surpluses(-) / deficits on trading undertakings not included in Net Cost of Services	**4**			-2.440
13.287	Interest payable and similar charges				13.400
-3.675	Interest and investment income	**32**			-4.731
6.415	Pensions interest cost and expected return on pensions assets				4.494
374.871	**Net Operating Expenditure**				**397.141**

Group Accounts – Income and Expenditure Account

2006 - 2007			2007 – 2008		
Net Expenditure			**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£ million		**Notes**	**£ million**	**£ million**	**£ million**
-243.128	Demand on Collection Fund				-258.284
-22.718	General government grants				-21.678
-106.896	Non-domestic rates redistribution				-114.102
2.129	**Deficit for the Year**				**3.077**

Group Accounts – Reconciliation of Single Entity Deficit to Group Deficit

2006 - 2007 £ million		2007 - 2008 £ million
2.129	Single Entity Income and Expenditure Account Deficit	3.077
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
2.129	Group Account Income and Expenditure Account deficit for the year	3.077

Group Accounts – Statement of Recognised Gains and Losses

2006 - 2007 £ million		2007 - 2008 £ million
2.129	Deficit for the year on the Income and Expenditure Account	3.077
-213.375	Surplus arising on revaluation of fixed assets	-271.075
-61.553	Actuarial gains (-)/losses on pension fund assets and liabilities	-73.034
-272.799	**Total recognised gains for the year**	**-341.032**
	Loss through re-statement of tangible fixed assets as at 31st March 2007 as per note 13 on page 26.	27.360
	Total gains recognised since the published Statement of Accounts for 2006-2007	**-313.672**

Group Accounts – Balance Sheet

31 March 2007 Restated £ million		Notes	£ million	31 March 2008 £ million	£ million
	Fixed Assets				
	Tangible Fixed Assets				
	Operational Assets:				
1,256.787	Other land and buildings			1,511.283	
27.204	Vehicles, plant and equipment			29.779	
269.699	Infrastructure assets			299.865	
1.216	Community assets			1.216	
	Non operational assets:				
4.188	Assets under construction			21.644	
10.905	Surplus assets held for disposal			20.022	
1,569.999	**Total Fixed Assets**	**13**			1,883.809
	Long-term investments				
4.621	Share of gross assets of Joint Venture		3.979		
-4.619	Share of gross liabilities of Joint Venture		-3.977		
	Total long-term investment in Joint Venture	**G2**		0.002	
0.185	Other long-term investments			0.171	
0.285	Long-term debtors			0.204	
					0.377
1,570.471	**Total Long-Term Assets**				1,884.186
	Current Assets				
0.997	Stocks and work in progress	**39**		0.996	
42.730	Debtors			47.868	
45.091	Investments			82.592	
1.219	Landfill Allowances			0.254	
0.000	Cash and bank			0.126	
					131.836
1,660.508	**Total Assets**				2,016.022
	Current Liabilities				
-43.348	Short-term borrowing			-54.287	
-99.792	Creditors			-99.599	
-2.149	Bank overdraft			0.000	
					-153.886
1,515.219	**Total Assets Less Current Liabilities**				1,862.136
	Long-term liabilities				
-260.095	Long-term borrowing			-294.562	
-2.823	Provisions	**25**		-2.733	
-159.117	Government grants deferred	**22**		-186.064	
-12.560	Capital contributions deferred	**22**		-27.010	
-5.914	Deferred liabilities			-11.226	
-288.168	Liability related to defined benefit pension scheme			-212.967	
					-734.562
786.542	**Total Assets Less Liabilities**				**1,127.574**

Group Accounts – Balance Sheet

31 March 2007 Restated £ million		Notes	£ million	£ million	31 March 2008 £ million
	Financed by:				
0.000	Fixed asset revaluation reserve	**26**			265.060
994.395	Capital adjustment account	**15 , 26**			972.960
-288.168	Pensions reserve	**26**			-212.967
27.810	General fund balance	**26**			29.311
52.505	Earmarked reserves	**26**			73.210
786.542	**Total Net Worth**				**1,127.574**

Group Accounts – Cash Flow Statement

2006 - 2007 Restated				2007 - 2008	
£ million	**£ million**		**Notes**	**£ million**	**£ million**
		Revenue activities			
		Cash outflows:			
532.800		Cash paid to and on behalf of employees		552.502	
387.379		Other operating cash payments		402.229	
	920.179				954.731
		Cash inflows:			
-243.128		Council tax receipts		-258.284	
-106.896		National non-domestic rate receipts from national pool		-114.102	
-22.718		General government grants		-20.077	
-443.519		Specific service government grants	**45**	-516.658	
-161.066		Cash received for goods and services		-101.493	
	-977.327				-1,010.614
	-57.148	**Revenue Activities' Net Cash Flow**	**41**		**-55.883**
		Returns on Investments and Servicing of Finance			
		Cash outflows:			
13.062		Interest paid		13.409	
		Cash inflows:			
-4.694		Interest received		-4.362	
	8.368	**Net cash flow from returns on investments**			**9.047**
		Capital Activities			
		Cash outflows:			
89.607		Purchase of fixed assets		89.408	
19.974		Other capital cash payments		24.530	
		Cash inflows:			
-3.874		Sale of fixed assets		-1.481	
-31.140		Capital grants received	**45**	-44.087	
-13.607		Other capital cash receipts		-13.562	
	60.960	**Net cash flow from capital activities**			**54.808**
	12.180	**Net Cash inflow / outflow Before Financing**			**7.972**
		Management of Liquid Resources			
	19.790	Net increase / decrease in short-term deposits	**44**		**37.501**
		Financing			
		Cash outflows:			
42.201		Repayments of amounts borrowed		19.675	
		Cash inflows:			
-45.000		New loans raised		-35.000	
2.287		Deferred Liabilities		-5.312	
-26.494		New short-term loans		-27.111	
	-27.006				**-47.748**
	4.964	**(Net increase) / decrease in cash**	**42**		**-2.275**

G1 Group Share of Joint Venture gross expenditure and gross income

The Group's share (16.4%) of 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.

2006 - 2007 £ million		2007 - 2008 £ million
-6.437	Share of turnover	-7.154
6.437	Share of operating expenditure	7.154
0.000		0.000

Also refer to note 24 on page 34 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 CSD Ltd's 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 2006 - 2007 figures.

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 2007 (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.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. For instance, where the contract for a particular financial instrument requires low interest rate payments in early years and then higher interest rate payments in later years, these are accounted for as though equal for each year. That is, the total interest payable over the life of the contract is divided by the number of years of the contract to give the amount of interest to account for each year.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 25 to the accounts on page 34.

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 26 to the accounts on pages 35 and 36.

5 Government grants and contributions (Revenue)

Whether paid on account, by installments 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 eligible to be members of one of three separate pension schemes depending upon their employment status. The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the council.

- **Teachers** – The Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). It is a defined benefit final salary scheme. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the Children's and Education services 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 an unfunded, defined benefit scheme. This means that there are no assets to meet the pension liabilities and cash has to be generated to meet actual pension payments. The cost of pensions and other benefits are provided from Employer Contributions paid to the scheme by Suffolk County Council and contributions from firefighters. Any deficit on these payments is covered by a Top-Up Grant from Central Government. The liabilities of the Firefighters Pension Scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method.

- **Local Government Pension Scheme** – The Local Government Scheme is administered by Suffolk County Council and accounted for as a defined benefit 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 2007 - 2008 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.

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 30 on page 39 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 2007.

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 11 and 12. Also see note 31 on page 43.

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 licences)
- 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.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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 asset 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 written off against any revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income & Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred to the Capital Adjustment Account.

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 or other impairment losses not covered by a revaluation gain in the Revaluation Reserve 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 Adjustment 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 Capital Adjustment 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 proceeds less market value 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. De minimis spending is where we buy capital assets below a certain value and do not recognise these assets in the fixed asset register. Please refer to accounting policy 9 on page 68 for the de minimis values. 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 Financial Liabilities

Accounting policies 17 and 18 are new this year following the adoption of FRS 25, 26, and 29 into the CIPFA Statement of Recommended Practice (SORP) 2007. There is no impact on the main statements of the Council for 2007 – 2008 (or 2006 – 2007 comparators), as the Council does not hold material levels of the types of financial instruments requiring adjustment.

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

18 Financial Assets

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

19 Stocks and work in progress

Stocks are included in the balance sheet at the lower of cost or 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 or loss reasonably attributable to the works. Please refer to note 39 on page 51**.**

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, i.e. 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 below:

- 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 current liability creditor on the Council's balance sheet. The creditor 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 2007 - 2008 transactions please refer to note 34 on page 45 .

Councillors' allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 say we must publish information on how much each county councillor is paid in allowances.

Councillor	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Clare Aitchison	9,324.00			245.20	
Edward Alcock	9,324.00	13,986.00		4,425.95	
Allyson Barron	9,324.00			722.80	
Mark Bee	9,324.00	6,993.00		1,013.60	
Peter Beer	9,324.00			1,383.23	
Peter Bellfield	9,324.00	4,662.00			
Roger Bellham	9,324.00	6,993.00		2,576.75	
Bill Bishop	9,324.00			568.10	
Andrew Cann	9,180.00	2,988.53		33.60	
Lisa Chambers	9,324.00	12,661.60		4,740.45	
Malcolm Cherry	9,324.00	4,773.96		3,395.96	
Rosemary Clarke	9,324.00	3,526.21		2,413.05	
Terry Clements	9,324.00	2,331.00		1,623.60	
Jeremy Clover	9,324.00			720.35	
John Field	9,324.00	4,662.00		768.70	
Phillip French	9,324.00			1,416.35	
John Goldsmith	9,324.00			829.20	
John Goodwin	9,324.00	2,331.00		3,270.45	
David Grutchfield	9,324.00			511.40	
Russell Harsant	9,324.00				
Colin Hart	9,324.00			727.70	
Paul Hopfensperger	9,324.00			348.80	
Rebecca Hopfensperger	9,324.00	2,331.00		1,474.40	
Jane Hore	9,324.00			1,392.45	
Steven Hudson	9,324.00			207.73	
Richard Kemp	9,324.00			491.52	
John Klaschka	9,324.00			323.40	
Karen Knight	9,324.00	4,662.00		1,034.65	
Raeburn Leighton	9,324.00			2,278.95	
Tony Lewis	9,324.00	6,993.00		1,716.04	
Alastair Liddell	5,755.16			224.80	
Kevan Lim	9,324.00	7,343.17	420.50		
Inga Lockington	9,324.00	4,773.96			
David Lockwood	9,324.00	4,662.00		2,464.81	
Susan Maguire	9,324.00				
Harold Mangar	9,324.00				
Graham Manuel	9,324.00	6,667.16			
Tim Marks	9,324.00			2,913.81	
Sandy Martin	9,324.00	6,993.00			
Wendy Mawer	9,324.00	4,662.00		1,462.09	
Guy McGregor	9,324.00	13,986.00		2,977.45	
Charles Michell	9,324.00	5,708.45		1,302.15	
Jane Midwood	9,324.00	4,662.00		1,006.40	
Graham Newman	9,324.00	13,986.00		3,153.54	
Colin Noble	9,324.00	758.20		2,542.24	
Patricia O'Brien	9,324.00	13,986.00		1,192.80	
Stefan Oliver	9,324.00	4,662.00			

Councillors’ allowances

Councillor	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Penny Otton	5,564.32			437.30	
Jack Owen	7,173.00			155.75	
Keith Patience	9,324.00			296.60	
Jeremy Pembroke	9,324.00	23,310.00		2,957.20	
Roger Pendleton	9,324.00			766.40	
Kathy Pollard	9,324.00	4,007.96		680.29	
Selwyn Pryor	9,324.00			604.40	
William Quinton	9,324.00				
Eleanor Ramsey	777.00				
Keith Rawlingson	9,324.00	5,019.17		35.50	
Ben Redsell	9,324.00	1,265.76		509.20	
Ann Rodwell	9,324.00	4,662.00		162.80	
Morris Rose	9,324.00			1,477.60	
Bryony Rudkin	9,324.00	6,993.00			
Bill Sadler	9,324.00	10,652.42		3,565.60	
Ken Sale	9,324.00			973.92	
Sue Sida-Lockett	2,331.00	2,412.46		264.00	
Colin Spence	9,324.00	2,331.00		1,303.00	
Joanna Spicer	9,324.00	13,986.00		3,765.55	
Jane Storey	9,324.00	15,985.03		3,620.60	
Julian Swainson	9,324.00	9,790.20		2,054.32	
John Taylor	9,324.00			1,705.70	
David Thomas	7,431.24				
Sue Thomas	9,324.00	6,993.00			
Julia Truelove	9,324.00	3,912.00			
Frank Warby	9,324.00	4,662.00		860.80	
Ron Ward	9,324.00			2,412.00	
Anne Whybrow	9,324.00				
David Wood	9,324.00			907.50	
David Yorke-Edwards	9,324.00			1,965.20	
Total	**690,891.72**	**288,726.24**	**420.50**	**91,375.70**	**0.00**

Co-opted Councillors	Basic Allowance	Special Responsibility Allowance	Dependants Carer's Allowance	Travel and Subsistence Expenses	Financial Loss Allowance
Louise Allen				32.00	
Margaret Anderson		9,324.00			
Michael Brenton		4,662.00		152.97	
Tony Dack				3.20	140.00
Anne Dunford					560.00
John Levantis				81.90	420.00
Paul McIntee				145.50	840.00
Patricia Royce				321.10	630.00
Tony Sheppard				155.50	700.00
Graham Steel				50.60	
Total	**0.00**	**13,986.00**	**0.00**	**942.77**	**3,290.00**

Notes to the Pension Number 1 Fund

2006 - 2007			2007 - 2008
£ million	**Fund account**	**Notes**	**£ million**
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers:		
66.390	Normal	**2**	63.650
4.878	Special	**2**	4.691
	From members:		
16.695	Normal	**2**	17.434
	Transfers in:		
6.986	Individual transfers in from other schemes		7.588
0.054	Other income		0.044
	Benefits payable:	**2**	
-37.662	Pensions		-40.711
-7.983	Commutations of pensions and lump sum retirement benefits		-7.703
-0.991	Lump sum death benefits		-0.609
	Payments to and on account of leavers:		
-0.026	Refunds of contributions		-0.026
-0.006	State scheme premiums		0.003
-0.130	Group transfers out to other schemes		0.000
-4.253	Individual transfers out to other schemes		-3.247
-1.162	Administration expenses borne by the scheme		-1.147
42.790	**Net additions (withdrawals) from dealings with members**		**39.967**
	Returns on investments		
	Investment income:		
0.546	Interest from fixed interest securities		0.680
16.558	Dividends from equities		18.108
5.365	Income from pooled investment vehicles		4.579
0.446	Interest on cash deposits		0.860
0.015	Other		0.188
72.866	Change in market value of investments	**6**	-55.877
-1.104	Taxation - irrecoverable withholding tax		-0.899
-3.439	Investment management expenses borne by the scheme		-3.041
91.253	**Net returns on investments**		**-35.402**
134.043	Net increase, or decrease, in the fund during the year		4.565
1,166.602	Opening net assets of the scheme		1,300.645
1,300.645	**Closing net assets of the scheme**		**1,305.210**

Notes to the Pension Number 1 Fund

31 March 2007 Restated £ million	Net asset statement	Notes	31 March 2008 £ million
	Investment assets	**6**	
	Fixed interest securities:		
31.874	UK government fixed interest securities		39.065
16.655	Overseas fixed interest securities		22.998
122.020	Corporate bonds		129.367
	Equities:		
451.171	UK companies		297.425
431.777	Overseas companies		492.689
16.436	Private equity		33.869
47.885	UK government index linked securities		56.455
4.391	Other Managed Funds		4.929
	Unit trusts:		
163.207	Property		141.027
	Derivative Contracts:		
0.000	Futures		41.672
0.000	Active Currency		20.042
1,285.416	**Total investments**		**1,279.538**
	Net current assets and liabilities		
11.803	Sundry debtors	**10**	12.747
-2.465	Sundry creditors	**10**	-3.138
0.000	Margin Variation	**6**	0.100
0.000	Cash backing Open Futures Contracts	**6**	-41.672
0.000	Cash held by broker for Futures Contracts	**6**	3.159
5.060	Cash held by the investment managers	**6**	90.460
0.831	Cash temporarily lent to the council	**6**	5.516
	Cash temporarily borrowed from (-) the council	**6**	-41.500
15.229	**Net current assets**		**25.672**
1,300.645	**Net assets**		**1,305.210**

Notes to the Pension Number 1 Fund

1. Running the Fund

The fund is administered by Suffolk County Council and provides retirement benefits for all 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 2007		31 March 2008
17,977	Members	18,336
7,721	Employee pensioners	8,157
1,545	Dependent pensioners	1,599
10,748	Deferred	11,861

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

2006-2007				2007-2008		
Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million		Employers' Contributions £ million	Employees' Contributions £ million	Benefits Paid £ million
39.392	9.714	-17.596	**Suffolk County Council**	40.033	10.148	-19.207
30.597	6.538	-19.751	**Other Scheduled Bodies**	26.828	6.758	-20.868
1.279	0.443	-0.315	**Admitted Bodies**	1.480	0.528	-0.636
71.268	16.695	-37.662	**Total**	68.341	17.434	-40.711

You will find a full list of employers in the Funding Strategy Statement that we publish separately on the Suffolk County Council website.

Notes to the Pension Number 1 Fund

The scheduled bodies contributing to the fund are:

County and District Councils
- Suffolk County Council
- Babergh District Council
- Forest Heath District Council
- Ipswich Borough Council
- Mid Suffolk District Council
- St. Edmundsbury Borough Council
- Suffolk Coastal District Council
- Waveney District Council

Parish Councils
- Great Cornard Parish Council
- Mildenhall Parish Council
- Onehouse Parish Council
- Pinewood Parish Council
- Woolpit Parish Council
- Nayland and Wissington Parish Council
- Boxford Parish Council
- Leavenheath Parish Council

Town Councils
- Beccles Town Council
- Brandon Town Council
- Bury St. Edmunds Town Council
- Felixstowe Town Council
- Framlingham Town Council
- Hadleigh Town Council
- Haverhill Town Council
- Kesgrave Town Council
- Newmarket Town Council
- Stowmarket Town Council
- Sudbury Town Council
- Woodbridge Town Council

Other
- Suffolk New College
- West Suffolk College
- Lowestoft College
- Otley College
- Suffolk Police Authority
- Suffolk Valuation Tribunal
- Suffolk Probation Service

3. Managing the Fund

We invest the balance of the fund in line with Local Government Pension Regulations.

The Funds investments are managed by:

- Legal and General Investment Management
- Aberdeen Fund Management
- Schroders Investment Management
- AllianceBernstein Institutional Investments
- Newton Investment Management
- BlackRock Investment Management
- JP Morgan Asset Management
- Record Currency Management
- Millennium Global Investments
- MAN Financials
- Wilshire Associates
- Pantheon Ventures
- Cambridge Research and Innovation Limited

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.

Notes to the Pension Number 1 Fund

The following table shows the market value of investments held by each manager at 31 March 2008.

	Market Value £ million	Percentage of Assets %
Aberdeen Fund Management	82.591	6.45
AllianceBernstein Institutional Investments	169.930	13.28
BlackRock Investment Management	83.387	6.52
JP Morgan Asset Management	158.024	12.35
Legal and General Investment Management	368.604	28.81
Millennium Global Investments / MAN Financials	41.672	3.26
Newton Investment Management	175.708	13.73
Record Currency Management	20.042	1.57
Schroder Property Investment Management	145.711	11.39
Pantheon Ventures	14.846	1.16
Wilshire Associates	18.904	1.48
Cambridge Research & Innovation Limited	0.119	0.01
	1,279.538	**100.00**

100% (£368.604 million) of the Legal and General Investments are invested in its own index pooled funds (100% £420.751 million as at 31 March 2007). Similarly 73.7% (£60.858 million) of Aberdeen investments are in its own pooled funds (79.3%, £59.984 million as at 31 March 2007). The pooled funds are one step removed from direct ownership of the assets. The type of investments shown in the net asset statement, on page 75, includes both direct and pooled fund investments.

During 2007-2008 the Pension Fund made the following changes to its Global and UK Equity Investment managers:

Previous Managers	**Asset Class**	**Percentage of the Fund Managed**
Capital International	Overseas Equities	18.0%
Societe Generale	UK Equities	15.0%
		33.0%
New Managers		
JP Morgan Asset Management	Global Equities	13.2%
BlackRock Investment Management	UK Equities	6.6%
Newton Investment Management	Global Equities	13.2%
		33.0%

The transition process was managed by Lehmans Brothers.

A further change to the management of the fund was agreed at the Pension Fund Committee on the 9 May 2007. Record Currency Management and Millennium Global Investments were appointed to manage active currency mandates. Legal and General realised funds in their North America and UK Equity index tracking funds to enable the pension fund to invest in December 2007 and March 2008 respectively. A separate arrangement is also in place alongside Millennium to equitise the holdings through Futures Contracts with MAN Financials, which are benchmarked to the FTSE 100.

At the 31 March 2008 MAN Financials had the following open Futures Contracts:

Type of Future	Expiration	Economic Exposure Value £ million
UK FTSE exchange traded	Less than 1 Year	41.672

4. Actuarial Position

The last formal three-yearly actuarial valuation was carried out as at 31 March 2007. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2008. 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 2007.
- The 'projected unit method' of actuarial valuation.
- Projected investment returns of 6.1% per year, increases in future salaries of 4.7% a year and for pension increases of 3.2% a year.
- The actuarial assessment of the value of the fund's assets was £1,301.2 million as at 31 March 2007 (the market value of assets in the draft accounts), plus £1.3 million for augmentation and redundancies, making a total of £1,302.5 million.
- The actuarial assessment of the fund's liabilities, which was £1,460.9 million at 31 March 2007

The valuation showed that the fund's assets covered 89.2% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £158.4 million. The actuary has confirmed that the employer's common contribution rate should be 19.0% of pensionable pay for the three years starting 1 April 2008. The aim is to recover the pension fund deficit over a period of fifteen years.

An interim valuation was carried out as at 31 March 2008. The valuation was based on the following assumptions:

- Projected investment returns of 6.06% per year, increases in future salaries of 5.07% a year and for pension increases of 3.65% a year.
- The actuarial value of the fund's assets was £1,298.1 million and the liabilities £1,683.5 million at 31 March 2008.

The valuation showed that the fund's assets covered 77.1% of its estimated liabilities at the valuation date and the deficit was £385 million.

5. Accounting Policies

The Fund Account and Net Asset Statement have been prepared in accordance with the provisions of Section 2 *Recommended Accounting Practice* of the Pension SORP – *The Financial Reports of Pension Schemes* issued by the Pensions Research Accounts Group and the associated guidance notes issued by CIPFA.

Expenditure and income are accounted for on an accruals basis with the exception of individual transfers into and out of the scheme which are accounted for on a cash basis. Group transfers into and out of the scheme are accounted for on an accruals basis. Acquisition costs of investments are included in the purchase price.

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

Investment management expenses are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management.

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 valuation.

Notes to the Pension Number 1 Fund

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

- Listed securities are valued at the mid market value.
- 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.
- Futures are shown at market value which is the total exposure to the stock market that the futures contracts effect.

6. Buying and Selling Investments

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

	Value at 31 March 2007 £ Million	Reclassified £ Million	Transition Trades £ Million	Purchase £ Million	Sales £ Million	Change in Market Value £ Million	Value at 31 March 2008 £ Million
UK Government Fixed Interest Securities	31.874	0.000	0.000	14.480	-8.312	1.023	39.065
Overseas Fixed Interest Securities	16.655	2.625	0.000	3.995	-3.200	2.923	22.998
Corporate Bonds	122.020	-2.625	0.000	13.800	-6.420	2.592	129.367
UK Companies	451.171	2.612	0.483	197.516	-313.424	-40.933	297.425
Overseas Companies	431.777	0.980	-0.483	603.505	-535.137	-7.953	492.689
Other Managed Funds	4.391	0.000	0.000	29.180	-28.828	0.186	4.929
Futures	0.000	0.000	0.000	8.264	-7.943	-0.321	0.000
UK Government Index Linked Securities	47.885	0.000	0.000	5.410	-3.625	6.785	56.455
Derivatives - Options	0.000	0.000	0.000	0.488	-0.393	-0.095	0.000
Derivatives - Currency	0.000	0.000	0.000	25.000	0.000	-4.958	20.042
Property	163.207	-3.592	0.000	7.798	-5.484	-20.902	141.027
Futures	0.000	0.000	0.000	41.672	0.000	0.000	41.672
Private Equity	16.436	0.000	0.000	14.762	-2.896	5.567	33.869
	1,285.416	0.000	0.000	965.870	-915.662	-56.086	1,279.538

	Value at 31 March 2007 £ Million	Movement in Cash Balance £ Million	Change in Market Value £ Million	Value at 31 March 2008 £ Million
Cash Held by Managers	5.060	85.254	0.154	90.460
Cash Held by Broker	0.000	3.159	0.000	3.159
Cash Backing Futures	0.000	-41.672	0.000	-41.672
Margin Variation	0.000		0.100	0.100
Cash lent to the Council	0.831	4.685	0.000	5.516
Cash borrowed from Council	0.000	-41.500	0.000	-41.500
	5.891	9.926	0.254	16.063

7. Holdings above 5 % of the Fund

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

Value 2006 - 2007 £ million	% of fund 2006 - 2007	Asset Type	Manager	Value 2007 - 2008 £ million	% of fund 2007 - 2008
68.717	5.35%	European Equities Index	Legal and General	69.159	5.24%
61.211	5.31%	North American Equities	Legal and General	n/a	n/a
65.812	5.12%	Corporate Bond Index	Legal and General	74.904	5.67%

8. Stock Lending

The fund has an arrangement with its custodian State Street Bank and Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the total value. Collateralised lending generated income of £0.062 million in 2007-2008 (£0.004 million 2006-2007) the second year that securities lending has occurred within the fund. This is included within ‘other’ investment income in the Fund Account. At 31 March 2008 £51.461 million worth of stock (3.94% of the Fund) was on loan, for which the fund was in receipt of £54.145 million worth of collateral.

9. Related Parties

The pension fund is a related party to its administering authority and other participating employers. During 2007-2008 the material transactions were as follows:

2006-2007 £ million		2007-2008 £ million
0.817	Suffolk County Council - Administration Expenses	0.880
-0.137	Interest on money lent to Suffolk County Council	-0.133

There are no significant related party transactions involving members or officers.

10. Net Current Assets and Liabilities

This is a breakdown of the Listed Debtors and Creditors in the Net Asset Statement:

2006-2007 £ million		2007-2008 £ million
	Listed Debtors:	
6.059	Employer & Employee Contributions	7.500
5.163	Investment Assets	4.981
0.004	Stock Lending Income	0.018
0.093	Interest on Cash Deposits	0.098
0.484	Income due from Employers for Benefits Paid	0.150
11.803		12.747
	Listed Creditors:	
0.011	Investment Assets	0.000
-0.728	Investment Manager Expenses	-0.753
-0.861	Administration Expenses	-0.975
-0.001	Employer Contributions	-0.721
-0.305	Individual Transfers Into the Scheme	-0.677
-0.581	Payments for Lump Sums on Retirement	-0.012
-2.465		-3.138

11. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 5 (2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended), additional voluntary contributions have been excluded from the Fund Account and Net Assets Statement. These contributions are held by the providers and therefore do not form part of the fund's investments. A total of £0.165m was paid over to the providers, Clerical Medical, Standard Life, Equitable Life and Century Life in 2007-2008.

12. Contingent Liabilities

At the 31 March 2008 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 the actuaries acting on behalf of local authority pension funds.

At the 31 March 2008 there was a pending bulk transfer of 41 employees from the Pension No. 1 Fund to the National Heath Service. The value of the transfer is still to be determined by the actuaries of the respective schemes.

At the 31 March 2008 there was a pending bulk transfer of 28 employees from the Pension No. 1 Fund to Essex County Council. The value of the transfer is still to be determined by the actuaries of the respective schemes.

13. Post Balance Sheet Event

The underlying value of the Funds assets has decreased from £1,279.538m in March 2008 to £1,268.861m in June 2008. The performance of the Fund to June 2008 resulted in a return of -1.0%. The fall in the value is due to the fall of most major markets which has continued through to September 2008. Further information on the performance of the Fund is reported in the Pension Committee papers published on the Suffolk County Council website.

Pension Number 2 Fund (Ipswich Buses Ltd)

2006 - 2007			2007 - 2008
£ million	**Fund account**	**Notes**	**£ million**
	Dealings with members, employers and others directly involved in the scheme		
	Contributions and benefits		
	Contributions receivable:		
	From employers		
0.510	Normal		0.507
	From members		
0.046	Normal		0.045
	Benefits payable:		
-0.572	Pensions		-0.610
-0.084	Commutations of pensions and lump sum retirement benefits		-0.061
0.000	Lump sum death benefits		-0.009
-0.018	Administration expenses borne by the scheme		-0.027
-0.118	**Net additions (withdrawals) from dealings with members**		**-0.155**
	Returns on investments		
	Investment income		
0.060	Income from pooled investment vehicles		0.059
0.005	Other		0.000
0.850	Change in market value of investments:	**6**	-0.309
-0.012	Taxation - irrecoverable withholding tax		-0.008
-0.019	Investment management expenses borne by the scheme		-0.014
0.884	**Net returns on investments**		**-0.272**
0.766	Net increase, or decrease, in the fund during the year		-0.427
15.029	Opening net assets of the scheme		15.795
15.795	**Closing net assets of the scheme**		**15.368**

31 March 2007 £ million	Net asset statement	Notes	31 March 2008 £ million
	Investment assets		
	Fixed interest securities:		
3.002	Legal & General Corporate bonds		3.151
	Equities:		
4.023	UK companies		3.856
3.776	Overseas companies		3.818
3.264	Legal & General UK government index linked securities		3.178
	Unit trusts:		
1.640	Schroders Property		1.393
15.705	**Total investments**	**6**	**15.396**
	Net current assets and liabilities		
0.063	Sundry debtors		0.032
-0.018	Sundry creditors		-0.004
0.012	Cash [held by the investment managers]		0.001
0.033	Cash [temporarily lent to / borrowed from (-) the council]		-0.057
0.090	**Net current assets**		**-0.028**
15.795	**Net assets**		**15.368**

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

1. Running the Fund

The fund is administered by Suffolk County Council and 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 2007		31 March 2008
47	Members	47
124	Employee pensioners	126
20	Dependent pensioners	22
37	Deferred	33

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 (£14.003 million, 91% as at 31 March 2008) and Schroders property units (£1.393 million, 9% as at 31 March 2008).
A copy of the funds' Statement of Investment Principles can be obtained from the Head of Strategic Finance or from Suffolk County Council's website.

4. Actuarial Position

The last formal three-yearly actuarial valuation was carried out as at 31 March 2007. The valuation report sets out the rates of the employer's contributions for the three years starting 1 April 2008. 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 2007.
- The 'attained age method' of actuarial valuation.
- Projected investment returns of 5.8% per year, increases in future salaries of 4.7% a year and for pension increases of 3.2% a year.
- The actuarial assessment of the value of the fund's assets was £15.8 million as at 31 March 2007 (the market value of assets), and
- The actuarial assessment of the fund's liabilities, which was £16.6 million at 31 March 2007

The valuation showed that the fund's assets covered 94.9% of its liabilities at the valuation date, and the deficit based on the actuarial valuation was £842,000. The actuary has confirmed that the employer's common contribution rate should be 26.2% of pensionable pay for the three years starting 1 April 2008. In addition, monetary payments of £130,000 per annum should be paid over the three years. A funding level of 100% is to be targeted over the future working lifetime of employees.

5. Accounting Policies

The Fund Account and Net Asset Statement have been prepared in accordance with the provisions of Section 2 *Recommended Accounting Practice* of the Pension SORP – *The Financial Reports of Pension Schemes* issued by the Pensions Research Accounts Group and the associated guidance notes issued by CIPFA.

Expenditure and income are accounted for on an accruals basis with the exception of transfers into and out of the scheme and which are accounted for on a cash basis. Acquisition costs of investments are included in the purchase price.

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

Investment management expenses are agreed in the respective mandates governing their appointment. Fees are based on the market value of the portfolio under management.

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 valuation.

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

- Listed securities are valued at the mid market value
- 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.

	Value at 31 March 2007 £ million	Purchase £ million	Sales £ million	Change in Market Value £ million	Value at 31 March 2008 £ million
Property Unit Trusts	1.640	0.000	0.000	-0.247	1.393
UK Companies	4.023	0.215	-0.073	-0.309	3.856
UK Government Index Linked Securities	3.082	0.044	-0.357	0.409	3.178
Corporate Bonds	3.002	0.267	0.000	-0.118	3.151
Overseas Companies	3.958	0.215	-0.311	-0.044	3.818
Total	**15.705**	**0.741**	**-0.741**	**-0.309**	**15.396**

7. Holdings above 5% of the fund

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

Value 2006-2007 £ million	% of the Fund 2006-2007	Asset Type	Manager	Value 2007-2008 £ million	% of the Fund 2007-2008
4.023	25.62%	UK Equities Index	Legal and General	3.856	25.05%
1.124	7.16%	North American Equities Index	Legal and General	1.104	7.17%
1.230	7.83%	European Equities Index	Legal and General	1.193	7.75%
0.761	4.85%	Japan Index	Legal and General	0.777	5.05%
3.082	19.63%	Over 5 Year Index Linked	Legal and General	3.179	20.65%
3.002	19.11%	Corporate Bond Index	Legal and General	3.150	20.46%
1.640	10.44%	Property Unit Trust	Schroders	1.392	9.04%

8. Related parties

The pension fund is a related party to its administering authority. During 2007-2008 the material transactions were as follows:

2006-2007 £ million		2007-2008 £ million
0.006	Suffolk County Council - Administration Expenses	0.005

There are no significant related party transactions involving members or officers.

2006-2007 £ million	Fund Account	2007-2008 £ million
	Contributions Receivable	
	From Employer:	
1.587	Normal	1.751
0.821	From members	0.979
0.000	Transfers In	0.002
	Benefits Payable	
-3.447	Pensions	-3.556
-0.555	Commutations and lump sum retirement benefits	-0.390
0.000	Other - ill Health	-0.001
-1.594	Net amount (payable) for the year before top-up grant	-1.215
1.617	Top-up grant received	1.441
-0.023	Net amount payable to sponsoring department	-0.226

2006-2007 £ million	Net Assets Statement	2007-2008 £ million
	Net current assets and liabilities	
0.023	Amount due to sponsoring department	0.226

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 for 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 2007 (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 is accounted for as we earn it or commit to it, 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 did not happen; or
- the actuary's assumptions have changed.

Actuarial valuation
An actuarial valuation measures a pension fund's ability to meet its long-term liabilities (future costs). The actuary looks at the likely increase in the value of the fund and the probable payments out of the fund. The difference between the two is the amount that we have to put into the fund.

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

Amortisation
The writing down of costs to the Income and Expenditure Account over a number of years

Attained age method
An actuarial valuation methodology, whereby the actuarial liabilities of a fund are valued by reference to the pension entitlements that accrue to current scheme members up to the age when they retire, cease employment, or die. It is a methodology which is suitable for a pension fund which is closed to new employees.

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

Capital adjustment account
This account contains a store of capital resources set aside to meet past expenditure. This account replaces the Fixed Asset Restatement Account and Capital Financing Account.

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

Capital receipts
Money obtained on the sale of a capital asset

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
Contingent liabilities are possible or present obligations that arise from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Councils control. Contingent liabilities are not recognised in the accounts as an item of expenditure.

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.

Deferred liabilities
Deferred liabilities are liabilities which are payable at some point in the future or paid off by an annual sum over a period of time.

Defined benefit scheme
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 measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

Discretionary benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award, and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Earmarked reserves
Money set aside for a specific purpose.

Emoluments
Payments received in cash and benefits for employment

Employee expenditure
The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses are also included.

Fees and charges
Income arising from the provision of services.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes the most straightforward of financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors).

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

Formula grant
A general government grant (including a share of business rates) which contributes to the day to day running of council services the balance being met from Council Tax

FRS
Financial reporting standard

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
Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on this account represents grants not yet written off.

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

ICT
Information and communications technology

Impairment
A diminution in value of a fixed asset resulting from, for example, obsolescence or physical damage. To comply with accounting standards the County Council undertakes annual reviews of its assets to identify any assets which have been impaired.

Infrastructure assets
Fixed assets that cannot be sold, transferred or removed. 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.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

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

Materiality
An item is material if its omission, non-disclosure, or misstatement in financial statements could be expected to lead to a distortion of the view given by financial statements.

Minimum revenue provision
A minimum amount, set by law, which the County Council must charge to the revenue account, for debt redemption or for the discharge of other credit liabilities.

Net book value
The amount at which fixed assets are included in the balance sheet. This means their original cost or current value less the amount allowed for wear and tear.

Net operating expenditure
This comprises all expenditure minus all income, other than precept and transfers from reserves.

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;
- 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.

Post balance sheet events
Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Precept
The levying of a rate by one authority which is collected by another. Suffolk County Council precepts upon the district councils’ collection funds for its income but some bodies, e.g. the Environment Agency, precept upon Suffolk County Council.

Prior year adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision
An amount set aside to provide for a liability that is likely to be incurred but where the exact amount and the date on which it will arise are uncertain.

Projected unit method of actuarial valuation
An accrued-benefits valuation method is one in which the scheme liabilities allow for projected earnings. An accrued-benefits valuation method is the scheme liabilities at the valuation date in relation to:

- the benefits for pensioners and deferred pensioners (that is, individuals who are no longer active members but are entitled to benefits at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time. 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.

Public Works Loans Board
A government controlled agency that provides a source of borrowing for public authorities.

Glossary

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.

Revaluation reserve
This account contains the difference between the values of our assets based on historical cost and more recent valuations.

Section 151 officer
Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Council has appointed the Head of Strategic Finance as its Section 151 Officer.

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 Robertson, 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 spread equally 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.

Usable capital receipts
The proportion of the proceeds arising from the sale of fixed assets that can be used to finance capital expenditure.

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